

THE DIRECTION IS CLEAR

Konecranes Annual Report 2015



THE INDUSTRIAL INTERNET REPRESENTS THE FUTURE OF THE BUSINESS CONDUCTED BY KONECRANES AS WELL AS THAT OF ITS CUSTOMERS. AS ITS ADVANCES RESHAPE THE WORLD'S INDUSTRIES, OUR COMPANY WILL BE POISED TO TAKE FULL ADVANTAGE OF THESE DEVELOPMENTS.

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KONECRANES IN A SNAPSHOT



“The combination of industry and data analytics helps in seeing the different pieces of the production as a unity. The industrial internet enables actors to react earlier and manage processes in an integrated way: the only limit is the imagination.”

Matti Kemppainen, Director, Research and Innovation at Konecranes

BUSINESS AREAS

Service

With around 600 service locations in nearly 50 countries, Konecranes offers, through a global service network, specialized maintenance and modernization services for all types and makes of industrial cranes, hoists, machine tools, and port equipment.

Products

The extensive Konecranes service offering includes inspections, preventive maintenance programs, repairs and improvements, on-call service, spare parts, modernizations, and a variety of consultation services.

TRUCONNECT Remote Service connects data, machines and people to help businesses identify maintenance and performance issues before they affect safety, productivity or revenue. TRUCONNECT can include access to operating data, abnormal usage alerts, and remote technical support.

Market position

Konecranes is the market leader in crane service, with the world's most extensive crane service network.

Service contract base

More than 450,000 units are covered by Konecranes service agreements. The majority of this equipment has been manufactured by other companies; Konecranes can provide expert maintenance for any brand of equipment from any manufacturer.

Equipment

Business Area Equipment offers components, cranes, and material handling solutions for a wide range of customers, including process industries,

the nuclear sector, industries handling heavy loads, container handling, intermodal terminals, shipyards, and bulk material terminals. Products are marketed through a multi-brand portfolio that includes Konecranes and the group's power brands: STAHL CraneSystems, SWF Krantechnik, Verlinde, R&M, Morris Crane Systems, and SANMA Hoists & Cranes.

Products

Our product range comprises industrial cranes and workstation lifting systems, including components such as wire rope hoists and electric chain hoists. In addition, we offer nuclear cranes, container and bulk handling equipment, shipyard cranes, and lift trucks. The product offering features a number of advanced technologies, such as automation and smart features, including sway control, load positioning, and shock load prevention. Konecranes Agilon is a patented materials management solution for managing, storing, picking, and replenishing components that offers improved efficiency in material handling.

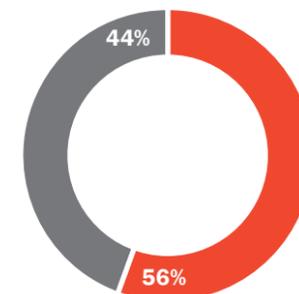
Market position

Konecranes is one of the world's largest suppliers of industrial cranes, and a world leader in explosion-protected crane technology. It is also a global leader in electrical overhead traveling cranes for process industries and shipyard gantry cranes, and a strong global supplier of cranes and lift trucks for container handling and heavy unitized cargo and bulk material unloading.

Annual production

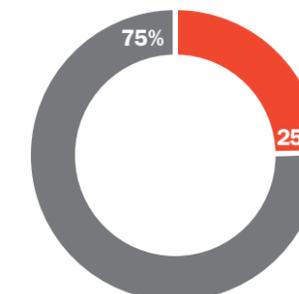
We produce thousands of industrial cranes annually, tens of thousands of wire rope hoists and trolleys and electric chain hoists, as well as hundreds of heavy-duty cranes and heavy-duty lift trucks.

Sales by Business Area, 2015



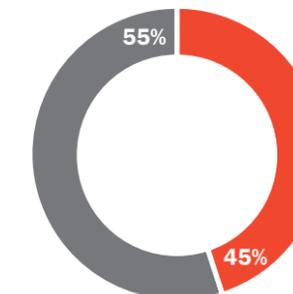
■ Equipment 1,240.3 MEUR
■ Service 992.3 MEUR

EBIT by Business Area, 2015*



■ Equipment 33.8 MEUR
■ Service 102.9 MEUR
* Excluding restructuring costs

Personnel by Business Area, 2015



■ Equipment 5,328
■ Service 6,503

A market leader
in industrial cranes and components,
as well as crane service

One of the largest
suppliers of port cranes and
lift trucks

Industry-leading technology
and global modular product
platforms

EUR 2,126 million
of net sales in 2015

11,900
employees in 2015

14
countries with production
facilities

Sales and service locations in
48 countries

Head office in
Finland

Listed on
Nasdaq Helsinki

2015 HIGHLIGHTS

5.8%

increase in order book compared to 2014.

5.7%

increase in net sales in 2015.

5.5%

operating margin excluding non-recurring items in 2015.

Sales grew, profitability remained at previous year's level

- In 2015, order intake growth within Business Area Service was mainly attributable to favorable currency changes; at comparable currencies, orders received remained at the previous year's level. Within Business Area Equipment the market environment remained difficult in the new equipment business, particularly within process industries and, geographically, in most of the emerging markets. The Group order intake increase of 3.3 percent was driven by favorable currency changes.
- Konecranes' order book as of the end of the year stood 5.8 percent higher than in 2014.
- Net sales increased by 5.7 percent compared to 2014 due to favorable currency changes.
- Operating margin, excluding non-recurring items, remained close to the previous year's level at 5.5 percent of sales.

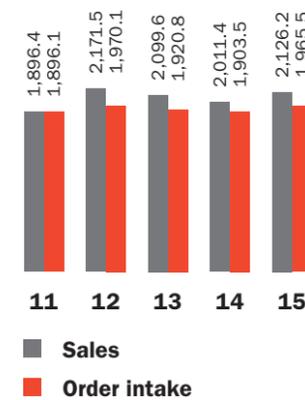
Continued improvement in Service, Equipment volumes remained under pressure

- Net sales in Business Area Service grew by 10.9 percent in 2015. Sales grew in all regions. Contract base growth continued and was up 7.5 percent year-on-year at the end of 2015. Operating margin before restructuring costs was 10.4 percent of sales. Profitability improved due to the sales growth and higher gross margin.
- Net sales in Business Area Equipment were 1.5 percent higher than in 2014. The increase in net sales was entirely attributable to favorable currency changes. Sales of port cranes and lift trucks increased whereas sales of industrial cranes and components decreased. Operating margin before restructuring costs was 2.7 percent of sales. Profitability was burdened by lower sales at comparable currency rates and unfavorable sales mix.

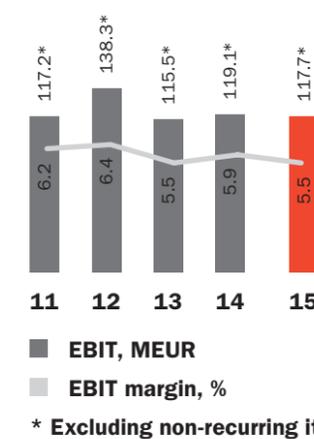
Progress made within the strategic focus areas, merger agreement with Terex

- Konecranes continued intensive work on the three key strategic initiatives – Industrial Internet, Segment-based Offering and oneKONECRANES – in 2015.
- At the end of 2015, the equipment base with technical capability for Konecranes' remote monitoring services exceeded 10,000 units. In 2015, Konecranes hosted two IndustryHack Hackathon events for programmers to develop and build new applications and services.
- The availability of new standard segment products launched in 2014 – BOXHUNTER RTG crane, CXT UNO overhead crane, Morris S5 Series wire rope hoist and UNITON open winch crane – was expanded in new capacities and they were launched in new markets.
- In 2015, oneKONECRANES reached important milestones in terms of system implementation. The roll outs of a new ERP for manufacturing logistics and transaction handling continued around the globe, covering more than 50 percent of Konecranes' business by the end of the year. The new ERP for Service was rolled out in North America, Australia and Central Europe, reaching approximately 40 percent coverage of Konecranes' service business at the end of 2015.
- On August 11, 2015, Konecranes and Terex Corporation announced that their respective Boards of Directors had unanimously approved a definitive agreement to combine their businesses in a merger of equals. Upon closing of the merger, Terex shareholders will own approximately 60 percent and Konecranes shareholders will own approximately 40 percent of the combined company.

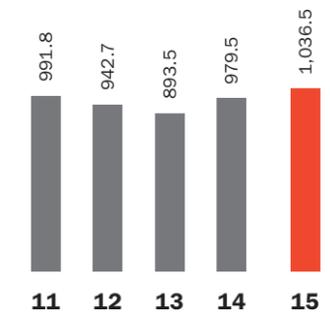
Sales/orders, MEUR



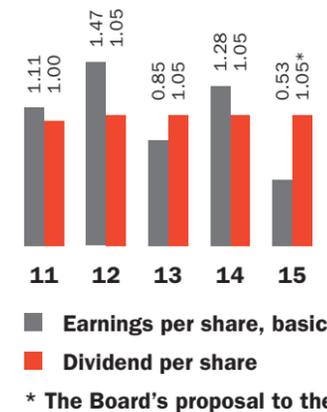
EBIT, MEUR/ EBIT margin, %



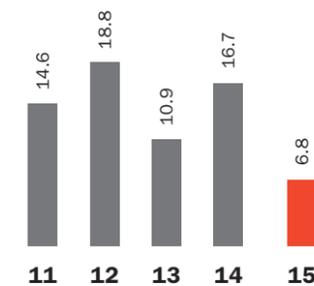
Order book, MEUR



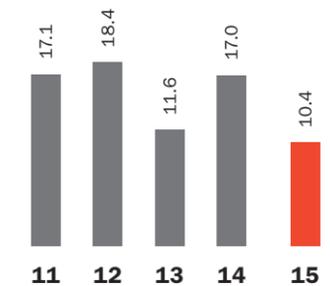
Earnings & dividend per share, EUR



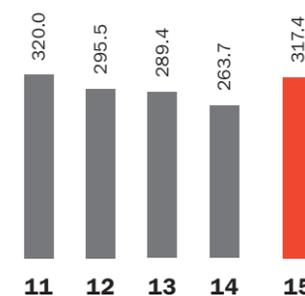
Return on equity, %



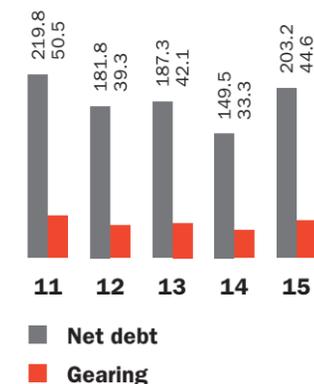
Return on capital employed, %



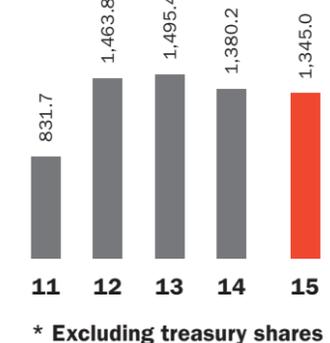
Year-end net working capital, MEUR



Year-end net debt, MEUR/Gearing, %



Year-end market capitalization*, MEUR



MAPPING THE FUTURE

Dear shareholders,

Having occupied the CEO chair for some months, it's clear that I entered the Konecranes story at an extremely interesting moment. One aspect of this is the ongoing merger with Terex Corporation, of course, with all the discussions and decisions it has brought forth. The merger is covered in more detail in the Chairman's letter on page 8. But the bigger picture is even more diverse, fascinating and, in many ways, rather exciting.

In general, 2015 was another challenging year for Konecranes. But despite struggling economies worldwide and a slow, cautious climate of investment, we did fairly well.

Business Area Service continued to grow its contract base and improve profitability during 2015. Its operating margin, excluding restructuring costs, rose to 10.4 percent (2014: 10.0 percent). Here we were able to generate modest sales growth at comparable currencies despite the fact that many of our industrial customers experienced headwinds in their businesses.

Service's order book and contract base value were up 8.7 percent and 7.5 percent from last year, which bodes well for continued improvements in 2016. By finding new ways to serve customers and employing a fully productized entire service offering, we can continue to facilitate delivery in all markets with high quality and consistency.

In Business Area Equipment, we saw good development in our ports and lift trucks business, which targets container handling and had an uplift in profitability. Less positive results were, however, in evidence in our industrial crane and components business, an area which has been slow in its investments. Recognizing the lower than targeted profitability in Business Area Equipment – its operating margin, excluding restructuring costs, fell to 2.7 percent (2014: 3.8 percent) – we began a restructuring program in December 2014, targeting a 30-million euro cost reduction by the end of the first quarter of 2016.

All this said, the Equipment order book was up 5.3 percent on a year-on-year basis at year-end, incorporating a solid outlook for container-handling equipment deliveries in 2016.

When I took on the position of President and CEO in November 2015, I was already fully aware

of both the huge potential Konecranes offers as an organization, and the value of the expertise it houses. Working hands-on with our people in the months since then has only confirmed this impression. But this relatively short period of time has not been without its challenges, already requiring some difficult decisions to be made about the way we will proceed as a company.

I remain confident our main strength is to be found in the experts we employ. Witnessing their joint efforts for the success of our businesses is a continuing inspiration, and I aim to make even better use of this resource to fuel growth. As chief executive, I want to invest in people, invest in R&D, and invest in sustaining Konecranes as the true technology leader.

Development like that is no easy task, however. Our overheads have been too high and impeded our ability to grow profitability. In February 2016, we announced an organizational revision with the strong intention of reducing costs. This included a move from five to three regions, and the complete centralization of our administrative functions.

These changes are intended to bring more direct business commandship into our ways of working, and some may welcome this as an overdue development. The savings program also necessitated evaluation of the distribution model in certain countries we operate and the closure of two production facilities.

Difficult as these decisions are, both to make and to enact, I believe they are crucial to achieve the growth our company was built for. Change is in the air for Konecranes, just as it inevitably lies in the future of the industries we serve. These actions – challenging but wholly necessary – are among the first steps we will take towards capturing that change and taking fully advantage of it.

I would like to thank all our stakeholders, both within the company and elsewhere, for their sustained enthusiasm as this journey continues. Your hard work, support, and faith in our potential will be rewarded as the developments I have outlined bear fruit.

Panu Routila
President and CEO



REMAINING STRONG DESPITE ADVERSE CONDITIONS

Dear fellow shareholders,

2015 passes into history as yet another year with turbulent markets, minimal if any growth, and, more than anything, a future full of clouds and uncertainty.

For many years now, I have used my page in this report to lament over the state of world affairs, but I have always tried to identify strings of hope for the better. I am sad to say that 2015, once again, proved me wrong.

I have, however, also highlighted the good work that has been done internally, to develop our service activities (the largest single part of our business portfolio), our new products and our venture into new areas of the Internet-of-Things, that will certainly play an important role in our business in the future. Already today we see clear signs of the potential for our future-related endeavors.

I have also boasted of our in-built agility – our capacity to adjust our business models in accordance with changing market conditions. During 2015, we partly failed to identify the seriousness of the difficulties ahead, and we were too slow in our reactions.

Nevertheless, during the year we managed to defend our positions well. Our total sales stayed intact in shrinking markets, our earnings level did not deteriorate, our balance sheet and our dividend capacity remained intact. For a company like ours, geared for growth, this is not enough. However, against the backdrop of a hostile business environment, we have fared well.

The year was full of dramatic changes. The Board of Directors have fully understood the need for further consolidation in our business. Our equipment business, basically lifting gear for factories and ports, must be seen as a mature business, in contrast to our service business, which is a growth business.

During my years at the helm of the company, we have been actively pursuing acquisitions. During later years, that activity has been at a lower level. In our opinion, there has been a discrepancy between asset price expectations and our perception of realistic future prospects.

In 2011 we made an attempt to acquire one of the biggest players in our business, the German company Demag, which includes Gottwald. The company was later acquired by Terex of the US.

During the spring of 2015 we saw a new opportunity to take a giant step towards a consolidation. Talks with Terex led to a plan for a total merger between our two companies. Both companies' Boards unanimously voted for the combination, and the merger was publicized on August 11, 2015.

Our Board based its decision on the need for consolidation within our business, on the fact that the merger conditions clearly give credit for our earnings quality, on a very realistic perception of reachable synergies (in 2011 we were permitted to perform a limited due-diligence review on the target), but first and foremost, on the very accretive prospects for our shareholders.

The need for consolidation is based on several factors. First, as a consequence of low or no market growth, but an ongoing productivity increase, the industry suffers from overcapacity. Second, low-cost country competition puts pressure on pricing. For a modern Western manufacturer, the main cost-cutting activity is related to automation and rationalization. For that, again, scale is needed.

The most important driver for consolidation is the need for constant, cutting-edge R&D. As we have seen, modern technology offers enormous potential for better, safer, faster, energy-saving, more productive and more affordable products. We simply need enough size to be able to foot the bill for top R&D.

The integration planning work between Terex and ourselves has begun well. We have a formidable task ahead of us, including competition clearance in ten jurisdictions, listing Konecranes shares in the NYSE, etc. Today, the synergies announced have been confirmed well, and we are heading for a midyear 2016 closing.

On January 25, 2016 Terex told the market about an unsolicited, conditional and non-binding approach by the company Zoomlion from China, to buy Terex for a price of USD 30 per share. The Terex Board must of course, in order to honor their fiduciary duty, seriously investigate the matter. We for our part feel certain that our merger represents a very compelling proposition for the shareholders of both companies. The Terex Board has also confirmed their commitment to our merger.

On April 2, 2015, our Board was told that Mr Pekka Lundmark, our CEO since 2005, will leave

the company to pursue other challenges outside the company. Mr Lundmark had been elected to head Fortum, Finland's national energy giant, as their new CEO. My sincere thanks go to an excellent CEO for his 11 years with our company.

In finding a new CEO the Board did not have to travel far, only to the next building from our Helsinki office. Mr Panu Routila is an experienced CEO, equipped with all those capabilities needed to take our company into its next phase of development. For Mr Routila's CV, please turn to page 56.

I have worked together with Mr Routila in another capacity, and I am eagerly looking forward to working with Mr Routila again.

2015 has included a huge amount of work for our Board. Challenging times call for intensive Board involvement in the conduct of the company. The merger with Terex meant delicate deliberations and minute business and legal considerations. All this put a heavy burden on our Board members' shoulders.

Continued monitoring of the merger process has not eased that burden. The process of selecting a new CEO – the most important task of a Board – naturally also required the utmost diligence.

Because of the merger, Ms Nina Kopola, Board member since 2011, decided to resign from her Board position. The resignation was a consequence of a potential situation of conflict of interests. Some of Terex's business interests compete with some of Ms Kopola's other interests.

On December 31, 2015, Mr Matti Kavetvuo, our long-serving Board member, resigned. In his letter to the Board, Mr Kavetvuo cited his age for not feeling capable of taking on all the new challenges the merger process will bring.

We sincerely miss the skills and experience of both Mr Kavetvuo and Ms Kopola. During their Board tenure, both have given great contributions to our successful work. We shareholders must be so grateful for having been represented on the Board by these two outstanding persons.

During 2015, the Board of Konecranes had 22 minuted Board meetings. On top of official meetings, Board members participated in numerous discussions and briefings, ploughed through a number of documents, and supported their Chairman and CEO through this important year.



Following an old tradition, I wish to thank all our loyal employees for producing a good result under onerous conditions. Your leadership has been busy outside the company, but the show has gone on in a magnificent way.

I also wish to direct my sincere thanks to all our Board members. Your support, wisdom and guidance has been pivotal all through this year.

And finally, I want to thank all loyal shareholders, and welcome all new shareholders to the best company in the world in this business.

Stig Gustavson
Chairman of the Board

THE CORPORATE PLATFORM TELLS OUR STORY



MISSION

▶ Not just lifting things, but entire businesses.

VISION

▶ We know in real time how millions of lifting devices and machine tools perform. We use this knowledge around the clock to make our customers' operations safer and more productive.

VALUES

▶ **Trust in people**
We want to be known for our great people.

Total service commitment
We want to be known for always keeping our promises.

Sustained profitability
We want to be known as a financially sound company.

KEY STRATEGIC INITIATIVES



Industrial Internet

We make machines intelligent and aware of their condition, and network them to create real-time visibility for enhanced safety and productivity. This unique service that we offer our customers differentiates us from our competitors and warrants a price premium.



Segment-based Offering

We meet our customers' needs across the world through a segment-based offering of products and services.



oneKONECRANES

We streamline our way of working and modernize our information systems to boost productivity and lower our cost level.

MEGA-TRENDS



People and society

Generation Y behaves differently. They are IT savvy, and may seek a different work/life balance, challenge leaders of companies and countries, and expect ethical behavior, including good governance and workplace safety.



World demographics

Urbanization, new megacities, reverse brain drain with talent returning to emerging countries. The age pyramid favors emerging countries over Western countries. Emerging markets will represent a major part of the world's growth.



Digitalization

Advances in data analytics, automation, sensors, wireless networking, and nanotechnology are enabling intelligent "self-aware" machines.



Resource scarcity

The need to save energy, find new sources of energy, control emissions, and develop clean energy. Environmental awareness is also growing in emerging markets; waste of any kind is increasingly unacceptable.

MARKET SITUATION IMPROVED MODERATELY IN EUROPE WHILE THE ACTIVITY LEVEL WAS MIXED IN NORTH AMERICA; EMERGING MARKETS REMAINED WEAK

World manufacturing industry activity

In 2015, emerging economies struggled, while industrial production in the euro area saw a slight upturn. At the same time, the US economic data was still generally positive, but some signs of weaker momentum could be observed in the business conditions.

American factory output, measured by the Purchasing Managers' Index (PMI), was in the expansive territory for the first ten months of 2015, but the rate of growth softened during the year and the output was contracting at the end of the year. On average, the US manufacturing capacity utilization rate was above the previous year's level in 2015. However, the capacity utilization rate levelled off during 2015. The key challenges affecting markets during the year were the appreciation of USD against EUR, which reduced the competitiveness of export industries, and the decline in oil price, the impact of which was mixed across industries.

According to the PMI surveys in the Eurozone, manufacturing production growth accelerated in 2015, but the overall rate of expansion remained moderate. Germany, Spain, the Netherlands, and Italy were the leading lights, whereas the French manufacturing sector contracted for the most part of the year. Outside the Eurozone, PMI surveys signaled healthy expansion of manufacturing sector output in Sweden and the UK. Similar to the US, the EU capacity utilization was slightly up on a year-on-year basis, but it stabilized during 2015.

Based on the 2015 Purchasing Managers' Indexes, manufacturing activity worsened further in the BRIC countries, with the exception of India. PMIs in Brazil, China, and Russia pointed to a contraction of manufacturing output, while the signs of modest growth could be observed in India.

Overall, the activity in the world's manufacturing sector, according to the aggregated JPMorgan Global Manufacturing PMI, continued to increase in 2015, but the rate of growth weakened from 2014 and it was only slightly above stagnation at the end of the period.

Demand for lifting equipment and services

Compared to the previous year, the demand for cranes and hoists was stable among industrial customers in Europe, whereas the demand weakened in the Americas, Middle East, and Asia. The demand for heavy-duty cranes continued to suffer from the low investment activity within the process industries. Demand for lift trucks was strong across the globe, with the exception of Middle East and Africa.

The growth of global container traffic stalled during 2015 and was basically unchanged from 2014. Declining port handling volumes were reported predominantly in some Asian ports, Baltic Sea, as well as in the east coast of Latin America. Container volumes from Asia to the US East and Gulf Coasts increased. Also, the Europe to Middle East and to South Asia trade grew. Despite the lack of growth in global container throughput, the demand for yard cranes was robust.

The demand growth for lifting equipment services was driven by Asia-Pacific, whereas the demand was stable in EMEA and the Americas.

Raw material prices, including steel and copper, continued to be under downward pressure in 2015 and were clearly down on year-on-year basis. The EUR/USD exchange rate stabilized in the second quarter of 2015 at a level that was clearly below the previous year's corresponding period.



"It comes down to thinking about all possible applications in which technology can be used. The industrial internet enables us to rethink existing processes. According to my experience, the amount of possibilities and benefits brought on by those applications often exceed all expectations."

Juha Pankakoski, CDO of Konecranes



Konecranes' global market positions

A market leader

in industrial cranes and components, as well as crane service

#2

in lift trucks.

#3-5

in port cranes.

FOCUSING ON CUSTOMER EXPERIENCE AND UNDERLYING OPERATIONS

Business Area Service works to improve the safety and productivity of our customers' operations with specialized maintenance services and spare parts for all varieties and brands of industrial cranes, hoists, machine tools and port equipment. We maintain installations of every scale, from the smallest piece of equipment to entire operations.

In 2015, Business Area Service continued to grow its contract base, the foundation of the business. Profitability continued to develop well, driven by gross margin development, cost containment and sales leverage. Year-end sales growth was 10.9 percent. While there is definite room for improvement overall, there were positive indications of growth in our core offering.

The benefits of our service business transformation process, based on our Lifecycle Care approach to maintenance, are becoming apparent in terms of profitability and operational excellence in countries where implementation was completed. Preparations for additional implementations are proceeding according to plan.

This transformation entails a focus on customers who are looking for Konecranes to manage their assets, with increased efforts to develop our relationships beyond transactional business to the benefit of both parties.

Despite challenges in our customers' business environment, there is still strong demand for service. This may, of course, shift across industries and regions, but with a diversified customer base and a strong value proposition emphasizing their constant needs for safety and productivity, our offering continues to resonate well despite adverse market conditions.

The global perspective

The US market was stable for service during 2015, though perhaps not as buoyant as was expected at the beginning of the year. The strong dollar and challenging situation in oil and gas have created some uncertainty in the industrial sector. This was also evident, and to a greater extent, in Canada, particularly in its commodity-focused western provinces.

Mexico has been a strong market, with much investment in the automotive industry. In South America, despite low commodity prices, Chile and Peru also performed well. In Brazil, our modest service business continued to develop during the year.

In Europe, we enjoyed moderate growth in the UK, Finland, Spain, France and Denmark. In Germany, we are focused on the implementation of the new business model in preparation to capture the large existing market potential for service. There remain challenges in certain Eastern European states and in Russia, but the major economies in Europe have performed well and, by all appearances, there remain good opportunities for maintenance service.

The Middle East and Africa represent challenging environments in the current geopolitical setting. That said, in Saudi Arabia, for example, we have benefited from a large installed base which has developed over a number of years, laying the groundwork

Key figures

	Proportion of Group total, %	2015	2014	Change, %
Orders received, MEUR	40.2	809.5	750.8	7.8
Order book, MEUR	16.9	165.8	152.6	8.7
Net sales, MEUR	46.9	992.3	895.1	10.9
Operating profit (EBIT), excluding restructuring costs, MEUR	75.8	102.9	89.1	15.5
Operating margin (EBIT), excluding restructuring costs, %		10.4%	10.0%	
Operating profit (EBIT), MEUR	74.6	98.9	86.9	13.8
Operating margin (EBIT), %		10.0%	9.7%	
Personnel at the end of the period	54.5	6,503	6,285	3.5



“There are always two sides to operating an industrial machine: the abilities of the machine and the operator’s ability to use the machine. By keeping track of the operator’s performance, sensor technology and usage data can teach the operator to perform better.”

Matti Lehto, Director, Product and Engineering Process at Konecranes

7.5%

increase in Service contract base value compared to 2014.

10.4%

operating profit excluding restructuring costs in 2015.

10.9%

increase in net sales in 2015.

REDUCING COSTS IN A TURBULENT BUSINESS ENVIRONMENT

Business Area Equipment provides cranes, components, and lifting equipment solutions to the process industries and those handling heavy loads, ports, inter-modal terminals, shipyards, the nuclear sector, and bulk material terminals. Along with Konecranes-branded products, the equipment portfolio also includes the following power brands: STAHL CraneSystems, SWF Krantechnik, Verlinde, R&M, Morris Crane Systems and Sanma Hoists & Cranes.

for a healthy service business. South Africa, while a difficult market, nevertheless represents opportunities for maintenance services.

In China, we continued to find increased awareness and openness to outsourcing, as well as advances in safety regulation. Customers are interested in our systematic approach to maintenance and our value proposition of improving safety and productivity. These trends create vital opportunities, helping us to maintain a successful service business in this large market.

In India, we are seeing signs of a partial recovery and increased customer interest as a result. Singapore has been strong, while elsewhere in APAC – in Australia and several commodity-based South Asian economies – there have been challenges. Despite these, Konecranes has been able to grow its presence in the right industries in South-East Asia and Japan. Regardless of the macro picture, there remain strong opportunities for maintenance services here also. A recent market entry for Konecranes is the Philippines. After an initial period of gradual development, it is now proceeding well and establishing itself more fully.

Lifecycle Care in Real Time

Our systematic approach to maintenance, which we call Lifecycle Care, is well established in key markets. In recent years, however, its tools and processes have been evolving, as has productization of the entire offering to facilitate delivery in all markets with high quality and consistency.

Today, we are using the Industrial Internet to deliver Lifecycle Care in Real Time. The interest in TRUCONNECT and real-time service is evidenced by the growing number of remote monitoring connections, which surpassed 10,000 in 2015. Further confirmation can be seen in the steadily increasing number of customers who see value in the insights and optimization that can be gleaned through our customer portal, yourKONECRANES.com.

New ways of serving customers include STORE.Konecranes.com, our eCommerce platform currently piloting in Finland and the US, with plans for online sales of spare parts and other products – complementing our service branches – to roll out in many other countries during 2016 and beyond.

The entire global service network of Konecranes is excited at the opportunities to provide a unique and differentiated experience for our customers.

Mobile-enabled technicians, cranes equipped with TRUCONNECT remote monitoring, and our customer portal all enable usage, maintenance and asset details to be viewed, analyzed and shared quickly. The connected customer is in a unique position to optimize their operations and maintenance activities by leveraging these synergies.

The Industrial Internet is becoming a key enabler of our Service offering, the foundation of which is our people, with their expertise and deep knowhow of lifting equipment and process and desire to build long-term customer relationships.

2015 was a challenging year for Business Area Equipment. Whilst we saw good development in our ports and lift trucks businesses, who target container handling and had an uplift in profitability, less positive results were in evidence in our industrial business, an area which saw slow customer investments during 2015. This impacted us more adversely in terms of component sales, which are sold under our power brands, considering the weak demand in most markets globally.

Progress in accordance with the new operating model we announced at the beginning of the year has been strong, and our core areas of customer focus, operational excellence and simplicity remain relevant. Recognizing the investment challenges our customers were facing, we began a restructuring program in December 2014 to cushion the blow, targeting a EUR 30 million cost reduction by the end of the first quarter of 2016. The following measures were initiated in order to reach the targeted cost savings:

- Restructuring non-performing units
- Optimization of supply chain
- Simplification of the operational model

These projects have progressed according to plan, thanks to a significant number of projects executed across all our businesses, encompassing both our supply chain and front-line operations. In addition,

we have made further cost reductions through the rightsizing of units to accommodate lower volumes.

Looking forward, we ended 2015 with a stronger order book, particularly in terms of orders for the ports and container-handling industries. These should have a welcome impact on our bottom line and herald revitalized business performance in the year to come.

China was particularly troubling, with the market contracting more than anticipated, which had the single largest impact on our profitability during the year, prompting us to subsequently consolidate our production of cranes and components from Shanghai to our facility in Jiangsu Province, rationalize our front-lines, and take further steps to refocus our business – including the launch of several standard products. Despite these pro-active measures, we have been unable to fully mitigate the effects of this fundamental shift in demand during the past year. This is likely to be an indication of ongoing conditions in the Chinese market, with commentators in the region speaking of a “new normal”.

Strong variation across the equipment markets

Bearing in mind the discrepancies between results in distinct customer segments as outlined above, our markets have been quite varied across the globe. Looking to North America, in Canada we have seen weak sentiments in industrial investments but

Key figures

	Proportion of Group total, %	2015	2014	Change, %
Orders received, MEUR	62.5	1,257.6	1,262.5	-0.4
Order book, MEUR	88.9	870.7	826.9	5.3
Net sales, MEUR	58.6	1,240.3	1,221.7	1.5
Operating profit (EBIT), excluding restructuring costs, MEUR	24.9	33.8	46.7	-27.7
Operating margin (EBIT), excluding restructuring costs, %		2.7%	3.8%	
Operating profit (EBIT), MEUR	14.1	18.8	45.6	-58.9
Operating margin (EBIT), %		1.5%	3.7%	
Personnel at the end of the period	44.7	5,328	5,639	-5.5



“Adding industrial internet capabilities to aged devices not only helps to increase the availability of the equipment, but also provides exact data of the usage needed in the future investment planning. It’s all about packaging technologies into solutions that can be used without a degree in engineering.”

Petri Asikainen, Director of Product Development at Konecranes

1.5%

increase in net sales in 2015

2.7%

operating profit excluding restructuring costs in 2015

5.3%

higher order book compared to 2014

consistent demand in lift trucks, ports and container handling. In the USA, our existing port customer relationships have been steady, with orders being realized for additional STSs and RTGs as well as several modernizations to existing equipment.

These also serve as evidence that customers appreciate our offering’s unique benefits whether in terms of safety, productivity, sustainability or automation. Despite these highlights, decision making on the part of our industrial customers has been prolonged and even confirmed orders in the region are showing a tendency for deliveries to be delayed and postponed.

To look at South America, Brazil was a difficult market for us due to the weak local currency and the general tendency for market conditions to favor local competitors to the exclusion of internationals. Markets like Peru and Colombia performed more consistently, though the mining situation in Chile showed dampened demand.

In Europe, the UK and France were quite steady, without major developments in either direction. Finland was an unexpectedly good market in 2015, with customers investing in modernizations and crane replacements to update an aging industrial base. The automotive industry in Central Europe was also relatively consistent for us, with a weaker euro helping German exporters and encouraging investment. In Spain and Portugal, we saw something of a recovery in sales, though not quite yet on the level of pre-crisis results. Demand was, however, weak in certain Eastern European states.

There were less significant process investments in Saudi Arabia in 2015 than expected, but outside the oil sector, this market held up well. Positive signs could also be seen in the Indian market, where we realized improved order development thanks to the launch of our eTon heavy duty crane and our Segment-based Offering, and were able to reduce costs with the closure of one production facility.

Interest in our products is shaping up well in Indonesia, where the country’s ports and paper industries are important venues for us. Elsewhere in APAC, such as Singapore, the Philippines, and some of the

region’s newly developed markets such as Vietnam, more positive signals could be seen in the form of willing investments and strong customer interest in our product offering.

At our core

Konecranes’ Segment-based Offering takes account of customer needs by grouping our products and services into “advanced” and “standard” categories. This allows us to present a selection of products at price points appropriate for our diverse customers in every region. The source of the unique know-how that allows us to serve these needs is something we have come to identify as the Core of Lifting. This is the ever-growing collective knowledge we share as a company, founded on skill derived from more than 80 years of experience. It is at the heart of how we design, manufacture and service world-class lifting equipment.

But not only do we design purpose-built components, we also design the interaction between them. This results in optimization and a synergy of benefits greater than any product made of generic components. The Industrial Internet, the global platform upon which this interaction largely takes place, offers both meaningful advantages for customers in our advanced segment and a pathway for migration of standard equipment in the future.

Our investments here, and our strong faith in this movement’s capacity to transform the crane equipment business, positions the Konecranes equipment business in a market-leading role, and will provide our customers with innovative alternatives to their established operating methods.

GLOBAL TRENDS HAVE LOCAL EFFECTS

Konecranes aims to develop the fullest possible understanding of markets around the world and the diverse and changing needs of the industries we serve. To support these efforts, the company's operations are divided into three geographical regions: Americas (AME), Europe, Middle East and Africa (EMEA), and Asia-Pacific (APAC).

AME Americas

Konecranes is a market leader in industrial crane service and equipment in North America, Mexico and Chile. The remainder of our businesses in Latin America are developing as the market and political climate in those countries in which we operate permit.

The most significant markets for us here are primary metals, energy, intermodal and rail, pulp and paper, petrochemical, mining, automotive, waste to energy and general manufacturing.

Our port equipment and service businesses in this region are well recognized and respected, and in 2015

we enjoyed significant success with those ports servicing the gulf and east coast of the United States. Our Latin American deliveries are dependent on sporadic demand in that region.

The region as a whole has been influenced by global trends impacting upon demand for commodities, primary metals, building and paper products and the associated effects on transportation and general manufacturing during the past year. Notwithstanding this, overall demand for the balance of our products and services remains fairly constant.

EMEA Europe, Middle East and Africa

Konecranes has a strong position in Europe and the Middle East, with a solid footprint throughout the major countries, and enjoys a strong reputation amongst existing and potential customers. Africa is a growth market for us and our expansion here has seen excellent progress.

Our largest markets in Europe are general manufacturing, energy, waste-to-energy, automotive and steel. Elsewhere in this business region they include logistics, ports and terminals, energy, steel and chemicals.

In Europe we see an increasing focus on safety-related and productivity-enhancing products. The advanced

segment is a strong one for us here and we welcome more use of the industrial internet with customer partnerships creating value for both parties.

In Africa investments are growing, particularly in terms of infrastructure. In the Middle East, low oil prices have had an impact upon the investment climate, particularly in oil-related businesses.

Konecranes sees this business region's outlook for the near future as positive. The diverse customer base can be exploited further in this heterogeneous region, and the current product portfolio – together with some key product launches in 2016 – supports this view.

APAC Asia-Pacific

Konecranes continues to be the technology leader in Asia-Pacific and is among the market leaders in industrial cranes, lift trucks and crane service solutions. We are also continually growing our presence in the port solutions sector.

General manufacturing remains the largest market segment in this region, with other segments such as pulp and paper, automotive, power, metal, and steel industry following close behind. Waste-to-energy is also forming a larger share recently, particularly in China. 2015 showed a decline in the steel and metal industries, and slowing growth in general manufacturing, automotive segments, and the paper industry, but with a steadily growing trend in renewable energies such as wind power and waste-to-energy.

Overall demand for lifting equipment in China was weak during 2015, as economic growth slowed. On the other hand, under the Chinese government's development of sustainability awareness, we are taking advantage of a range of new opportunities, in the waste-to-energy industry for example. We also still see healthy demand for services.

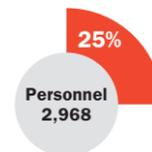
In India, the investment environment is a positive one. Here we have a steady position and look forward to the country's expected economic growth as a good enabler for our customer industries.

Elsewhere, our largest markets continue to be Australia, Indonesia, Singapore and Thailand, although growth opportunities are continuing to develop in markets such as the Philippines, Vietnam and Bangladesh.

Largest markets:	United States, Canada, Mexico, Chile, Peru, Brazil
Operations:	2,968 employees, 134 locations
Manufacturing:	Seven plants manufacturing industrial and process cranes, including nuclear cranes, hoists, parts, and related components
Key brands:	Konecranes, R&M, STAHL CraneSystems, Crane Pro Parts and P&H® (through Morris Material Handling)

Largest markets:	Germany, United Kingdom, France, Finland, Sweden, Russia, Poland, Austria, Turkey, South Africa, Saudi Arabia, United Arab Emirates
Operations:	6,237 employees, 347 locations
Manufacturing:	Ten plants manufacturing cranes and hoists, lift trucks, and steel structures for larger cranes
Key brands:	Konecranes, STAHL CraneSystems, SWF Krantechnik, and Verlinde

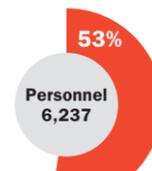
Largest markets:	China, India, Indonesia, Australia, Singapore, Thailand
Operations:	2,682 employees, 119 locations
Manufacturing:	Five plants, including joint ventures, manufacturing hoists, industrial cranes, lift trucks, and port cranes
Key brands:	Konecranes, STAHL CraneSystems, SWF Krantechnik, Verlinde, Morris Crane Systems, and SANMA Hoists & Cranes



7
Production sites



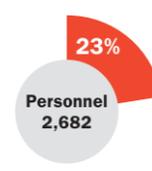
134
Sales & service



10
Production sites



347
Sales & service



5
Production sites



119
Sales & service



● Main production sites ● Sales and service locations

CONSTANT INNOVATION STRENGTHENS OUR COMPETITIVENESS

The area of product development is an important one to Konecranes. We are dedicated to making innovative use of technology in order to create efficient products and services that improve customers' productivity while prioritizing safety and the environment. In 2015, R&D expenditure amounted to EUR 28.7 million (28.9), or the equivalent of 1.3 percent of net sales (1.4).

Traditionally, much of Konecranes' growth has been organic. Technological advancements have allowed us to bring in smart service tools and to gain an advantage in several product areas, from port cranes and industrial cranes to lift trucks and electric chain hoists. During 2015, we developed camera applications for our products and looked at new materials and configurations for certain core lifting devices. We also maintained our tradition of joint research with leading universities; in 2015, we started longer-term research cooperation with the Karlsruhe Institute of Technology, Germany.

Our efforts to generate new product concepts and technologies to enhance our offerings are constantly ongoing. As well as concentrating on providing the highest lifecycle value, Konecranes R&D is focused on four key priorities:

1. Safety
2. Environmental issues
3. Productivity
4. Industrial design, with a strong focus on maintainability, ergonomics and user experience

In 2015, we paid particular attention to exploring new opportunities in the role of digitalization and automation within the context of the Industrial Internet.

User-friendly portal for our digital services

We have made interaction with our systems attractive and simple. Customers can connect to the data provided by our TRUCONNECT Remote Service offering, request help from our technicians, and review the service and operational history of their cranes via the yourKONECRANES.com web portal.

yourKONECRANES was designed from its earliest stages with customers' wishes firmly in mind. Usage

data, maintenance data and asset details are linked, giving a transparent view of events and activities over any selected time interval. Aggregated data can be viewed, analyzed and shared quickly, for a single asset or an entire fleet. Insights can be drawn by observing anomalies, patterns and trends, helping users make informed maintenance decisions. Additionally, customers can access inspection and service reports, service schedules, maintenance histories, asset lists, service spend and agreement details. Customers can also use yourKONECRANES to initiate service requests. The portal gives customers a complete view of their assets and relationship with Konecranes, online at their convenience.

yourKONECRANES' global rollout started in 2015 in countries such as the UK, Canada and Australia.

Harmonized automation architecture for lifting equipment

In March, Konecranes won the Automation Award 2015, granted by the Finnish Society of Automation, a recognition given for the development of new, harmonized automation architecture for lifting equipment.

With software that has been developed from a service point of view, this architecture can be applied to a wide range of lifting equipment and serves a variety of customer needs. Thanks to the standardized architecture, the automation, remote service and user interface solutions are scalable, and suitable for everything from small industrial cranes to heavy, demanding process cranes.

Cost-efficient path to automated container yard operations with ARTG

Built around our market-leading 16-wheel rubber tired gantry (RTG) and its unique ability to tolerate rough yard surfaces, the Konecranes Automated RTG system (ARTG) is available for greenfield and brownfield RTG-based container terminals. The system includes a complete package of truck guidance infrastructure and a remote operating station with a specially developed graphical user interface.

With the full-scale introduction of ARTG operation, owners and operators of our RTG-based container



EUR 28.7 MILLION

devoted to R&D in 2015.

terminals now have a secure and cost-efficient growth path to fully automated operation. In 2016, for instance, we are set to deliver our ARTGs to customers in Indonesia.

Next-generation warehousing system

Konecranes introduced the next-generation version of the Agilon material handling solution at the Kunnessapito Forum 2015 exhibition in Tampere, Finland, in March. Agilon – which won a Red Dot Award for product design in 2014 – is now available with new configuration modules, enabling the easy implementation of new layouts in a comprehensive in-house logistics solution. The transaction capacity is further improved by the addition of robot capacity, enabling specific parts to be selected and brought directly to the access points.

Agilon consists of a net portal, user access points, a shelving system, and robots that travel within the shelving. To date, it has mainly been available in Finland, but we have begun its gradual expansion into other countries, such as the United Kingdom. The Agilon solution is truly trouble free for its user: it is leased with a monthly fee, including the system and a comprehensive full service contract that covers software, remote on-line support, maintenance and spare parts.

Electric chain hoists for the entertainment industry

Another important product launch in 2015 was the Stagemaker SR01. The Stagemaker is a product of Konecranes' power brands, Verlinde and R&M, and is designed for the entertainment industry.

Stagemaker's SR range of electric chain hoists boasts an entirely new ergonomic design and is the only alternative on the market fitted with double-lifting brakes, retractable handgrips and protective rubber pads. The motors in the series allow consistent speeds, either fully loaded or unloaded. No matter what the hoists are lifting – or not lifting – they will travel at the same speed up and down the chains.

The Stagemaker SR01, the smallest and lightest hoist in the market, with a lifting capacity of 250 kg, features a chain container, handles and chain guide that are especially designed for show business. The SR01's robust frame can fit inside a flight case and a 12" truss, and is able to withstand transportation conditions during concert tours.

Boosting growth

In 2015 we established our in-house Konecranes' Business Factory to test and develop big ideas and new business concepts that may not necessarily fit into our current daily operations. Led by a business manager with profit and loss responsibility, the viability of each individual case is proven in a real customer environment, carefully selected for optimum consideration for the cases. With this, we aim to further accelerate the time-to-market of our new innovations.

PRODUCT OVERVIEW

COMPREHENSIVE AND VERSATILE SOLUTIONS

Service



Konecranes provides specialized maintenance services and spare parts for all types and makes of industrial cranes, hoists, machine tools and port equipment – from a single piece of equipment to entire operations. Our objective is to improve the safety and productivity of our customers' operations.

Safety is everything. At Konecranes there is no job so important and no service so urgent that we cannot take the time to perform our work safely and correctly. Retrofits such as replacement hoists and LED lighting can enhance user ergonomics and energy efficiency.

Our approach to crane maintenance is based on Lifecycle Care, a comprehensive and systematic approach to maintenance, supported by world-class tools and processes. A commitment to excellent, proactive, and real-time service is a strategic priority. We are fluent in all crane brands, not just our own.

CLX and SLX electric chain hoists



Reliable and versatile, the CLX and SLX hoists have a lifting capacity of up to 5 tons and are ideal for any workstation. They offer many safety-enhancing features and a wide range of options and speeds. In addition, the SLX uses the latest technology for inverter-driven motors.

Workstation cranes



Developed to suit demanding applications with loads up to 2,000 kg, our workstation cranes serve customers in many industries, such as general manufacturing and the automotive sector. The robust XM steel workstation crane is easy to install, modify, and extend, and the extremely light yet durable XA aluminum workstation crane has easy customization options.

ATB AirBalancers



The ATB AirBalancer uses a floating load unit, harnessing air pressure as the power source. It is ideal for fast pick-and-place operations and accurate load positioning. It has been designed to enhance the natural lifting motion of the operator, thereby improving ergonomics.

Jib cranes



Konecranes jib cranes are highly adaptable and can be used in various processes. With a standard lifting capacity of 2,000 kg, they can be applied to both existing and new constructions. There are several different ways to fix the jib to a wall or floor, ensuring an optimal solution for your facility.

Engineered cranes



Konecranes produces a wide range of pre-engineered and tailored cranes for almost any industrial lifting need. Combining the latest in lifting technology with over 80 years of crane-building knowledge and experience, our cranes are designed to be reliable, safe and eco-efficient. Our standard industrial cranes can lift up to 500 tons, and a tailored crane even more. Our recent innovations include several features and details designed to assist operators, to minimize load damages and lower running costs. Our graphical user interface makes our cranes easy to work with, either from the factory floor or from Remote Operating Stations. TRUCONNECT Remote Service offers real-time monitoring of the crane, allowing better planning, preventive maintenance and technical support.

Industrial cranes



The Konecranes CLX chain hoist cranes and CXT wire rope hoist cranes are ideal for lifting up to 80 tons in most industrial settings. Both cranes can be bought as standard packages or tailored to your specific needs. Simple to use, with a self-adjusting magnetic brake and maintenance-free gearbox, the CLX crane is especially suited for lighter loads up to 5 tons. The CXT crane can be equipped with several high-tech Smart Features, including Sway Control, Target Positioning, and Protected Areas, making the load control easier and safer for operators. You can also have the CXT crane specially adapted for various hazardous environments. TRUCONNECT Remote Monitoring provides real-time visibility to crane usage and operating data, helping with decisions about maintenance investments and productivity.

Forklift trucks



With lifting capacities ranging from 10 to 65 tons, our forklift trucks are used in various applications and heavy-duty work in the steel, pulp and paper, and oil and gas industries, and at ports.

Container lift trucks



Our container lift trucks handle empty (8–10 tons) and laden (33–45 tons) containers at ports and intermodal terminals.

Reach stackers



With lifting capacities ranging from 10 to 80 tons, our reach stackers are used in container handling, intermodal, and industrial applications.

Our lift trucks have the ergonomic and spacious OPTIMA cabin, which provides increased safety and visibility for the driver. Equipped with the latest engines, these lift trucks are both eco-efficient and more powerful. With TRUCONNECT remote monitoring one will not only be able to track the efficiency of the lift truck fleet but also plan the maintenance.

Goliath gantry cranes



Used for heavy-duty assembly lifts, our Goliath gantry cranes can be found at shipyards, offshore facilities, and other heavy industrial sites. Loads weighing thousands of tons can be moved hundreds of meters horizontally and over a hundred meters vertically and positioned to assembly tolerances of just a few millimeters.

Straddle carriers



Straddle carriers are multi-purpose machines used in small to medium-sized container terminals. They typically have a lifting capacity of 50 tons and can stack containers one over three high. The BOXRUNNER straddle carrier keeps containers flowing between quayside STSs and yard container stacks, enabling fast ship turnaround times. The BOXRUNNER can also load and unload trucks, as it stacks two containers high. We offer excellent service support to keep these machines running eco-efficiently throughout their lifespan.

Yard cranes



Our yard cranes for container terminals include RTGs, RMGs, automated RMGs (ARMGs), and automated RTGs (ARTGs). These cranes usually have a lifting capacity of around 50 tons and can stack one over six containers high and seven container rows wide plus truck lane at container ports and intermodal terminals. Our RTGs can be diesel-powered, in which case we offer Diesel Fuel Saver technology to increase their eco-efficiency. We also offer cable reel and busbar systems for fully electric operation, increasing eco-efficiency and decreasing emissions. Our yard cranes are available with TRUCONNECT, a remote service that gives information on how the cranes are being used in real-time, allowing customers to optimize the timing of maintenance and reduce crane downtime.

Ship-to-shore (STS) cranes



Used for loading and unloading containers from ships, Konecranes STS cranes have a lifting capacity of up to 65 tons and an outreach of up to 70 meters. In 2015, we delivered two STS cranes to the Port of Oslo in Norway that are equipped with advanced noise reduction technology. They are probably the most silent and eco-efficient STS cranes in the world. They also have a special paint scheme that visually blends them in with their environment.

Automated stacking crane systems



Konecranes offers Automated Rail Mounted Gantry (ARMG) and Automated Rubber Tired Gantry (ARTG) crane systems. Introduced in 2013, the Konecranes ARTG system offers RTG-based container terminals a growth path towards fully automated operation. It includes ARTG cranes, Remote Operating Stations (ROSs), automation software, and all the required yard infrastructure, including intelligent gates for road trucks.

Nuclear cranes



Konecranes Nuclear Equipment and Services provides nuclear cranes and specialized lifting equipment for our customers throughout the global nuclear industry. The nuclear quality control system meets the strict regulatory requirements of our global customers and their individual specification requirements, such as NRC 10CFR50 Appendix B, ASME NQA-1, and KTA 1401.

Brands



The Group's brand strategy is centered upon the corporate Konecranes master brand, which is complemented by a portfolio of freestanding power brands. Konecranes-branded products are sold directly to end-users, while power-branded products are sold to distributors and independent crane builders. Konecranes' power brands include R&M, STAHL CraneSystems, SWF Krantechnik, Verlinde, Morris Crane Systems and Sanma Hoists & Cranes.

COMMITTING TO RESPONSIBLE BUSINESS PRACTICES

2015 was a remarkable year from a corporate responsibility perspective for the world and for Konecranes. There were positive highlights and progress in many areas at Konecranes, but there were setbacks too. In this Corporate Responsibility section we summarize our corporate responsibility progress at Konecranes.

Our approach to CR

In 2015 we organized our first ever formal, public stakeholder dialogue on corporate responsibility, aiming to better understand expectations of our corporate responsibility work. This was organized in the form of an online brainstorming, where ideas were brought forward and further developed by the participants. We reached a good participation level, see the table below. The public round of stakeholder dialogue – which included customers, suppliers, investors and our own personnel – was conducted in March. In addition, Konecranes senior management continued the work, reviewing the results of the public round and prioritizing these from a long-term business success perspective in April and May. A summary of the results is presented in image below.

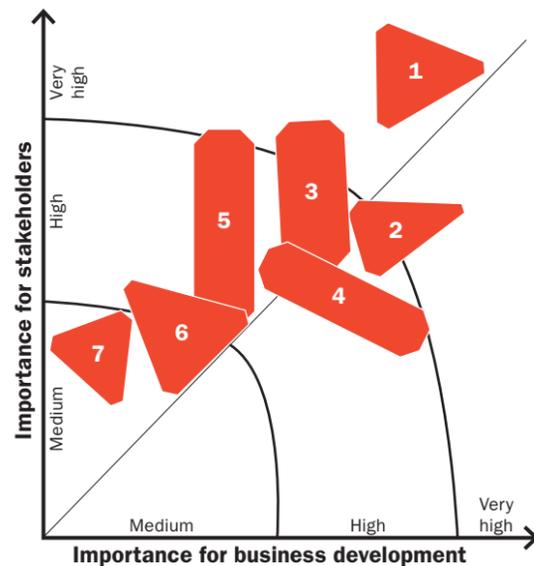
Our key stakeholders, as defined already in 2014, are customers, employees and shareholders. In addition to the key stakeholders listed above, we have identified other relevant stakeholder groups, which are increasingly important for Konecranes and with whom we intend to engage in more systematic dialogue in the future. These include our suppliers,

sub-contractors, and business partners; society, local communities, and authorities; students, universities, and research institutes; media; and non-governmental organizations.

Konecranes holds positions on the boards of the European Materials Handling Federation (FEM), the Port Equipment Manufacturers Association (PEMA), the East Office of Finnish Industries Ltd, the Federation of Finnish Technology Industries, and the Finnish Metals and Engineering Competence Cluster (FIMECC). In addition, Konecranes participates in the European Committee for Standardization (CEN).

We have worked systematically on corporate responsibility now for several years. The timeline on page 30 summarizes highlights from the journey this far. As it was time to critically review our approach, we renewed our corporate responsibility roadmap and focus areas during the second half of the year. We did this through internal cross-functional discussions and workshops. We based our discussions and decisions on stakeholders' expectations of us, our own strategy, and megatrends we see in the world, as well as, for example, the UN Sustainable Development Goals that were agreed in September.

Corporate Responsibility topics materiality based on stakeholder dialogue process



- 1 Business integrity
 - 2 Safety
 - 3 People
 - 4 Smarter offering
 - 5 Supply chain sustainability
 - 6 Corporate responsibility management
 - 7 Environmental issues
- NOTE: scale on importance from medium to very high – as none of the themes involved on this round were considered not important

Stakeholder dialogue participation by stakeholder group

Which of the following stakeholder groups do you primarily represent?	Amount
Customer	78
Employee	502
Shareholder, investor or analyst	15
Supplier or sub-contractor	53
Neighbor or local community	3
Student, university or research institute	7
Media	0
Non-governmental organization	2
Other	31
Total	691



“Remote connections can be used to contact cranes in every corner of the world for initial analysis without having to send maintenance personnel to the location. Smart features like sway control and extended speed range result in saved working time. The risk of accidents can be minimized.”

Marko Piela, Industry Specialist, Automotive at Konecranes

11,934

Number of personnel, average

11,887

Number of personnel at the end of the year

Gender structure

16%

Female

84%

Male



Konecranes Corporate Responsibility achievements

Late 1990s	2010	2012	2014	2020
Port machinery, like RTGs, steering technology changed to electrical and hydraulic phased out.	Renewal of Code of Conduct. Konecranes became UN Global Compact signatory.	Workers representative invited to CR Steering Group.	Accident frequency -46% in 5 years. Purchase of renewable electricity leads to -22% emissions on global level.	Accident frequency -50% from year 2015 on global level. Energy intensity -10%, emission intensity -20%. Gender and international diversity of group management improved.
2009 Establishment of CR Steering Group. Environmentally conscious product design concept inbuilt into product development process.	2011 First environmental product declaration created.	2013 First fair labor evaluations by third party in own operations.	2015 First official stakeholder dialogue process. CR roadmap update.	2020

At Konecranes, corporate responsibility is integrated into business processes and operations on multiple fronts. There is a Corporate Responsibility Director at Group headquarters leading the topic and coordinating the work. The Corporate Responsibility Director reports to the Group Executive Board. The Corporate Responsibility Steering Group is a discussion forum where the Company's strategic approach to corporate responsibility is discussed more widely. The CR Steering Group had three meetings during 2015.

During the roadmap renewal process we decided to change from the five focus areas established earlier to four focus areas. The feedback we had heard suggested that "Fair play" and "Smarter offering" from our earlier Corporate Responsibility communications were not easily understandable and connected with the topics we wished to progress with them. Hence, we now drive customer-offering-related responsibility matters as before, but communicate about them under safety and environmental headings. We also considered that integrity as a focus area is more current and better describes a responsible style of doing business, driving responsibility in the supplier network, fighting corruption, mitigating any activity that could be considered breaking competition laws, etc.

As we have integrated corporate responsibility into everyday business and aim to do so further, the actual work is often more visible in the focus-

area-based specific functions. For example, people focus area matters are a regular topic in the Human Resources Management Team, while safety and environment focus areas are discussed in the Safety and Environmental Management Team. During 2015, safety and environmental management within Konecranes Group was strengthened by appointing a Safety and Environmental Director in each region. These regional HSE Directors, together with headquarters' safety and environmental professionals, form the Safety and Environmental Management Team that was initiated during 2015.

Communicating on progress

We continue to report on our corporate responsibility progress combined with financial and annual reporting. We have re-evaluated our decision not to publish a separate corporate responsibility report and decided to continue on a combined reporting path, as we see that these matters need to be integrated on all levels, and corporate responsibility as a standalone business or unit does not deliver what we wish to achieve with it. We report on our progress in connection to our financial-year reporting, which is the calendar year. Our reporting is fact based and aims to provide interested parties with information on our progress, material indicators and some additional indicators which are deemed interesting to a wider audience, even not necessarily considered material in our type of



"The key difference that the industrial internet makes, is that it brings machinery alive. It enables the machinery to sense its own condition, understand the usage situation and support the user to carry out the operation more safely and productively."

Juha Pankakoski, CDO of Konecranes

industry. We use Global Reporting Initiative (GRI) G4 as a framework for our reporting.

Corporate responsibility reporting at Konecranes covers our major supply chain units and operations, using data that has been gathered through internal information systems, and supplemented with information sourced separately. Some of the data included has been scaled up to provide an overall view of our performance, which may result in inaccuracies in some figures.

We do not seek full verification of the corporate responsibility component and its indicators. Some of the indicators are verified by an external party, and we express this and our indicators' connection to our strategy, CR roadmap, UN SDGs and GRI in the index below.

Safety

In previous years we have focused on establishing systematic safety management and a preventive approach with leading indicators such as tracking safety training hours, safety observations, and near-miss reporting. In one sense, when purely looking at indicators like the number of accidents and accident frequency, this is working well and we are making good progress. Our LTA1 has decreased year on year steadily. Despite this, we cannot be satisfied with our safety performance in 2015. We

had too many serious injuries and even work-related deaths in 2015.

We lost four colleagues during 2015, which is four too many. Two were traffic accidents on the way to work or home, which are not calculated as recordable occupational deaths in all countries, but for us they are tragic losses of colleagues. There was also one direct occupational accident in connection to service work at customer premises, leading to immediate death. In addition, one represented a serious occupational accident suffered before 2015, which due to sudden complications lead to death.

Because of these deaths and the fact that we haven't been able to change the trend in serious accidents to the extent we would like, we have planned a serious injury and fatality prevention program (SIF) with lifesaving rules and updated minimum safety requirements. Implementing lifesaving rules and updated safety minimum requirements will continue over the following years. In addition to this, more focus has been given to safety leadership. A training concept, aiming to reach all managers, was launched in the Americas region and is being rolled out globally.

On the more positive side, there is continuous development of our safety personnel competences and during 2015 five safety professionals received external safety professional certifications and recog-

Summary of renewed Corporate Responsibility roadmap with objectives

Focus area	Objective 2020	Business link	UN Global Compact	UN SDGs
Safety	<ul style="list-style-type: none"> Zero accident, interim goal LTA < 3 Significant reduction in serious injuries and no fatalities Subcontractor safety tracking and management improved ISO 45001 certifications 	vision, strategic initiatives, megatrends, "people and society"		
Environment	<ul style="list-style-type: none"> Energy consumption intensity -10% MWh/sales* and emission intensity -20% CO₂e-t/sales* Absolute annual energy reduction of 23,000 MWh* and annual emission reduction of 14,000 CO₂e-t* ISO14001:2015 coverage 100% in manufacturing by mid 2017 	vision, megatrends "resource scarcity", strategic initiatives	7, 8, 9	
People	<ul style="list-style-type: none"> Gender diversity of group management: male 75%/female 25% International diversity of group management: Finnish 50%/ Other 50% 	megatrends "people and society" and "world demographics", strategic initiatives 1KC, values	3, 4, 5, 6	
Integrity	<ul style="list-style-type: none"> Continue to have code of conduct training coverage 100% 80% of suppliers by spend and 100% of new suppliers monitored for sustainability 	vision, megatrends "people and society", values	1, 2, 10	

* Baseline year to compare to 2013. Targets concerning scope 1 and scope 2 consumption and emissions.

nition, three in the Americas region and two in the Europe region. We also began a global rollout of a web-based safety and environmental management tool to improve and standardize our safety and environmental management processes such as incident investigation or near-miss reporting.

People

The success of Konecranes is driven by the well-being, competence and motivation of our people. In 2015, we brought our 'Lifting people' strategy, which was created in 2014, to life. We continued to work according to our employment lifecycle processes, of which, for example, performance-based management and annual development discussions (TPP discussion), measuring employee satisfaction and competence development.

Our employee satisfaction survey (ESS) was conducted in March. The response rate was 83.2 percent (2013: 85.1 percent). This is a bit lower than in previous surveys, but still clearly higher than the norm, which is around 75 percent for companies of our size. As a summary, in many of the areas, the results are quite similar to 2013 results. From 2015 results, we were able to see that our employees truly feel that the recent development of Konecranes has been in the right direction and our future seems bright. On the other hand, many of our employees have recently thought of looking for work with another employer and the stress levels have increased even more. There is a clear correlation that employees who have had their TPP discussion during the last 12 months are more satisfied than the employees who have not had their TPP discussion. The TPP discussion completion rate was 75 percent for 2015 (2014: 80 percent; 2013: 76 percent; 2012: 67 percent).

The 'Lifting people' strategy is also visible in our renewed leadership-training portfolio, which offers leadership training to various levels of management,

from first-time managers to corporate executives. In addition to supporting continuous development of our people, we are piloting a new, more comprehensive learning management system in one region. A learning management system alone naturally does not guarantee high quality development, but it does help in managing trainings and making development paths more visible to people.

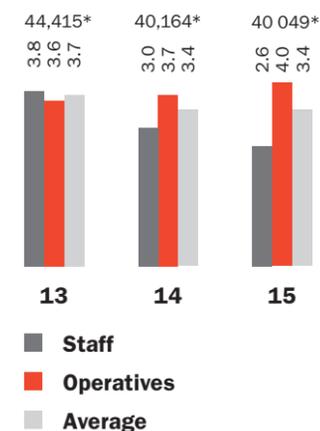
The Konecranes Employee Share Savings Plan, launched in 2012, continued for its fourth savings period in 2015. The plan enables participants to save up to five percent of their gross salary every month to invest in Konecranes shares. At the end of the agreed saving period, if participants still hold shares, they receive one share for every two initially purchased. The participation rate in 2015 was about 14 percent, which is considered satisfactory.

During 2015 we followed up on and discussed further the learnings from the third-party fair labor conditions assessments we arranged during 2013–2015. In addition, we commenced rollout of the 'Respect in the Workplace' policy, which is a response to some of the findings from evaluations expressing that we had not been explicit enough in tackling equal opportunities and anti-harassment with our Code of Conduct, which naturally includes these topics.

Regarding fair labor conditions, we have tracked labor union coverage of our operations. We cannot track this with a detailed percentage of personnel due to some privacy restrictions, but we can express that we have recognized organized employee representation in 21 countries out of the 48 in which we operate, i.e. 43 percent of countries in which we operate have formal employee representation. Coverage of employee representation in these countries varies a great deal from a few individual persons to the majority of personnel being represented. In connection to organized employee representation, the Konecranes European Workers Council meeting in May discussed corporate responsibility, occupational safety and the 'Respect in the Workplace' policy roll out.

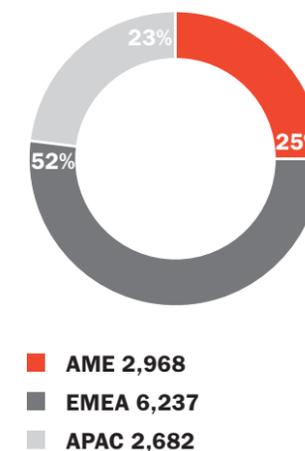
One key achievement of 2015 was our discussion of diversity and inclusion issues as drivers for long-term business success. This led us to set diversity targets for our senior management for gender and international diversity.

Training days per employee by employee groups

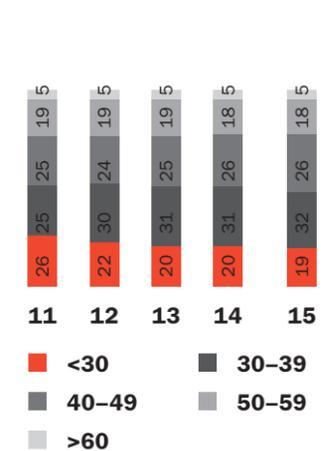


* Total number of training days

Workforce by region



Age structure, %



Environment

On the environmental side, we have continued with steady progress. In 2015, we began a project to have a certified environmental management system according to the new ISO14001:2015 standard for all our factories within 2 years. In addition, there have been discussions across the organization on how to improve energy efficiency in our operations and thus contribute to climate change mitigation.

We continued reporting on our progress in external corporate responsibility surveys, such as CDP (formerly named Carbon Disclosure Project). This was also the first time that we asked for external verification for our scope 1 and scope 2 emissions concerning 2014 emissions reported to CDP in June 2015. Our work seems to result in recognition also, as our CDP result improved to 98C from 76D.

Water-related issues have not been considered highly material for us, as there is no production

water in our manufacturing. However, we did water risk assessment of our factory locations during 2015. This was to better understand potential issues the societies in which we operate may face in the future and to truly understand the flooding and drought risks of our locations. No further actions are planned to be taken based on this risk assessment, but we aim to regularly conduct similar evaluations of the situation in the future.

When thinking about our environmental footprint and recognizing that the biggest impacts come from raw material and components manufacturing and in the product use phase, it is natural that we keep the topic on the agenda in product development. We looked at our operations from a circular economy perspective and examined what environmental efficiencies the industrial internet can provide. We see ourselves as well positioned on this as our new business models are closer to the center circles of

Lost Time Accident Frequency

Business Area	LTA1, 2015	LTA1, 2014	LTA1, 2013	LTA1, 2012
Konecranes total	5.9	6.3	8.6	9.5
Equipment	5.0	5.9	7.3	9.9
Service	7.4	7.3	10.6	10.3

LTA1=number of work-related accidents causing at least one day of lost time/work hours performed over the reference period * 1,000,000 hours

ESS Results summary

	2015	2013	2012
Response rate	83.2%	85.1%	86.4%
Number of responses	9,997	10,281	10,383
PeoplePower rating (C-AAA)	AA	AA	AA
PeoplePower index	70.6	70.5	72.3

54%

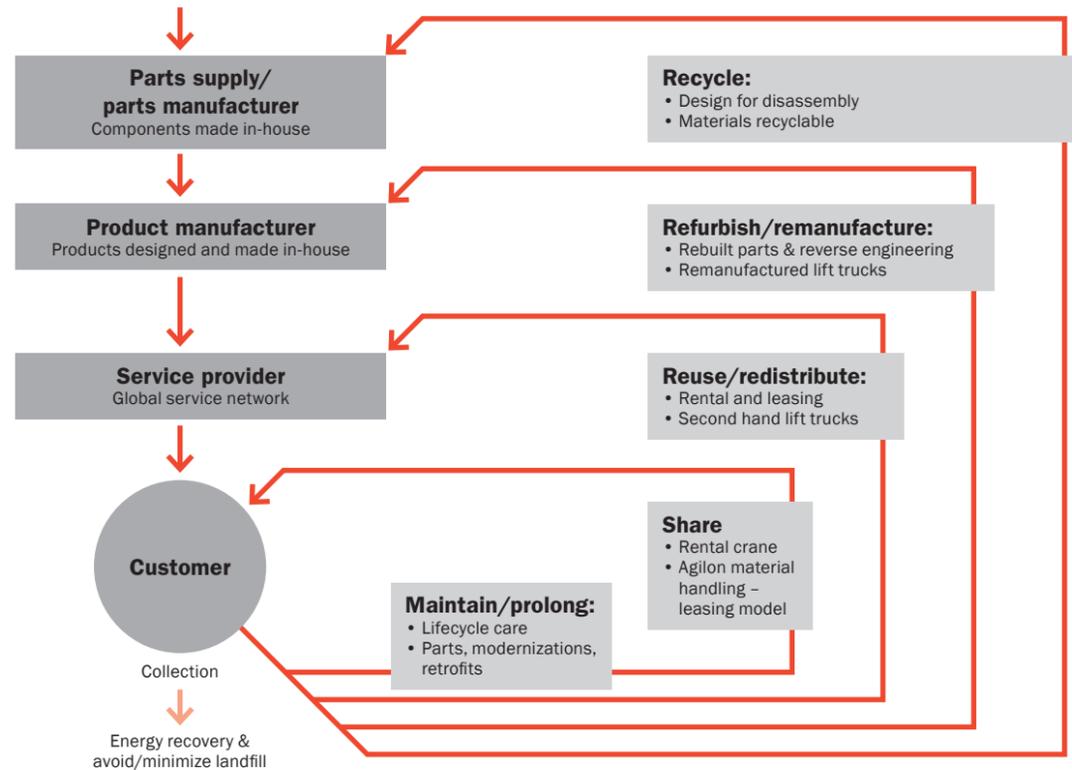
of Konecranes employees are operatives

74

nationalities employed at Konecranes

For questions about this corporate responsibility report or its contents, contact:
corporate-responsibility@konecranes.com

Konecranes operations from a circular economy perspective



the model on page 34, i.e. more desirable from the environmental perspective. Industrial internet solutions are in a key role in rental and leasing business models and in preventive maintenance.

Integrity

From the business ethics side, 2015 was a mixed year for Konecranes. We have improved our awareness of the topic, educated our personnel and followed up on these topics on multiple fronts. For example, Group-wide extensive competition law and anti-competitive behavior training for all management level personnel took place. We also conducted a wide anti-corruption risk assessment survey within the organization. We have discussed the results of this anti-corruption risk assessment in multiple regional, business unit and function management team meetings to have a common understanding of the situation and engage people in further activities. The first activities to further mitigate risks on this front have partly begun and others are under planning.

In 2015, one of Konecranes' foreign subsidiaries became the victim of a fraud. The perpetrators had, through identity theft and other fraudulent actions, managed to induce the subsidiary to make unwarranted payments in a total amount of up to EUR 17 million. Konecranes has reported the crime to the authorities in the relevant countries and is working closely with the authorities to recover its losses and to bring the perpetrators of the fraud to justice. There have been multiple immediate corrective actions on our side to prevent similar criminal activities happening. For example, a press release on the case was issued to warn other companies of this type of criminal activity, training took place and awareness was raised of our financial organization and of relatively new types of fraud generally. In addition, Konecranes strengthened its internal security practices, policies, controls and governance to mitigate the risk of similar frauds. We are introducing fraud prevention e-learning as a mandatory element for relevant functions. Rollout of this e-learning will

continue in 2016. Our supplier network is, from an environmental perspective, one of our significant impacts. We have continued the professional management of our supplier network as before. In addition, we began piloting deeper corporate responsibility audits by a third party. The first in-depth third-party corporate responsibility audits took place in China at the end of the year and the pilot will continue in India during 2016. We will report on the findings and potential resultant actions when it is timely to do so.

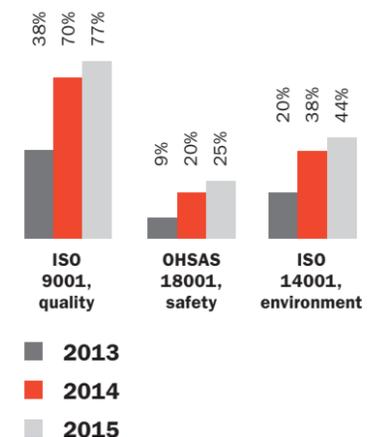
In addition, concerning our supplier network, we finalized the project of enhancing suppliers' safety, environmental and quality management. This project originates from 2011. We did not quite reach our original target, but we nevertheless consider this project a success, as a learning journey for ourselves and hopefully for our participating suppliers also. What we managed to achieve is a 51 percent improvement in quality management system coverage, a 63 percent improvement in safety management system coverage and a 56 percent improvement in environmental management system coverage of our top suppliers by spend.

Environmental data 2015

Energy consumption and emissions		2015	2014	2013
Total emissions/sales ¹⁾	tCO ₂ e/MEUR	29	33	33
Total energy consumption/sales	MWh/MEUR	107	121	113
Scope 1, energy consumption and direct emissions	Fuel consumption, MWh	151,800	169,600	161,400
	Natural gas and LPG consumption, MWh	16,700	18,100	18,800
	Direct emissions, tCO ₂ e	42,500	46,900	45,200
Scope 2, energy consumption and indirect emissions	Electricity consumption, MWh	42,100	40,300	41,600
	District heat consumption, MWh	16,500	15,500	16,000
	Indirect emissions, tCO ₂ e ²⁾			
	Location-based method	19,300	20,200	20,800
	Market-based method	18,300	19,000	23,800
Scope 3, other indirect emissions	Business travel, tCO ₂ e	8,300	9,600	9,000
Waste (tons)				
Metal scrap ³⁾		8,200	9,500	8,500
Cardboard, paper, and wood ³⁾		2,900	4,200	1,600
Hazardous and electronic and electrical waste ⁴⁾		800	600	550
Mixed waste ⁵⁾		2,100	1,200	2,700
Water consumption (m³)				
		139,600	138,800	160,100

Figures represent our manufacturing locations, except fuel consumption, which includes also service vehicle fleet. ¹⁾ Total emissions include scope 1 and scope 2 (market-based method). Year 2013 and 2014 figures are revised accordingly. ²⁾ Scope 2 indirect emission are calculated according to the new GHG Protocol Scope 2 Guidance dual reporting requirement: location-based and market-based method. Year 2013 and 2014 figures are revised accordingly. Konecranes Finland Oy acquired RES-GO guarantees of origin for electricity (Renewable Energy Sources - Guarantee of Origin) which are subject to EECs (European Energy Certificate System) in 2014 and 2015. These guarantees of origin covered 20,000 MWh electricity consumption per year. Production method was hydro power. ³⁾ Waste streams go for recycling. ⁴⁾ Waste stream handling split into recycling, incineration and other adequate treatments depending on location. ⁵⁾ Waste stream handling split into recycling, incineration, composting and landfill depending on location.

Top suppliers HSEQ final status



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		Page	Comments	Link to UN Global Compact 10 principles	Link to UN SDGs	External assurance*
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G4-EN8	Total water withdrawal by source	34		7, 8	6	
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G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	34		7, 8	7, 12, 13	x
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	34		7, 8	7, 12, 13	x
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	34		7, 8, 9	7, 12, 13	x
G4-EN18	Greenhouse gas (GHG) emissions intensity	34		7, 8	7, 12, 13	x
G4-EN19	Reduction of greenhouse gas (GHG) emissions	34		7, 8	7, 12, 13	x
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G4-EN23	Total weight of waste by type and disposal method	34		7, 8	12	
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MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY						
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	31-32	main elements reported	1	3, 8	x
MATERIAL ASPECT: TRAINING AND EDUCATION						
G4-LA9	Average hours of training per year per employee by gender, and by employee category	33	main elements reported		5, 8	
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	32			8	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	32			8	
SUB-CATEGORY: HUMAN RIGHTS						
MATERIAL ASPECT: NON-DISCRIMINATION						
G4-HR3	Total number of incidents of discrimination and corrective actions taken	32	partly covered	1, 2, 6	5, 8	
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING						
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	35		1, 2, 3	12, 16	
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G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	35		1, 2, 5	8, 12	
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G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	35		1, 2, 4	8, 12	
MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT						
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	35		1, 2, 3, 4, 5, 6	8, 12	
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	35		1, 2, 3, 4, 5, 6	8, 12	
SUB-CATEGORY: SOCIETY						
MATERIAL ASPECT: ANTI-CORRUPTION						
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	35		10	16	
G4-S04	Communication and training on anti-corruption policies and procedures	35		10	16	
G4-S05	Confirmed incidents of corruption and actions taken	35		10	16	
MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOR						
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	35			16	
MATERIAL ASPECT: COMPLIANCE						
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		no known cases			
SUB-CATEGORY: PRODUCT RESPONSIBILITY						
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY						
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	33			3	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes		no known cases		3	
MATERIAL ASPECT: CUSTOMER PRIVACY						
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		no known cases			

*External assurance statement by Ecobio Oy is available on www.konecranes.com

CORPORATE GOVERNANCE

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

Konecranes complies with the Finnish Corporate Governance Code 2010 that came into force on October 1, 2010 and was approved by the board of the Securities Market Association. The Code can be found at www.cgfinland.fi. Konecranes complies

with all the recommendations of the Code with no exceptions. Konecranes has issued a Corporate Governance Statement based on Recommendation 54 of the Code and a Remuneration Statement based on Recommendation 47. See www.konecranes.com > Investors > Corporate Governance for details.

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 2015 was held on March 26, 2015. An Extraordinary General Meeting (EGM) must be held if shareholders with at least 10 percent of shares so demand in writing to consider a specific issue.

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 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.

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

The Board has a general obligation to pursue the best interests of the Company and all its shareholders, and is accountable to the Company's shareholders. Board members 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 interests of the Company and its shareholder community as a whole.

The Board shall decide on the business strategy of the Company, the appointment and dismissal of the President and CEO, the deputy to the President and CEO, and other senior management, Group structure, acquisitions and divestments, financial matters, and investments. It shall also continuously review and monitor the operations and performance of Group Companies, risk management, and the Company's compliance with applicable laws, as well as any other issues determined by the Board. 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.

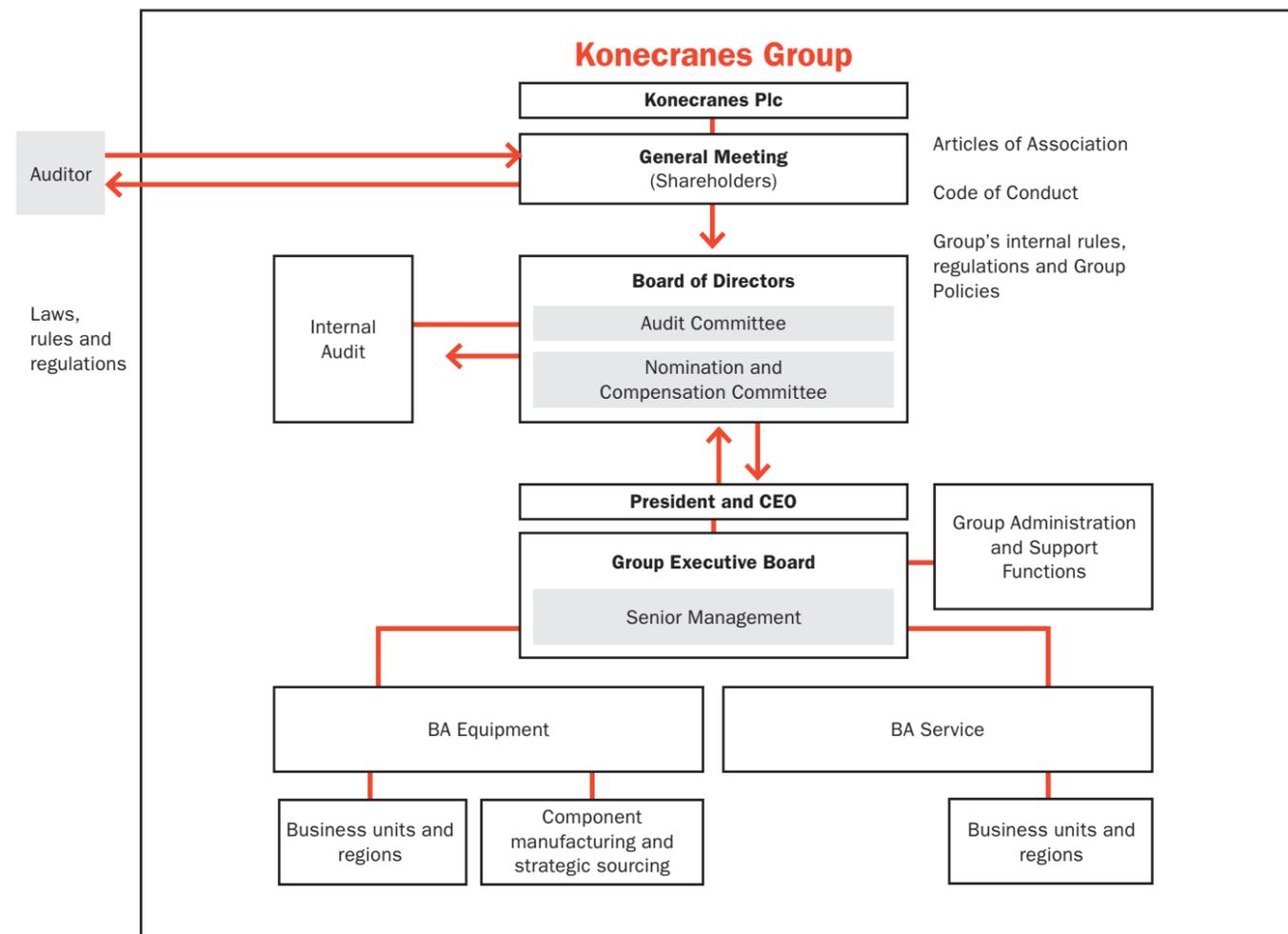
Election and term of office

The AGM elects the Company's Board of Directors for a term of one (1) year. According to the Articles of Association, the Board shall have a minimum of five (5) and a maximum of eight (8) members. The Board elects a Chairman from among its members. There is no provision in the Articles of Association to appoint Board members according to a specific order.

Biographical details of the Board of Directors are presented on pages 54-55 and can also be found at www.konecranes.com > Investors > Corporate Governance > Board of Directors.

In addition to the Board and its secretary, the Company's President and CEO and CFO shall attend Board meetings. The agenda of Board meetings and background material will be delivered to Board members prior to meetings. The Board shall meet as often as necessary to properly discharge its responsibilities. There shall be approximately eight regular

Corporate Governance structure of the Konecranes Group in 2015



meetings a year; the Board may convene whenever necessary in addition to these meetings.

The attendance of Board members at meetings in 2015 is shown in the table on Board meetings 2015 on page 41.

Board committees

The Board is assisted by the Audit Committee and the Nomination and Compensation Committee. Both committees were first formed in 2004.

Audit Committee

The Board shall appoint the members and the Chairman of the Audit Committee from among its members. The Audit Committee shall have at least three (3) non-executive Board members that are independent of and not affiliated with the Company. At least one member must be independent of major shareholders.

The tasks and responsibilities of the Committee are defined in its Charter, which is based on a Board resolution. The Charter of the Audit Committee can be consulted on the Company's website at www.konecranes.com > Investors > Corporate Governance > Board Committees.

Under its Charter, the Audit Committee shall meet at least four (4) times a year. The Chairman shall present a report on each Audit Committee meeting to the Board.

The attendance at Audit Committee Meetings in 2015 is shown in the table of Board meetings on page 41.

Nomination and Compensation Committee

The Board shall appoint the members and the Chairman of the Nomination and Compensation Committee from among its members. The Nomination and Compensation Committee shall have 3–4 non-executive Board members, the majority of whom shall be independent of the Company.

The Committee's tasks and responsibilities are defined in its Charter, which is based on a Board resolution. The Charter of the Nomination and Compensation Committee can be consulted on the Company's website at www.konecranes.com > Investors > Corporate Governance > Board Committees.

The Nomination and Compensation Committee shall meet at least once (1) a year. The Chairman shall present a report on each Nomination and Compensation Committee meeting to the Board.

The attendance at Nomination and Compensation Committee meetings in 2015 is shown in the table of Board meetings on page 41.

Remuneration paid to the Board of Directors

The remuneration paid to Board members is resolved by the Annual General Meeting. More information on the Board's remuneration can be found on page 41 under Remuneration of the Board of Directors.

President and CEO

Konecranes' President and CEO holds the position of Managing Director under the Companies Act. The Board decides on the appointment and dismissal of the President and CEO. The President and CEO may be a member of the Board of Directors, but may not act as its Chairman. The current President and CEO, Mr Panu Routila, is not a member of the Board of Directors.

Konecranes announced the appointment of Panu Routila as President and CEO on July 29, 2015. Mr Routila started in his position on November 1, 2015. Konecranes' former President and CEO Pekka Lundmark left the company on September 5, 2015. CFO Teo Ottola was appointed Deputy CEO on July 29, 2015.

CFO Teo Ottola will continue as the Deputy CEO. The Deputy CEO uses the powers of the CEO if the CEO position is not filled or in situations when the CEO is incapacitated to fulfil his duties.

Responsibilities

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 only undertake actions which, considering the scope and nature of the Company's operations, are unusual or extensive with the authorization of the Board. The President and CEO shall ensure 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.

Information on the President and CEO's remuneration can be found on page 42 under Remuneration of the President and CEO.

Board meetings 2015

Member	Board meetings		Audit Committee meetings		Nomination and Compensation Committee meetings	
	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage
Gustavson Stig, Chairman of the Board	20/22	91%	-	-	1/4	25%
Adde Svante, Board member	21/22	95%	6/6	100%	-	-
Johansson Ole, Vice Chairman	19/20	95%	5/5	100%	-	-
Järvinen Tapani, Board member	2/2	100%	1/1	100%	-	-
Kavetvuo Matti, Board member	21/22	95%	-	-	4/4	100%
Kopola Nina, Board member	14/16	88%	2/2	100%	1/1	100%
Langenskiöld Bertel, Board member	21/22	95%	-	-	4/4	100%
Persson Malin, Board member	21/22	95%	5/6	83%	-	-
Silvennoinen Mikael, Board member	2/2	100%	1/1	100%	-	-
Vitzthum Christoph, Board member	19/20	95%	-	-	3/3	100%

The average attendance at Board meetings was 94.1 percent.

Group management

Konecranes has a two-tier operative management structure consisting of the Group Executive Board (GXB) and Senior Management (SM).

The GXB assists the President and CEO, but has no official statutory position based on legislation or the Articles of Association. In practice, however, it plays a significant role in the Company's management system, strategy preparation, and decision-making. The biographical details of GXB members can be found on pages 56-57.

The SM focuses on a systematic review of the progress of strategy implementation. The biographical details of SM members can be found on pages 58-60.

The GXB normally convenes on a monthly basis. The SM convenes twice a year. In addition, Group-level results are reviewed monthly under the chairmanship of the President and CEO. Business Areas and Regions have their own management teams that convene on a regular basis.

Remuneration

Principles applied to remuneration schemes

All Konecranes remuneration schemes are designed to promote high performance and emphasize focus and commitment to business targets. Remuneration schemes promote competitiveness and the long-term financial success of the Company and contribute to the favorable development of shareholder value.

The objective is for all Konecranes employees to have a variable component based on their performance as a part of their overall remuneration. The size of this variable component varies according to a

person's position in the organization. Typically, these variable components are based on the financial results of the Group and/or the unit in question as well as personal achievements. These remuneration schemes are drawn up in writing and numerical evaluation is used whenever possible.

All remuneration schemes are designed to meet both global and local needs, and may differ between locations as a result.

Decision-making process

The AGM adopts resolutions and decides the remuneration of the Board of Directors and the Board's Committees annually. The Nomination and Compensation Committee reviews the President and CEO's performance. Based on this review and other relevant facts, the Board determines the total remuneration package of the President and CEO.

The Nomination and Compensation Committee also evaluates and prepares for the Board's decision on the remuneration packages of GXB members who report directly to the President and CEO. The remuneration packages for SM members who are not part of GXB are decided on by the President and CEO.

All Konecranes remuneration issues are decided by the "one above" principle, i.e. a manager's superior must always confirm the remuneration of an employee.

Remuneration of the Board of Directors

The remuneration of the Board members is resolved by the AGM. Fees payable to the Board members as confirmed by the latest AGM are shown in the table on page 42.

Fees payable to the Board of Directors

	Annual fee 2015 EUR
Chairman of the Board	105,000.00
Vice Chairman	67,000.00
Board member	42,000.00
Fee per Board Committee meeting	1,500.00
Chairman of the Audit Committee per AC meeting	3,000.00

Board members are also reimbursed for their travel expenses.

50 percent of annual remuneration is paid in Konecranes shares purchased on the market on behalf of Board members. Remuneration may also be paid by transferring treasury shares based on the authorization given to the Board of Directors by the General Meeting. In the event that payment in shares cannot be carried out due to reasons related to either the Company or a Board member, annual remuneration shall be paid entirely in cash.

Remuneration of the President and CEO

The Nomination and Compensation Committee reviews the President and CEO's performance. Based on this review and other relevant facts, the Board determines the total compensation package paid to the President and CEO.

Remuneration of the President and CEO from November 1, 2015 onwards

The compensation package includes a base salary, fringe benefits, a pension scheme, performance-related annual variable pay and a long-term, performance-related share plan. The monthly salary of the President and CEO is EUR 35,000.00 excluding benefits (car, mobile phone).

The President and CEO's annual variable pay is based on the financial performance of the company and is, at maximum, 60 percent of the President and CEO's annual base salary. Additionally, the Board of Directors can, but is not required to, set certain strategic targets that can trigger an additional incentive, which can be a maximum of 50 percent of the President and CEO's annual base salary. For the period September 2015–December 2016, 50 percent of the maximum bonus is guaranteed pro rata to the time of employment.

The President and CEO is entitled to participate in the Company's long-term incentive program. According to the initial allocation, the maximum reward for the discretionary period 2014–2016 is 48,000 shares (gross), and the maximum reward

for the discretionary period 2015–2017 is 48,000 shares (gross).

The pension scheme for the President and CEO sets his retirement age at 63, and the defined contribution at 30.5 percent of his annual salary, excluding performance-based compensation (annual or long-term incentives).

Remuneration of the President and CEO until September 5, 2015

The compensation package included base salary, fringe benefits, a pension scheme, performance-related annual variable pay and a long-term performance-related share plan. The temporary relocation to Singapore of the President and CEO ended in June 2014. As of June 14, 2014, the monthly salary of the President and CEO was EUR 40,000.00 excluding benefits (car, housing, and mobile phone).

The President and CEO's annual variable pay was based on Group profitability and growth and was at maximum 60 percent of the President and CEO's annual base salary. Additionally, the Board of Directors could, but was not required to, set certain strategic targets that could trigger an additional incentive, which could be a maximum of 50 percent of the President and CEO's annual base salary.

The pension scheme for the President and CEO set his retirement age at 63 and the defined contribution at 18.6 percent of his annual salary, excluding performance-based compensation (annual or long-term incentives).

The annual salary and benefits paid to the President and CEO in 2015 and 2014 are shown in the table on page 43.

Remuneration of Group Management (Group Executive Board)

The Nomination and Compensation Committee evaluates and prepares for the Board's decision on the remuneration packages of GXB members who report directly to the President and CEO. Remuneration packages for SM members who are not part of GXB are confirmed by the President and CEO. Compensation packages normally include basic salary, fringe benefits (typically company car and mobile phone), contribution-based pension schemes, performance-related annual variable pay, and a long-term performance-related share plan.

Incentive schemes are always based on written contracts. Incentive criteria may vary, but are usually

Total compensation paid to the Board of Directors in 2015

	Annual fee cash EUR	Shares EUR	Shares #	Committee meetings EUR	Total EUR
Gustavson Stig, Chairman of the Board	52,500.85	52,499.15	1,805	-	105,000.00
Adde Svante, Board member	42,000.00	-	0	18,000.00	60,000.00
Johansson Ole, Vice Chairman	33,522.70	33,477.30	1,151	7,500.00	74,500.00
Järvinen Tapani, Board member	1,500.00	-	-	-	1,500.00
Kavetvuo Matti, Board member	21,000.34	20,999.66	722	3,000.00	45,000.00
Kopola Nina, Board member	21,000.34	20,999.66	722	3,000.00	45,000.00
Langenskiöld Bertel, Board member	21,000.34	20,999.66	722	3,000.00	45,000.00
Persson Malin, Board member	21,000.34	20,999.66	722	7,500.00	49,500.00
Silvennoinen Mikael, Board member	1,500.00	-	-	-	1,500.00
Vitzthum Christoph, Board member	21,000.34	20,999.66	722	3,000.00	45,000.00
Total	236,025.25	190,974.75	6,566	45,000.00	472,000.00

Compensation paid to the President and CEO Salary, variable pay, and other benefits

	From November 1, 2015	Until September 5, 2015	2014
1. Salary and benefits	73,760 EUR	427,596 EUR	517,607 EUR
2. Benefits abroad	-	-	78,464 EUR
3. Annual variable pay	-	216,000 EUR	200,000 EUR
4. Variable pay related to time abroad	-	-	270,000 EUR
5. Option rights owned (# of options 31 Dec.)	-	-	45,000
6. Share rights allocated (PSP)	96,000	0	115,200
7. Shares owned (# of shares 31 Dec.)	0	218,479	216,497
8. Retirement age	63 years	63 years	63 years
9. Target pension level	Defined contribution plan	Defined contribution plan	Defined contribution plan
10. Period of notice	6 months	6 months	6 months
11. Severance payment (in addition to notice period compensation)	18 months salary and fringe benefits	18 months salary and fringe benefits	18 months salary and fringe benefits

There were no loans issued by the Company to the CEO as of the end of December 2015.

Remuneration to the Management Group Executive Board, excluding the President and CEO

	2015	2014
1. Salary and benefits	1,587,656.95 EUR	1,393,059.11 EUR
2. Annual variable pay	237,015.66 EUR	204,128.38 EUR
3. Option rights owned (# of options 31 Dec.)	15,000	84,000
4. Share rights allocated (PSP)	324,000	249,600
5. Shares owned (# of shares 31 Dec.)	144,517	128,156

based on the Group's five key performance areas: safety, customer, people, growth, and profitability. Annual variable pay is related to the individual's performance and to Group performance and/or the performance of the unit that he/she belongs to. Numerical performance criteria are used rather than personal assessments, whenever possible.

The annual variable pay percentage is based on the individual's responsibilities and is at maximum 50 percent of the individual's annual base salary.

The Finnish members of the GXB participate in a defined contribution-based group pension insurance

scheme, which can be withdrawn from at the age of 60. However, the retirement age is set according to the Finnish Employees Pensions Act (TyEL). The Finnish GXB members have life and disability insurances. Non-Finnish members of the GXB participate in a defined contribution pension plan and have local insurance cover.

There were no loans issued by the Company to the GXB members as of the end of December 2015.

Performance Share Plan 2012

At the beginning of 2012, Konecranes launched a long-term incentive plan for key employees and discontinued the use of stock option plans.

The purpose of the Performance Share Plan (PSP) is to motivate key personnel to contribute to the long-term success of the Company and to create shareholder value and a joint sense of common ownership among managers.

The Board decides annually the allocation of shares to key personnel under a proposal made by the President and CEO. In allocating shares to the President and CEO, the Board acts independently.

Discretionary period 2012–2014

In the 2012 Plan, earning during the one-year discretionary period that began in 2012 was based on the Konecranes Group's EBIT margin, and during the three-year discretionary period that began in 2012, earning was based on the Total Shareholder Return of Konecranes Plc's share. In March 2015, the Board of Directors of Konecranes Plc decided on a directed share issue related to the reward payment of the 2012 Plan. In the share issue, 55,007 Konecranes Plc shares held by the Company were conveyed without consideration to the key employees participating in the plan.

Discretionary period 2013–2015

The 2013 plan has one criterion: cumulative EPS 2013–2015. Earned shares will be paid out by the end of April 2016. In the 2013–2015 plan, if the maximum performance level is achieved, the President and CEO will be eligible for 48,000 shares and the other members of the GXB a total of 120,000 shares (gross).

The members of the GXB, including the President and CEO, have an obligation to continue owning at least 50 percent of the shares they earn annually through the PSP until they own Company shares with a value equal to their annual salary including benefits.

Discretionary period 2014–2016

The 2014 plan has one criterion: cumulative EPS 2014–2016. Earned shares will be paid out by the end of April 2017. In the 2014–2016 plan, if maximum performance level is achieved, the President and CEO will be eligible for 48,000 shares and the other members of the GXB a total of 120,000 shares (gross).

The members of the GXB, including the President and CEO, have an obligation to continue owning at least 50 percent of the shares they earn annually through the PSP until they own Company shares with a value equal to their annual salary including benefits.

Performance Share Plan 2015

As of the beginning of 2015, Konecranes launched a new long-term incentive plan for key employees. The aim is to combine the objectives of the shareholders and the key employees in order to increase the value of the Company, to commit the key employees to the Company, and to offer them a competitive reward plan based on shareholding in the Company. The Board of Directors shall determine the amount of the maximum reward for each key employee belonging to the target group for the discretionary period.

Discretionary period 2015–2017

The 2015 Plan has one criterion: cumulative EPS 2015–2017 excluding restructuring costs. Earned shares will be paid out in the first quarter of 2018. In the 2015–2017 plan, if maximum performance level is achieved, the President and CEO will be eligible for 48,000 shares and the other members of the GXB a total of 120,000 shares (gross).

The members of the GXB, including the President and CEO, have an obligation to continue owning at least 50 percent of the shares they earn annually through the PSP until they own Company shares with a value equal to their annual salary including benefits.

Stock Option Plans

In the past, the Company had stock option plans for its key employees, including top and middle management, and employees in certain expert positions. All these plans were adopted by the relevant General Meetings. The Board has decided to discontinue the use of these plans until further notice. The subscription period for Stock Options 2009C will end on April 30, 2016. As of the end of 2015, Konecranes Plc's stock options 2009 entitled the holders to subscribe to a total of 638,500 shares.

The terms and conditions of Konecranes stock option plans can be consulted on the Company's website at www.konecranes.com > Investors > Share information > Stock option plans.

Employee Share Savings Plan

Konecranes launched an Employee Share Savings Plan on July 1, 2012 for all employees except those in countries where the plan could not be offered for legal or administrative reasons. New plan periods began on July 1, 2013, July 1, 2014 and July 1, 2015. Participants saved a monthly sum of up to 5 percent of their gross salary, which was used to buy Konecranes shares from the market on behalf of the participants. If participants are still in possession of these shares after an approximate three-year holding period they will receive one matching share for every two initially purchased.

The plan also covers top management. Participation is voluntary for all concerned.

Insider administration

The Board has approved a set of Insider Rules for Konecranes based on the Finnish Securities Markets Act, standards issued by the Financial Supervision Authority, and the Nasdaq Helsinki Guidelines for Insiders.

Konecranes' Public Insider Register includes the members of the Board of Directors, the President and CEO, the secretary to the Board, the auditor, and the members of SM, as well as other persons holding a comparable position in the Group, as decided by the Company. In addition Konecranes' company-specific permanent insiders include persons defined by the Company, who regularly possess inside information due to their position in the Company.

Persons registered in the Public Insider Register and the Permanent Insider Register are not allowed to trade in Konecranes securities during a period commencing on the first day after the end of each calendar quarter and ending upon the publication of the Company's corresponding interim report or financial statements bulletin. Trading is also not

allowed during the entire day on which results are announced. The Company maintains Project-Specific Insider Registers for all insider projects. People listed in these registers are prohibited from trading in Konecranes shares until termination of the project concerned.

The General Counsel maintains Konecranes' register of insider holdings and is responsible for monitoring compliance with insider guidelines and declaration requirements. The Company maintains its public insider register in Euroclear Finland Ltd.'s SIRE system.

Audit

The main function of statutory auditing is to verify that Konecranes' financial statements represent a true and fair view of the Group's performance and financial position for the financial year, which is the calendar year. The auditor reports to the Board's Audit Committee on a regular basis and is obliged to audit the validity of the Company's accounting and closing accounts for the financial year and to give the General Meeting an auditor's report. Konecranes' auditors are elected by the AGM and will hold office until further notice. The same auditor with principal responsibility may not serve for more than seven financial years.

Ernst & Young Oy, Authorized Public Accountants, has been the Company's external auditor since 2006. Ms Kristina Sandin served as Principal Auditor in 2015. Ernst & Young Oy and its affiliated audit companies received EUR 4,467,000 in fees for auditing Konecranes Group companies in 2015 and fees of EUR 1,518,000 for non-audit services. The audit fee in 2015 was extraordinarily high due to the fact that the US listing and SEC requirements require an audit based on US audit standards (PCAOB audit) for the years 2012–2014 and 2015.

Summary of Employee Share Savings Plan

Plan period	Savings period	Amount of participants (Dec 31)	Amount of shares acquired	Timing of matching share delivery	Expected matching shares to be delivered (by Dec 31)
2012–2013	July 1, 2012–June 30, 2013	1,259	75,790	Feb 2016	37,895
2013–2014	July 1, 2013–June 30, 2014	1,519	95,557	Feb 2017	47,779
2014–2015	July 1, 2014–June 30, 2015	1,455	87,653	Feb 2018	43,827
2015–2016	July 1, 2015–June 30, 2016	1,495	25,162*	Feb 2019	12,581

*by the end of Q3 2015

RISK MANAGEMENT, INTERNAL CONTROL, AND INTERNAL AUDITING

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 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.

Market risks

Demand for Konecranes' products and services is affected by the development of the local and global economy, regional and country-specific political issues and stability, as well as the business cycles of Konecranes' customer industries. Currency fluctuations may cause changes of competitiveness of our products in a specific market and affect our customers' businesses. Capital expenditure on industrial cranes varies with the development of industrial production and production capacity,

while demand for port equipment follows trends in global transportation and, over the shorter term, port investment cycles. The lift truck cycle follows other product segments. Demand for maintenance services is driven by customers' capacity utilization rates. In addition to risks related to sales volumes, adverse changes in demand can also result in over-capacity 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 service 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 paying attention to relevant distribution costs. Konecranes also aims to limit the risks resulting from changes in demand in different customer segments and demand for certain products by maintaining a diverse customer base and offering a wide range of products and services. By active product development, Konecranes also strives to differentiate itself from its competitors and reduce the competitive pressures that it experiences.

In 2015, Konecranes adjusted its local operations to meet the market conditions and did not expand into new countries. Supply operations re-routed part of the key supply routes to better match the prevailing lower demand from emerging markets and long-term exchange rate changes. Also, political instability in certain areas caused changes of supply arrangements.

The rollout of new IT-systems continued, and we expect these systems to further improve our capabilities in risk management as they provide improved transparency to the local operations. The new products launched in the previous year, based on our Segment-based Offering initiative, made their first entry to the market. These basic and standard products, combined with our advanced offering, will further reduce the risk by widening the customer base.

Customer credit risks

Challenges with customer payments could adversely affect Konecranes' financial situation. To limit this risk, we apply a conservative credit policy in respect

of our customers. It is Konecranes practice to review customers carefully before entering into a formal business relationship with them and to require credit reports from new customers. The credit risks of our customers are mitigated with advance payments, letters of credit, payment guarantees, and credit insurance where applicable. By using these tools and carefully monitoring customer payments, we have been able to successfully limit our credit risks.

During 2015, Konecranes continued the focused receivables collection process and the use of credit insurance products on selected projects and businesses. A lot of emphasis was put on ensuring sanctions compliance during 2015.

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 continuously monitors general market trends, technological developments, competitors' actions, customer behavior, and developments in various industry segments in order to identify signs of potential changes that could impact us.

We have developed internal processes to secure systematic follow-up of key technologies. Similarly, we have refined process driven approaches, from innovations to needed technological research, all the way to product development projects. The processes contain checkpoints to ensure management of commercial viability and technical risks. We actively seek opportunities to work with external research institutes, universities and specialized companies with specific know-how, experience and skills. All of these reduce technical risks, provide awareness of and secure access to technological development in our field of business.

To improve safety and reliability of our products further, we utilize our testing centers. We carry out extensive life-time testing of our new and existing products, creating new knowledge to reduce technical risks. Testing centers are also an integral part of our in-house research.

In 2015, we continued our efforts on the Industrial Internet. Analysis of collected data to create and enhance predictive service models will further improve safety and reliability. Collected technical data extends our knowledge of how lifting equipment

behaves over time. We use this knowledge in our technical development work. Digitalization provides new ways to engage customers by providing differentiated offering. All this reduces technical risks, and improves safety and reliability. Additionally, this also enables us to create a unique offering compared to competitors.

Besides focusing on the Industrial Internet and related digitalization, we continued the development of core technologies needed in our lifting offering. Much attention has been paid to the development of specific tools for the service business, ensuring further improvement of service work productivity and adding value for customers.

We continued active management of our intellectual property rights, with the aim of protecting our designs, innovations, trademarks and domains, and to secure our freedom to operate. Special emphasis continued to be placed on reacting to possible IPR violations, which we consistently monitor. We are committed to proactively protect our rights in this area.

Conducting business in emerging and developing markets

Konecranes sells in many developing countries and has its own personnel, manufacturing and supplier networks in these areas. Sudden changes in the political environment, economic, or regulatory framework of these areas can have an adverse effect on the business of Konecranes. By having our own presence in some of these countries, Konecranes gains direct information on changes affecting the local business environment. Additionally, Konecranes conducts careful evaluations of the political, social, and economic environments in specific countries to ensure that it is aware of developments there.

The risks related to emerging and developing markets are balanced by Konecranes' strong global presence and stable service operations in developed countries in Europe and North America.

Despite the economic slowdown of emerging countries, they still represent a significant long-term market opportunity, of which Konecranes plans to benefit. Current focus is on organic growth. Globalization has made emerging markets more sensitive to global business cycles, but their importance as a growth opportunity remains. In 2015 we adjusted our operations in emerging markets to the decreased market demand of new equipment.

However, the growing and developing service business created new opportunities in these markets.

We constantly monitor international sanction development to ensure our compliancy. High attention is paid to Konecranes' Code of Conduct, in its training and in securing its place as an essential part of ordinary business processes.

Personnel

Konecranes' ability to operate is dependent on the availability, expertise, and competence of professional personnel.

During 2015, Konecranes increased its investments in personnel. The key focus of our investment was upon the industry-leading technical skills of service technicians, leadership development, and customer-centric and effective sales and sales management skills. In these focus areas, Konecranes invested in training efforts to ensure customer satisfaction.

In addition to training, Konecranes increased investments in safety programs, started implementation of a global safety management system, continued employee-engagement programs, such as our Employee Share Savings plan, and invested in employee wellbeing. To limit any potential employment risks, we conducted fair labor audits and further developed employee conditions in several markets.

Acquisitions

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 thorough due diligence analyses, using external advisors when needed.

Production risks

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

Efforts have continued to further develop production operations. Continuous replacement investments and enhanced maintenance of production equipment have continued while production opera-

tions have been adjusted to market demand. Risk management is an essential element of production strategy. The safety and security of key facilities continued to improve during 2015.

Material management and procurement risks

Material management and procurement operations require a proactive approach and development to avoid risks related to issues such as pricing, quality, capacity, availability, inventory values and additionally supplier Code of Conduct and other expectations as expressed in Konecranes' Global Supplier Manual. Inefficiencies and deficiencies in these areas could affect the performance and reputation of Konecranes adversely. Konecranes manages its purchases and the logistics of materials and components, of substantial importance for its operations, on a centralized basis. Contracts with key suppliers are designed to optimize these purchases globally.

During 2015, Konecranes continued to develop the quality and scope of supplier cooperation and its audit process. We also continued to improve demand-supply monitoring, balancing, forecasting and supplier communications to improve our ability to respond to customer needs rapidly. During 2015, Konecranes performed a substantial amount of supplier assessments, striving to ensure that supplier cooperation meets expectations. We also initiated third-party social assessments of our supplier network.

Quality risks

High-quality products, business procedures, processes, and services play a key role in minimizing Konecranes' business risks. Most companies in the Group and all major Group operations use certified quality procedures. Our multisite quality certificate covers several main production units and has supported our actions to harmonize quality processes throughout the corporation. In addition, existing quality certificates were updated and new ones received in 2015. Determined certification work is continuing in line with Konecranes' principles in this area. During 2015, Konecranes continued developing both its local and global quality improvement processes. Our Lean Six Sigma methodology for quality development progressed well and it plays a key role in improving operational excellence. A product line based factory and site acceptance test

system has been further developed as part of this continuous improvement. Supplier quality has been developed in the same way.

Supplier risks

Konecranes recognizes that price and continuity risks are associated with some of its key suppliers, as they could be difficult to replace. In the event of major production problems, this could undermine our delivery capability. Quality risks and defects associated with subcontracted components are quality risks for Konecranes.

To reduce subcontracting risks, Konecranes constantly seeks competitive alternative suppliers while improving cooperation with existing suppliers. When available, alternative suppliers enhance price competition, increase production capacity, and reduce risks of single supplier dependency.

To reduce exchange rate risks, a global supply arrangement strives to find a geographical balance that naturally adapts to long-term exchange rate changes, potentially affecting the competitiveness of our operations.

During 2015, Konecranes continued and enhanced the cooperation with critical suppliers to generate mutual benefits. We also continued to drive efforts of business continuity management development with selected suppliers.

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, and integrity of information. Any and all information security risks and incidents may affect business performance adversely.

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 is exercised with internal and outsourced IT services to ensure the high availability, resiliency, and continuity of services, and rapid recovery in the event of any temporary loss of key services.

During 2015, Konecranes continued implementing global IT applications and business process harmonization work. Implementations of this type always include risks in terms of schedule, costs and

content but the experience gained during previous years has helped to reduce the associated risks. At the end of 2015, all global IT and process programs have entered their final implementation stages.

Konecranes IT operated as a business support function in 2015, with a presence in roughly 20 countries.

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 its industry and consistent with a global business that encompasses a wide range of products and services. These may involve 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, training customers, and making use of detailed sales terms. Konecranes also issues written policies in some cases to ensure compliance with legislation, regulations, and our own principles across the Konecranes Group. Particular emphasis is placed on training to ensure that employees are aware of and comply with the applicable legislation, regulations, and principles relating to their work. Konecranes' Legal Department retains outside experts to assist here when necessary.

Illegal activities

Konecranes aims to comply with all applicable laws and regulations, but breaches of the Company's policies resulting in illegal activities can threaten the Company. Konecranes considers the potential risks involved to be limited, however, although it recognizes that even small-scale illegal activity could damage its reputation and affect its financial condition and results adversely. Internal procedures, supervision, audits, and practical tools are used to reduce Konecranes' exposure to these types of risks.

Illegal and fraudulent criminal activities targeting Konecranes cause risks that may have substantial impact on our financial results. We have identified a notable increase of such criminal attempts in 2015.

During 2015, Konecranes continued its efforts to ensure good governance and management

practices. Konecranes Code of Conduct training for all new employees has been established as part of the standard process and continues. Konecranes has also strengthened internal security practices, policies, controls and governance during 2015, while improving the awareness of and adherence to these with communication and targeted training programs.

Damage risks

Damage risks include business interruption risks, occupational health and safety-related risks, environmental risks, fire and other disasters, natural events, and premises security risks. Konecranes identifies and assesses these risks continuously as part of its business processes. To mitigate these risks, we have adopted a number of 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 2015, we began a two-year project improving our capacity to react quicker to trends from near miss and incident reporting, as well as safety observations and audit data. Additionally, this development allows us to track completion of corrective actions. Konecranes is also a sponsor for the development of the ISO 45001 Safety Management System.

Financial risks

Konecranes manages most of its financial risks on a centralized basis through its Group Treasury. Group Treasury operates through Konecranes Finance Corporation, which acts as a financial vehicle for the Group at Corporate Headquarters. Konecranes Finance Corporation is not a profit center that strives to maximize its profits, but rather its role is to help the Group's operating companies reduce the 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. The majority of the Group's financial risks are channeled through Konecranes Finance Corporation, where they can be evaluated and controlled efficiently.

Almost all funding, cash management, and foreign exchange transactions with banks and other external counterparties are carried out centrally by Konecranes Finance Corporation in accordance with the Group's Treasury Policy. Only in a few special cases, where local central bank regulations prohibit the use of Group services for hedging and funding, is this done directly between an operating company and a bank under the supervision of Group Treasury.

Konecranes Finance Corporation uses a treasury system that enables transactions to be processed in real time and provides in-depth records of activities and performance. Standard reporting is done on a weekly basis and covers Group-level commercial and financial cash flows, foreign currency transaction exposure, debt positions, derivatives portfolios, and counterparty credit exposure for financial transactions. In addition, all Group companies participate in monthly managerial and statutory reporting.

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

Insurance

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

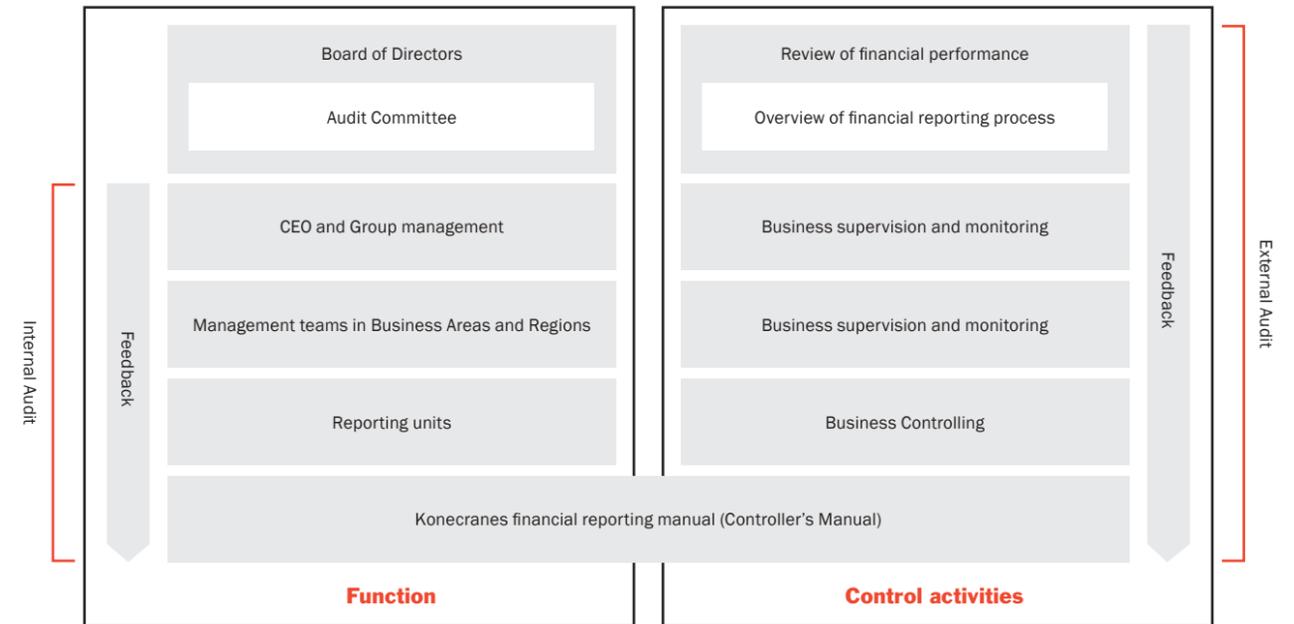
Internal Auditing

Konecranes' Internal Audit function is an independent, objective assurance and consulting unit, which assists the organization in achieving its objectives. The unit evaluates the efficiency of risk management, control, and governance processes and investigates all reports of suspected incidents. The latter can be made in person or through a confidential e-mail reporting channel.

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.

Control environment

Main features of internal control related to financial reporting



Administratively, Internal Audit reports to the Group CFO; and Internal Audit activities are reported to the Board's Audit Committee on a regular 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 for risk management, while each Group company or operating unit is responsible for its own risk management. This principle is also followed in risk management related to financial reporting.

Management of financial risks is described in Note 33 of Konecranes' Financial Statements 2015.

Control environment

Business Area Service manages as a straightforward line organization according to the regional structure. However, certain small operations within Business Area Service are managed globally as they have close ties to the respective operations within Business Area Equipment.

Business Area Equipment operates as a matrix organization where business units form one dimension and regions the other. The global business units have end-to-end result accountability.

In 2015, the internal regional structure included the following regions: Europe (EUR), India Middle East and Africa (IMEA), Americas (AME), North-East Asia (NEA) and South-East Asia-Pacific (SEAP).

Financial targets are set and planning/follow-up activities are executed along both dimensions of the matrix organization in accordance with the overall business targets of the Konecranes Group. The operations of the Service business are typically

monitored based on profit-responsible service branches (314 in 2015), which are further consolidated to country and region levels. The Equipment business is mainly monitored via business units (4 in 2015), which are divided into business lines.

Corporate governance and business management at Konecranes are based on the Company's values of trust in people, total service commitment, and sustained profitability. The control environment is the foundation for all the other components of internal control and for promoting employees' 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 corporate policies, instructions, and financial reporting frameworks. These include the Konecranes Code of Conduct and the Konecranes Controller's Manual, which constitutes the main tool for accounting and financial reporting principles in respect of providing information, guidelines, and instructions. The interpretation and application of accounting standards is the responsibility of the Global Finance function. Guidelines and instructions for reporting are updated when necessary and are reviewed at least once a year.

Control activities

Konecranes Group's management has operational responsibility for internal controls. Financial control activities are integrated into the business processes of the Konecranes Group and management's business supervision and monitoring procedures. The Group has identified and documented the significant internal controls that relate to its financial processes either directly or indirectly through other processes. The total number of identified financial internal controls is approximately 130. 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. Controller functions typically report with solid line to business management and with dotted line to Finance function.

Management follow-up is carried out through monthly management reporting routines and

performance review meetings. These meetings are conducted by business units/business areas, on country and regional as well as Group level, and cover a review of the sales funnel, competitive situation, market sentiment, order intake and order book, monthly financial performance, quarterly and rolling 12-month forecasts, as well as safety, people, and customer topics. Group management follows up separately the most important development activities; e.g., major IT development activities are monitored by the Business Infrastructure Board and R&D projects by the Product Board. These Management Boards typically convene on a quarterly basis.

Monitoring

The Group conducts an annual self-assessment through its Managing Directors and controllers to monitor the effectiveness of selected financial internal controls. The Group also has an Internal Audit function, which is responsible for monitoring and evaluating the effectiveness of Konecranes' risk management and internal control system. Internal Audit plans its work in cooperation with the Audit Committee, which approves an annual internal audit plan. The Audit Committee receives direct reports from external auditors and discusses and follows up their viewpoints. External auditors are also represented at Audit Committee meetings. The Group's financial performance is reviewed at every Board meeting, and the Board of Directors and the Audit Committee review all external financial reports before they are made public.

The Group has a confidential e-mail reporting channel (Whistleblower channel) through which matters related to suspected misconduct can be reported. All notices of suspected incidents are investigated by Internal Audit and findings are reported to the Audit Committee. We received three reports of suspected misconduct via the Whistleblower channel in 2015; these cases did not have a material impact on the Group's financial results.

During summer 2015, one of Konecranes' foreign subsidiaries became the victim of a fraud. The perpetrators managed through identity theft and other fraudulent actions to induce the subsidiary to make unwarranted payments to a total amount of up to EUR 17.0 million. Konecranes has a crime insurance policy covering the entire group of companies with a coverage of EUR 10 million. Konecranes has strengthened internal security practices, policies,

controls and governance during 2015 to mitigate the risk for illegal and criminal activities targeting Konecranes.

Communication

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

During 2015

Konecranes continued its IT system project (ERP, CRM and People systems for both the Service and Equipment Business Areas) to further develop and implement harmonized processes, increase operational visibility and improve decision-making, and reduce the overall number of various IT systems. The SAP ERP system will be used for transaction handling and logistics within both Business Areas. The Siebel ERP system will be used to manage the field service operations as well as to store the data related to the assets under maintenance contracts.

The pilot unit of the SAP ERP system was launched at the end of September 2011. Several new units in North America rolled out during 2013 and in 2014 key manufacturing units in Finland implemented SAP in their operations. In 2015, SAP rollouts continued in Europe and Asia. By the end of 2015, the SAP ERP had reached more than 50 percent coverage of Konecranes' business.

Pilot Service units in Europe took the Siebel ERP system into use in 2012–2013. The implementation continued in North America and Australia in 2014, and work continued in those areas in 2015. The Siebel ERP system was rolled out in additional European countries in 2015. By the end of 2015, the Siebel ERP had reached approximately 40 percent coverage of business within Business Area Service.

The CRM and People systems have reached the targeted global coverage. Their features and functionalities are being developed further to maximize the business benefits.

Konecranes continued the implementation and development of the Financial Shared Service Center (FSSC) concept to offer mainly transaction handling services, financial master data maintenance, and some financial accounting services from regional centers to individual Konecranes companies.

The internal control environment will be improved using common, unified processes and a common system platform. Monitoring the effectiveness of internal controls will become more transparent following the implementation of the SAP ERP system. Financial Shared Service Centers will create a unified framework for transactional processing and provide an enhanced segregation of duties.

BOARD OF DIRECTORS



1 Stig Gustavson

b. 1945
Chairman of the Board since 2005
Board Member since 1994 and
Member of the Nomination and
Compensation Committee since
2006
M.Sc. (Eng.), Dr.Tech. (hon.)
Principal occupation: Board
Professional
Primary work experience: KCI
Konecranes Plc 1994–2005: Presi-
dent and CEO; KONE Cranes division
1988–1994: President; KONE
Corporation 1982–1988: Holder of
various executive positions. Prior to
1982: Holder of various executive
positions in major Finnish
corporations
Current key positions of trust:
Ahlström Capital Oy: Vice Chairman
of the Board; Oy Mercantile Ab:
Board Member; IK Investment Part-
ners: Board Member in the following
Funds: IK 2004, IK 2007 and IK
VII Limited; Outokumpu Plc: Board
Member; Suomi Gas Distribution
Oy: Chairman of the Board; Mutual
Pension Insurance Company Varma:
Member of the Supervisory Board
*Stig Gustavson is deemed to be
dependent of the Company based
on the Board's overall evaluation
relating to his former and current
positions in Konecranes combined
with his substantial voting rights in
the Company. He is independent of
any significant shareholders.*
Shares: 8,235*

2 Svante Adde

b. 1956
Board Member since 2004
Member of the Audit Committee
since 2004 and Chairman of the
Audit Committee since 2008
B.Sc. (Econ. and Business
Administration)
Principal occupation: Senior
Adviser, Lincoln International; Board
Professional
Primary work experience: Pöyry
Capital Limited, London 2007–
2013: Managing Director; Compass
Advisers, London 2005–2007:
Managing Director; Ahlstrom
Corporation 2003–2005: Chief
Financial Officer; Lazard London
and Stockholm 2000–2003:
Managing Director; Lazard London
1989–2000: Director; Citibank
1979–1989: Director
Current key positions of trust:
Cambium Global Timberlands
Ltd: Board Member; Lantmännen
Agroenergi AB: Chairman of the
Board; Meetoo AB: Chairman of the
Board; Rörvik Timber AB: Chairman
of the Board
*Independent of the Company and its
significant shareholders.*
Shares: 7,682

3 Matti Kavetvuo

b. 1944
Board Member 2001–December
31, 2015, Chairman of the Nomina-
tion and Compensation Committee
2009–2011 and Member 2012–
December 31, 2015.
Member of the Audit Committee
2004–2008
M.Sc. (Eng.), B.Sc. (Econ.)
Principal occupation: Board
Professional
Primary work experience: Pohjola
Group Plc 2000–2001: CEO; Valio
Ltd 1992–1999: CEO; Orion Corpo-
ration 1985–1991: CEO; Instrumen-
tarium Corp. 1979–1984: President
Current key positions of trust: No
key positions of trust.
*Independent of the Company and its
significant shareholders.*
Shares: 12,383

4 Malin Persson

b. 1968
Board Member since 2005 and
Member of the Audit Committee
since 2012
Member of the Nomination and
Compensation Committee 2005–
2011
M.Sc. (Eng.)
Principal occupation: CEO and
Owner, Accuracy AB
Primary work experience:
Chalmers University of Technology
Foundation: President and CEO;
Volvo Group: Holder of various
executive positions including: Volvo
Technology Corporation: President
and CEO; AB Volvo: Vice President,
Corporate Strategy and Business
Development; Volvo Transport
Corporation: Vice President, Busi-
ness & Logistics Development
Current key positions of trust:
Ahlström Capital Oy: Board Member;
Becker Industrial Coatings AB:
Board Member; Getinge AB: Board
Member; Hexatronic Scandinavia
AB: Board Member; Hexpol AB:
Board Member; Kongsberg Auto-
motive Holding AB: Board Member;
Magnora AB: Board Member;
Mekonomen Group AB: Board
Member; Mobile Climate Control
Group Holding AB: Board Member;
Presscise AB: Board Member;
RO-Gruppen AB: Chairman of the
Board
*Independent of the Company and its
significant shareholders.*
Shares: 7,552

5 Bertel Langenskiöld

b. 1950
Board Member since 2012 and
Chairman of the Nomination and
Compensation Committee since
2012
M.Sc. (Eng.)

Principal occupation: Board
Professional
Primary work experience:
Hartwall Capital Oy Ab 2011–2015:
Managing Director; Metso Paper
and Fiber Technology 2009–2011:
President; Metso Paper 2007–
2008: President; Metso Paper, Fiber
Business Line 2006–2007: Presi-
dent; Metso Minerals 2003–2006:
President; Fiskars Corporation
2001–2003: President and CEO;
Tampella Power/Kvaerner Pulping,
Power Division 1994–2000:
President
Current key positions of trust:
Kährs Holding AB: Board Member
*Bertel Langenskiöld is independent
of the Company. He is deemed
to be dependent of significant
shareholders of the Company
based on his previous position as
the Managing Director of Hartwall
Capital Oy Ab.*
Shares: 3,293

6 Ole Johansson

b. 1951
Vice Chairman of the Board and
Member of the Audit Committee
since March 26, 2015
B.Sc. (Econ.)
Principal occupation: Board
Professional
Primary work experience:
Wärtsilä Corporation 2000–2011:
President & CEO; Wärtsilä NSD
Oy 1998–2000: President & CEO;
Wärtsilä Corporation 1975–1998:
Vice President, Wärtsilä Diesel Inc.
and Wärtsilä Diesel Group: various
positions in Finland, USA, France
and Switzerland
Current key positions of trust:
Aker Arctic Technology Inc.:
Chairman of the Board; Hartwall
Capital Oy Ab: Chairman of the
Board; Svenska Handelsbanken AB:
Board Member
*Ole Johansson is independent of
the Company. He is deemed to be
dependent of significant share-
holders of the Company based on
his current position as Chairman of
the Board of Directors of Hartwall
Capital Oy Ab. HTT KCR Holding
Oy Ab holds more than 10 percent
of Konecranes Plc's shares and
votes. HTT KCR Holding Oy Ab is a
subsidiary of Hartwall Capital Oy
Ab. In addition, HTT KCR Holding
Oy Ab, K. Hartwall Invest Oy Ab,
Fyrklöver-Invest Oy Ab and Ronnas
Invest AG will in practice co-operate
in matters concerning their owner-
ship in Konecranes Plc.*
Shares: 11,151

7 Christoph Vitzthum

b. 1969
Board Member and Member of the
Nomination and Compensation
Committee since March 26, 2015
M.Sc. (Econ.)
Principal occupation: President
and CEO, Fazer Group
Primary work experience:
Wärtsilä Corporation 2009–2013:
President Services, Executive Vice
President; Wärtsilä Corporation
2006–2009: President Power
Plants, Executive Vice President;
Wärtsilä Propulsion 2002–2006:
President; Wärtsilä Corporation
1999–2002: Vice President,
Finance & Control, Marine Division;
Wärtsilä Corporation 1997–1999:
Business Controller, Power Plants
Division; Metra Finance Oy 1995–
1997: Dealer
Current key positions of trust:
NCC AB: Board Member; Oras Invest
Oy: Board Member; East Office of
Finnish Industries: Board Member;
EVA (Elinkeinoelämän valtuuskunta):
Delegation Member; Finnish Food
and Drink Industries' Federation:
Board Member; Finnish-Swedish
Chamber of Commerce: Board
Member; Varma Mutual Pension
Insurance Company: Member of the
Supervisory Board
*Independent of the Company and its
significant shareholders.*
Shares: 722

Nina Kopola

b. 1960
Board Member 2011–August 11,
2015, Member of the Nomination
and Compensation Committee
2011–March 26, 2015, and
Member of the Audit Committee
March 27–August 11, 2015.
M.Sc. (Chemical Eng.), Lic. Sc.
(Tech.)
Principal occupation: President
and CEO, Suominen Corporation
Primary work experience: Dynea
Oy 2008–2011: Executive Vice
President, President Europe; Dynea
Oy 2006–2008: Executive Vice
President, Global Market Applica-
tions; Dynea Oy 2005–2006: Group
Vice President, Marketing; Dynea Oy
2000–2005: Various management
positions in Marketing, Controlling
and Business Analysis
Current key positions of trust:
Metso Corporation: Board Member;
Finnish Textile and Fashion: Board
Member; Ilmarinen Mutual Pension
Insurance Company: Member of the
Supervisory Board
*Independent of the Company and its
significant shareholders.*
Shares: 4,009 (Aug. 10, 2015)

* On December 28, 2011 Konecranes Plc received information according to which the Chairman of the company's Board of Directors, Mr Stig Gustavson had donated all of the shares he at that time owned 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 which corresponded to approximately 3.27 percent of all of the company's shares and voting rights.

GROUP EXECUTIVE BOARD



Panu Routila

b. 1964
President and CEO since November 1, 2015
 Member of the Group Executive board since 2015
 Employed since 2015
 M.Sc. (Econ.)
Primary work experience: Ahlström Capital Oy 2008–2015: President and CEO; Kuusakoski Group, Alteams Oy 2002–2008: CEO; Outokumpu Group, Drawn Copper products 1997–2002: Director; 1995–1997: Controller; Partek Group 1986–1995: various financial management positions in Finland, France and Belgium
Current key positions of trust: Ahlstrom Corporation: Chairman of the Board; Enics AG: Chairman of the Board; Destia Group Plc: Vice Chairman of the Board
Shares: -
Options to acquire: -



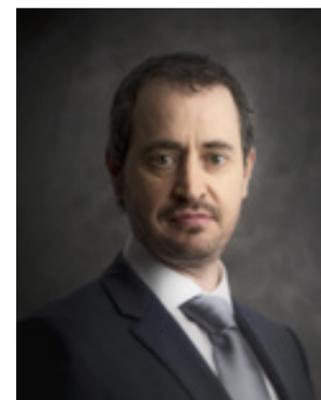
Teo Ottola

b. 1968
Chief Financial Officer
Deputy CEO since July 2015
 Member of the Group Executive Board since 2007
 Employed since 2007
 M.Sc. (Econ.)
Primary work experience: Elcoteq SE 2004–2007: CFO; Elcoteq Network Oyj 1999–2004: Senior Vice President (Business Control and Accounting); 1998–1999: Group Business Controller; Elcoteq Lohja Oy 1996–1998: Business Controller; Rautaruukki Oy 1992–1996: Financial Planner
Shares: 28,490
Options to acquire: -



Fabio Fiorino

b. 1967
Executive Vice President, Head of Business Area Service and Chief Customer Officer
 Member of the Group Executive Board since 2012
 Employed 1995
 B. Eng. P.Eng. MBA
Primary work experience: Konecranes Americas 2010–2011: Vice President, Head of Service, Region Americas; Morris Material Handling, Inc. 2006–2009: President; R&M Materials Handling, Inc. 1999–2006 / Drivecon, Inc. 2002–2006: President; Konecranes Americas 1998–1999: Vice President, Business Development, Latin America; Konecranes Canada, Inc. 1995–1998: Marketing Manager; AECL 1989–1994: Mechanical/Project Engineer
Shares: 7,792
Options to acquire: 9,000 shares



Ryan Flynn

b. 1971
Executive Vice President, Head of Business Area Equipment
 Member of the Group Executive Board since 2014
 Member of the Senior Management Team 2013
 Member of the Extended Management Team 2009–2013
 Employed 2005–2013, 2014–MBA, BCom
Primary work experience: Blue-Scope Steel 2013–2014: Vice President, Strategy and Business Development, China; Konecranes Plc 2009–2013: Senior Vice President, Head of Region APAC (Asia-Pacific), China; Konecranes Plc., China 2005–2009: Director, Ports & Lift trucks; NFS Industrial Machinery, South Africa 2003–2005: General Manager; Afinta Motor Corporation, South Africa 1996–2000: Director; Standard Bank, South Africa 1990–1996: Business Manager
Shares: 3,904
Options to acquire: -



Timo Leskinen

b. 1970
Senior Vice President, Human Resources
 Member of the Group Executive Board since 2013
 Employed 2013
 M.Sc. (Psy)
Primary work experience: Fiskars 2009–2013: VP, Human Resources; Nokia Services 2008–2009: Director HR; Nokia Customer and Market Operations 2006–2007: Director, HR; Nokia Ventures Organization 2004–2006: Head of Operations; 2000–2004 HR Manager; MPS 1999–2000: HR Consultant
Shares: 1,621
Options to acquire: -



Juha Pankakoski

b. 1967
Chief Digital Officer
 Member of the Group Executive Board since 2015
 Member of the Senior Management Team 2013–2014
 Employed 2004
 M.Sc. (Eng.), eMBA
Primary work experience: Konecranes 2010–2014: Vice President, Head of Business Unit Parts; 2008–2010: Director, Corporate Business Process Development; 2004–2008: Director, Supply Operations; Tellabs 2003–2004: VP, Supply Chain Operations; 2002–2003: Regional Director, EMEA Operations; 2000–2002: Director, Operations; 1998–2000: Plant Manager; Philips Medical Systems 1997–1998: Operations Manager; FujitsuCL Computers 1993–1997: various management positions in operations and business development
Current key positions of trust: Kaukomarkkinat Ltd: Board Member
Shares: 398
Options to acquire: 6,000 shares



Mikko Uhari

b. 1957
Executive Vice President, Strategy and Technology
 Member of the Group Executive Board since 1997
 Employed 1997
 Lic. Sc. (Eng.)
Primary work experience: Konecranes Plc 2012: EVP, Head of Market Operations, 2010–2011: EVP, Head of Business Area Equipment, KCI Konecranes/Konecranes 2005–2009: President, New Equipment Business Areas; KCI Konecranes 2004–2005: President, Special Cranes (Heavy Lifting), 1997–2003: President, Harbor and Shipyard Cranes; KONE Corporation 1982–1997: various managerial positions at Wood Handling Division (Andritz as of 1996) in Finland, Sweden and in the USA, including: 1996–1997 Group Vice President, Marketing, 1992–1996: Group Vice President, Project Business, 1990–1992: Director, Wood Handling Unit, Finland
Shares: 102,312
Options to acquire: -

SENIOR MANAGEMENT

Bernie D'Ambrosi

b. 1967
Senior Vice President, Head of Region Americas (since March 25, 2015)
Member of Senior Management Team since 2015
B.A. (Bachelor of Arts), Political Science Major, Economics Minor, Youngstown State University, J.D. (Juris Doctor), University of Toledo College of Law
Employed 2002
Primary work experience: Konecranes 2012–2015: VP, Region AME, Service; 2009–2012: VP, Industrial Crane Solutions, Region AME; 2002–2009: Senior Legal Counsel, Region AME; Bertin Steel Processing, Inc. 1993–2002: VP, General Counsel
Shares: 3,996
Options to acquire: 9,000 shares

Lars Fredin

b. 1961
Vice President, Head of Business Unit Lift Trucks
Member of Senior Management Team since 2013
Employed 2009
B.Sc. (Small Business Management)
Primary work experience: Bromma Conquip AB 2003–2009: VP, Sales & Marketing; Metget AB 2000–2003: Business Consultant and Sales & Marketing Director (RFID technology); Kalmar AC 1998–2000: President; Kalmar Industries 1996–1998: Area Manager, East Asia
Current key positions of trust: Byggning-Uddemann AB: Chairman of the Board; Interforum International AB: Chairman of the Board; Byggning-Ungern Trettioett AB: Chairman of the Board
Shares: 6,139
Options to acquire: 10,000 shares

Steve Gagnuss

b. 1964
Senior Vice President, Head of Region SEAP (Australia, New Zealand, Southeast Asia & Japan)
Member of Senior Management Team since 2014
Employed 1986
B.Sc. (International Business Management)
Diploma in Business Management
Primary work experience: Konecranes 2010–2013: Area Director, Southeast Asia; 2007–2010: General Manager, Industrial Cranes and Components, South-east Asia; KONE Corporation/Konecranes 1986–2010: Various production, sales, operations and product management positions in Konecranes Australia
Shares: 4,907
Options to acquire: -

Miikka Kinnunen

b. 1977
Director, Investor Relations
Member of Senior Management Team since 2013
Employed 2009
M.Sc. (Econ.)
Primary work experience: Carnegie Investment Bank AB 2001–2009: Financial Analyst
Shares: 265
Options to acquire: -

Ari Kiviniitty

b. 1957
Senior Vice President, Product Management and Development, Hoists & Components
Member of Senior Management Team since 2013
Member of Extended Management Team 2012–2013
Member of Executive Board 2005–2012
Employed 1983
M.Sc. (Eng.)
Primary work experience: Konecranes 2005–2015: Senior Vice President, Head of Product Management and Engineering; KCI Konecranes 2004–2005: VP, Standard Lifting Equipment; 2002–2004: Managing Director, Hoist factory; 1999–2001: R&D Manager; 1996–1998: Technical Director, Components, Singapore
Shares: 5,877
Options to acquire: 15,000 shares

Aku Lehtinen

b. 1969
Senior Vice President, Head of Region IMEA (India, Middle-East & Africa)
Member of Senior Management Team since 2013
Member of Extended Management Team since 2010–2013
Employed 1994
M.Sc. (Eng.)
Primary work experience: Konecranes 2011–2012: SVP, Head of Region WEMEA (Western Europe, Middle East and Africa); 2010–2011: SVP, Head of Region NEI (Nordic, East Europe and India); 2008–2010: Director, South East Europe; KCI Konecranes/Konecranes 2006–2008: Director, RTG Cranes; KCI Konecranes 2004–2006: Sales Director, Yard Cranes; 1994–2004: Sales, project & product management positions in Asia, Middle East and Europe
Shares: 1,483
Options to acquire: 5,000 shares

Mika Mahlberg

b. 1963
Vice President, Head of Business Unit Port Cranes
Member of Senior Management Team since 2013
Employed 1997
M.Sc. (Eng.)
Primary work experience: KCI Konecranes/Konecranes 2006–2007: Director, VLC Cranes; KCI Konecranes 2000–2006: Director, STS Cranes; 1997–2000: Project Manager, Harbor and Shipyard Cranes; Crown Cork & Seal Company 1996–1997: World Class Manufacturing Manager; Partek Group 1990–1995: Various management positions in Business Area Precast Concrete in Finland and Belgium
Shares: 2,807
Options to acquire: 18,000 shares

Tomas Myntti

b. 1963
Senior Vice President, Head of Region EUR (Europe)
Member of Senior Management Team since 2013
Member of Extended Management Team 2011–2013
Employed 2008
M.Sc. (Eng.)
Primary work experience: Konecranes 2011–2012: SVP, Head of Region NEI (Nordic, Eastern Europe and India); 2010–2011: VP, Head of Industrial Cranes, Region NEI; 2009: Director, Market Operations, Head of Global Key Account Management and Sales Development; 2008: Director, Business Development, Business Area New Equipment; TietoEnator Oyj 2007–2008: Chief Marketing Officer, Business Area Telecom and Media; Hantro Products Oy 2000–2007: SVP, Sales and Marketing; Cadence Design Systems 1996–2000: Global Account Director; Intel Corporation 1994–1996: Global Account Manager; Cap Gemini 1989–1994: Various management positions; Digital Equipment Corporation 1984–1989: Various positions
Shares: 3,913
Options to acquire: 2,351 shares

Jukka Paasonen

b. 1963
Vice President, Head of Business Unit Industrial Crane Products until March 31, 2015 since then Business Development Director, Customer Experience and Service Offering
Member of Senior Management Team 2013–March 31, 2015
Employed 1988
B.Sc.
Primary work experience: Konecranes 2011–2012: VP, Industrial Cranes, Standard Duty Cranes; 2008–2011: Director, Sales Support, Standard Lifting; KCI Konecranes/Konecranes 2006–2008: Director, Regional Sales Support, Standard Lifting; KCI Konecranes 2004–2006: Area Manager, West Europe and South America, Standard Lifting; 1997–2003: Sales Manager, Americas Component Center, Springfield, USA; KONE Corporation/KCI Konecranes 1990–1997: Various positions in sales and area support as well as in product management; KONE Corporation 1988–1990: Special Applications Engineer, Hoist Factory, Finland
Shares: 573
Options to acquire: -

Sirpa Poitsalo

b. 1963
Vice President, General Counsel
Member of Senior Management Team since 2013
Member of Extended Management Team 2009–2013
Member of Executive Board 1999–2009
Employed 1988
LL.M.
Primary work experience: KCI Konecranes 1997–1998: Assistant General Counsel; KONE Corporation/KCI Konecranes, 1988–1997: Legal Counsel
Shares: 29,343
Options to acquire: -

Tom Sothard

b. 1957
Senior Advisor (since March 25, 2015)
Member of Senior Management Team 2013–March 24, 2015
Member of Extended Management Team 2009–2013
Member of Executive Board 1995–2009
Employed 1983
B.Sc. (Marketing)
Primary work experience: Konecranes 2006–2015: SVP, Head of Region Americas; KCI Konecranes 2001–2006: President, Global Maintenance Services; 1995–2002: Group VP, North America; KONE Corporation/KCI Konecranes 1989–2001: President, Maintenance Services, North America; KONE Corporation 1984–1988: VP, Maintenance Services, North America; Robbins and Myers 1980–1984: District Manager
Shares: 17,539
Options to acquire: 15,000 shares

Topi Tiitola

b. 1969
Director, Business Analysis and Support
Member of Senior Management Team since 2013
Employed 1995
M.Sc. (Econ)
Primary work experience: KCI Konecranes/Konecranes 2005–2013: Group Business Controller; KCI Konecranes 2000–2005: Financial Director, Standard Lifting Equipment; 1995–2000: Several controller positions
Shares: 1,783
Options to acquire: 3,000 shares

Tapani Tilus

b. 1974
Vice President, Head of Business Unit Light Lifting until March 31, 2015 since then Vice President, Agilon Business, Group Strategy and Technology
Member of Senior Management Team 2013–March 31, 2015
Employed 1998
M.Sc. (Eng.)
Primary work experience: Konecranes 2010–2011: VP, Marketing and new service products, Business Area Service; KCI Konecranes/Konecranes 2006–2009: Director, Parts, Business Area Service; KCI Konecranes 2003–2006: General manager, Crane Parts Center; 1998–2002: Various positions as Financial Controller, and in system and process development & component sales
Shares: 1,356
Options to acquire: 2,500 shares

Report of the Board of Directors 2015

Marko Tulokas

b. 1972
Senior Vice President, Product and Applications Management, Industrial Equipment
 Member of Senior Management Team since 2013
 Employed 2004
 M.Sc. (Eng), MBA
Primary work experience:
 Konecranes 2011–2015: VP, Head of Business Unit Industrial Crane Solutions; 2010–2011: Director, Head of Business process management; 2008–2010: Director, Delivery Process; 2007–2008: Director, Strategy and Business Development, Process cranes; KCI Konecranes/Konecranes 2004–2007: Leadership positions in sourcing and supply chain management in China and Finland; Asko Appliances, Uponor Plc: 1998–2002: Several positions in supply chain management
Shares: 684
Options to acquire: -

Kari Utriainen

b. 1958
Vice President, Head of Business Unit Alfa
 Member of Senior Management Team since 2013
 Employed 1981
 School of Applied Science in Engineering
Primary work experience:
 Konecranes 2010–2011: VP, Head of Components; 2008–2010: Director, Branded Products, Standard lifting; KCI Konecranes/Konecranes 2002–2008: Director, Industrial Cranes & Components, Standard Lifting; KONE Corporation/KCI Konecranes 1981–2002: Various positions as Material controller, Purchaser, Purchasing Manager, Project Manager, Factory Manager, Operation Manager, Sales Manager and General Manager
Shares: 3,771
Options to acquire: -

Mikael Wegmüller

b. 1966
Vice President, Marketing and Communications
 Member of Senior Management Team since 2013
 Member of Extended Management Team 2009–2013
 Member of Executive Board 2006–2009
 Employed 2006
 M.Sc. (Econ.)
Primary work experience: Publicis Helsinki Oy 2003–2006: Chief Operating Officer; SEK & GREY Oy 2000–2003: Planning Group Director; Publicis Törmä Oy 1997–2000: Planning Group Director; Fineloy Oy (now L'Oreal Finland Oy) 1993–1997: Sales and Marketing Manager; Chips Abp 1991–1993: Product Group Manager
Shares: 4,847
Options to acquire: -

Steven Xie

b. 1970
Senior Vice President, Head of Region NEA (North East Asia), Country Director China
 Member of Senior Management Team since 2014
 Employed 2004
 MBA
Primary work experience:
 Konecranes 2013: VP, Country Director China, Head of Industrial Cranes Products APAC; 2012: Country Director China; 2010–2011: Head of Industrial Cranes China; 2009: General Manager, Standard Lifting Equipment China; KCI Konecranes/Konecranes 2004–2008: General Manager, Standard Duty Cranes China; Liebherr 2002–2004: Sales Director, Earth Moving Equipment, Liebherr China; Speco, 1998–2000: Sales Manager, China; Central Machinery 1994–1998: Sales Manager, China
Shares: 314
Options to acquire: -

Ilkka Ylänen

b. 1960
Senior Vice President, Supply Operations
 Member of Senior Management Team since 2013
 Employed 1985
 M.Sc (Eng.)
Primary work experience:
 Konecranes 2013–2015: Chief Supply Chain Officer, Head of Supply Chain Management; KCI Konecranes/Konecranes 2003–2013: Various positions in engineering, production management and business related IT systems; KONE Corporation/KCI Konecranes 1985–2003: Various positions in manufacturing and supply chain management
Shares: 3,131
Options to acquire: 7,500 shares

Marko Äkräs

b. 1967
Senior Vice President, Customer Experience and Service Offering
 Member of Senior Management Team since 2013
 Member of Extended Management Team 2012–2013
 Employed 1992
 M.Sc. (Eng.)
Primary work experience:
 Konecranes 2011–2015: VP, Head of Customer and Service Technology; 2009–2011: VP, Head of Service, West-Europe, Middle East and Africa (WEMEA); 2007–2009: Director, Head of Business Unit Crane Service; KCI Konecranes/Konecranes 2004–2007: Director, Crane Service Nordic; KCI Konecranes 2001–2004: General Manager, Global Parts Center; KONE Corporation/KCI Konecranes 1993–2001: Various positions in service and product management
Shares: 1,471
Options to acquire: -

Market review

In 2015, emerging economies struggled, while industrial production in the euro area saw a slight upturn. At the same time, the U.S. economic data was still generally positive, but some signs of weaker momentum could be observed in the business conditions. American factory output, measured by the Purchasing Managers' Index (PMI), was in the expansive territory for the first ten months of 2015, but the rate of growth softened during the year and the output was contracting at the end of the year. On average, the U.S. manufacturing capacity utilization rate was above the previous year's level in 2015. However, the capacity utilization rate levelled off during 2015. The key challenges affecting markets during the year were the appreciation of USD against EUR, which reduced the competitiveness of export industries, and the decline in oil price, the impact of which was mixed across industries.

According to the PMI surveys in the Eurozone, manufacturing production growth accelerated in 2015, but the overall rate of expansion remained moderate. Germany, Spain, the Netherlands, and Italy were the leading lights, whereas the French manufacturing sector contracted for the most part of the year. Outside the Eurozone, PMI surveys signaled a healthy expansion of manufacturing sector output in Sweden and the UK. Similar to the US, the EU capacity utilization was slightly up on a year-on-year basis, but it stabilized during 2015.

Based on the 2015 Purchasing Managers' Indexes, manufacturing activity worsened further in the BRIC countries, with the exception of India. PMIs in Brazil, China, and Russia pointed to a contraction of manufacturing output, while the signs of modest growth could be observed in India.

Overall, the activity in the world's manufacturing sector, according to the aggregated JPMorgan Global Manufacturing PMI, continued to increase in 2015, but the rate of growth weakened from 2014 and it was only slightly above stagnation at the end of the period.

Compared to the previous year, the demand for cranes and hoists was stable among industrial customers in Europe, whereas the demand weakened in the Americas, Middle East, and Asia. The demand for heavy-duty cranes continued to suffer from the low investment activity within the process industries. Demand for lift trucks was strong across the globe, with the exception of Middle East and Africa.

The growth of global container traffic stalled during 2015 and was basically unchanged from 2014. Declining port handling volumes were reported predominantly in some Asian ports, the Baltic Sea, as well as in the east coast of Latin America. Container volumes from Asia to the US East and Gulf Coasts increased. Also, the Europe to Middle East and to South Asia trade grew. Despite the lack of growth in global container throughput, the demand for yard cranes was robust.

The demand growth for lifting equipment services was driven by Asia-Pacific, whereas the demand was stable in EMEA and the Americas.

Raw material prices, including steel and copper, continued to be under downward pressure in 2015 and were clearly down on a year-on-year basis. The EUR/USD exchange rate stabilized in the second quarter of 2015 at a level that was clearly below the previous year's corresponding period.

Note: Unless otherwise stated, the figures in brackets in the sections below refer to the same period in the previous year.

Orders received

In 2015, the orders received grew by 3.3 percent to EUR 1,965.5 million (1,903.5). Orders received increased by 7.8 percent in Service, but decreased by 0.4 percent in Equipment. Orders received rose in the Americas and APAC, but fell in EMEA.

Order book

The value of the order book at year-end 2015 totaled EUR 1,036.5 million (979.5), which is 5.8 percent higher than at the end of 2014. Service accounted for EUR 165.8 million (16 percent) and Equipment for EUR 870.7 million (84 percent) of the total end-December order book.

Sales

Group sales in the full-year 2015 increased by 5.7 percent and totaled EUR 2,126.2 million (2,011.4). Sales in Service increased by 10.9 percent and in Equipment by 1.5 percent.

In 2015, the regional breakdown was as follows: EMEA 45 (47), Americas 39 (36) and APAC 16 (17) percent.

Net sales by region, MEUR

	1–12/2015	1–12/2014	Change percent	Change % at comparable currency rates
EMEA	960.5	946.0	1.5	0.7
AME	823.7	727.5	13.2	-0.6
APEC	342.0	338.0	1.2	-6.6
Total	2,126.2	2,011.4	5.7	-1.1

Currency rate effect

In a year-on-year comparison, the currency rates had a positive impact on the orders and sales in January–December. The reported order intake increased by 3.3 percent, but decreased by 3.3 percent at comparable currency rates. Reported sales increased by 5.7 percent, but decreased by 1.1 percent at comparable currency rates.

In Service, the reported January–December order intake increased by 7.8 percent, but decreased by 1.0 percent at comparable currencies. In Equipment, the orders decreased by 0.4 percent in reported terms and by 5.7 percent at comparable currencies. Service sales grew by 10.9 percent in reported terms and by 2.1 percent at comparable currencies. In Equipment, the corresponding figures were +1.5 percent and -3.9 percent.

Financial result

The consolidated operating profit in full-year 2015 totaled EUR 63.0 million (115.8), decreasing in total by EUR 52.8 million. The operating profit includes restructuring costs of EUR 20.5 million (3.2) related to the cost savings program of EUR 30 million announced in 2014. In addition, the operating profit includes transaction costs of EUR 17.2 million (0.0) related to the Terex merger announced in August 2015. In August, Konecranes announced that one of its foreign subsidiaries has become a victim of fraud. The operating profit includes the unwarranted payments due to the identity theft and fraudulent actions to a total amount of up to EUR -17.0 million. The consolidated operating margin fell to 3.0 percent (5.8). The operating margin in Service rose to 10.0 percent (9.7), whereas in Equipment it declined to 1.5 percent (3.7).

In 2015, Service's operating margin excluding restructuring costs improved due to the sales growth and higher gross margin. The Equipment operating margin, excluding restructuring costs, was affected by lower sales at comparable currency rates and an unfavorable sales mix. Moreover, the amortization related to new IT systems increased from the previous year. In addition, a provision of EUR 3.3 million was booked relating to a receivable from a Latin American customer in the fourth quarter of 2015. On the other hand, Business Area Equipment reached cost savings of approximately EUR 10 million due to the restructuring actions.

In 2015, the depreciation and impairments totaled EUR 54.0 million (43.1). This included write-offs of EUR 5.3 million (0.0) to intangible and tangible assets. In 2015, the amortization arising from the purchase price allocations for acquisitions represented EUR 5.0 million (6.8) of the depreciation and impairments.

In 2015, the share of the result of associated companies and joint ventures was EUR 4.8 million (3.7).

Net financial expenses in January–December totaled EUR 12.5 million (12.1). Net interest expenses accounted for EUR 9.6 million (10.4) of this.

The January–December profit before taxes was EUR 55.4 million (107.4).

The income taxes in January–December were EUR 24.6 million (32.8). The Group's effective tax rate was 44.4 percent (30.6). Deferred tax assets of EUR 4.7 million (0.0) related to the loss-making Indian operations were written off. The Group's effective tax rate was 30.3 percent in 2015, excluding the write-off of the deferred tax assets and the effects of the fraudulent actions and the transaction costs related to the merger with Terex that are related to the differences in tax rates.

The January–December net profit was EUR 30.8 million (74.6).

In 2015, the basic earnings per share were EUR 0.53 (1.28), and diluted earnings per share were EUR 0.53 (1.28).

In 2015, the return on capital employed was 10.4 percent (17.0) and return on equity 6.8 percent (16.7).

Balance sheet

The year-end 2015 consolidated balance sheet amounted to EUR 1,484.9 million (1,477.4). Total equity at the end of the reporting period was EUR 456.0 million (449.2). Total equity attributable to equity holders of the parent company at year-end 2015 was EUR 455.9 million (449.2) or EUR 7.79 per share (7.75).

Net working capital at year-end 2015 totaled EUR 317.4 million (263.7). Compared to the previous year-end, net working capital grew mainly due to higher inventories and lower advance payments received.

Cash flow and financing

Net cash from the operating activities in full-year 2015 was EUR 39.3 million (148.4), representing EUR 0.67 per diluted share (2.56). Cash flow from capital expenditures amounted to EUR -43.3 million (-42.0). Cash flow before financing activities was EUR -1.5 million (110.4).

Interest-bearing net debt was EUR 203.2 million (149.5) at the end of 2015. Solidity was 34.8 percent (35.2) and gearing was 44.6 percent (33.3).

The Group's liquidity remained healthy. At the end of the year 2015, cash and cash equivalents amounted to EUR 80.8 million (97.9).

In June, Konecranes signed a EUR 200 million five-year revolving credit facility with two 12-month extension options with its core relationship banks. The committed credit facility refinanced the existing EUR 200 million facility signed in December

2010 and will be used for the general corporate purposes of the Group. None of the Group's EUR 300 million committed back-up financing facilities were in use at the end of the period.

In April 2015, Konecranes paid dividends to its shareholders that amounted to EUR 61.5 million or EUR 1.05 per share.

Capital expenditure

In 2015, the capital expenditure, excluding acquisitions and joint arrangements, amounted to EUR 49.3 million (60.0). This amount consisted of investments in machinery, equipment, properties, and information technology. Capital expenditure including acquisitions and joint arrangements was EUR 49.3 million (60.0).

In 2015, Konecranes continued its IT system project to further develop and implement harmonized processes, increase operational visibility, improve decision-making, and reduce the overall number of various IT systems. The new ERP for manufacturing, logistics, and finance was rolled out in additional European operations and in Asia. The roll-out of the new ERP for service operations continued in North America, Australia, and Europe.

Acquisitions

In 2015, the capital expenditure on acquisitions and joint arrangements was EUR 0.0 million (0.0).

In August, Konecranes acquired 46 percent of its subsidiary CJSC Zaporozhje Kran Holding in Ukraine and now owns 95 percent of the company. The purchase price totaled EUR 3.0 million, which reduced equity by the same amount.

Personnel

In January–December, the Group employed an average of 11,934 people (11,920). On December 31, the headcount was 11,887 (11,982). At year-end 2015, the number of personnel by Business Area was as follows: Service 6,503 employees (6,285), Equipment 5,328 employees (5,639), and Group staff 56 (58). The Group had 6,237 employees (6,240) working in EMEA, 2,968 (2,858) in the Americas, and 2,682 (2,884) in the APAC region.

Personnel effect of the cost savings program of EUR 30 million announced in 2014 was approximately 400 employees in January–December. During the same period, the number of personnel increased by approximately 110 employees due to harmonization of reporting.

In 2015, the Group's personnel expenses totaled EUR 661.5 million (593.7).

Service	1-12/2015	1-12/2014	Change percent
Orders received, MEUR	809.5	750.8	7.8
Order book, MEUR	165.8	152.6	8.7
Contract base value, MEUR	210.6	196.0	7.5
Net sales, MEUR	992.3	895.1	10.9
EBITDA, MEUR	118.0	103.3	14.2
EBITDA, %	11.9%	11.5%	
Depreciation and amortization, MEUR	-17.9	-16.4	9.2
Impairments, MEUR	-1.2	0.0	
Operating profit (EBIT), MEUR	98.9	86.9	13.8
Operating profit (EBIT), %	10.0%	9.7%	
Restructuring costs, MEUR	-4.0	-2.2	
Operating profit (EBIT) excluding restructuring costs, MEUR	102.9	89.1	15.5
Operating profit (EBIT) excluding restructuring costs, %	10.4%	10.0%	
Capital employed, MEUR	232.3	200.2	16.0
ROCE%	45.7%	44.8%	
Capital expenditure, MEUR	22.9	20.5	11.8
Personnel at the end of period	6,503	6,285	3.5

Business areas

Service

The orders in full-year 2015 totaled EUR 809.5 million (750.8) showing an increase of 7.8 percent. At comparable currencies, order intake decreased from the previous year. The order book rose to EUR 165.8 million (152.6) at year-end representing an increase of 8.7 percent. Sales rose by 10.9 percent to EUR 992.3 million (895.1). Sales grew in all regions. Parts sales grew faster than the field service sales.

The operating profit, excluding restructuring costs of EUR 4.0 million (2.2), was EUR 102.9 million (89.1) and the operating margin was 10.4 percent (10.0). Operating profit was EUR 98.9 million (86.9) and 10.0 percent of sales (9.7). The operating margin, excluding restructuring costs, improved due to the sales growth and higher gross margin.

The annual value of the contract base increased to EUR 210.6 million (196.0) at year-end 2015. The contract base increased by 7.5 percent and by 2.9 at comparable exchange rates. At year-end 2015, the total number of items of equipment included in the maintenance contract base was 453,634 (444,482).

The number of service technicians at year-end 2015 was 4,142 (4,025), which is 117 or 2.9 percent more than at the year-end 2014.

Equipment

The orders in full-year 2015 totaled EUR 1,257.6 million (1,262.5), showing a decrease of 0.4 percent. Orders grew in the Americas and Asia-Pacific, but declined in EMEA. Orders for industrial cranes accounted for approximately 35 percent of the orders received and were lower than a year ago. Components generated approximately 25 percent of the new orders and were below last year's level.

The combined orders for port cranes and lift trucks amounted to approximately 40 percent of the orders received and were higher than a year ago. The order book increased by 5.3 percent from the previous year to EUR 870.7 million (826.9).

Sales increased by 1.5 percent to EUR 1,240.3 million (1,221.7). At comparable currency rates, sales decreased from the previous year. Operating profit before restructuring costs of EUR 15.0 million (1.0) was EUR 33.8 million (46.7), and the operating margin was 2.7 percent (3.8). Operating profit was EUR 18.8 million (45.6) and 1.5 percent of sales (3.7). The Equipment operating margin excluding restructuring costs was affected by lower sales at comparable currency rates and an unfavorable sales mix. Moreover, the amortization related to new IT systems increased from the previous year. In addition, a provision of EUR 3.3 million was booked relating to a receivable from a Latin American customer in the fourth quarter of 2015. On the other hand,

Business Area Equipment reached cost savings of approximately EUR 10 million due to the restructuring actions.

Group overheads

Unallocated Group overhead costs in 2015 were EUR 54.6 million (16.7), representing 2.6 percent of sales (0.8). These included transaction costs of EUR 17.2 million (0.0) related to the Terex merger and restructuring costs of EUR 1.4 million (0.0).

On August 14, Konecranes announced that one of its foreign subsidiaries has become a victim of fraud. As a result of identity theft and other fraudulent actions, the perpetrators had managed to induce the subsidiary making unwarranted payments to a total amount of up to EUR 17.0 million, which is included in unallocated Group overhead costs. Konecranes has reported the crime to the police authorities in the relevant countries and is working closely with the authorities to recover its losses and to bring the fraud perpetrators to justice. Konecranes has a crime insurance policy covering the entire group of companies with coverage of EUR 10 million.

In 2015, unallocated Group overhead costs, excluding the transaction and restructuring costs as well as the impact from the fraudulent actions, were EUR 18.9 million (16.7), representing 0.9 percent of sales (0.8).

Merger with Terex Corporation

On August 11, Konecranes and Terex Corporation ("Terex") announced that their respective Boards of Directors have unanimously approved a definitive agreement to combine their businesses in a merger of equals. Under the agreement, Terex shareholders will receive 0.80 Konecranes shares for each existing Terex share. Upon closing of the merger between Terex and Konecranes (the "Merger"), based on current fully diluted shares outstanding, Terex shareholders will own approximately 60 percent and Konecranes shareholders will own approximately 40 percent of the combined company.

The combined company, to be called Konecranes Terex Plc ("Konecranes Terex"), is planned to be listed on the Nasdaq Helsinki and the New York Stock Exchange. The Merger is expected to be accretive to both companies' shareholders in the first full year after closing.

The combined company expects to achieve at least EUR 110 million of annual pre-tax cost synergies from procurement savings, optimization of operations as well as selling, general, and administrative efficiencies. In addition, Konecranes Terex anticipates to realize the post-tax income enhancement from financing, cash management, and structure optimization of at least EUR 32 million annually. In total, these synergies are expected to result in EUR 109 million of annual net income benefits to be fully implemented

within 3 years from closing. The combined company expects to incur approximately EUR 110 million in related one-time costs over the first 24 months after closing to achieve the synergies.

The joint intention of Konecranes and Terex is for Konecranes Terex to execute a share buy-back program post-closing of up to USD 1.5 billion, split between ca. USD 500 million as soon as possible after closing and up to an additional USD 1.0 billion executed within 24 months after closing. The dividend policy for the combined company will be set by the Board after closing. However, given the enhanced growth profile of the combined business, it is expected that the combined company will maintain the current annual dividend of EUR 1.05 share paid by Konecranes. The combined company's intention is to strengthen the balance sheet of the new entity over time.

Konecranes Terex will be incorporated in Finland, with headquarters in Hyvinkää, Finland and Westport, Connecticut, USA. Upon closing of the transaction, the combined company is planned to have a Board of Directors comprising nine members, five Directors among which will be nominated by Terex and four Directors by Konecranes. Konecranes' current Chairman of the Board will become Konecranes Terex Chairman and the Terex CEO will become Konecranes Terex CEO. Should Terex determine to appoint a new CEO before the completion of the transaction, the parties have agreed to do this in close collaboration between the Boards of Directors of Terex and Konecranes.

The transaction is subject to approval by both Terex and Konecranes shareholders, regulatory approvals, and other closing conditions. Closing of the transaction is expected to occur during the first half of 2016.

On September 8, Terex announced that it has received the requisite consents (the "Consents") from the holders of its USD 850,000,000 6.00% Senior Notes due 2021 and USD 300,000,000 6.50% Senior Notes due 2020 (jointly the "Notes") to certain proposed amendments to the indentures governing "Change of Control" and certain other terms and conditions of the Notes. The consent solicitation was conducted by Terex in connection with the Merger.

Due to the receipt of the Consents, and subject to certain remaining conditions to the consent solicitation, the Merger will not constitute a "Change of Control" under the indentures governing the Notes. If any Notes will remain outstanding following the consummation of the Merger, Konecranes Terex intends to unconditionally guarantee Terex's obligations under each indenture and series of Notes within 30 calendar days following the consummation of the Merger. Konecranes will not issue such a guarantee unless the Merger is consummated.

Equipment	1-12/2015	1-12/2014	Change percent
Orders received, MEUR	1,257.6	1,262.5	-0.4
Order book, MEUR	870.7	826.9	5.3
Net sales, MEUR	1,240.3	1,221.7	1.5
EBITDA, MEUR	52.9	71.6	-26.2
EBITDA, %	4.3%	5.9%	
Depreciation and amortization, MEUR	-30.0	-26.0	15.5
Impairments, MEUR	-4.1	0.0	
Operating profit (EBIT), MEUR	18.8	45.6	-58.9
Operating profit (EBIT), %	1.5%	3.7%	
Restructuring costs, MEUR	-15.0	-1.0	
Operating profit (EBIT) excluding restructuring costs, MEUR	33.8	46.7	-27.7
Operating profit (EBIT) excluding restructuring costs, %	2.7%	3.8%	
Capital employed, MEUR	356.7	353.5	0.9
ROCE%	5.3%	12.5%	
Capital expenditure, MEUR	26.5	39.6	-33.0
Personnel at the end of period	5,328	5,639	-5.5

John L. Garrison, Jr. started as the President and CEO of Terex on November 2. Since the regulatory approvals are still pending, the Board of Directors of Konecranes has only noted the appointment.

Administration

Decisions of the Annual General Meeting

The Annual General Meeting of Konecranes Plc was held on March 26, 2015. The meeting approved the Company's annual accounts for the fiscal year 2014 and discharged the members of the Board of Directors and the Managing Director from liability. The AGM approved the Board's proposal to pay a dividend of EUR 1.05 per share from the distributable assets of the parent company.

The AGM approved the proposal of the Nomination and Compensation Committee that the number of the members of the Board of Directors shall be eight (8). The Board members elected at the AGM in 2015 were Mr. Svante Adde, Mr. Stig Gustavson, Mr. Ole Johansson, Mr. Matti Kavetvuo, Ms. Nina Kopola, Mr. Bertel Langenskiöld, Ms. Malin Persson, and Mr. Christoph Vitzthum.

The AGM confirmed the annual compensation to the Board members as follows:

- Chairman of the Board: EUR 105,000
- Vice Chairman of the Board: EUR 67,000
- Other Board Members: EUR 42,000

In addition, a compensation of EUR 1,500 per meeting will be paid for attending the Board Committee meetings. However, the Chairman of the Audit Committee is entitled to a compensation of EUR 3,000 per attended Audit Committee meeting. Furthermore, the AGM approved that 50 percent of the annual remuneration will be paid in Konecranes shares.

The AGM confirmed that Ernst & Young Oy will continue as the Company's external auditor.

The AGM authorized the Board of Directors to decide on the repurchase of the Company's own shares and/or on the acceptance of the Company's own shares as a pledge. The amount of own shares to be repurchased and/or accepted as pledge based on this authorization shall not exceed 6,000,000 shares in total, which corresponds to approximately 9.5 percent of all of the shares in the Company. The authorization is effective until the end of the next Annual General Meeting, however, not longer than until September 25, 2016.

The AGM authorized the Board of Directors to decide on the issuance of shares as well as on the issuance of special rights entitling to shares referred to in Chapter 10, Section 1 of the

Finnish Companies Act. The amount of shares to be issued based on this authorization shall not exceed 6,000,000 shares, which corresponds to approximately 9.5 percent of all of the shares in the Company. The authorization can also be used for incentive arrangements, however, not more than 700,000 shares in total together with the authorization in the following paragraph. The authorization is effective until the end of the next Annual General Meeting, however, not longer than until September 25, 2016. However, the authorization for incentive arrangements is valid until March 25, 2020.

The AGM authorized the Board of Directors to decide on the transfer of the Company's own shares. The authorization is limited to a maximum of 6,000,000 shares, which corresponds to approximately 9.5 percent of all the shares in the Company. The authorization can also be used for incentive arrangements, however, not more than 700,000 shares in total together with the authorization in the previous paragraph. This authorization is effective until the next Annual General Meeting of Shareholders, however, not longer than until September 25, 2016. However, the authorization for incentive arrangements is valid until March 25, 2020.

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

The Board of Directors is authorized to decide on the issue of new shares or on the transfer of the own shares held by the Company to such participants of the Plan who, according to the terms and conditions of the Plan, are entitled to receive free shares, as well as to decide on a share issue without payment also to the Company itself. The number of new shares to be issued or own shares held by the Company to be transferred may amount in the aggregate to a total maximum of 500,000 shares, which corresponds to 0.8 percent of all of the Company's shares. The authorization concerning the share issue is valid until March 25, 2020.

The AGM authorized the Board of Directors to decide on one or several donations in a maximum aggregate amount of EUR 250,000 to one or more Finnish Universities or research centers thus supporting education or research. The Board of Directors is entitled to decide on practical matters relating to a donation, for example nomination of recipients and the detailed terms of a donation. The authorization shall be valid until December 31, 2015.

Board of Directors' organizing meeting

At its first meeting held after the Annual General Meeting, the Board of Directors elected Mr. Stig Gustavson to continue as

Chairman. Mr. Ole Johansson was elected Vice Chairman of the Board. Mr. Svante Adde was elected Chairman of the Audit Committee, and Mr. Ole Johansson, Ms. Nina Kopola, and Ms. Malin Persson as Committee members. Mr. Bertel Langenskiöld was elected Chairman of the Nomination and Compensation Committee, and Mr. Stig Gustavson, Mr. Matti Kavetvuo, and Mr. Christoph Vitzthum were elected as Committee members.

With the exception of Mr. Stig Gustavson, the Board Members are deemed to be independent of the company under the Finnish Corporate Governance Code. Mr. Gustavson is not deemed independent of the Company based on the Board's overall evaluation relating to his former and current positions in Konecranes combined with his substantial voting rights in the Company.

With the exception of Mr. Ole Johansson and Mr. Bertel Langenskiöld, the Board Members are independent of significant shareholders of the Company. Mr. Ole Johansson is not deemed independent of significant shareholders of the Company based on his current position as the Chairman of the Board of Hartwall Capital Oy Ab. Mr. Langenskiöld is not deemed independent of significant shareholders of the Company based on his position as the Managing Director of Hartwall Capital Oy Ab until August 31, 2015. HTT KCR Holding Oy Ab holds more than 10 percent of Konecranes Plc's shares and votes. HTT KCR Holding Oy Ab is a subsidiary of Hartwall Capital Oy Ab. In addition, HTT KCR Holding Oy Ab, K. Hartwall Invest Oy Ab, Fyrklöver-Invest Oy Ab and Ronnas Invest AG will in practice cooperate in matters concerning their ownership in Konecranes Plc.

Changes in the Board of Directors

On August 10, Nina Kopola announced her resignation from the Board of Directors. Ms. Kopola resigned from the Board due to possible conflicts of interest that could arise from her position as the Board Member in Metso Corporation ("Metso"). Terex and Metso are competitors within materials processing.

On December 31, Matti Kavetvuo announced his resignation from the Board of Directors. Mr. Kavetvuo announced that he has given up other positions of trust during recent years and that it was now time to resign also from his last Board membership in a listed company.

Changes in the Group Management

In July, Konecranes announced that Panu Routila (b. 1964) has been appointed President and CEO of Konecranes Plc. Panu Routila started as the new President and CEO on November 1. He succeeded Pekka Lundmark who left Konecranes on September 5 to pursue his career outside the Company.

CFO Teo Ottola was appointed Deputy CEO. The Deputy CEO uses the powers of the CEO if the CEO position is not filled or to fulfil his duties when the CEO is incapacitated.

Corporate Governance Statement

Konecranes complies with the Finnish Corporate Governance Code 2010 approved by the Board of the Securities Market Association. Konecranes has issued a Corporate Governance Statement based on recommendation 54 of the Code, which can be reviewed on the Konecranes corporate website at www.konecranes.com.

Share capital and shares

The Company's registered share capital totaled EUR 30.1 million on December 31, 2015 and the number of shares including treasury shares was 63,272,342.

On December 31, 2015, Konecranes Plc was in the possession of 4,539,913 own shares, which corresponds to 7.2 percent of the total number of shares having a market value of EUR 104.0 million on that date.

All shares carry one vote per share and equal rights to dividends.

Shares subscribed for under stock option rights

In January–December, 733,495 treasury shares were transferred to the subscribers, pursuant to the Konecranes Plc's stock options 2009B.

At end-December 2015, Konecranes Plc's stock options 2009C entitled the holders to subscribe to a total of 638,500 shares.

The terms and conditions of the stock option programs are available on Konecranes' website at www.konecranes.com.

Performance share plan

The Board of Directors resolved that the earning during the three-year discretionary period beginning on January 1, 2015 will be based on the Group's cumulative EPS excluding restructuring costs.

The target group of the Plan consists of approximately 180 people. The rewards to be paid on the basis of the discretionary period beginning on January 1, 2015 correspond to the value of an approximate maximum total of 700,000 Konecranes Plc's shares. If the targets determined by the Board of Directors are achieved, the reward payout will be a half of the maximum reward. The maximum reward payout requires that the targets would be clearly exceeded.

The Board of Directors decided on a directed share issue related to the reward payment for the performance periods 2012 and 2012–2014 of the Konecranes Performance Share Plan 2012. In the share issue, 55,007 Konecranes Plc shares held by the Company were conveyed without consideration to the key employees participating in the plan. The decision on the directed share issue was based on the authorization granted to the Board of Directors by the Annual General Meeting of Shareholders held on March 27, 2014.

Employee share savings plan

Based on interest shown by the Group employees, the Board decided to launch a new Plan Period. The new Plan Period has commenced on July 1, 2015 and will end on June 30, 2016. The maximum savings amount per participant during one month is 5 percent of the gross salary and the minimum is EUR 10.

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 period until the end of the designated holding period, February 15, 2019, and if his or her employment has not ended before this date for reasons attributable to the employee. The total amount of all savings of the commencing plan period may not exceed EUR 8.5 million. The terms and conditions of the Plan Period 2015–2016 are unchanged from the previous Plan Periods.

Approximately 1,550 Konecranes' employees signed up for the Plan Period that commenced on July 1, 2015. The number of new shares to be issued or own shares held by the Company to be transferred under the terms and conditions of the Plan may be a maximum total number of 500,000 shares, which corresponds to 0.8 percent of all the Company's shares.

Market capitalization and trading volume

The closing price for Konecranes Plc's shares on the Nasdaq Helsinki was EUR 22.90 on December 31, 2015. The volume-weighted average share price in January–December was EUR 27.73, the highest price being EUR 34.98 in August and the lowest EUR 20.98 in September. In January–December, the trading volume on the Nasdaq Helsinki totaled 57.0 million of Konecranes Plc's shares, corresponding to a turnover of approximately EUR 1,579.6 million. The average daily trading volume was 226,922 shares, representing an average daily turnover of EUR 6.3 million.

In addition, approximately 84.1 million Konecranes' shares were traded on other trading venues (e.g., multilateral trading facilities and bilateral OTC trades) in 2015, according to Fidessa.

On December 31, 2015, the total market capitalization of Konecranes Plc's shares on the Nasdaq Helsinki was EUR 1,448.9 million including treasury shares. The market capitalization was EUR 1,345.0 million, excluding the treasury shares.

Flagging notifications

On February 5, 2015, Konecranes received a disclosure under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of Harris Associates L.P. in Konecranes Plc has decreased below 5 percent. Harris Associates L.P. held 3,158,600 Konecranes Plc's shares on February 4, 2015, which is 4.99 percent of the Konecranes Plc's shares and votes.

On April 20, 2015, Konecranes received a disclosure under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of Harris Associates L.P. in Konecranes Plc has exceeded 5 percent. Harris Associates L.P. held 3,200,000 Konecranes Plc's shares on April 17, 2015, which is 5.06 percent of Konecranes Plc's shares and votes.

On May 14, 2015, Konecranes received a disclosure under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of Sanderson Asset Management LLP in Konecranes Plc has exceeded 5 percent. Sanderson Asset Management LLP held 3,239,980 Konecranes Plc's shares on May 13, 2015, which is 5.12 percent of Konecranes Plc's shares and votes.

On September 18, 2015, Konecranes received a disclosure under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of Harris Associates Investment Trust in Konecranes Plc has exceeded 5 percent. Harris Associates Investment Trust held 3,177,500 Konecranes Plc's shares on September 17, 2015, which is 5.02 percent of Konecranes Plc's shares and votes.

On November 6, 2015, Konecranes received a disclosure under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of Polaris Capital Management, LLC in Konecranes Plc's shares has exceeded 5 percent. Polaris Capital Management, LLC held 3,169,748 Konecranes Plc's shares on November 6, 2015, which is 5.01 percent of Konecranes Plc's shares. Polaris Capital Management, LLC held 2,277,440 voting rights in Konecranes Plc on November 6, 2015, which is 3.60 percent of voting rights in Konecranes Plc.

Research and development

In 2015, Konecranes' research and product development expenditure totaled EUR 28.7 (28.9) million, representing 1.3 (1.4) percent of sales. R&D expenditure includes product development projects aimed at improving the quality and cost efficiency of both products and services.

During 2015, we developed camera applications for our products and looked at new materials and configurations for certain core lifting devices. We also maintained our tradition of joint research with the leading universities; in 2015, we started longer-term research cooperation with the Karlsruhe Institute of Technology, Germany.

In 2015, we paid particular attention to exploring new opportunities in the role of digitalization and automation within the context of the Industrial Internet. Customers can connect to the data provided by our TRUCONNECT Remote Service offering, request help from our technicians, and review the service and operational history of their cranes via the yourKONECRANES.com web portal. YourKONECRANES' global rollout started in 2015 in countries such as the UK, Canada, and Australia.

In March, Konecranes won the Automation Award 2015 granted by the Finnish Society of Automation, a recognition given for the development of new, harmonized automation architecture for lifting equipment.

Konecranes introduced the next-generation version of the Agilon material handling solution in March. To date, it has mainly been sold in Finland to date, but we have begun its gradual expansion into other countries, such as the UK. Another important product launch in 2015 was the Stagemaker SR01 electric chain hoist designed for the entertainment industry.

Corporate responsibility

In 2015, we organized our first ever formal, public stakeholder dialogue on corporate responsibility, aiming to better understand expectations of our corporate responsibility work. This was organized in the form of an online brainstorming, where ideas were brought forward and further developed by the participants.

During the renewal process of the corporate responsibility roadmap we decided to change from the five focus areas established earlier to four focus areas. The new focus areas are safety, people, environment, and integrity.

In 2015, we made good progress in terms of the number of accidents and accident frequency. Our LTA1 has decreased year on year steadily. However, there is room for improvement.

Employee satisfaction survey was conducted in March. The response rate remained above benchmarks at 83 percent (2013: 85 percent). Employee satisfaction remained stable at a high level. The leadership training portfolio, which is offering leadership training to various levels of management, was renewed.

In 2015, we began a project to have a certified environmental management system according to the new ISO14001:2015

standard for all our factories within two years. Our CDP (former Carbon Disclosure Project) result improved to 98C from 76D.

Group-wide extensive competition law training for all management level personnel took place. In addition, we conducted a wide anti-corruption risk assessment survey within the organization. We also introduced fraud prevention e-learning as a mandatory element for relevant functions at the end of the year.

Risks and uncertainties

Konecranes operates in the emerging countries that entail 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 value of the total assets related to the Zaporozhye factory amounted to approximately EUR 8 million on December 31, 2015.

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.

Konecranes has made several acquisitions and expanded organically into the new countries. A failure to integrate the acquired business or grow newly established operations may result in an impairment of goodwill and other assets.

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

Konecranes delivers projects, which involve the risks related to, for example, engineering, and project execution including 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 to cancel the existing orders. Konecranes intends to avoid incurring costs for major projects under construction in excess of advance payments. However, it is possible that the cost-related commitments in some projects temporarily exceed the amount of advance payments.

The completion of the Merger is subject to a number of conditions, including, among other things, the approval of the Merger proposal by Terex stockholders, the approval by Konecranes shareholders of all of the proposals relating to the Merger and the obtainment of antitrust and other regulatory approvals in the United States, the European Union, China, and certain other jurisdictions, which make the comple-

Consolidated statement of income - IFRS

tion and timing of the completion of the merger uncertain. In addition, either Terex or Konecranes may terminate the business combination agreement if the Merger has not been completed by August 10, 2016 (subject to certain extension rights).

The Group's other risks are presented in the Annual Report.

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.

Two lawsuits have been filed as class actions asserting claims relating to the Merger by purported stockholders of Terex. The two complaints name as defendants Terex and the members of its board of directors, Konecranes, Konecranes, Inc. and Konecranes Acquisition Company LLC. The complaints seek, among other relief, an order enjoining or rescinding the Merger and an award of attorneys' fees and costs on the grounds that the Terex board of directors breached their fiduciary duty in connection with entering into the business combination agreement and approving the Merger. The complaints further allege that Terex, Konecranes, Konecranes, Inc. and Konecranes Acquisition Company LLC aided and abetted the alleged breaches of fiduciary duties by the Terex board of directors. Konecranes believes that the allegations in the suits are without merit, and will vigorously defend against them.

While the final outcome of these proceedings cannot be predicted with certainty, Konecranes' opinion is, 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 effect on the financial condition of the Group.

Events After The End Of The Reporting Period

On January 26, Konecranes announced that the Board of Directors of Konecranes has been notified by Terex of the non-binding conditional proposal by Zoomlion Heavy Industry Science and Technology Co. to acquire Terex. The Board of Directors of Konecranes has confirmed that Konecranes will continue to pursue the merger of equals with Terex as planned. Konecranes continues to believe that the Merger represents a highly compelling opportunity for both companies and their shareholders, and stands behind and remains committed to the Merger.

On January 27, Konecranes announced that Konecranes has made its Business Combination Agreement with Terex, dated August 10, 2015 available on its website at www.konecranes.com/investors.

Market Outlook

Customers are cautious about investing as economic growth has slowed down across the globe. Companies operating in emerging and commodity markets are particularly under pressure to save costs. Business activity in the North American manufacturing and process industries weakened toward the end of 2015 and the demand outlook is more uncertain than a year ago. The demand situation in Europe is stable. Even though the global container throughput has slowed down, our offer base for container handling equipment has remained solid and the order book for 2016 deliveries is good. Continued contract base growth bodes well for the future of the service business.

Financial Guidance

Based on the order book, the service contract base and the near-term demand outlook, sales in 2016 are expected to be higher than in 2015. We expect the 2016 operating profit, excluding non-recurring items, to improve from 2015.

Board of Directors' proposal for disposal of distributable funds

The parent company's non-restricted equity is EUR 276,744,547.45, of which the net income for the year is EUR 164,816,834.32. The Group's non-restricted equity is EUR 395,615,000.

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 that a dividend of EUR 1.05 be paid on each share and that the remaining non-restricted equity is retained in shareholders' equity.

A pdf version of Konecranes' full audited financial statements, including the report of the Board of Directors, and corporate governance statement will be available on the web on March 1, 2016, and the printed version during week 11.

Helsinki, February 3, 2016
Konecranes Plc
Board of Directors

(1,000,000 EUR)		Jan 1–Dec 31 2015	Jan 1–Dec 31 2014
Note:			
3,5,6	Sales	2,126.2	2,011.4
	Other operating income	1.4	2.8
7	Materials, supplies and subcontracting	-969.9	-938.0
7.8	Personnel cost	-661.5	-593.7
9	Depreciation and impairments	-54.0	-43.1
7	Other operating expenses	-379.1	-323.4
	Operating profit	63.0	115.8
16	Share of associates' and joint ventures' result	4.8	3.7
10	Financial income	7.8	2.4
10	Financial expenses	-20.3	-14.5
	Profit before taxes	55.4	107.4
11	Taxes	-24.6	-32.8
	PROFIT FOR THE PERIOD	30.8	74.6
	Profit for the period attributable to:		
	Shareholders of the parent company	30.8	74.4
	Non-controlling interest	0.0	0.2
12	Earnings per share, basic (EUR)	0.53	1.28
12	Earnings per share, diluted (EUR)	0.53	1.28

Consolidated statement of other comprehensive income

(1,000,000 EUR)		1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
	Profit for the period	30.8	74.6
	Items that can be reclassified into profit or loss		
34	Cash flow hedges	-0.6	-14.0
	Exchange differences on translating foreign operations	16.3	19.9
16	Share of associates' other comprehensive income	3.8	0.0
11.3	Income tax relating to items that can be reclassified into profit or loss	0.1	2.8
	Items that cannot be reclassified into profit or loss		
28	Re-measurement gains (losses) on defined benefit plans	6.0	-16.7
11.3	Income tax relating to items that cannot be reclassified into profit or loss	-1.4	4.7
	Other comprehensive income for the period, net of tax	24.2	-3.3
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	55.0	71.2
	Total comprehensive income attributable to:		
	Shareholders of the parent company	55.0	71.2
	Non-controlling interest	0.0	0.1

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

Consolidated balance sheet - IFRS

(1,000,000 EUR) ASSETS	Dec 31 2015	Dec 31 2014
Note:		
Non-current assets		
13 Goodwill	107.6	104.8
14 Intangible assets	108.7	101.2
15 Property, plant and equipment	142.5	150.5
Advance payments and construction in progress	24.0	30.0
16 Investments accounted for using the equity method	50.2	43.1
Other non-current assets	1.0	1.0
17 Deferred tax assets	71.7	70.0
Total non-current assets	505.7	500.4
Current assets		
18 Inventories	365.2	335.5
19 Accounts receivable	377.3	364.9
20 Other receivables	24.9	24.5
Income tax receivables	10.1	13.4
6 Receivable arising from percentage of completion method	77.3	85.8
32 Other financial assets	7.5	6.1
21 Deferred assets	36.0	48.8
22 Cash and cash equivalents	80.8	97.9
Total current assets	979.2	977.0
TOTAL ASSETS	1,484.9	1,477.4

(1,000,000 EUR) EQUITY AND LIABILITIES	Dec 31 2015	Dec 31 2014
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	66.5	52.2
34 Fair value reserves	-9.1	-8.6
Translation difference	20.1	3.7
Other reserve	29.9	27.8
Retained earnings	248.4	230.3
Net profit for the period	30.8	74.4
23 Total equity attributable to equity holders of the parent company	455.9	449.2
16 Non-controlling interest	0.1	0.1
Total equity	456.0	449.2
Liabilities		
Non-current liabilities		
27,32 Interest-bearing liabilities	59.2	167.2
28 Other long-term liabilities	92.3	95.4
32 Other financial liabilities	0.0	2.0
24 Provisions	17.8	17.5
17 Deferred tax liabilities	19.8	18.5
Total non-current liabilities	189.1	300.5
Current liabilities		
27,32 Interest-bearing liabilities	224.8	80.2
6 Advance payments received	176.4	202.7
Progress billings	0.4	1.5
Accounts payable	139.1	137.1
24 Provisions	35.1	27.7
25 Other short-term liabilities (non-interest-bearing)	31.9	26.0
32 Other financial liabilities	11.4	16.2
Income tax payables	12.8	18.9
Accrued costs related to delivered goods and services	111.8	102.5
25 Accruals	96.2	114.8
Total current liabilities	839.8	727.6
Total liabilities	1,028.9	1,028.1
TOTAL EQUITY AND LIABILITIES	1,484.9	1,477.4

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

Consolidated statement of changes in equity - IFRS

(1,000,000 EUR)	Equity attributable to equity holders of the parent company								Non-controlling interest	Total equity
	Share capital	Share premium account	Paid in capital	Cash flow hedges	Translation difference	Other reserves	Retained earnings	Total		
Balance at January 1, 2015	30.1	39.3	52.2	-8.6	3.7	27.8	304.7	449.2	0.1	449.2
Options exercised			14.3				0.0	14.3		14.3
Dividends paid to equity holders							-61.5	-61.5		-61.5
Equity-settled share based payments (note 29)						2.2	0.0	2.2		2.2
Donations							-0.2	-0.2		-0.2
Acquisitions							-3.1	-3.1		-3.1
Profit for the period							30.8	30.8		30.8
Other comprehensive income				-0.5	16.3		8.4	24.2	0.0	24.2
Total comprehensive income			0.0	-0.5	16.3	0.0	39.2	55.0	0.0	55.0
Balance at December 31, 2015	30.1	39.3	66.5	-9.1	20.1	29.9	279.1	455.9	0.1	456.0
Balance at January 1, 2014	30.1	39.3	51.0	2.6	-16.3	26.5	304.9	438.1	6.4	444.5
Options exercised			1.2				0.0	1.2		1.2
Dividends paid to equity holders							-60.8	-60.8		-60.8
Equity-settled share based payments (note 29)						1.3	0.0	1.3		1.3
Acquisitions							-1.9	-1.9	-6.4	-8.3
Profit for the period							74.4	74.4	0.2	74.6
Other comprehensive income				-11.2	20.0		-12.0	-3.2	-0.1	-3.3
Total comprehensive income			0.0	-11.2	20.0	0.0	62.4	71.2	0.1	71.2
Balance at December 31, 2014	30.1	39.3	52.2	-8.6	3.7	27.8	304.7	449.2	0.1	449.2

Consolidated cash flow statement - IFRS

(1,000,000 EUR)		Jan 1–Dec 31 2015	Jan 1–Dec 31 2014
Note:			
	Cash flow from operating activities		
	Profit for the period	30.8	74.6
	Adjustments to net profit for the period		
	Taxes	24.6	32.8
	Financial income and expenses	12.5	12.2
	Share of associates' and joint ventures' result	-4.8	-3.7
	Dividends income	-0.1	-0.1
	Depreciation and impairments	54.0	43.1
	Profits and losses on sale of fixed assets	1.2	-0.3
	Other adjustments	-2.8	-1.7
	Operating income before change in net working capital	115.5	157.0
	Change in interest-free current receivables	27.2	21.9
	Change in inventories	-17.4	4.4
	Change in interest-free current liabilities	-37.4	0.6
	Change in net working capital	-27.6	26.9
	CASH FLOW FROM OPERATIONS BEFORE FINANCING ITEMS AND TAXES	87.9	183.8
10	Interest received	5.8	3.1
10	Interest paid	-15.6	-13.4
10	Other financial income and expenses	-12.5	5.0
11	Income taxes paid	-26.3	-30.1
	Financing items and taxes	-48.6	-35.4
	NET CASH FROM OPERATING ACTIVITIES	39.3	148.4
	Cash flow from investing activities		
4	Acquisition of Group companies, net of cash	-0.3	-0.3
4	Divestment of businesses, net of cash	0.1	1.2
	Capital expenditures	-43.3	-42.0
	Proceeds from sale of property, plant and equipment and other	2.6	3.1
	NET CASH USED IN INVESTING ACTIVITIES	-40.8	-38.0
	Cash flow before financing activities	-1.5	110.4
	Cash flow from financing activities		
	Proceeds from options exercised and share issues and other	14.3	1.5
	Proceeds from non-current borrowings	0.0	50.0
	Repayments of non-current borrowings	-2.1	-15.7
	Proceeds from (+), payments of (-) current borrowings	38.8	-114.0
4	Acquired non controlling interest	-5.9	-5.9
	Dividends paid to equity holders of the parent company	-61.5	-60.8
	NET CASH USED IN FINANCING ACTIVITIES	-16.3	-144.9
	Translation differences in cash	0.6	0.3
	CHANGE OF CASH AND CASH EQUIVALENTS	-17.2	-34.3
	Cash and cash equivalents at beginning of period	97.9	132.2
22	Cash and cash equivalents at end of period	80.8	97.9
	CHANGE OF CASH AND CASH EQUIVALENTS	-17.2	-34.3

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 two reportable segments, which it calls Business Areas: Business Area Service and Business Area Equipment.

2. Accounting principles

2.1. Basis of preparation

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

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

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

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

The financial statements were approved for issuance by the Board of Directors on February 3, 2016

Principles of consolidation

The consolidated financial statements comprise the consolidated balance sheet of Konecranes Plc and its subsidiaries as at December 31, 2015 and 2014 and the consolidated statements of income and cash flows for the periods ended December 31, 2015 and 2014. 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 a majority of voting rights result in control. To support this presumption and when the Group has less than a 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

Estimates

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, 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 competitor 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.

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.

Percentage of completion revenue recognition in long term projects

Konecranes applies the percentage of completion method (cost to cost) for recognizing revenue from long term large crane projects in accordance with IAS11 Construction Contracts. 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 labor, 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.

Judgments

There have been no changes to judgments throughout the years 2015 and 2014.

2.3. Summary of significant accounting policies

Revenue recognition

Revenue is recognized 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 specific recognition criteria described below must also be met before revenue for the sale of goods is recognized:

- a) The entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the entity; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The transfer of risk takes place either when goods are shipped or made available to the buyer for shipment, depending on the terms of the contract.

Revenue from services is recognized when the outcome of the transaction can be estimated reliably and by reference to the stage of completion based on services performed at the end of the reporting period. 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 or by written customer acknowledgement.

The outcome can be estimated reliably when all of the following criteria are satisfied:

- a) The amount of revenue can be measured reliably;
- b) It is probable that the economic benefits associated with the transaction will flow to the entity;
- c) The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from large crane construction contracts is recognized according to the percentage of the completion (POC) method described in IAS11 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. 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. When the final outcome of a project cannot be reliably determined, the costs arising from the project are expensed in the same reporting period in which they occur, but the revenue from the project is recorded only to the extent that the Group will receive an amount corresponding to actual costs. An expected loss on a contract is recognized immediately in statement of income. Revenue in respect of variations to the contract scope and claims is recognized when it is probable that it will be received and is capable of being measured reliably.

Research and development costs

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

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

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

Earnings per share

Basic earnings per share are computed by dividing income from continuing operations, income from discontinued operations and net income, 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 the insurance system as a defined contribution plan.

Under defined benefit plans, a liability recognized in the balance sheet equal 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. 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).

Independent actuaries calculate the defined benefit obligation by applying the Projected Unit Credit Method. A liability for termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Share based payments

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

Equity-settled transactions

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 12).

Cash-settled transactions

The cost of cash-settled transactions 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 presented in euros, which is the Group's functional and 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 liability and 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.

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 acquire are assigned to those units. If the carrying amount for a CGU exceeds its recoverable amount, an impairment loss equal to the difference is recognized. Konecranes uses a discounted cash flow analyses to assess the fair value of goodwill. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of five years. A previously recognized impairment loss on goodwill is not reversed even if there is a significant improvement in circumstances having initially caused the impairment.

Property, plant and equipment

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

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

No depreciation is recorded for land.

Expectations 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.

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 cost. Provisions are made for doubtful receivables on individual assessment of potential risks. 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 a 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 liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; 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.

Derivatives designated as hedging instruments in an effective hedge

These derivatives 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 hedging 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 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

Lease contracts, in which the Group assumes substantially all risks and rewards of ownership, are classified as finance leases. In finance leases, the assets are recognized in property, plant and equipment at the lower of fair value or the present value of the minimum lease payments as determined at the inception of the lease. The value capitalized is amortized on a straight-line basis over the shorter of the lease period or the useful economic life of the asset. The corresponding lease obligations are included in interest-bearing liabilities.

Other lease contracts are classified as operating leases where the lease payments of these leases are recognized as rental expenses in the statement of income on a straight line basis over the lease term.

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 loans, are recognized under Cash flows from financing activities.

2.4 Application of new and amended IFRS standards and IFRIC interpretations

Konecranes has not adopted any new or revised IFRSs from January 1, 2015 that have had any impact on the current or comparative periods.

The relevant new or revised IFRSs that Konecranes has not yet adopted are the following:

IFRS 9 Financial Instruments introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. The new hedging model may lead to more economic hedging strategies meeting the requirement for hedge accounting. Furthermore, IFRS 9 is estimated to increase the amount of disclosures for Konecranes. Konecranes is in the process of identifying the first-time implementation effects of IFRS 9 in more detail.

IFRS 15 Revenue from Contracts with Customers recognizes revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. In addition, the new standard requires a set of quantitative and qualitative disclosures to enable users of the Group's consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018; early application is permitted. This standard may impact revenue recognition of long term projects as the criteria for recognizing the revenue over time (percentage of completion method) will change and be based on the fact that at any time during the contract term, Konecranes must be entitled to an amount that at least compensates the Group for performance completed to date, even if the customer can terminate the contract for reasons other than our failure to perform as promised. The disclosure requirement in IFRS 15 will be more extensive than in the present IFRS standards.

Accounting for Acquisitions of Interests in Joint Operations Amendments to IFRS 11 clarifies that the acquisition accounting and disclosure requirements of IFRS 3 Business Combinations must be applied to the acquisitions of an interest in a joint operation that constitutes a business. Konecranes will be required to

apply this standard prospectively from January 1, 2016 on future acquisitions of joint operations.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, Amendments to IFRS 10 and IAS 28 requires Konecranes to recognize gains and losses on such sales or contributions only to the extent they relate to the interest in the Associate or Joint Venture that does not constitute a business and that is held by investors other than Konecranes. The gain or loss resulting from the sale or contribution to an Associate or a Joint Venture of assets that constitute a business as defined in IFRS 3 is recognised in full. The standard will be effective from January 1, 2016. Based on the Associates and Joint Ventures in which it has investments at December 31, 2015, Konecranes does not believe that the amendments will have a material impact on its consolidated financial statements.

3. Segment information

For management purposes, the Group is organized into business units based on its products and services and has two reportable segments:

- Service business, which provides services on installation and maintenance of production cranes and lifttrucks.
- Equipment business, which produces lifting equipments.

Cranes and Lifttrucks operating segments have been aggregated to form the above Equipment business reportable operating segment 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 Group Executive Board.

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. Also the Group Headquarters' tax and financial income and expenses are managed on the Group level and are not allocated to segments.

As its secondary segments Konecranes Group reports 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.

Intercorporate transfer prices between operating segments are primarily based on the market prices, which are considered to reflect the arm's length basis.

Capital expenditure consists of additions of property, plant and equipment and intangible assets. Inter-segment revenues are eliminated on consolidation.

3.1. Operating segments

2015	Service	Equipment	Corporate functions and Unallocated items	Eliminations	Total
Sales					
Sales to external customers	949.4	1,176.7			2,126.2
Inter-segment sales	42.9	63.6		-106.5	0.0
Total sales	992.3	1,240.3		-106.5	2,126.2
Income / Expense					
EBITDA	116.8	48.8	-54.6	0.8	111.8
EBITDA,%	11.8%	3.9%			5.3%
Depreciation and amortization (note 9)	17.9	30.1	0.8		48.7
Impairment of assets (note 9)	1.2	4.1			5.3
Operating profit excluding non recurring items	102.9	33.8	-19.7	0.8	117.7
% of net sales	10.4%	2.7%			5.5%
Operating profit including non recurring items	98.9	18.8	-55.4	0.8	63.0
% of net sales	10.0%	1.5%			3.0%
Share of associates and joint ventures result (note 16)			4.8		4.8
Financial income			7.8		7.8
Financial expenses			-20.3		-20.3
Profit before tax					55.4
Segment assets	414.9	845.7			1,260.6
Investment accounted for using the equity method (note 16)			50.2		50.2
Cash and cash equivalents			80.8		80.8
Deferred tax assets			71.7		71.7
Income tax receivables			10.1		10.1
Other unallocated and corporate function level assets			11.4		11.4
Total assets	414.9	845.7	224.3		1,484.9
Segment liabilities	182.6	489.0			671.6
Interest-bearing liabilities			284.0		284.0
Deferred tax liabilities			19.8		19.8
Income tax payables			12.8		12.8
Other unallocated and corporate function level liabilities			40.8		40.8
Total liabilities	182.6	489.0	357.3		1,028.9
Other disclosures					
ROCE%	45.7%	5.1%			10.4%
Capital expenditure	22.9	26.5			49.3
Personnel	6,503	5,328	56		11,887

2014	Service	Equipment	Corporate functions and Unallocated items	Eliminations	Total
Sales					
Sales to external customers	858.1	1,153.3			2,011.4
Inter-segment sales	36.9	68.5		-105.4	0.0
Total sales	895.1	1,221.7		-105.4	2,011.4
Income / Expense					
EBITDA	103.3	71.6	-16.0	0.1	159.0
EBITDA,%	11.5%	5.9%			7.9%
Depreciation and amortization (note 9)	16.4	25.9	0.8		43.0
Impairment of assets (note 9)	0.0	0.1			0.1
Operating profit excluding non recurring items	89.1	46.7	-16.8	0.1	119.1
% of net sales	10.0%	3.8%			5.9%
Operating profit including non recurring items	86.9	45.6	-16.8	0.1	115.8
% of net sales	9.7%	3.7%			5.8%
Share of associates and joint ventures result (note 16)			3.7		3.7
Financial income			2.4		2.4
Financial expenses			-14.5		-14.5
Profit before tax					107.4
Segment assets	383.5	837.4			1,220.9
Investment accounted for using the equity method (note 16)			43.1		43.1
Cash and cash equivalents			97.9		97.9
Deferred tax assets			70.0		70.0
Income tax receivables			13.4		13.4
Other unallocated and corporate function level assets			32.0		32.0
Total assets	383.5	837.4	256.4		1,477.4
Segment liabilities	183.3	484.0			667.3
Interest-bearing liabilities			247.4		247.4
Deferred tax liabilities			18.5		18.5
Income tax payables			18.9		18.9
Other unallocated and corporate function level liabilities			76.1		76.1
Total liabilities	183.3	484.0	360.8		1,028.1
Other disclosures					
ROCE%	44.8%	12.5%			17.0%
Capital expenditure	20.5	39.6			60.0
Personnel	6,285	5,639	58		11,982

3.2. Geographical areas

2015	EMEA*	AME	APAC	Total
External sales*	960.5	823.7	342.0	2,126.2
Assets*	844.3	368.6	272.0	1,484.9
Capital expenditure	41.5	5.2	2.7	49.3
Personnel	6,237	2,968	2,682	11,887

* External sales to Finland EUR 75.5 million. Non-current assets (excluding deferred tax assets) in Finland: EUR 137.0 million and in other countries: EUR 297.1 million.

2014	EMEA*	AME	APAC	Total
External sales*	946.0	727.5	338.0	2,011.4
Assets*	771.2	362.7	343.4	1,477.4
Capital expenditure	52.8	2.5	4.7	60.0
Personnel	6,240	2,858	2,884	11,982

*External sales to Finland EUR 68.9 million. Non-current assets (excluding deferred tax assets) in Finland: EUR 139.0 million and in other countries: EUR 291.4 million. There are no single customers which have over 10% of the Group's sales.

4. Acquisitions

Acquisitions and divestments in 2015

In August 2015, Konecranes purchased an additional 46% of the minority shareholding of its fully controlled subsidiary, Zaporozhje Kran Holding, which is located in Ukraine. After the purchase of the additional shareholding, Konecranes now owns 95% of the subsidiary. The purchase price for the additional 46% amounted to EUR 3.0 million.

As part of the initial acquisition of Sanma Hoist & Cranes Co. Ltd in 2014, the Group had accrued EUR 2.8 million of deferred consideration. This deferred consideration has now been paid, therefore total consideration paid in the year ended 31 December 2015 was EUR 5.8 million.

Acquisitions and divestments in 2014

In June 2014 Konecranes completed the acquisition of the remaining shares (35%) of Jiangsu Three Horses Crane Manufacture Co. Ltd. ("SANMA") and owns 100 percent of the company. The transaction costs decreased Konecranes equity attributable to the equity holders of the parent company by EUR 1.9 million and the non-controlling interest by EUR 6.4 million reflecting the amount paid in 2014 of EUR 5.9 million and accrued consideration of EUR 2.4 million. The transaction was accounted for as an equity transaction and did not result in additional goodwill. Konecranes also paid accrued consideration for business acquired in previous years of EUR 0.3 million. The cash flow effect of the purchase considerations paid in 2014 totaled EUR 6.2 million of which EUR 5.9 million is presented as financing cash flow as it related to the acquisition of non-controlling interest.

5. Specification of sales

	2015	2014
Sale of goods	1,411.1	1,347.4
Rendering of services	714.7	663.3
Leasing of own products	0.1	0.2
Royalties	0.3	0.5
Total	2,126.2	2,011.4

6. Percentage of completion method and advances received

6.1 Percentage of completion method

	2015	2014
The cumulative revenues of non-delivered projects	297.5	316.7
Advances received netted	216.9	225.4
Progress billings netted	3.3	5.5
Receivable arising from percentage of completion method, net	77.3	85.8
Gross advance received from percentage of completion method	221.1	297.7
Advances received netted	216.9	225.4
Advances received from percentage of completion method (netted)	4.2	72.3

Net sales recognized under the percentage of completion method amounted EUR 291.2 million in 2015 (EUR 318.3 in 2014).

Receivable arising from percentage of completion method relate to construction contracts. Net asset balances are balances where the sum of contract costs, recognized profits and recognized losses exceed progress billings. Construction contracts, here and as follows, include service contracts accounted for under the percentage of completion method. Where progress billings exceed the sum of contract costs, recognized profits and recognized losses these liabilities are included in the line item Advance received from percentage of completion method (netted).

6.2. Advance payments received

	2015	2014
Advance received from percentage of completion method (netted)	4.2	72.3
Other advance received from customers	172.2	130.4
Total	176.4	202.7

7. Operating expenses

	2015	2014
Change in work in progress	-37.0	9.1
Production for own use	-0.9	-1.1
Material and supplies	792.7	747.0
Subcontracting	215.1	183.1
Materials, supplies and subcontracting	969.9	938.0
Wages and salaries	527.1	472.7
Pension costs	52.8	44.7
Other personnel expenses	81.6	76.4
Personnel cost	661.5	593.7
Other operating expenses	379.1	323.4
Total operating expenses	2,010.5	1,855.2

Research and development costs recognized as an expense in other operating expenses amount to EUR 28.7 million in the year 2015 (EUR 28.9 million in 2014).

8. Personnel expenses and number of personnel

8.1. Personnel expenses

	2015	2014
Wages and salaries	527.1	472.7
Pension costs: Defined benefit plans	5.5	5.1
Pension costs: Defined contribution plans	47.3	39.6
Other personnel expenses	81.6	76.4
Total	661.5	593.7

8.2. Average personnel

	2015	2014
Average number of personnel	11,934	11,920
Number of personnel as at December 31	11,887	11,982
Number of personnel as at December 31 in Finland	1,954	2,002

8.3. Personnel by Reportable Segment at end of period

	2015	2014
Service	6,503	6,285
Equipment	5,328	5,639
Group Staff	56	58
Total	11,887	11,982

9. Depreciation, amortization and impairments

9.1. Depreciation and amortization

	2015	2014
Intangible assets	21.9	18.6
Buildings	3.7	3.2
Machinery and equipment	23.2	21.3
Total	48.7	43.0

9.2. Impairments

	2015	2014
Property, plant and equipment	2.4	0.1
Intangible assets	2.9	0.0
Goodwill	0.0	0.0
Total	5.3	0.1

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

	2015	2014
Interest income on bank deposits and loans	1.1	1.2
Fair value gain on derivative financial instruments	0.0	0.7
Exchange rate gains	6.5	0.3
Other financial income	0.2	0.1
Total	7.8	2.4

10.2. Financial expenses

	2015	2014
Interest expenses on liabilities	11.2	11.5
Exchange rate loss	5.4	0.0
Other financial expenses	3.7	3.0
Total	20.3	14.5
Financial income and expenses net	-12.5	-12.1

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 -9.1 million (2014: EUR -8.6 million) with deferred taxes of EUR 2.3 million (2014: EUR 2.2 million) relating to the hedging instruments is included in equity. The hedged operative cash flows are expected to occur during the next 3-18 months. The realized and recycled currency differences from these hedges recorded in the statement of income was EUR -15.1 million in 2015 (EUR -1.5 million in 2014).

11. Income taxes

11.1. Taxes in statement of income

	2015	2014
Local income taxes of group companies	24.6	32.1
Taxes from previous years	-1.1	-0.6
Change in deferred taxes	1.1	1.3
Total	24.6	32.8

11.2. Reconciliation of income before taxes

	2015	2014
with total income taxes		
Profit before taxes	55.4	107.4
Tax calculated at the domestic corporation tax rate of 20.0% (2014: 20.0%)	11.1	21.5
Effect of different tax rates of foreign subsidiaries	0.7	7.3
Taxes from previous years	-1.1	-0.6
Tax effect of non-deductible expenses and tax-exempt income	1.1	-1.7
Tax effect of unrecognized tax losses of the current year	9.5	6.7
Tax effect of utilization of previously unrecognized tax losses	-0.4	-0.6
Tax effect of recognition of previously unrecognized tax losses	-2.3	-1.6
Tax effect of impairment of previously recognized tax assets on carry forward losses	5.7	0.0
Tax effect of recognizing the controlled temporary difference from investment in subsidiaries	-0.9	1.0
Tax effect of tax rate change	0.0	0.2
Other items	1.2	0.6
Total	24.6	32.8
Effective tax rate%	44.4%	30.6%

The Company evaluates regularly the net realizable value of its deferred tax assets. The tax effect of impairment of previously recognized tax assets on carry forwards losses includes impairment made for deferred tax assets previously recognized for Indian tax losses carry forwards.

Uncertain tax positions

Konecranes estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. On August 14, 2015 Konecranes announced that one of its foreign subsidiaries had become the victim of a fraud. The perpetrators had through identity theft and other fraudulent actions managed to induce the subsidiary to make unwarranted payments for a total amount of EUR 17.0 million. Konecranes has recorded this item as tax deductible based on the information available about the position expected to be taken by the tax authority. However the outcome of the tax assessment is not yet certain.

11.3. Tax effects of components in other comprehensive income

	2015	2014
Cash flow hedges	-0.1	-2.8
Re-measurement gains (losses) on defined benefit plans	1.4	-4.7
Total	1.3	-7.5

12. Earnings per share

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

	2015	2014
Net profit attributable to shareholders of the parent company	30.8	74.4
Weighted average number of shares outstanding (1,000 pcs)	58,542	57,909
Effect of dilution from share options (1,000 pcs)	0	125
Weighted average number of shares outstanding, diluted (1,000 pcs)	58,542	58,034
Earnings per share, basic (EUR)	0.53	1.28
Earnings per share, diluted (EUR)	0.53	1.28

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

13. Goodwill and goodwill impairment testing

13.1. Goodwill

	2015	2014
Acquisition costs as of January 1	119.5	116.3
Translation difference	2.8	3.2
Acquisition costs as of December 31	122.3	119.5
Accumulated impairments as of January 1	-14.7	-14.7
Impairments for the financial year	0.0	0.0
Total as of December 31	107.6	104.8

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

	2015	2014
Industrial Equipment ¹⁾	44.9	43.1
Liftrucks	12.6	12.3
Stahl CraneSystems	20.4	20.4
Agilon	3.9	3.9
Goodwill in Equipment total	81.8	79.7
Port Service	10.7	10.8
Crane Service	10.7	10.0
Machine Tool Service	4.4	4.3
Goodwill in Service total	25.8	25.1
Total goodwill in reportable segments as of December 31	107.6	104.8

¹⁾ Includes Light Lifting, which was reported as separate CGU in 2014.

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 Equipment	3%	10.5%
Stahl CraneSystems	2%	11.6%
Port Service	2%	10.5%
Machine Tool Service	1%	8.1%
Agilon*	104%	7.6%
Crane Service	2%	9.8%
Liftrucks	5%	9.1%

*The growth rate in CGU Agilon is 104% (80% in 2014) as the CGU is in a start-up phase.

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

Impairment charges

The impairment testing performed in 2015 and 2014 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 percentage 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 five forecasted years (-2% points) combined with the current discount rate.

2015

The recoverable value of CGU Machine Tool Service was EUR 6.7 million higher and the recoverable value of CGU Industrial Equipment was EUR 40.5 million higher than the carrying value of the assets under impairment testing. Sensitivity tests using both higher discount rate (+5% points) and lower cash flow estimates (-10%) indicated that Machine Tool Service would have been impaired by EUR 1.0 million and the goodwill in Industrial Equipment would have been fully impaired. Sensitivity test for compound annual growth rate for the sales (-2% points) with the current discount rate indicated that the goodwill in CGU Machine Tool Service and Industrial Equipment would have been fully impaired. The recoverable amount of EUR 14.5 million of Machine Tool Service would be the same as the carrying amount if the discount rate would be 4.6% points higher, or if the present value of the cash flows would be 46.5% lower. The recoverable amount of EUR 208.8 million of Industrial Equipment would be the same as the carrying amount if the discount rate would be 2.1% points higher, or if the present value of the cash flows would be 19.4% lower. The forecasts of Machine Tool Service and Industrial Equipment include also a specific key assumption for a decrease of fixed costs. The recoverable amount of EUR 14.5 million of Machine Tool Service would be the same as the carrying amount if the EBITDA % would be 1.3% points lower and the recoverable amount of EUR 208.8 million of Industrial Equipment would be the same as the carrying amount if the EBITDA % would be 0.7% points lower. There was no indication of impairment of goodwill for any other CGU from the sensitivity tests.

2014

Sensitivity tests using both higher discount rate (+5% points) and lower cash flow estimates (-10%) indicated that Machine Tool Service would have been impaired by EUR 2.7 million. The Sensitivity test for compound annual growth rate for the sales (-2% points) with the current discount rate indicated that CGU Machine Tool Service would have been impaired by EUR 6.1 million. The recoverable amount of EUR 12.6 million of Machine Tool Service

would be the same as the carrying amount if the discount rate would be 2.5% points higher, or if the present value of the cash flows would be 21.5% lower. There was no indication of impairment of goodwill for any other GCU from the sensitivity tests. The recoverable value of CGU Port Service was EUR 15.0 million higher and

the recoverable value of CGU Light Lifting was EUR 26.3 million higher than the carrying value of the assets under impairment testing. For CGU Agilon the recoverable amount exceeded EUR 22.4 million of the carrying amount of the assets under impairment testing.

14. Intangible assets

2015	Patents and trademarks	Software	Other	Intangible assets total
Acquisition costs as of January 1	29.0	102.6	108.8	240.4
Additions	0.0	31.0	0.8	31.8
Disposals	0.0	-0.2	-1.0	-1.2
Impairment	0.0	-1.8	-1.1	-2.9
Translation difference	0.4	0.0	1.4	1.8
Acquisition costs as of December 31	29.4	131.6	108.9	269.9
Accumulated depreciation as of January 1	-13.9	-41.2	-84.2	-139.3
Translation difference	0.0	0.0	-0.1	-0.1
Accumulated depreciation relating to disposals	0.0	0.0	0.0	0.0
Depreciation for financial year	-0.7	-15.8	-5.4	-21.9
Total as of December 31	14.9	74.6	19.2	108.7

2014	Patents and trademarks	Software	Other	Intangible assets total
Acquisition costs as of January 1	28.6	73.5	107.9	209.9
Additions	0.0	31.2	0.6	31.8
Disposals	0.0	-2.2	-0.6	-2.9
Transfer within assets	0.0	0.2	-0.2	0.0
Translation difference	0.4	0.0	1.2	1.5
Acquisition costs as of December 31	29.0	102.6	108.8	240.4
Accumulated depreciation as of January 1	-13.2	-32.2	-77.5	-122.8
Translation difference	0.0	0.0	-0.3	-0.3
Accumulated depreciation relating to disposals	0.0	2.2	0.2	2.4
Depreciation for financial year	-0.7	-11.2	-6.7	-18.6
Total as of December 31	15.2	61.4	24.6	101.2

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 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, 2015, the intangible assets having an indefinite useful life consisted of the Stahl trademark of EUR 10.4 million (EUR 10.4 million in 2014). 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 a indefinite useful life. The carrying amount of this asset is tested on a yearly basis by using a similar kind of impairment testing method as goodwill.

The addition of EUR 31.8 million (EUR 31.8 million in 2014) mainly consisted of capitalized development costs of the Group's ERP systems.

Due to the restructuring actions of the Group during the year intangible assets of EUR 2.9 million (mainly customer relations as well as software) were written off in 2015.

15. Property, plant and equipment

2015	Land	Buildings	Machinery & Equipment	Property, plant and equipment total
Acquisition costs as of January 1	7.0	65.6	247.9	320.4
Additions	0.1	2.0	19.2	21.3
Disposals	0.0	-0.2	-7.9	-8.1
Transfer within assets	0.0	0.3	-0.3	0.0
Impairment	0.0	0.0	-2.3	-2.3
Translation difference	0.2	2.1	2.0	4.3
Acquisition costs as of December 31	7.3	69.9	258.5	335.6
Accumulated depreciation as of January 1	0.0	-16.1	-153.9	-170.0
Translation difference	0.0	0.0	-0.1	-0.1
Accumulated depreciation relating to disposals	0.0	0.1	3.7	3.8
Depreciation for financial year	0.0	-3.7	-23.2	-26.9
Total as of December 31	7.3	50.2	85.0	142.5

2014	Land	Buildings	Machinery & Equipment	Property, plant and equipment total
Acquisition costs as of January 1	6.8	60.8	243.0	310.6
Additions	0.1	3.6	27.0	30.7
Disposals	0.0	-0.1	-24.3	-24.4
Transfer within assets	0.0	0.0	0.0	0.0
Impairment	0.0	0.0	-0.1	-0.1
Translation difference	0.1	1.3	2.4	3.7
Acquisition costs as of December 31	7.0	65.6	247.9	320.4
Accumulated depreciation as of January 1	0.0	-12.9	-153.2	-166.1
Translation difference	0.0	-0.1	-0.4	-0.5
Accumulated depreciation relating to disposals	0.0	0.1	20.9	21.0
Depreciation for financial year	0.0	-3.2	-21.3	-24.5
Total as of December 31	7.0	49.5	94.0	150.5

There were no buildings capitalized under finance lease at the end of year 2015 and 2014.

The carrying amount of machinery and equipments under finance lease as of December 31, 2015 is EUR 6.4 million (EUR 6.5 million in 2014). Due to the restructuring actions of the Group during the year machinery and equipment was written off in 2015 by EUR 2.3 million.

16. Interests in other entities and non-controlling interests

16.1. Investments accounted for using the equity method

Associated Companies	2015	2014	Joint Ventures	2015	2014
Acquisition costs as of January 1	37.2	34.5	Acquisition costs as of January 1	5.8	5.9
Share of associated companies result after taxes*	3.8	3.6	Share of joint ventures result after taxes	1.0	0.2
Share of associates' other comprehensive income	3.8	0.0	Dividends received	-0.5	-0.2
Dividends received	-1.0	-0.9	Total as of December 31	6.3	5.8
Total as of December 31	43.9	37.2			

* Including adjustments from purchase price allocation.

16.2. Investments in associated companies and joint ventures

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

	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
2015									
Kito Corporation (associated company)	42.8	173.3	301.9	153.8	124.4	366.9	15.6	32.5	1.0
Other investments in associated companies and joint ventures	7.5	2.6	46.5	0.4	27.3	72.2	2.9	2.9	0.5
Total	50.2	175.9	348.4	154.2	151.7	439.1	18.5	35.4	1.5
2014									
Kito Corporation (associated company)	36.2	140.3	245.2	34.9	194.5	303.6	15.1	15.1	0.9
Other investments in associated companies and joint ventures	6.8	3.1	51.9	0.3	31.4	66.7	1.7	1.7	0.2
Total	43.1	143.3	297.1	35.1	225.9	370.4	16.9	16.9	1.1

Kito Corporation carrying amount of the investment includes purchase price allocation effects and translation differences of EUR 1.8 million in 2015 (EUR 0.7 million in 2014).

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

Kito Corporation

Konecranes holds a 22.65% (2014: 22.73%) interest in the shares of Kito Corporation ("Kito"), which is incorporated and has its principal place of business in Yamanashi, Japan. The market value of Kito Corporation shares owned by Konecranes as of December 31, 2015 amounted to EUR 49.4 million (2014: EUR 49.0 million). The market value is based on the quoted price on the Tokyo stock exchange at each period end.

16.3. Joint operations

Konecranes has classified the interest in Konesko A/S (domiciled in Estonia) as a joint operation based on the joint arrangement agreement. Konesko A/S is a strategic supplier of components used in Konecranes products. Konecranes has the exclusive right to purchase certain motors and end carriages from Konesko A/S at a price to be agreed upon with Konesko A/S. However Kone-

cranes retains ownership of the current models of motor designs and the trademark rights to the end carriages.

Konecranes owns as of December 31, 2015 49.5% in Konesko A/S domiciled in Estonia.

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

16.4. Subsidiaries with material non-controlling interest

In August 2015, Konecranes acquired 46% of its subsidiary CJSC Zaporozhje Kran Holding in Ukraine and now owns 95% of the company.

In June 2014, Konecranes completed the acquisition of the remaining shares (35%) of Jiangsu Three Horses Crane Manufacture Co. Ltd. (SANMA) and owns now 100% of the company. See also note 4.

17. Deferred tax assets and liabilities

17.1. Deferred tax assets

	2015	2014
Employee benefits	17.7	17.5
Provisions	24.2	14.8
Unused tax losses	16.3	18.4
Other temporary differences	13.5	19.4
Total	71.7	70.0

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

	2015	2014
Intangible and tangible assets	14.3	14.8
Other temporary differences	5.5	3.6
Total	19.8	18.5

The deferred tax assets and deferred tax liabilities have been netted in 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 2015 was EUR 77.4

million (EUR 76.0 million in 2014) and deferred tax liabilities EUR 25.6 million (EUR 24.5 million in 2014).

Konecranes has not recognized the temporary differences in investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. The biggest temporary difference for which no deferred tax liability has been recognized relates to the distributable profits in Canadian subsidiaries which are not expected to be repatriated. The estimated withholding tax of 5% amounts to EUR 1.5 million.

17.3. Tax losses carried forward

At the end of year 2015, Konecranes recorded a deferred tax asset of EUR 16.3 million (EUR 18.4 million in 2014) related to unused tax losses on the carry-forward losses of EUR 172.2 million (EUR 149.0 million in 2014) 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 117.7 million in the year 2015 (EUR 89.6 million in 2014).

EUR 60.4 million of these tax losses carry-forwards available have unlimited expiry, EUR 66.1 million expiry in more than in five years and EUR 45.7 million expire in five years.

The main portion 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 40.2 million (EUR 38.3 million in 2014). The Group has recorded a deferred tax asset amounting to EUR 8.8 million (EUR 7.9 million in 2014) of Morris Material Handling, Inc. based on the tax losses estimated to be utilized during the years 2016–2025 amounting to EUR 25.1 million. For the amount of EUR 15.1 million tax loss carry-forwards deductible over the period 2026–2031 no deferred tax asset has been recognized due to uncertainties and limitations on deductible annual amounts.

At the end of year 2015, Konecranes recorded EUR 4.7 million impairment of previously recognized deferred tax assets on tax losses carry-forwards in WMI Konecranes India Ltd (India).

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

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

	Tax losses carried forward	Potential deferred tax assets	Deferred tax assets not recorded	Deferred tax assets
2015				
USA	40.2	14.5	5.7	8.8
India	37.0	12.0	12.0	0.0
Austria	21.9	5.5	4.2	1.3
China	9.3	2.3	0.0	2.3
Japan	9.1	2.9	2.9	0.0
South-Africa	8.6	2.4	2.4	0.0
Germany	7.7	2.3	2.3	0.0
Brazil	6.1	2.1	2.1	0.0
The Netherlands	6.1	1.5	0.3	1.2
Spain	5.8	1.4	0.0	1.4
Other	20.4	5.2	4.0	1.1
Total	172.2	52.1	35.8	16.3
2014				
USA	38.3	13.9	5.9	7.9
India	25.2	8.2	3.9	4.3
Austria	22.5	5.6	4.2	1.4
China	1.4	0.4	0.0	0.4
Japan	6.9	2.7	2.7	0.0
South-Africa	1.0	0.3	0.3	0.0
Germany	7.7	2.3	2.3	0.0
Brazil	7.1	2.4	2.4	0.0
The Netherlands	5.8	1.5	0.2	1.2
Spain	7.9	2.0	1.3	0.7
Other	25.1	6.4	4.1	2.3
Total	149.0	45.8	27.4	18.4

18. Inventories

	2015	2014
Raw materials and semi-manufactured goods	137.3	146.2
Work in progress	201.0	159.1
Finished goods	20.6	19.0
Advance payments	6.4	11.3
Total	365.2	335.5

2015	Balance at the beginning of the year	Translation difference	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for obsolete inventory	28.6	1.5	9.7	1.4	9.1	28.2

2014	Balance at the beginning of the year	Translation difference	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for obsolete inventory	22.1	0.5	3.5	0.4	9.9	28.6

19. Ageing analysis of accounts receivable

	2015	2014
Not overdue	239.8	216.7
1-30 days overdue	62.2	69.6
31-60 days overdue	24.9	30.7
61-90 days overdue	17.4	18.2
more than 91 days overdue	33.0	29.7
Total	377.3	364.9

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 extensive diversified customer portfolio. Credit losses recognized for the financial year totaled EUR 5.6 million (EUR 5.2 million in 2014).

2015	Balance at the beginning of the year	Translation difference	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for doubtful accounts	18.0	0.8	5.4	6.3	10.8	17.9

2014	Balance at the beginning of the year	Translation difference	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for doubtful accounts	17.9	0.5	3.5	4.4	7.5	18.0

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

	2015	2014
Notes receivable	5.6	7.3
Value added tax	19.3	17.3
Total	24.9	24.5

21. Deferred assets

	2015	2014
Interest	0.3	0.2
Prepaid expenses	14.1	14.6
Unbilled revenue	4.5	5.9
Other	17.1	28.1
Total	36.0	48.8

22. Cash and cash equivalents

	2015	2014
Short-term deposits	10.7	13.0
Cash in hand and at bank	70.0	85.0
Total	80.8	97.9

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, 2014	57,828,080	5,444,262
Share subscriptions with options	115,847	-115,847
As of December 31, 2014	57,943,927	5,328,415
Share subscriptions with options	788,502	-788,502
As of December 31, 2015	58,732,429	4,539,913

The total shareholders' equity consists of share capital, share premium, paid in capital, cash flow hedges, translation difference,

24. Provisions

2015	Warranty	Restructuring	Pension commitments	Other	Total
Total provisions as of January 1	22.1	2.2	7.9	12.9	45.2
Translation difference	0.1	0.0	0.8	0.7	1.6
Additional provision in the period	16.3	4.2	1.5	9.4	31.4
Utilization of provision	9.5	2.0	0.9	6.8	19.2
Unused amounts reversed	2.9	0.1	0.7	2.3	6.0
Total provisions as of December 31	26.2	4.3	8.5	13.9	52.9

2014	Warranty	Restructuring	Pension commitments	Other	Total
Total provisions as of January 1	24.4	5.0	6.1	12.0	47.5
Translation difference	0.4	0.0	0.7	1.0	2.1
Additional provision in the period	8.3	1.7	1.4	7.0	18.3
Utilization of provision	9.1	4.3	0.2	5.3	18.9
Unused amounts reversed	1.8	0.2	0.1	1.7	3.8
Total provisions as of December 31	22.1	2.2	7.9	12.9	45.2

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

and retained earnings. Consistent with local legislation Konecranes' share has no nominal value. Konecranes has only one class of shares and all issued shares are fully paid.

Share premium includes the value of shares, which exceeds the accounting par value of the shares, for shares issued before September 1, 2006. Cash flow hedges include changes in the fair values of derivative financial instruments used to hedge operational cash flows. Translation differences comprise the differences arising from translating non-euro functional currency entities to euro, which is the Group's presentation currency. Other reserve includes 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 per share was in 2015 1.05 euro and in 2014 1.05 euro.

23.2. Distributable earnings

See page 125 / Board of Director's Proposal to the Annual General Meeting.

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 20.5 million restructuring costs during 2015 (EUR 3.2 million in 2014) of which EUR 5.3 million has been impairment of assets (EUR 0.0 million in 2014).

25. Current liabilities

25.1. Accruals

	2015	2014
Wages, salaries and personnel expenses	71.7	72.7
Pension costs	3.8	5.6
Interest	1.2	0.7
Other items	19.5	35.9
Total	96.2	114.8

25.2. Other current liabilities (non-interest bearing)

	2015	2014
Notes payable	0.1	0.3
Value added tax	17.1	10.3
Payroll tax liability	6.6	5.5
Other short-term liabilities	8.0	9.9
Total	31.9	26.0

26. Lease liabilities

26.1. Finance lease

	2015	2014
Minimum lease payments		
within 1 year	2.1	3.0
1-5 years	3.8	3.3
over 5 years	0.7	0.0
Total	6.7	6.4
Present value of finance lease		
within 1 year	1.7	2.9
1-5 years	4.0	3.1
over 5 years	0.5	0.0
Total	6.2	6.1

Konecranes has finance leases mainly for vehicles with an average of four years leasing time.

27. Interest-bearing liabilities

27.1. Non-current

	2015	2014
Loans from financial institutions	54.5	160.0
Pension loans	0.0	3.8
Finance lease liabilities	4.5	3.2
Other long-term loans	0.1	0.3
Total	59.2	167.2

27.2. Current

	2015	2014
Loans from financial institutions	139.5	17.2
Pension loans	3.8	3.8
Finance lease liabilities	1.7	2.9
Commercial papers	45.0	31.0
Other short-term loans	0.3	0.3
Overdraft	34.5	25.0
Total	224.8	80.2

On October 13, 2011 the Group signed a bilateral term loan facility of EUR 100 million with a commercial bank. The term of the loan is five years and repayment can occur in full at the end of the agreement.

On July 16, 2014 the Group signed a loan of EUR 50 million for financing of the research and development program until 2017. The term of the loan is seven years and repayments start in 2018 on a semi-annual basis.

The interest period is monthly for the EUR 100 million term loan facility and semi-annual for the EUR 50 million R&D loan. The interest on the EUR 100 million loan facility has been hedged at December 31, 2015 in full to a fixed rate through three different interest rate swaps signed between 2011 and 2014. The interest rate has been fixed to a range of 0.665% to 1.765%. The weighted average fixed interest rate is 1.033%.

The Company is in compliance with the quarterly monitored financial covenant for these loans. No specific securities have been given for either of these loans.

The Group has an INR denominated debt relating to short term working capital needs and with a portion remaining for capital expenditure for the Indian crane factory. In addition the Group has certain revolver 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, 2015 was 1.92% (2014: 1.69%) and that of the current liabilities portfolio was 2.4% (2014: 3.82%). The effective interest rate for EUR-loans varied between 0.00%–4.39% (2014: 0.34%–3.76%).

27.3. Maturity tables of financial liabilities and liquidity risk

The following table reflects the maturity of interest bearing liabilities.

2015

Currency	Avg. duration	Avg. rate %	Maturity			Amount MEUR
			Less than 1 year	1-5 years	Over 5 years	
EUR	1.7 years	1.07	167.9	48.1	7.1	223.1
INR	0.3 years	9.26	27.6	3.9	0.0	31.5
CNY	0.3 years	4.24	22.7	0.0	0.0	22.7
Others	0.1-1.4 years	0.12-16.64	6.6	0.1	0.0	6.7
Total debt		2.30	224.8	52.1	7.1	284.0

2014

Currency	Avg. duration	Avg. rate %	Maturity			Amount MEUR
			Less than 1 year	1-5 years	Over 5 years	
EUR	2.5 years	1.23	55.1	137.2	21.4	213.8
INR	1.4 years	9.83	24.3	7.6	0.0	31.8
Others	0.1-1.0 years	0.4-12.5	0.8	1.0	0.0	1.8
Total debt		2.38	80.2	145.8	21.4	247.4

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

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

2015

Currency	Avg. duration	Avg. rate %	Maturity			Amount MEUR
			Less than 1 year	1-5 years	Over 5 years	
EUR	1.7 years	1.07	169.7	50.2	7.2	227.1
INR	0.3 years	9.26	28.0	4.4	0.0	32.4
CNY	0.3 years	4.24	23.0	0.0	0.0	23.0
Others	0.1-1.4 years	0.12-16.64	6.8	0.1	0.0	6.8
Total debt		2.30	227.5	54.7	7.2	289.4
Other financial liabilities			171.0	3.6	0.0	174.6
Total financial liabilities			398.4	58.3	7.2	464.0

2014

Currency	Avg. duration	Avg. rate %	Maturity			Amount MEUR
			Less than 1 year	1-5 years	Over 5 years	
EUR	2.5 years	1.23	57.0	138.9	25.5	221.4
INR	1.4 years	9.83	27.4	8.6	0.0	36.0
Others	0.1-1.0 years	0.4-12.5	0.8	1.0	0.0	1.8
Total debt		2.38	85.2	148.5	25.5	259.3
Other financial liabilities			163.1	2.0	0.0	165.1
Total financial liabilities			248.3	150.6	25.5	424.4

27.4. Maturity profile of the Group's financial liabilities

The following table reflects the maturity of all financial liabilities.

2015	Maturity of financial liabilities			
	Amount drawn	Less than 1 year	1–5 years	Over 5 years
Loans from financial institutions	193.9	139.5	47.3	7.1
Finance lease liabilities	6.2	1.7	4.5	0.0
Commercial paper program	45.0	45.0	0.0	0.0
Pension loans	3.8	3.8	0.0	0.0
Other long-term debt and short-term loans	0.6	0.3	0.2	0.0
Overdraft	34.5	34.5	0.0	0.0
Derivative financial instruments	11.4	11.4	0.0	0.0
Account and other payables	174.6	171.0	3.6	0.0
Total	470.0	407.2	55.7	7.1

2014	Maturity of financial liabilities			
	Amount drawn	Less than 1 year	1–5 years	Over 5 years
Loans from financial institutions	177.1	17.2	138.4	21.4
Finance lease liabilities	6.1	2.9	3.1	0.0
Commercial paper program	31.0	31.0	0.0	0.0
Pension loans	7.6	3.8	3.8	0.0
Other long-term debt and short-term loans	0.7	0.3	0.4	0.0
Overdraft	25.0	25.0	0.0	0.0
Derivative financial instruments	18.2	16.2	2.0	0.0
Account and other payables	165.1	163.1	2.0	0.0
Total	430.7	259.5	149.7	21.4

28. Other long-term liabilities

	2015	2014
Employee benefits	88.7	93.3
Other non-interest-bearing long-term liabilities	3.6	2.0
Total	92.3	95.4

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 a significant defined benefit pension plan in the United Kingdom and Germany as well as individually insignificant plans in other countries. In addition, the defined benefit plans of the German companies have other long term employee benefits such as part time pension benefits and jubilee benefits.

The UK defined benefit plan is administered by an independent trustee company that is legally separated from the Group. The investments are managed by a professional and independent Fiduciary Manager who is appointed by the trustees. The Fiduciary Manager appoints Investment Managers as they see fit in order

to achieve the Trustees' stated objectives for the scheme funding level and taking into account the agreed risk appetite. The Fiduciary Manager has trigger points set in conjunction with the Trustees which when reached allows them to make changes to the investments to repatriate the gains to achieve full funding position. The UK plan is subject to the UK's pensions legislation, is regulated by the UK Pensions Regulator and is exempt from most UK taxation through its registered status. The UK plan was closed to new members in 2005. Under the UK plan the employees are entitled to post-retirement installments calculated as an average annual basic salary from the best three years within the last ten years. The net liability in the United Kingdom was EUR 0.3 million (EUR 4.8 million in 2014).

In Germany the obligations are unfunded and payments to plan participants start after retirement. Retirement benefits are based on the number of years worked and salaries received during the pensionable service. The commencement of pension payments is being coordinated with the national pension scheme retirement. The biggest defined benefit pension plan in Stahl CraneSystems GmbH has been closed to new members since 1997. The post-retirement installments are calculated as 0.35% of the last month's salary

times the years of employment (maximum of 42 years). The net liability in Germany was EUR 74.8 million (EUR 77.1 million in 2014).

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 summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet for the respective plans:

28.2. Amounts recognized in the balance sheet

	2015	2014
Present value of obligation wholly unfunded	88.2	88.5
Present value of obligation wholly or partly funded	63.6	66.3
Defined benefit plan obligations	151.8	154.9
Fair value of plan assets	-63.1	-61.5
Total net liability recognized	88.7	93.3

28.3. Components of defined benefit plan recorded in comprehensive income

	2015	2014
Service cost:		
Current service cost	2.6	2.1
Net interest cost	2.4	2.8
Past service cost	0.5	0.2
Components of defined costs recorded in profit or loss	5.5	5.1
Remeasurement on the net defined benefit liability:		
The return on plan assets (excluding amounts included in the net interest expense) gains (-) / losses (+)	1.3	-4.1
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	-0.1	0.0
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	-7.2	20.7
Components of defined benefit plan costs recorded in other comprehensive income	-6.0	16.7
Total (income (-) / expense (+))	-0.5	21.8

The actuarial gains in 2015 and actuarial losses in 2014 were mainly caused by the change of discount rates in the defined benefit plans of Germany and the United Kingdom.

28.4. Movements of the present value of defined benefit obligation

	2015	2014
Obligation as of January 1	154.9	128.2
Translation difference	4.2	3.8
Reclassification of pension liabilities	0.7	0.0
Settlements and curtailments	0.0	0.0
Current service cost	2.6	2.1
Interest cost	4.5	5.0
Past service cost	0.5	0.2
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	-0.1	0.0
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	-7.2	20.7
Benefits paid (-)	-8.3	-5.2
Obligation as of December 31	151.8	154.9

Movements of the fair value of plan assets

	2015	2014
Fair value of plan assets as of January 1	61.5	51.6
Translation difference	3.5	3.7
Business combinations	0.0	0.0
Interest income	2.1	2.2
Employer contributions	1.8	1.7
Settlements and curtailments	0.0	0.0
The return on plan assets (excluding amounts included in the net interest expense)	-1.3	4.1
Benefits paid (-)	-4.5	-1.9
Fair value of plan assets as of December 31	63.1	61.5

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

	2015	2014
Equity instruments	26.3	22.1
Debt instruments	29.7	31.3
Insurances	0.7	1.3
Others	6.4	6.8
Total plan assets	63.1	61.5

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

Virtually all equity and debt instruments have quoted prices in active markets. The plan assets originate from the United Kingdom. It is the policy of the UK fund to invest approximately 40–50% to growth assets such as equity instruments as well as property and growth funds and 50–60% to risk reducing assets such as corporate bonds and fixed or index-linked gilts. The actual return on plan assets was EUR 0.8 million (2014: EUR 6.3 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 31 December 2015. 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.

	2015	2014
Germany		
Discount rate %	2.40	2.16
Expected development of salaries %	2.10	2.05
Expected development of pensions %	1.50	1.50
Mortality table: Richttafeln 2005 G von Klaus Heubeck		
UK		
Discount rate %	3.90	3.70
Expected development of pensions %	3.20	3.25
Mortality table: SAPS base table of S1NA, applied at year of birth, and CMI 2014 (2014: CMI 2011) projections with a long term improvement parameter of 1.5% (2014: 1.25%) per annum		
Other		
Discount rate %	2.15–13.00	2.15–14.00
Expected development of salaries %	1.50–10.00	2.00–10.00
Expected development of pensions %	1.50–6.00	1.50–6.00

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	-7.2%	8.0%
0.5% points change in the expected development of salaries	1.0%	-1.0%
0.5% points change in the expected development of pensions	6.0%	-5.4%

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

extrapolation of these amounts based on alternative changes in the assumptions as well as an addition of combined changes in the individual assumptions is not possible.

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

The average duration of the defined benefit obligation weighted by the present value of the defined benefit obligation is 16 years (2014: 18 years).

The Group expects to contribute EUR 1.7 million to the above defined benefit pension plans in 2016 (employer contribution).

29. Share based payments

Key Personnel Share-option Plan

On March 12, 2009 the Annual General Meeting of Shareholders of Konecranes Plc has approved the Key Personal Share-option Plan. This stock option can be granted to key personnel throughout the Group, including subsidiaries. In each of the three tranches there are 750,000 stock options with the maximum value of 2,250,000 stock options with the following vesting periods:

Tranche 1: 2009A 11.6.2009–1.4.2012

Tranche 2: 2009B 27.4.2010–1.4.2013

Tranche 3: 2009C 27.4.2011–1.4.2014

A service condition is satisfied and the option vests at the option exercise date if the optionholder remains employed by the Company. Options subscription date commences at the respective vesting date and ends after a two-year time. The fair value of share options granted is estimated at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. However, the above service condition is only considered in determining the number of instruments that will ultimately vest.

There are no cash settlement alternatives and the Company has never historically settled these share options for cash.

Performance Share Plan

On March 22, 2012 the Board of Directors of Konecranes has approved the Performance Share Plan (PSP), according to which vesting of the share options is dependent on the Group's EBIT margin (33% weight) and the Group's total shareholder return (TSR) (67% weight), as well as service conditions. PSP is approximately 50% cash settled and 50% is equity settled depending on the individual participant's tax rate. The discretionary periods began in the beginning of 2012. The potentially earned reward was paid in spring 2015. Key employee must remain in employment during the discretionary period in order to meet the service condition.

The Board of Directors requires that each member of the Extended Management Team holds a half of shares paid on the basis of the Plan until the value of his or her shareholding in the

Company in total corresponds to the value of his or her annual gross salary. Such number of shares will be held as long as his or her employment or service in a Group company continues. The target group of the Plan consisted of approximately 150 people.

The fair value of the equity-settled portion of the share options 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 options 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, such as the Group's EBIT margin.

The Board of Directors resolved in 2013 to amend the Performance Share Plan launched in 2012 so that two three-year discretionary periods 2013–2015 and 2014–2016 will follow the discretionary periods commenced in 2012. The performance criterion for the discretionary periods 2013–2015 and 2014–2016 is the cumulative Earnings per Share (EPS) excluding restructuring costs of the financial years 2013–2015 and 2014–2016 correspondingly.

The Board of Directors of Konecranes Plc resolved in 2015 on a new three-year plan with the same aim. The plan consisted of one three-year discretionary period. Earning during the three-year discretionary period beginning on 1 January 2015 will be based on the Konecranes Group's cumulative EPS excluding restructuring costs. The potentially earned reward will be paid in spring 2018. If a key employee's employment or service ends before the end of the discretionary period, no reward will be paid on the basis of such discretionary period.

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 binomial 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

	2015	2014
Expense arising from equity-settled share-based payment transactions	2.2	1.3
Expense arising from cash-settled share-based payment transactions	3.4	0.1
Total expense arising from share-based payment transactions	5.6	1.4

The carrying amount of the liability arising from cash settled portion was EUR 3.6 million (2014: EUR 1.9 million)

29.2. Changes in the number of shares from Key Personnel Share-option Plan

	2015	2014
Number of shares of option rights outstanding as of January 1	1,372,044	1,486,891
Granted during the year	0	30,000
Forfeited during the year	0	-26,500
Exercised during the year	-733,495	-115,847
Expired during the year	-49	-2,500
Total number of shares from option rights outstanding as of December 31	638,500	1,372,044

29.3. Changes in the number of share rewards in Performance Share Plan

	Number of shares	Number of shares
Number of shares	2015	2014
As of January 1	1,500,801	873,534
Share rewards granted	745,000	666,000
Share rewards awarded	-107,315	0
Share rewards expired	-107,152	0
Share rewards forfeited	-182,334	-38,733
Total as of December 31	1,849,000	1,500,801

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

	Number of shares	Number of shares
	2015	2014
Outstanding as of January 1	105,185	55,258
Share rewards granted	45,322	54,047
Share rewards forfeited	-8,426	-4,120
Outstanding as of December 31	142,081	105,185

29.5. Assumptions made in determining the fair value of Key Personnel Share-option Plan

	2009c
Subscription price of the share, EUR	27,22*
Fair market value of the share, EUR	32.30
Dividend per share, EUR	1.00
Expected volatility, %	20 %
Risk-free interest rate, %	2.82 %
Grant date fair value of the stock options, EUR	8.17
Model used	Black-Scholes

*The original subscription price was EUR 31.37.

	2015 plan	2014 plan	2013 plan
Share price at grant, EUR	29.50	24.94	25.68
Share price at reporting period end December 1	22.90	22.90	22.90
Expected volatility, % *	29.0%	40.0%	40.0%
Risk-free interest rate, %	0.0%	0.5%	0.2%
Expected dividend per share, pa , EUR	1.0	1.0	1.0
Expected contractual life in years	2.3	1.3	0.3
Weighted average fair value of the share rewards at the grant date	26.51	21.14	22.66
Model used	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 Group Executive Board.

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 and Compensation Committee. The AGM 2015 confirmed an annual fee of EUR 105,000 for the Chairman of the Board (2014:

29.6. 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 2013–2015, 2014–2016 as well as for 2015–2017 vesting periods granted in 2013, 2014 and in 2015, the fair value for the equity settled portion based on non market vesting condition (EPS) has been determined at grant using the fair value of Konecranes share as of the grant date and expected dividend yield.

EUR 105,000), EUR 67,000 for the Vice Chairman of the Board (2014: EUR 67,000), and EUR 42,000 for other Board members (2014: EUR 42,000). In addition, compensation of EUR 1,500 was approved per meeting for attendance at Board committee meetings (2014: EUR 1,500). However, the chairman of the audit committee is entitled to a compensation of EUR 3,000 (2014: 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.

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
2015				
Chairman of the Board	1,805	52,499	52,501	105,000
Board members	4,761	138,476	228,524	367,000
Total	6,566	190,975	281,025	472,000

	Number of shares as part of compensation	Value of compensation in shares, EUR	Compensation paid in cash, EUR	Total compensation, EUR
2014				
Chairman of the Board	2,281	52,500	55,500	108,000
Board members	6,384	146,935	186,065	333,000
Total	8,665	199,435	241,565	441,000

President and CEO

The Nomination and Compensation 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. Konecranes CEO has changed during the autumn of 2015.

	2015	2014
Salary and benefits, EUR	501,356	596,071
Annual variable pay, EUR	216,000	200,000
Variable pay related to time abroad, EUR	0	270,000
Total	717,356	1,066,071
Expense of statutory pension plans	124,820	103,330
Expense of voluntary pension plans	84,268	110,869
Total	209,088	214,200
Shareholding in Konecranes Plc (number of shares)	0	216,497
Option rights owned (number of options)	0	45,000
Performance share rights allocated	96,000	115,200
Share-based payment costs, EUR	119,406	54,954
Retirement age	63 years	63 years
Period of notice	6 months	
Severance payment	18 months salary and fringe benefits	

Group Executive Board & Senior Management

In 2015 Konecranes had a two-tier operative management structure consisting of the Group Executive Board (GXB) and the Senior Management (SM). The GXB convenes as frequently as necessary, normally on a monthly basis. The SM convene twice a year, in April–May and in December. Business Areas and Regions have their own management teams that convene on a regular basis. Only the GXB is classified to key management personnel due to its decision making powers.

The GXB includes the President, the CEO, and the Chairman of the Group Executive Board and the following: the Executive Vice President, the Head of Business Area Service and the Chief Customer Officer; the Executive Vice President and Head of Business Area Equipment; the Executive Vice President, Strategy and Technology; the Chief Financial Officer; the Senior Vice President, Human Resources; and the Chief Digital Officer.

The Nomination and Compensation Committee of the Board reviews Group compensation policies and issues guidelines for the same. In accordance with these guidelines, the Nomination and Compensation Committee confirms compensation packages for those Group Executive Board members who report directly to the President and CEO. For other Group Executive Board members, the compensation packages are confirmed by the President and CEO.

The retirement age of the Finnish members of the Group Executive Board (excluding the President and CEO) is set according to the Employees Pensions Act (TyEL). The Finnish members of the Group Executive Board 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 Group Executive Board members also have life insurance and disability insurances. Non-Finnish members have local insurances.

Group Executive Board excluding the President and CEO

	2015	2014
Salary and benefits, EUR	1,587,657	1,393,095
Annual variable pay, EUR	237,016	204,128
Total	1,824,673	1,597,223
Expense of statutory pension plans	263,859	231,437
Expense of voluntary pension plans	9,577	9,583
Total	273,436	241,020
Shareholding in Konecranes Plc (number of shares)	144,517	128,156
Option rights owned (number of options)	15,000	84,000
Performance share rights allocated	324,000	249,600
Share-based payment costs, EUR	950,406	133,500

There were no loans outstanding to the Group Executive Board at end of the periods 2015 and 2014.

There were no guarantees on behalf of the Group Executive Board in the years 2015 and 2014.

The employee benefits to the key management personnel of the Group were in total EUR 4.6 million in year 2015 (3.7 million in 2014).

30.2. Transactions with associated companies and joint arrangements

	2015	2014
Sales of goods and services with associated companies and joint arrangements	14.9	16.3
Receivables from associated companies and joint arrangements	3.6	3.1
Purchases of goods and services from associated companies and joint arrangements	45.6	41.6
Liabilities to associated companies and joint arrangements	4.6	4.2

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

	2015	2014
Employer contributions	1.8	1.6

31. Guarantees, lease commitments and contingent liabilities

	2015	2014
For own commercial obligations		
Guarantees	437.3	404.8
Operating lease liabilities (note 31.1.)	112.1	101.3
Other	0.3	0.2
Total	549.7	506.3

31.1. Operating leases

	2015	2014
Minimum lease payments		
within 1 year	35.7	32.9
1–5 years	71.8	63.8
over 5 years	4.6	4.7
Total	112.1	101.3
Operative rental expenses during the year	40.9	36.9

The Konecranes Group has major operating lease agreements of factory and office buildings in Hyvinkää and Hämeenlinna, Finland. They are valid for 10–12 years unless the lessee extends the lease period by five years. The lessee is entitled to exercise the five-year extending option three consecutive times. The Group has various other operating leases for office equipment vehicles and premises with varying terms and renewal rights. Leasing contracts comply with normal practices in the countries concerned.

From time to time Konecranes provides customers with guarantees that guarantee the 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.

Two lawsuits have been filed as class actions asserting claims relating to the Merger by purported stockholders of Terex. The two complaints name as defendants Terex and the members of its board of directors, Konecranes, Konecranes, Inc. and Konecranes Acquisition Company LLC. The complaints seek, among other relief, an order enjoining or rescinding the Merger and an award of attorneys' fees and costs on the grounds that the Terex board of directors breached their fiduciary duty in connection with entering into the business combination agreement and approving the Merger. The complaints further allege that Terex, Konecranes, Konecranes, Inc. and Konecranes Acquisition Company LLC aided and abetted the alleged breaches of fiduciary duties by the Terex board of directors. Konecranes believes that the allegations in the suits are without merit, and will vigorously defend against them.

Contingent assets

The Company has a contingent asset of EUR 10.0 million from the crime insurance against the unwarranted payments due to the identity theft and fraudulent actions. See note 36.

32. Financial assets and liabilities

32.1. Carrying amounts of financial assets and liabilities

	2015					2014				
	Financial assets / liabilities at fair value through OCI	Financial assets / liabilities at fair value through income statement	Loans and receivables	Financial assets / liabilities measured at amortized cost	Carrying amounts by balance sheet item	Financial assets / liabilities at fair value through OCI	Financial assets / liabilities at fair value through income statement	Loans and receivables	Financial assets / liabilities measured at amortized cost	Carrying amounts by balance sheet item
Financial assets										
Current financial assets										
Account and other receivables	0.0	0.0	402.2	0.0	402.2	0.0	0.0	389.4	0.0	389.4
Derivative financial instruments	4.1	3.5	0.0	0.0	7.5	3.1	3.0	0.0	0.0	6.1
Cash and cash equivalents	0.0	0.0	80.8	0.0	80.8	0.0	0.0	97.9	0.0	97.9
Total	4.1	3.5	482.9	0.0	490.5	3.1	3.0	487.4	0.0	493.4
Financial liabilities										
Non-current financial liabilities										
Interest-bearing liabilities	0.0	0.0	0.0	59.2	59.2	0.0	0.0	0.0	167.2	167.2
Derivative financial instruments	0.0	0.0	0.0	0.0	0.0	1.9	0.0	0.0	0.0	1.9
Other payables	0.0	0.0	0.0	3.6	3.6	0.0	0.0	0.0	2.0	2.0
Current financial liabilities										
Interest-bearing liabilities	0.0	0.0	0.0	224.8	224.8	0.0	0.0	0.0	80.2	80.2
Derivative financial instruments	5.1	6.3	0.0	0.0	11.4	6.6	9.6	0.0	0.0	16.2
Account and other payables	0.0	0.0	0.0	171.0	171.0	0.0	0.0	0.0	163.1	163.1
Total	5.1	6.3	0.0	458.6	470.0	8.5	9.6	0.0	412.5	430.7

Additional information on financial instruments is presented in Note 34.

32.2. Fair values

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial assets and liabilities:

	Carrying amount		Fair value		Note
	2015	2014	2015	2014	
Financial assets					
Current financial assets					
Account and other receivables	402.2	389.4	402.2	389.4	19.20
Derivative financial instruments	7.5	6.1	7.5	6.1	34.1
Cash and cash equivalents	80.8	97.9	80.8	97.9	22
Total	490.5	493.4	490.5	493.4	
Financial liabilities					
Non-current financial liabilities					
Interest-bearing liabilities	59.2	167.2	59.2	165.0	27.1
Derivative financial instruments	0.0	2.0	0.0	2.0	34.1
Other payables	3.6	2.0	3.6	2.0	
Current financial liabilities					
Interest-bearing liabilities	224.8	80.2	223.8	80.2	27.2
Derivative financial instruments	11.4	16.2	11.4	16.2	34.1
Account and other payables	171.0	163.1	171.0	163.1	25.2
Total	470.0	430.7	469.0	428.4	

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.

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.

Financial assets	2015			2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative financial instruments						
Foreign exchange forward contracts	0.0	7.5	0.0	0.0	6.1	0.0
Total	0.0	7.5	0.0	0.0	6.1	0.0
Other financial assets						
Cash and cash equivalents	80.8	0.0	0.0	97.9	0.0	0.0
Total	80.8	0.0	0.0	97.9	0.0	0.0
Total financial assets	80.8	7.5	0.0	97.9	6.1	0.0
Financial liabilities						
Derivative financial instruments						
Foreign exchange forward contracts	0.0	9.7	0.0	0.0	15.5	0.0
Currency options	0.0	0.0	0.0	0.0	0.2	0.0
Interest rate swaps	0.0	1.1	0.0	0.0	2.0	0.0
Electricity forward contracts	0.0	0.6	0.0	0.0	0.5	0.0
Total	0.0	11.4	0.0	0.0	18.2	0.0
Other financial liabilities						
Interest bearing liabilities	0.0	284.0	0.0	0.0	247.4	0.0
Account and other payables	0.0	0.0	4.0	0.0	0.0	5.9
Total	0.0	284.0	4.0	0.0	247.4	5.9
Total financial liabilities	0.0	295.4	4.0	0.0	265.6	5.9

There were no significant changes in classification of fair value of financial assets and financial liabilities in the period 2014 to 2015. 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.

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)

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, commodity, credit and liquidity risks. 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 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 20 out of some 100 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 2015, the hedge accounting net cash flows totaled USD 185 million (USD 176 million in 2014).

The following table shows the transaction exposure of Konecranes Finance Corporation as of December 31, 2015 and December 31, 2014 (in EUR millions):

	2015	2014
AUD	5	2
BRL	1	1
CAD	3	-7
CHF	0	2
CNY	-3	0
GBP	5	-2
IDR	3	0
NOK	1	2
PLN	1	1
SEK	-67	-40
SGD	-3	-20
THB	1	4
TRY	1	1
USD	255	190
ZAR	5	3

The following table shows the translation exposure, which represents the equity of the Group in a local currency as of December 31, 2015 and December 31, 2014 (in EUR millions):

	2015	2014
AED	7	9
AUD	6	6
BRL	-3	-1
CAD	31	33
CHF	4	4
CLP	11	9
CNY	56	65
DKK	1	1
GBP	3	3
HUF	3	3
INR	-11	4
IDR	-5	-3
JPY	-7	-6
MAD	-6	-7
MXN	3	-3
MYR	1	2
NOK	-3	-3
PEN	3	2
PHP	1	0
PLN	2	1
RON	0	1
RUB	7	7
SAR	14	13
SGD	22	51
SEK	-19	-9
THB	-1	-1
TRY	1	2
UAH	-20	-21
USD	20	39
ZAR	-9	-1

Please 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 decline in 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. A decline of the average rate of US dollar against euro for 10% increases EBIT by EUR 22.2 million (24.3 million in 2014) and equity by EUR 2.2 million (3.9 million in 2014). The below table provides a sensitivity analysis over the past two years:

Change in EUR/USD rate	2015 EBIT	2015 Equity	2014 EBIT	2014 Equity
+10%	- 18.1	- 1.8	- 19.9	- 3.2
- 10%	+22.2	+2.2	+24.3	+3.9

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 2015 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 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 the 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 the Group's revenues and costs and partly only either of these. If from the sensitivity analysis 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 the effect on EBIT is estimated to be approximately a EUR 6 million increase (EUR 5 million in 2014) when the US 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 79% of the Group's interest-bearing liabilities are denominated in euro (86% in 2014). Please 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 is 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	2015 Income statement	2015 Equity	2014 Income statement	2014 Equity
+1	- 0.6	+0.9	- 1.6	+1.8
- 1	+0.0	- 0.9	+0.2	- 1.9

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 a one percentage point decline is calculated with a 0% interest rate floor. The proportion of fixed interest loans in the loan portfolio can be increased by means of interest rate derivatives. As a consequence of this treasury policy, the Group's average interest rate level, in general, can be higher than the market level of short-term interest rates when low rates prevail and, on the other hand, lower than the market level when high rates prevail.

Commodity risk

By using electricity derivatives, the Group strives to reduce the negative effect caused by electricity price fluctuation. The overall importance of the energy price risk is small compared to other financial risks and cannot be described as significant.

Please see note 34 for the notional and fair values of derivative financial instruments (including electricity forwards).

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. Please 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. However, 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 300 million committed revolving credit facilities with an international loan syndication (2014–2019 and 2015–2020). Both facilities at the end of 2015 were unutilized. To cover the short-term funding needs, Konecranes Finance Corporation can borrow from institutional investors through five domestic commercial paper programs (totaling EUR 480 million). In addition, business units around the world have overdraft facilities totaling some EUR 200 million to cover the day-to-day funding needs.

It is the Group's policy under normal conditions to keep a minimum amount of cash in the balance sheet as deposits or any other liquid assets to maximize the return of capital employed. Cash and cash equivalents totaled EUR 80.8 million at the end of 2015 (EUR 97.9 in 2014).

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 2015, the gearing ratio was 44.6% (33.3% in 2014).

The Group has no quantitative targets for the capital structure but the optimal long-term gearing ratio is in the range of 50–80%. However, in the short term, the gearing can also be significantly higher or lower than this range depending on the short-term changes in working capital.

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. During 2015, no changes have been made in the objectives, policies or processes. The objectives of the Group's capital management have 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

	2015 Nominal value	2015 Fair value	2014 Nominal value	2014 Fair value
Foreign exchange forward contracts	788.7	-2.2	663.1	-9.4
Interest rate swaps	100.0	-1.1	100.0	-2.0
Currency options	0.0	0.0	35.8	-0.2
Electricity forward contracts	1.3	-0.6	2.2	-0.5
Total	890.0	-3.9	801.0	-12.1

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

Derivatives not designated as hedging instruments

The Group enters into other foreign exchange and electricity forward contracts or currency options with the intention of reducing the foreign exchange 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 contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales and purchases in US dollar. These forecast transactions are highly probable, and they comprise about 48.4% 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 the Company 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 Company performs a quantitative effectiveness test using the dollar value method approach by comparison of past changes in the cash flows of the hedged item that are attributable to the hedged risk with past changes in the cash flows of the hedging instrument and reviews whether the actual results of the hedge are within a range of 80–125%. As a result, no hedge ineffectiveness aroused that would require recognition through profit or loss.

Interest rate risk

At December 31, 2015 and 2014, the Group had interest rate swap agreements in place with a notional amount of EUR 100 million (2014: EUR 100 million) whereby the Group receives a variable interest rate equal to EURIBOR 1 month and pays interest at a fixed swap rate on the notional amount. The swap is being used to hedge the cash flow exposure on interest.

The cash flow hedges of the expected future sales in 2015 and 2014 were assessed to be highly effective and a net unrealized loss, with a deferred tax asset of 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

	2015	2014
Balance as of January 1	-8.6	2.6
Gains and losses deferred to equity (fair value reserve)	-0.6	-14.0
Change in deferred taxes	0.1	2.8
Balance as of December 31	-9.1	-8.6

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35. Additional information concerning possible Konecranes Terex merger

On August 11, 2015 Konecranes and Terex Corporation (“Terex”) announced that their respective Boards of Directors have unanimously approved a definitive agreement to combine their businesses in a merger of equals. Under the agreement, Terex shareholders will receive 0.80 Konecranes shares for each existing Terex share. Upon closing of the merger between Terex and Konecranes (the “Merger”), based on current fully diluted shares outstanding, Terex shareholders will own approximately 60 percent and Konecranes shareholders will own approximately 40 percent of the combined company.

The combined company, to be called Konecranes Terex Plc (“Konecranes Terex”), is planned to be listed on the Nasdaq Helsinki and the New York Stock Exchange.

The joint intention of Konecranes and Terex is for Konecranes Terex to execute a share buy-back program post-closing of up to USD 1.5 billion, split between ca. USD 500 million as soon as possible after closing and up to an additional USD 1.0 billion executed within 24 months after closing. The dividend policy for the combined company will be set by the Board after closing. However, given the enhanced growth profile of the combined business, it is expected that the combined company will maintain the current annual dividend of EUR 1.05 share paid by Konecranes. The combined company’s intention is to strengthen the balance sheet of the new entity over time.

Konecranes Terex will be incorporated in Finland, with headquarters in Hyvinkää, Finland and Westport, Connecticut, USA. Upon closing of the transaction, the combined company is planned to have a Board of Directors comprising nine members, five Directors among which will be nominated by Terex and four Directors by Konecranes. Konecranes’ current Chairman of the Board will become Konecranes Terex’s Chairman and the Terex CEO will become Konecranes Terex’s CEO. Should Terex determine to appoint a new CEO before the completion of the transaction, the parties have agreed to do this in close collaboration between the Boards of Directors of Terex and Konecranes.

The transaction is subject to approval by both Terex and Konecranes shareholders, regulatory approvals and other closing conditions. Closing of the transaction is expected to occur approximately mid-year 2016.

36. Fraudulent transactions

On August 14, 2015 Konecranes announced that one of its foreign subsidiaries had become the victim of a fraud. The perpetrators had through identity theft and other fraudulent actions managed to induce the subsidiary to make unwarranted payments for a total amount of EUR 17.0 million. The expense resulting from these unwarranted payments is included in other operating expenses in the consolidated statement of income for the twelve months ended December 31, 2015 (2014: nil). Konecranes has reported the crime to the police authorities in the relevant countries and is working closely with the authorities to recover its losses and to bring the perpetrators of the fraud to justice. Konecranes has filed a claim with its crime insurance policy. The policy is set up to cover all Group companies from crime. The amount of insurance coverage available per insurable event is EUR 10 million. The result of the insurance claim is still pending.

37. Subsequent events

On January 26, Konecranes announced that the Board of Directors of Konecranes has been notified by Terex of the non-binding conditional proposal by Zoomlion Heavy Industry Science and Technology Co. to acquire Terex. The Board of Directors of Konecranes has confirmed that Konecranes will continue to pursue the merger of equals with Terex as planned. Konecranes continues to believe that the Merger represents a highly compelling opportunity for both companies and their shareholders, and stands behind and remains committed to the Merger.

On January 27, Konecranes announced that Konecranes has made its Business Combination Agreement with Terex dated August 10, 2015, available on its website at www.konecranes.com/investors.

On February 3, Konecranes announced that it intends to initiate actions aiming at annual cost savings of EUR 25 million by the end of 2017. Approximately half of the cost savings are expected to be realized by the end of 2016. This has been taken into consideration in the 2016 financial guidance. To reduce fixed costs and improve efficiency in operations, Konecranes is planning to pursue the following measures to reach the targeted cost savings. Some of the actions mentioned below are already in progress.

- evaluation of the business model in certain countries which we operate in
- closures and rightsizing of manufacturing units and optimization of supply chain
- streamlining product portfolio and related resources
- consolidation of regional functions

To reach the targeted cost savings of EUR 25 million, Konecranes expects to incur restructuring costs of approximately EUR 20 million by the end of 2017.

Business development		2015	2014	2013	2012	2011
Orders received	MEUR	1,965.5	1,903.5	1,920.8	1,970.1	1,896.1
Order book	MEUR	1,036.5	979.5	893.5	942.7	991.8
Net sales	MEUR	2,126.2	2,011.4	2,099.6	2,171.5	1,896.4
of which outside Finland	MEUR	2,050.7	1,942.5	2,025.1	2,081.5	1,796.6
Export from Finland	MEUR	633.4	621.3	653.7	638.9	570.7
Personnel on average		11,934	11,920	11,987	11,917	10,998
Personnel on December 31		11,887	11,982	11,832	12,147	11,651
Capital expenditure	MEUR	49.3	60.0	65.7	41.7	32.4
as % of net sales	%	2.3%	3.0%	3.1%	1.9%	1.7%
Research and development costs	MEUR	28.7	28.9	25.6	25.8	29.6
as % of Group net sales	%	1.4%	1.4%	1.2%	1.2%	1.6%
Profitability						
Net sales	MEUR	2,126.2	2,011.4	2,099.6	2,171.5	1,896.4
Operating profit (including restructuring costs)	MEUR	63.0	115.8	84.5	132.5	106.9
as percentage of net sales	%	3.0%	5.8%	4.0%	6.1%	5.6%
Income before taxes	MEUR	55.4	107.4	75.5	124.2	95.8
as percentage of net sales	%	2.6%	5.3%	3.6%	5.7%	5.1%
Net income (incl. non-controlling interest)	MEUR	30.8	74.6	49.4	84.8	64.9
as percentage of net sales	%	1.4%	3.7%	2.4%	3.9%	3.4%
Key figures and balance sheet						
Equity (incl. non-controlling interest)	MEUR	456.0	449.2	444.5	462.6	435.4
Balance Sheet	MEUR	1,484.9	1,477.4	1,482.0	1,576.3	1,447.5
Return on equity	%	6.8	16.7	10.9	18.8	14.6
Return on capital employed	%	10.4	17.0	11.6	18.4	17.1
Current ratio		1.1	1.3	1.2	1.4	1.3
Solidity	%	34.8	35.2	34.0	34.0	34.2
Net working capital	MEUR	317.4	263.7	289.4	295.5	320.0
Interest-bearing net debt	MEUR	203.2	149.5	187.3	181.8	219.8
Gearing	%	44.6	33.3	42.1	39.3	50.5
Shares in figures						
Earnings per share, basic	EUR	0.53	1.28	0.85	1.47	1.11
Earnings per share, diluted	EUR	0.53	1.28	0.85	1.46	1.10
Equity per share	EUR	7.79	7.75	7.56	7.97	7.52
Cash flow per share	EUR	0.67	2.56	2.08	2.77	-0.35
Dividend per share	EUR	1.05*	1.05	1.05	1.05	1.00
Dividend / earnings	%	199.8	81.7	123.4	71.4	90.1
Effective dividend yield	%	4.6	4.4	4.1	4.1	6.9
Price / earnings		43.6	18.5	30.4	17.4	13.1
Trading low / high**	EUR	20.98/34.98	18.63/27.60	20.45/28.89	14.34/26.67	13.18/34.17
Average share price**	EUR	27.73	23.47	25.30	21.39	22.83
Share price on December 31**	EUR	22.90	23.82	25.86	25.55	14.54
Year-end market capitalization	MEUR	1,345.0	1,380.2	1,495.4	1,463.8	831.7
Number traded***	(1,000)	141,080	111,667	105,051	206,014	220,567
Stock turnover	%	240.2	192.7	181.7	359.6	385.6
Average number of shares outstanding, basic	(1,000)	58,542	57,909	57,684	57,228	58,982
Average number of shares outstanding, diluted	(1,000)	58,542	58,034	57,877	57,517	59,362
Number of shares outstanding, at end of the period	(1,000)	58,732	57,944	57,828	57,291	57,199

* The Board’s proposal to the AGM

** Source: Nasdaq Helsinki

*** Source: Fidessa

Calculation of key figures

Return on equity (%):	$\frac{\text{Net profit for the period}}{\text{Total equity (average during the period)}} \times 100$
Return on capital employed (%):	$\frac{\text{Income before taxes + interest paid + other financing cost}}{\text{Total amount of equity and liabilities - non-interest bearing debts (average during the period)}} \times 100$
Current ratio:	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Solidity (%):	$\frac{\text{Shareholders' equity}}{\text{Total amount of equity and liabilities - advance payment received}} \times 100$
Gearing (%):	$\frac{\text{Interest-bearing liabilities - liquid assets - loans receivable}}{\text{Total equity}} \times 100$
Earnings per share:	$\frac{\text{Net profit for the shareholders of the parent company}}{\text{Average number of shares outstanding}}$
Earnings per share, diluted:	$\frac{\text{Net profit for the shareholders of the parent company}}{\text{Average fully diluted number of shares outstanding}}$
Equity per share:	$\frac{\text{Equity attributable to the shareholders of the parent company}}{\text{Number of shares outstanding}}$
Cash flow per share:	$\frac{\text{Net cash flow from operating activities}}{\text{Average number of shares outstanding}}$
Effective dividend yield (%):	$\frac{\text{Dividend per share}}{\text{Share price at the end of financial year}} \times 100$
Price per earnings:	$\frac{\text{Share price at the end of financial year}}{\text{Earnings per share}}$
Net working capital:	Non interest-bearing current assets + deferred tax assets - Non interest-bearing current liabilities - deferred tax liabilities - 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

Company list

(1,000 EUR)

Subsidiaries owned by the parent company		Book value of shares	Parent company's share, %	Group's share, %
Finland:	Konecranes Finance Oy	46,448	100	100
	Konecranes Finland Oy	17,163	28	100
	Konecranes Global Oy	102,391	100	100
Subsidiaries owned by the Group		Book value of shares	Group's share, %	
Australia:	Konecranes Pty. Ltd.	183	100	
Austria:	Konecranes Ges.m.b.H.	22,557	100	
Bangladesh:	Konecranes (Bangladesh) Ltd.	103	100	
Belgium:	S.A. Konecranes N.V.	0	100	
Brazil:	Konecranes Talhas, Pontes Rolantes e Serviços Ltda.	8,066	100	
Canada:	3016117 Nova Scotia ULC	0	100	
	Hydramach ULC	0	100	
	Kaverit Cranes and Service ULC	0	100	
	Konecranes Canada Inc.	893	100	
	MHE Canada ULC	0	100	
	Overhead Crane Ltd.	0	100	
Cayman Islands:	Morris Middle East Ltd.	0	100	
Chile:	Konecranes Chile SpA	1	100	
China:	Dalian Konecranes Company Ltd.	2,124	100	
	Konecranes Manufacturing (Jiangsu) Co., Ltd.	28,611	100	
	Konecranes (Shanghai) Co. Ltd.	0	100	
	Konecranes (Shanghai) Company Ltd.	4,173	100	
	Konecranes Port Machinery (Shanghai) Co., Ltd.	7,693	100	
	Morris Crane Systems (Shanghai) Co., Ltd.	115	100	
	Sanma Hoists & Cranes Co., Ltd.	1,416	100	
	Stahl CraneSystems (Shanghai) Co., Ltd.	199	100	
	SWF Krantechnik Co., Ltd.	657	100	
Czech Republic:	Konecranes CZ s.r.o.	1,168	100	
Denmark:	Konecranes A/S	958	100	
Estonia:	Konecranes Oü	0	100	
Finland:	Leporinus Oy	5	100	
	Nosturiexpertit Oy	10	100	
	Permeco Oy	113	100	
	Suomen Teollisuusosa Oy	5,811	100	
France:	KCI Holding France S.A.	461	100	
	Konecranes (France) SAS	17,635	100	
	Stahl CraneSystems SAS	677	100	
	Verlinde SAS	10,720	100	
Germany:	Eurofactory GmbH	1,239	100	
	Konecranes GmbH	4,300	100	
	Konecranes Holding GmbH	15,262	100	
	Konecranes Lifting Systems GmbH	804	100	
	Stahl CraneSystems GmbH	30,776	100	
	SWF Krantechnik GmbH	15,500	100	
Greece:	Konecranes Hellas Lifting Equipment and Services S.A.	60	100	
Hungary:	Konecranes Kft.	889	100	
	Konecranes Supply Hungary Kft.	3,899	100	
India:	Stahl CraneSystems India Pvt. Ltd.	58	100	
	WMI Konecranes India Limited	31,824	100	
Indonesia:	Pt. Konecranes	0	100	
Italy:	Konecranes S.r.l.	5,390	100	
Japan:	Konecranes Company, Ltd.	5,141	100	
Latvia:	SIA Konecranes Latvija	2	100	
Lithuania:	UAB Konecranes	139	100	

Subsidiaries owned by the Group		Book value of shares	Group's share, %
Luxembourg:	Materials Handling International S.A.	300	100
Malaysia:	Konecranes Sdn. Bhd.	779	100
Mexico:	Konecranes Mexico S.A. de C.V.	2,185	100
Morocco:	Techniplus S.A.	0	99.9
The Netherlands:	Konecranes B.V.	7,518	100
	Konecranes Holding B.V.	13,851	100
Norway:	Konecranes AS	6,749	100
	Konecranes Norway Holding AS	3,588	100
Peru:	Konecranes Peru S.R.L.	0	100
Philippines:	Konecranes Philippines Inc.	163	100
Poland:	Konecranes Sp. z o.o.	810	100
Portugal:	Ferrometal Limitada	1,556	100
	Konecranes Portugal, Unipessoal Lda	0	100
Romania:	S.C. Konecranes S.A.	98	100
Russia:	OOO "Kranekspertiza"	0	100
	AO "Konecranes"	161	100
Saudi Arabia:	Saudi Cranes & Steel Works Factory Co. Ltd.	15,518	100
Singapore:	KCI Cranes Holding (Singapore) Pte. Ltd.	49,117	100
	Konecranes Pte. Ltd.	2,013	100
	Morris Material Handling Pte. Ltd.	296	100
	Stahl CraneSystems Pte. Ltd.	0	100
	SWF Krantechnik Pte. Ltd.	162	100
Slovakia:	Konecranes Slovakia s.r.o.	200	100
Slovenia:	Konecranes, d.o.o.	200	100
South Africa:	Konecranes Pty. Ltd.	3,356	100
Spain:	Konecranes Iberica S.L.U.	16,299	100
	Stahl CraneSystems S.L.	0	100
Sweden:	Konecranes AB	1,487	100
	Konecranes Lifttrucks AB	25,285	100
	Konecranes Sweden Holding AB	1,682	100
	Ulvaryd Fastighets AB	1,414	100
Switzerland:	Konecranes AG	3,980	100
Thailand:	Konecranes (Thailand) Ltd.*	110	49
Turkey:	Konecranes Ticaret Ve Servis Limited Sirketi	93	100
Ukraine:	Konecranes Ukraine PJSC	2,048	100
	PJSC "Zaporozhje Kran Holding"	395	95
	PJSC "Zaporozhcran"	216	86.38
United Arab Emirates:	Stahl CraneSystems FZE	221	100
	Konecranes Middle East FZE	1,774	100
United Kingdom:	Axis Machine Tool Engineering Limited	0	100
	J.H. Carruthers Ltd.	0	100
	Konecranes Machine Tool Service Ltd.	0	100
	KCI Holding UK Ltd.	13,656	100
	Konecranes UK Limited	7,719	100
	Lloyds Konecranes Pension Trustees Ltd.	0	100
	Morris Material Handling Ltd.	7,307	100
	Stahl CraneSystems Ltd.	19	100
U.S.A.	KCI Holding USA Inc.	53,901	100
	Konecranes Acquisition Company LLC	0	100
	Konecranes, Inc.	48,948	100
	Konecranes Nuclear Equipment & Services, LLC	0	100
	Merwin, LLC	0	100
	MMH Americas, Inc.	0	100
	MMH Holdings, Inc.	0	100

Subsidiaries owned by the Group		Book value of shares	Group's share, %
	Morris Material Handling, Inc.	65,618	100
	PHMH Holding Company	0	100
	R&M Materials Handling, Inc.	7,532	100
	Stahl CraneSystems, Inc.	0	100
Vietnam:	Konecranes Vietnam Co., Ltd	211	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.	762	25
	Jiangyin Dingli High Tech Industrial Crane Company, Ltd.	627	30
	Shanghai High Tech Industrial Crane Company, Ltd.	1,738	28
France:	Boutonnier Adt Levage S.A.	417	25
	Levelec S.A.	218	20
	Manulec S.A.	248	25
	Manelec S.A.R.L.	88	25
	S.E.R.E. Maintenance S.A.	125	25
Japan:	KITO Corporation	42,793	22.65
Saudi Arabia:	Eastern Morris Cranes Limited	1,777	49
United Arab Emirates:	Crane Industrial Services LLC	1,400	49

Available-for-sale investments		Book value of shares	Group's share, %
Austria:	Austrian CraneSystems GmbH	86	19
Finland:	East Office of Finnish Industries Oy	50	5.26
	Fimecc Oy	120	5.69
	Levator Oy	34	19
	Vierumäen Kuntorinne Oy	345	3.3
France:	Heripret Holding SAS	53	19
	Societe d'entretien et de transformation d'engins mecaniques	0	19
Indonesia:	Pt. Technocranes International	3	15
Malaysia:	Kone Products & Engineering Sdn. Bhd.	13	10
Venezuela:	Gruas Konecranes CA	4	10
Others:		253	
Total:		961	

Parent company statement of income - FAS

(1,000 EUR)		Jan 1–Dec 31 2015	Jan 1–Dec 31 2014
Note:			
4	Sales	94,863	105,355
5	Depreciation and impairments	-15,359	-11,875
6	Other operating expenses	-94,544	-91,419
	Operating profit	-15,040	2,062
7	Financial income and expenses	156,494	9,153
	Income before extraordinary items	141,454	11,215
8	Extraordinary items	25,000	0
	Income before appropriations and taxes	166,454	11,215
9	Appropriations	2	-530
10	Income taxes	-1,639	-150
	Net income	164,817	10,536

Parent company cash flow - FAS

(1,000 EUR)		Jan 1–Dec 31 2015	Jan 1–Dec 31 2014
Cash flow from operating activities			
Operating income		-15,040	2,062
Adjustments to operating profit			
	Depreciation and impairments	15,359	11,875
	Extraordinary income	0	14,740
Operating income before changes in net working capital		319	28,676
Change in interest-free short-term receivables		-12,871	-5,218
Change in interest-free short-term liabilities		7,152	6,814
Change in net working capital		-5,719	1,596
Cash flow from operations before financing items and taxes		-5,399	30,272
Interest received		504	637
Interest paid		-10	-12
Other financial income and expenses		-1,276	-253
Income taxes paid		2,237	-2,423
Financing items and taxes		1,454	-2,051
NET CASH FROM OPERATING ACTIVITIES		-3,945	28,221
Cash flow from investing activities			
Investments in other shares		-3	0
Capital expenditure to tangible assets		-1,156	-3,124
Capital expenditure and advance payments to intangible assets		-13,566	-18,734
Proceeds from sale of fixed assets		126	57
Dividends received		57,300	8,900
NET CASH USED IN INVESTING ACTIVITIES		42,702	-12,902
Cash flow before financing activities		38,757	15,319
Cash flow from financing activities			
Proceeds from options exercised and share issues		17,879	2,394
Repayments of long-term receivables		4,832	43,055
Dividends paid		-61,468	-60,768
NET CASH USED IN FINANCING ACTIVITIES		-38,756	-15,319
CHANGE OF CASH AND CASH EQUIVALENTS		1	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		1	0

Parent company balance sheet - FAS

(1,000 EUR)	Dec 31 2015	Dec 31 2014
Note:		
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
11 Intangible rights	0	62,445
Advance payments	0	28,168
	0	90,613
Tangible assets		
12 Machinery and equipment	13	4,214
Other tangible assets	0	230
Advance payments	190	7
	203	4,451
Investments		
13 Investments in Group companies	153,040	50,649
Other shares and similar rights of ownership	170	515
	153,210	51,164
Total non-current assets	153,414	146,228
CURRENT ASSETS		
Long-term receivables		
Loans receivable from Group companies	70,044	74,876
	70,044	74,876
Short-term receivables		
Accounts receivable	513	59
Amounts owed by Group companies		
Accounts receivable	15,488	19,271
15 Deferred assets	126,104	70
Other receivables	491	806
15 Deferred assets	1,246	10,336
	143,842	30,542
Cash in hand and at banks	3	3
Total current assets	213,889	105,420
TOTAL ASSETS	367,303	251,649

(1,000 EUR)	Dec 31 2015	Dec 31 2014
Note:		
SHAREHOLDERS' EQUITY AND LIABILITIES		
EQUITY		
16 Share capital	30,073	30,073
Share premium account	39,307	39,307
Paid in capital	68,378	50,499
Retained earnings	43,549	94,481
Net income for the period	164,817	10,536
	346,124	224,895
APPROPRIATIONS		
Depreciation difference	7	530
LIABILITIES		
Provisions	0	5
Current liabilities		
Accounts payable	3,116	12,913
Liabilities owed to Group companies		
Accounts payable	961	2,103
17 Accruals	11,361	218
Other short-term liabilities	187	755
17 Accruals	5,547	10,230
	21,172	26,218
Total liabilities	21,172	26,223
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	367,303	251,649

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.

2. Extraordinary items

The extraordinary items in the financial statements include received group contributions.

3. Research and development costs

Research and development costs are expensed as incurred.

Statement of Income

4. Sales

In the parent company the sales to subsidiaries totaled EUR 94.9 million (EUR 105.4 million in 2014) corresponding to a share of 100% (100% in 2014) of net sales.

5. Depreciation and impairments

	2015	2014
Intangible rights	12.7	11.1
Machinery and equipment	0.8	0.8
Other tangible asset	0.0	0.0
Impairments	1.8	0.0
Total	15.4	11.9

6. Other operating expenses and personnel

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

	2015	2014
Wages and salaries	17.8	20.7
Pension costs	3.3	3.9
Other personnel expenses	0.6	0.9
Other operating expenses	72.9	65.8
Total	94.5	91.4

Wages and salaries in accordance with the Statement of Income

	2015	2014
Remuneration to Board	0.5	0.4
Other wages and salaries	17.3	20.3
Total	17.8	20.8

The average number of personnel

	2015	2014
The average number of personnel	294	351
Auditors fees		
Audit	0.2	0.2
Other services	3.8	0.3
Total	4.0	0.4

7. Financial income and expenses

	2015	2014
Financial income from long-term investments		
Dividend income from Group companies	157.3	8.9
Dividend income total	157.3	8.9
Interest income from long-term receivables		
From Group companies	0.5	0.6
Other interest income	0.0	0.0
Interest income from long-term receivables total	0.5	0.6
Financial income from long-term investments total	157.8	9.5
Interest and other financial income	0.0	0.0
Interest and other financial income total	0.0	0.0
Interest expenses and other financial expenses		
Other financial expenses	1.3	0.3
Interest expenses and other financial expenses total	1.3	0.3
Financial income and expenses total	156.5	9.2

8. Extraordinary items

	2015	2014
Group contributions received from subsidiaries	25.0	0.0
Total	25.0	0.0

9. Appropriations

	2015	2014
Difference between planned and untaxed depreciations	0.0	0.5
Total	0.0	0.5

10. Income taxes

	2015	2014
Taxes on extraordinary items	5.0	0.0
Taxes on ordinary operations	-3.4	0.3
Taxes from previous years	0.0	-0.2
Total	1.6	0.1

Balance sheet

11. Intangible rights

	2015	2014
Acquisition costs as of January 1	87.7	57.7
Increase	14.4	31.1
Decrease	-102.1	-1.2
Acquisition costs as of December 31	0.0	87.7
Accumulated depreciation January 1	-25.2	-15.3
Accumulated depreciation relating to disposals	39.7	1.2
Accumulated depreciation	-12.7	-11.1
Impairments	-1.8	0.0
Total as of December 31	0.0	62.4

12. Machinery and equipment

	2015	2014
Acquisition costs as of January 1	8.2	6.2
Increase	0.2	2.9
Decrease	-8.3	-0.9
Acquisition costs as of December 31	0.0	8.2
Accumulated depreciation January 1	-4.0	-4.1
Accumulated depreciation relating to disposals	4.7	0.9
Accumulated depreciation	-0.8	-0.8
Total as of December 31	0.0	4.2

13. Other tangible assets

	2015	2014
Acquisition costs as of January 1	0.2	0.0
Increase	0.0	0.2
Decrease	-0.2	0
Acquisition costs as of December 31	0.0	0.2
Accumulated depreciation January 1	0.0	0.0
Accumulated depreciation relating to disposals	0.0	0.0
Accumulated depreciation	0.0	0.0
Total as of December 31	0.0	0.2

14. Investments

	2015	2014
Acquisition costs as of January 1	51.2	51.2
Increase	102.4	0.0
Decrease	0.3	0.0
Total as of December 31	153.2	51.2

Investments in Group companies

	Domicile	2015 Book value	2014 Book value
Konecranes Finance Corp.	Hyvinkää	46.4	46.4
Konecranes Finland Corp.	Hyvinkää	4.2	4.2
Konecranes Global Corp.	Hyvinkää	102.4	0.0
Total		153.0	50.6

Other shares and similar rights of ownership

	2015	2014
Vierumäen Kuntorinne Oy	0.0	0.3
Pärjä Oy	0.0	0.0
East Office of Finnish Industries Oy	0.1	0.1
Fimecc Oy	0.1	0.1
Total	0.2	0.5

15. Treasury shares

	2015	2014
Number of shares as of January 1	5,328,415	5,444,262
Increase	0	0
Decrease	-788,502	-115,847
Number of shares as of December 31	4,539,913	5,328,415

16. Deferred assets

	2015	2014
Group contributions	25.0	0
Income taxes	0.8	4.7
Payments which will be realized during the next financial year	101.5	5.7
Interest	0.0	0.1
Total	127.4	10.4

Board of Directors' proposal to the Annual General Meeting

The parent company's non-restricted equity is EUR 276,744,547.45 of which the net income for the year is EUR 164,816,834.32.

The Group's non-restricted equity is EUR 395,615,000.

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 1.05 will be paid on each share and that the remaining non-restricted equity is retained in shareholders' equity.

Espoo, February 3, 2016

Stig Gustavson
Chairman of the Board

Svante Adde
Board member

Ole Johansson
Vice Chairman of the Board

Bertel Langenskiöld
Board member

Malin Persson
Board member

Christoph Vitzthum
Board member

Panu Routila
President and CEO

17. Equity

	2015	2014
Share capital as of January 1	30.1	30.1
New issue	0.0	0.0
Share capital as of December 31	30.1	30.1
Share premium account January 1	39.3	39.3
New issue	0.0	0
Share premium account as of December 31	39.3	39.3
Share issue January 1	0.0	0.0
Increase	17.0	1.3
Decrease	-17.0	-1.3
Share issue December 31	0.0	0.0
Paid in capital January 1	50.5	48.1
Increase	17.9	2.4
Decrease	0.0	0.0
Paid in capital as of December 31	68.4	50.5
Retained earnings as of January 1	105.1	155.3
Dividend paid	-61.5	-60.8
Decrease	0.0	0.0
Retained earnings as of December 31	43.6	94.5
Net income for the period	164.8	10.5
Shareholders' equity as of December 31	346.1	224.9
Distributable equity		
Paid in capital as of December 31	68.4	50.5
Retained earnings as of December 31	43.5	94.5
Net income for the period	164.8	10.5
Total	276.7	155.5

18. Accruals

	2015	2014
Income taxes	0.0	0.0
Wages, salaries and personnel expenses	0.5	6.8
Interest	0.0	0.0
Other items	16.4	3.6
Total	16.9	10.4

19. Contingent liabilities and pledged assets

	2015	2014
Contingent liabilities		
For obligations of subsidiaries		
Group guarantees	276.4	345.0
Other contingent and financial liabilities		
Leasing liabilities		
Next year	1.4	1.0
Later on	1.6	1.6
Total	3.0	2.6
Leasing contracts are valid, in principle, for three years and they have no terms of redemption.		
Other liabilities	0.0	0.0
Total by category		
Guarantees	276.4	345.0
Other liabilities	3.0	2.6
Total	279.4	347.6

20. Nominal and fair values of derivative financial instruments

	2015 Fair value	2015 Nominal value	2014 Fair value	2014 Nominal value
Foreign exchange forward contracts	0.0	1.6	-0.1	25.0

Derivatives are used for currency rate hedging only.

Auditor's report

To the Annual General Meeting of Konecranes Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Konecranes Plc for the financial period 1.1.–31.12.2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the Company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the Company or have violated the Limited Liability Companies Act or the articles of association of the Company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of

financial statements and report of the the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

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 15, 2016

Ernst & Young Oy
Authorized Public Accountant Firm

Kristina Sandin
Authorized Public Accountant

Shares and shareholders

Shares and share capital

As of December 31, 2015, Konecranes Plc's fully paid-up share capital entered in the Trade Register was EUR 30,072,660, divided into 63,272,342 shares (63,272,342 in 2014). Konecranes has one class of shares and each share entitles its holder to one vote at the Annual General Meeting and an equal dividend. Konecranes' shares are registered in the Finnish book entry system.

On December 31, 2015, Konecranes Plc was in the possession of 4,539,913 own shares (5,328,415), which corresponds to 7.2 percent of the total number of shares having a market value of EUR 104.0 million on that date. In 2015, 733,495 treasury shares were transferred to the subscribers, pursuant to the Konecranes Plc's stock options 2009B. In addition, 55,007 treasury shares were conveyed without consideration to the key employees participating in the Performance Share Plan 2012.

Market capitalization and share trading

As of the end of 2015, the total market capitalization of Konecranes Plc on Nasdaq Helsinki was EUR 1,345.0 million (1,380.2), excluding treasury shares.

Konecranes' shares closed the year at EUR 22.90 (23.82) on Nasdaq Helsinki. The volume-weighted average trading price for the year was EUR 27.73. The highest quotation for the Konecranes share was EUR 34.98 in August and the lowest was EUR 20.98 in September.

The traded volume of Konecranes' shares totaled some 57.0 million on Nasdaq Helsinki. In monetary terms, this was valued at EUR 1,579.6 million. The daily average trading volume was 226,922 shares, representing a daily average turnover of EUR 6.3 million. In addition, approximately 84.1 million Konecranes shares were traded on other trading venues (e.g., multilateral trading facilities and bilateral OTC trades) in 2015 according to Fidessa.

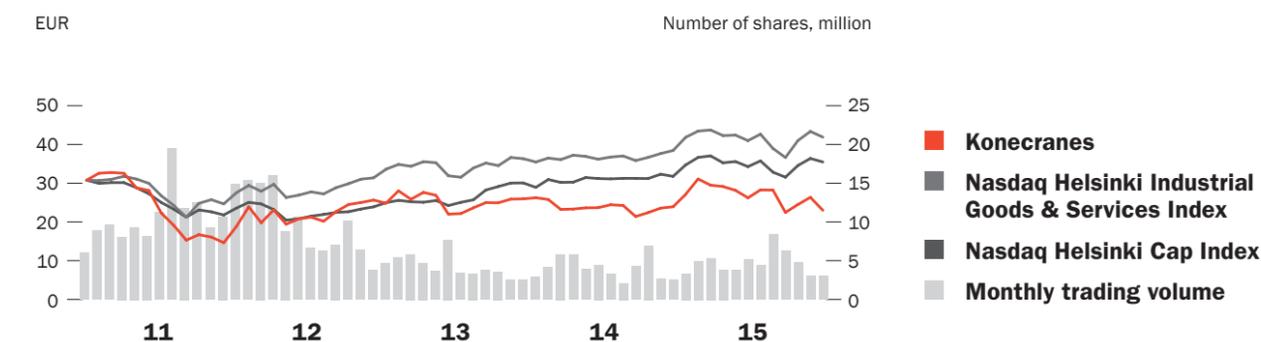
Board authorizations

On March 16, 2015, the Board of Directors decided on a directed share issue related to the reward payment for the performance periods 2012 and 2012–2014 of Konecranes Performance Share Plan 2012. In the share issue, 55,007 Konecranes Plc shares held by the Company were conveyed without consideration to the key employees that participated in the plan in accordance with the terms and conditions of the plan. The decision on the directed share issue was based on the authorization granted to the Board of Directors by the Annual General Meeting of Shareholders held on March 27, 2014.

The Annual General Meeting held on March 26, 2015, authorized the Board of Directors to decide on the repurchase of the Company's own shares and/or on the acceptance of the Company's own shares as a pledge. The amount of the Company's own shares to be repurchased and/or accepted as pledge based on this authorization shall not exceed 6,000,000 shares in total, which corresponds to approximately 9.5 percent of all of the shares in the Company. The authorization is effective until the end of the next Annual General Meeting, but no later than September 25, 2016. The Board of Directors did not use this authorization in 2015.

The AGM authorized the Board of Directors to decide on the issuance of shares as well as on the issuance of special rights entitling to shares referred to in Chapter 10 of Section 1 of the Finnish Companies Act. The amount of shares to be issued based on this authorization shall not exceed 6,000,000 shares, which corresponds to approximately 9.5 percent of all of the shares in the Company. The authorization can also be used for incentive arrangements, however, not more than 700,000 shares in total together with the authorization in the following paragraph. The authorization is effective until the end of the next Annual General Meeting, but no later than September 25, 2016. However, the authorization for

Monthly price and volume on the Nasdaq Helsinki 2011–2015



Changes in the share capital and the number of shares

		Change in number of shares	Total number of shares	Change in share capital	Share capital EUR
1999	March 11, Conversion of share capital into EUR		15,000,000		30,000,000
2002	December 20, invalidation of shares held by the company and reduction of share capital	-691,370	14,308,630	-1,382,740	28,617,260
2004	New shares subscribed for with the 1997 stock options	1,400	14,310,030	2,800	28,620,060
2005	New shares subscribed for with the 1997, 1999A, 1999B, 2001A and 2003A stock options	176,000	14,486,030	352,000	28,972,060
2006	New shares subscribed for with 1997, 1999B, 2001A and 2003A stock options pre-split	286,700	14,772,730	573,400	29,545,460
2006	March 17, 2006 Share split 1:4	44,318,190	59,090,920	0	29,545,460
2006	New shares subscribed for with 1997, 1999B, 2001A, 2003A and 2003B series stock options post-split	986,800	60,077,720	493,400	30,038,860
2007	February, new shares subscribed for with 2003B stock options	67,600	60,145,320	33,800	30,072,660
2007	March–December, new shares subscribed for with 1997, 1999B, 2001A, 2001B, 2003B and 2003C stock options	833,460	60,978,780	0	30,072,660
2008	February–December, new shares subscribed for with 1997, 1999B, 2001B, 2003B and 2003C stock options	633,540	61,612,320	0	30,072,660
2009	February–December, new shares subscribed for with 2001B and 2003C stock options	260,600	61,872,920	0	30,072,660
2010	February–May, new shares subscribed for with 2001B stock options	129,200	62,002,120	0	30,072,660
2011	January, share issue directed to the shareholders of KCR Management Oy	281,007	62,283,127	0	30,072,660
2011	February–May, new shares subscribed for with 2007A and 2007B stock options	958,300	63,241,427	0	30,072,660
2012	May–June, new shares subscribed for with 2009A stock options	30,915	63,272,342	0	30,072,660

incentive arrangements is valid until March 25, 2020. The Board of Directors did not use this authorization in 2015.

The AGM authorized the Board of Directors to decide on the transfer of the Company's own shares. The authorization is limited to a maximum of 6,000,000 shares, which corresponds to approximately 9.5 percent of all the shares in the Company. The authorization can also be used for incentive arrangements, however, not more than 700,000 shares in total together with the authorization in the previous paragraph. This authorization is effective until the next Annual General Meeting of Shareholders, but no later than September 25, 2016. However, the authorization for incentive arrangements is valid until March 25, 2020. The Board of Directors did not use this authorization in 2015.

The AGM authorized the Board of Directors to decide on a directed share issue without payment needed for the implementation of the Share Savings Plan, which the Annual General Meeting 2012 decided to launch. The number of new shares to be issued or own shares held by the Company to be transferred may amount in the aggregate to a maximum total of 500,000 shares, which corresponds to 0.8 percent of all of the Company's shares. The authorization concerning the share issue is valid until March 25, 2020. The Board of Directors did not use this authorization in 2015.

The AGM authorized the Board of Directors to decide on one or several donations of a maximum aggregate amount of EUR

250,000 to one or more Finnish universities or research centers to thus support education or research. The authorization was valid until December 31, 2015. The Board of Directors used this authorization in 2015.

These authorizations are explained in more detail in the release covering the resolutions of the 2015 AGM, which can be consulted at the Company's web site at www.konecranes.com > Investors > Corporate governance > General meeting > 2015.

Stock option plans

Konecranes has stock option plan 2009 for its key employees, including top and middle management, and employees in certain expert positions. In 2015, 733,495 treasury shares were transferred to the subscribers, pursuant to Konecranes Plc's stock options 2009B.

As of the end of 2015, Konecranes Plc's stock options 2009C entitle option holders to subscribe for 638,500 shares, which corresponds to 1.0 percent of all of the Company's shares.

For a more detailed description of the option plans, see Note 29 on Page 100 of the Financial Statements. The terms and conditions of the stock option plans can also be consulted at www.konecranes.com > Investors > Share information > Stock option plans.

Performance share plans

In 2012, the Board of Directors resolved to implement a performance share plan according to which earning reward is based on attainment of targets determined by the Board of Directors. Earning during the one-year discretionary period that began in 2012 was based on the Konecranes Group's EBIT margin, and during the three-year discretionary period that began in 2012 on the Total Shareholder Return (TSR) of the Company's share. In March 2015, 55,007 treasury shares were conveyed without consideration to the key employees participating in the plan.

There will be no reward payment for the discretionary period 2013–2015 as the performance criterion was not met.

The performance criterion for the discretionary periods 2014–2016 and 2015–2017 is the cumulative Earnings per Share (EPS), excluding restructuring costs, for the respective years. The target group of the plans consists of approximately 190 people. The rewards to be paid on the basis of each discretionary period correspond to the value of an approximate maximum of 700,000 Konecranes Plc shares, which corresponds to 1.1 percent of all of the Company's shares. If the targets determined by the Board of Directors are attained, the reward payout may be a half of the maximum reward. The maximum reward payout requires that the targets are clearly exceeded.

For a more detailed description of the performance share plan, see Note 29 on Page 100 of the Financial Statements.

Employee share savings plan

Konecranes Plc's AGM 2012 approved the Konecranes Employee Share Savings Plan. The first plan period began on July 1, 2012 and ended on June 30, 2013. 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 period until the end of the designated holding period, February 15, 2016, and if his or her employment with the Company has not been terminated on the last day of the holding period on bad leaver terms. Approximately 1,500 Konecranes employees signed up for the plan that commenced July 1, 2012. The number of new shares to be issued or own shares held by the Company to be transferred under the terms and conditions of the plan may be a maximum total of 37,895 shares, which corresponds to 0.1 percent of all of the Company's shares.

A new plan period began on July 1, 2013 and ended on June 30, 2014. 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 period until the end of the designated holding period, February 15, 2017, and if his or her employment has not ended before this date for reasons related to the employee. Approximately 1,650 Konecranes employees signed up for the

plan that commenced July 1, 2013. The number of new shares to be issued or own shares held by the Company to be transferred under the terms and conditions of the plan may be a maximum total of 47,779 shares, which corresponds to 0.1 percent of all of the Company's shares.

A new plan period began on July 1, 2014 and ended on June 30, 2015. 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 period until the end of the designated holding period, February 15, 2018, and if his or her employment has not ended before this date for reasons related to the employee. Approximately 1,550 Konecranes employees signed up for the plan that commenced July 1, 2014. The number of new shares to be issued or own shares held by the Company to be transferred under the terms and conditions of the plan may be a maximum total of 43,827 shares, which corresponds to 0.1 percent of all of the Company's shares.

A new plan period began on July 1, 2015 and will end on June 30, 2016. The maximum savings amount per participant during one month is 5 percent of gross salary and the minimum is EUR 10. 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 period until the end of the designated holding period, February 15, 2019, and if his or her employment has not ended before this date for reasons related to the employee. The total amount of all savings of the commencing plan period may not exceed EUR 8.5 million. Approximately 1,550 Konecranes employees signed up for the Plan Period that commenced on July 1, 2015.

For a more detailed description of the employee share savings plan, see Note 29 on Page 101 of the Financial Statements.

Flagging notifications

On February 5, 2015, Konecranes received a disclosure according to which the holding of Harris Associates L.P. in Konecranes Plc has decreased below 5 percent. Harris Associates L.P. held 3,158,600 Konecranes Plc's shares on February 4, 2015, which is 4.99 percent of the Konecranes Plc's shares and votes.

On April 20, 2015, Konecranes received a disclosure according to which the holding of Harris Associates L.P. in Konecranes Plc has exceeded 5 percent. Harris Associates L.P. held 3,200,000 Konecranes Plc's shares on April 17, 2015, which is 5.06 percent of the Konecranes Plc's shares and votes.

On May 14, 2015, Konecranes received a disclosure according to which the holding of Sanderson Asset Management LLP in Konecranes Plc has exceeded 5 percent. Sanderson Asset Management LLP held 3,239,980 Konecranes Plc's shares on May 13, 2015, which is 5.12 percent of the Konecranes Plc's shares and votes.

On September 18, 2015, Konecranes received a disclosure according to which the holding of Harris Associates Investment Trust in Konecranes Plc has exceeded 5 percent. Harris Associates Investment Trust held 3,177,500 Konecranes Plc's shares on September 17, 2015, which is 5.02 percent of Konecranes Plc's shares and votes.

On November 6, 2015, Konecranes received a disclosure according to which the holding of Polaris Capital Management, LLC in Konecranes Plc's shares has exceeded 5 percent. Polaris Capital Management, LLC held 3,169,748 Konecranes Plc's shares on November 6, 2015, which is 5.01 percent of Konecranes Plc's shares. Polaris Capital Management, LLC held 2,277,440 voting rights in Konecranes Plc on November 6, 2015, which is 3.60 percent of voting rights in Konecranes Plc.

Shareholders

Konecranes had 19,915 (19,199) shareholders on December 31, 2015. At year-end 2015, 48.7 (47.3) percent of the company's shares were nominee registered. More information on the breakdown of share ownership and board and management interests can be found in the Shares and Shareholders section on Page 131 of the Financial Statements.

Shares and shareholders

According to the register of Konecranes Plc's shareholders kept by Euroclear Finland Oy, there were 19,915 (2014: 19,199) shareholders at the end of the 2015.

Largest shareholders on December 31, 2015

		Number of shares and votes	% of shares and votes
1	HTT KCR Holding Oy Ab	6,870,568	10.9 %
2	Gustavson Stig, Chairman of the Board of Konecranes, and family ¹⁾	2,078,013	3.3 %
3	Varma Mutual Pension Insurance Company	1,190,275	1.9 %
4	The State Pension Fund	780,000	1.2 %
5	OP Investment Funds	655,000	1.0 %
6	The Local Government Pensions Institution, Keve	598,542	0.9 %
7	Danske Capital Funds	562,120	0.9 %
8	Samfundet Folkhälsan i Svenska Finland	535,600	0.8 %
9	Ilmarinen Mutual Pension Insurance Company	501,603	0.8 %
10	Aktia Funds	491,086	0.8 %
Ten largest registered shareholders' total ownership		14,262,807	22.5 %
	Nominee registered shares	30,835,513	48.7 %
	Other shareholders	13,634,109	21.5 %
	Shares held by Konecranes Plc	4,539,913	7.2 %
	Total	63,272,342	100.0 %

Konecranes Plc share trading information

- Date of listing on Nasdaq Helsinki: March 27, 1996
- Segment: Large Cap
- ICB classification: Industrials, Industrial Goods & Services, Industrial Engineering, Commercial Vehicles & Trucks 2753
- ISIN code: FI0009005870
- Trading code: KCR1V
- Reuters ticker: KCR1V.HE
- Bloomberg ticker: KCR1V FH

Konecranes Plc's stock option 2009C trading information

- Date of listing on Nasdaq Helsinki: April 1, 2014
- Last trading date: April 25, 2016
- ISIN code: FI4000041504
- Trading code: KCR1VEW309

Shares and options owned by the members of the Board and of Directors and of the Group Executive Board on December 31, 2015

	Change in shareholding in 2015	Number of shares owned	% of shares and votes	Change in option holdings in 2015 ²⁾	Option ownership December 31, 2015 ²⁾	% of shares and votes
Board of Directors ¹⁾	8,665	49,250	0.1 %	0	0	0.0 %
Group Executive Board	-200,136	144,517	0.2 %	-114,000	15,000	0.0 %
Total	-191,471	193,767	0.3 %	-114,000	15,000	0.0 %

¹⁾ Konecranes Plc received on December 28, 2011 information according to which the Chairman of the company's Board of Directors Mr Stig Gustavson has donated all of his shares he at that time owned 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.

²⁾ Option holdings are reported as the number of shares that they entitle to subscribe for.

Breakdown of share ownership by number of shares owned on December 31, 2015

Shares	Number of shareholders	% of shareholders	Number of shares and votes	% of shares and votes
1-100	8,934	44.9 %	477,397	0.8 %
101-1,000	9,456	47.5 %	3,238,783	5.1 %
1,001-10,000	1,330	6.7 %	3,581,204	5.7 %
10,001-100,000	157	0.8 %	4,392,336	6.9 %
100,001-1,000,000	22	0.1 %	6,076,575	9.6 %
Over 1,000,001	5	0.0 %	14,670,534	23.2 %
Registered shareholders total	19,904	99.9 %	32,436,829	51.3 %
Nominee registered shares	11	0.1 %	30,835,513	48.7 %
Total	19,915	100.0 %	63,272,342	100.0 %

Breakdown of share ownership by shareholder category on December 31, 2015

	% of shares and votes
Private companies	20.3 %
Financial and insurance institutions	4.8 %
Public sector organizations	5.5 %
Households	14.3 %
Non-profit organizations	5.5 %
Foreigners	0.8 %
Nominee registered shares	48.7 %
Total	100.0 %

Source: Euroclear Finland Oy, December 31, 2015.

Investor information

INVESTOR RELATIONS

IR principles

The main objective of Konecranes' Investor Relations function is to assist in the correct valuation of the Company's shares by providing capital markets with information on its operations and financial position.

Konecranes pursues an open, reliable, and up-to-date disclosure policy, aimed at giving all market participants access to correct and consistent information regularly and equitably.

Investor Relations is responsible for investor communications and daily contacts. The President and CEO, together with the Chief Financial Officer, participate in IR activities and are regularly available for meetings with capital market representatives. The function regularly gathers and analyzes market information and investor feedback for use of top management and the Board of Directors.

Silent period

Konecranes observes a silent period prior to the publication of its financial statements and interim reports starting at the end of the quarter in question. During this time, Company representatives do not comment on Konecranes' financial position.

Investor relations in 2015

In 2015, Konecranes participated in four investor seminars and held 26 roadshow days. All in all, we took part in approximately 250 investor meetings and conference calls: in Amsterdam, Boston, Chicago, Copenhagen, Edinburgh, Frankfurt, Helsinki, London, Los Angeles, Milan, Munich, New York, Oslo, Paris, Stockholm and Toronto.

Equity research

The following banks, investment banks, and equity research providers cover Konecranes: ABG Sundal Collier, Carnegie Investment Bank, Danske Markets, DNB Markets, Evli Bank, Handelsbanken Capital Markets, HSBC, Inderes, Kepler Cheuvreux, Nordea Bank, Pohjola Bank, and SEB Enskilda.

Konecranes takes no responsibility for the opinions expressed by analysts. More information on Konecranes as an investment can be found at www.konecranes.com > Investors.

INFORMATION FOR SHAREHOLDERS

Annual General Meeting

Konecranes' next Annual General Meeting will be held on Wednesday, March 23, 2016 at 10 a.m. in Hyvinkääsali, Jussinkuja 1, 05800 Hyvinkää, Finland.

Shareholders registered no later than March 11, 2016 in the company's list of shareholders maintained by Euroclear Finland Ltd. are entitled to attend the AGM.

Holders of nominee-registered shares intending to participate in the AGM shall notify their custodian well in advance of their intention and comply with the instructions provided by the custodian.

A shareholder wishing to participate in the AGM must notify the company (Ms Laura Kiiski) of his/her participation no later than March 18, 2016:

Internet: www.konecranes.com/agm2016

E-mail: agm2016@konecranes.com

Fax: +358 20 427 2105 (from abroad)

or 020 427 2105 (Finland)

Phone: +358 20 427 2017 (from abroad) or 020 427 2017 (Finland)

Mail: Konecranes Plc, Laura Kiiski, P.O. Box 661, FI-05801 Hyvinkää, Finland

Shareholders are requested to inform the Company of any proxies for the AGM in connection with their registration. A sample proxy can be found on the Company's web site.

Payment of dividend

The Board of Directors will propose to the Annual General Meeting of Shareholders that a dividend of EUR 1.05 per share should be paid for 2015. The dividend will be paid to shareholders who are registered on the record date in the Company's shareholders' register maintained by Euroclear Finland Ltd.

- Record date of dividend payment: March 29, 2016
- Date of dividend payment: April 6, 2016

Financial reports in 2016

- Financial Statements for 2015: February 3, 2016
- Interim report, January–March: April 27, 2016
- Interim report, January–June: July 22, 2016
- Interim report, January–September: October 26, 2016

Konecranes' annual and interim reports are published in English, Finnish, and Swedish. The Annual Report is available in pdf format on the Company web site and in print form. Copies are mailed to shareholders on request: orders can be placed through the Company web site.

All press and stock exchange releases can be consulted at the Company's web site (www.konecranes.com) and can be received by e-mail by subscribing at www.konecranes.com > Investors > Releases > Order releases. The Annual Report can also be ordered from:

Konecranes Plc

Investor Relations

P.O. Box 661

FI-05801 Hyvinkää, Finland

Phone: +358 20 427 2960

Fax: +358 20 427 2089

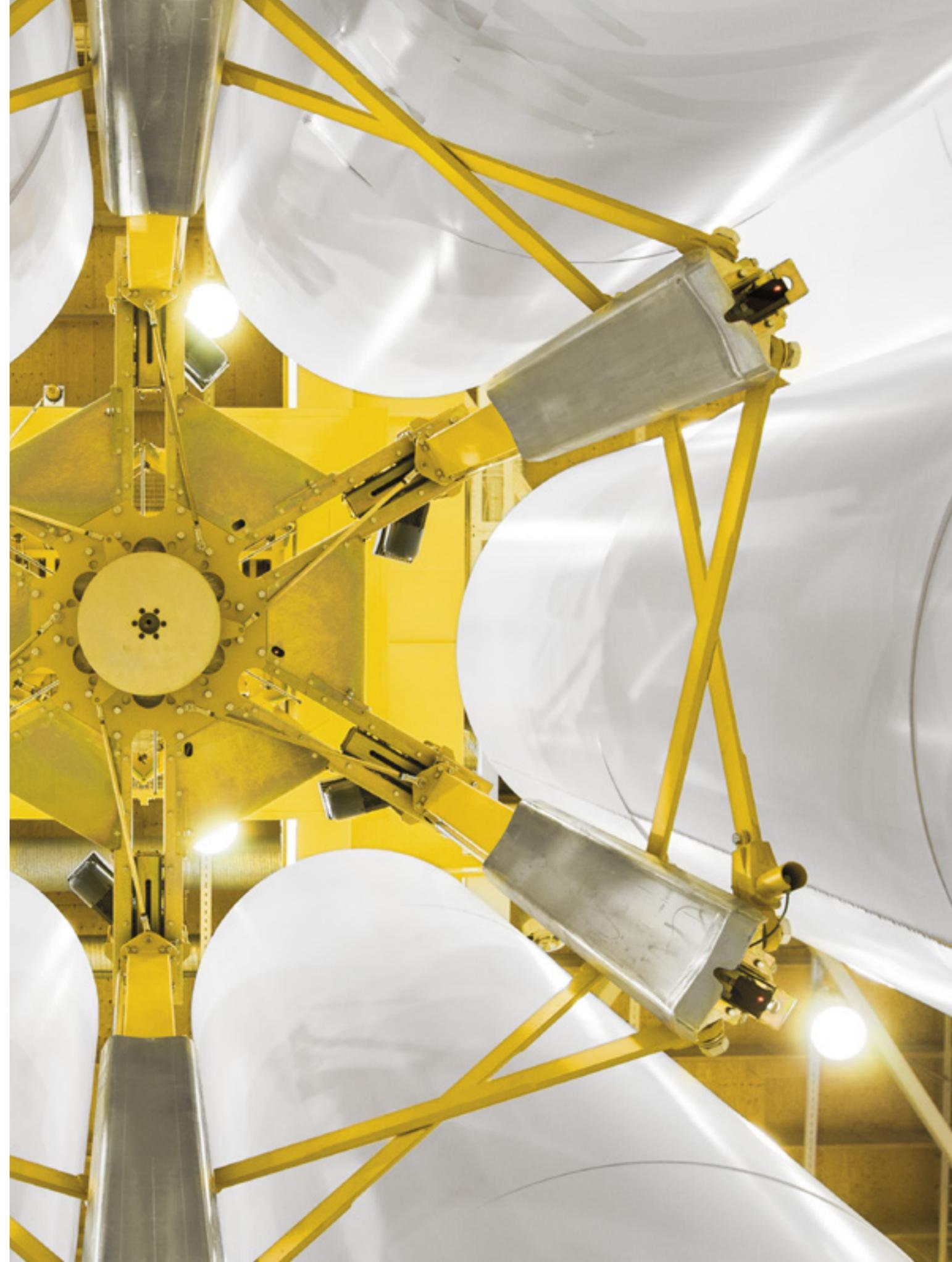
Web: www.konecranes.com > Investors > Reports and result presentations > Order annual report

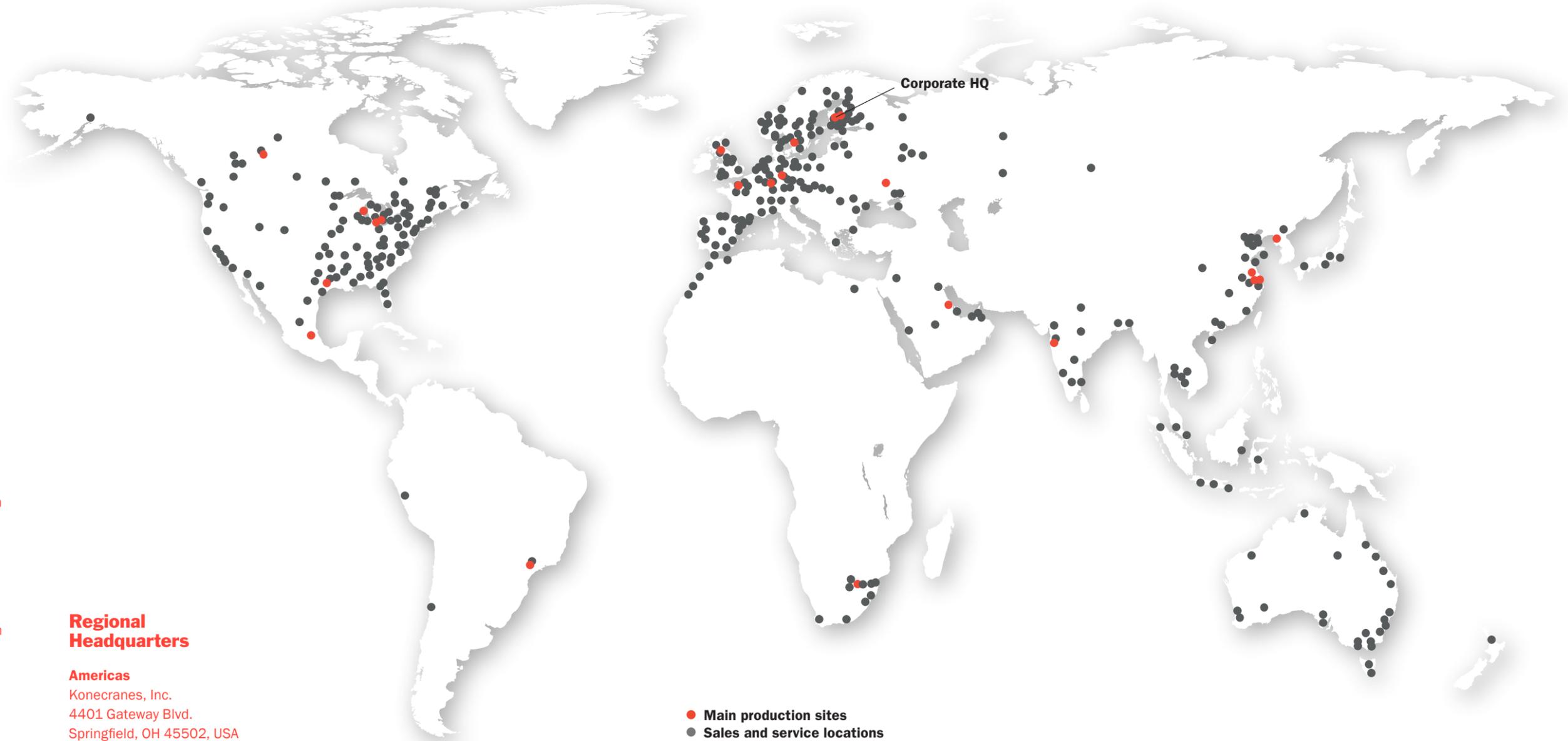
Shareholder register

Konecranes shares are covered by the Finnish Book Entry Securities System. Shareholders should notify the relevant holder of their book entry account about changes in address or account numbers for the payment of dividends and other matters related to their holdings.

IMPORTANT DATES

Record date of the AGM:	March 11, 2016
Registration for the AGM closes:	March 18, 2016
The AGM:	March 23, 2016
Dividend ex-date:	March 24, 2016
Dividend record date:	March 29, 2016
Dividend payment date:	April 6, 2016





Corporate Headquarters

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

Corporate responsibility

For corporate responsibility matters please contact:
corporate-responsibility@konecranes.com

Investor contacts

Miikka Kinnunen
Director, Investor Relations
Tel: +358 20 427 2050
E-mail: miikka.kinnunen@konecranes.com

Anna-Mari Kautto
Assistant, Investor Relations
Tel: +358 20 427 2960
E-mail: anna-mari.kautto@konecranes.com

Global Business Area Headquarters

Service
Konecranes Finland Corporation
P.O. Box 662 (Koneenkatu 8)
FI-05801 Hyvinkää, Finland
Tel: +358 20 427 11

Equipment
Konecranes Finland Corporation
P.O. Box 662 (Koneenkatu 8)
FI-05801 Hyvinkää, Finland
Tel: +358 20 427 11

Regional Headquarters

Americas
Konecranes, Inc.
4401 Gateway Blvd.
Springfield, OH 45502, USA
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 (Shanghai) Co., Ltd.
Building D, No.100, Lane 2891,
South Qilianshan Road,
200331, Shanghai, China
Tel: +86 21 2606 1000

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 and machine tools of all makes. In 2015, Group sales totaled EUR 2,126 million. The Group has 11,900 employees at 600 locations in 48 countries. Konecranes is listed on the Nasdaq Helsinki (symbol: KCR1V).



“The industrial internet and digitalization bring huge possibilities to material handling: new business models will emerge very soon.”

Jari Myyryläinen, Head of Waste-to-Energy Industry at Konecranes