



# Q2 2009 INTERIM REPORT

29th July 2009

Pekka Lundmark, President & CEO

Teo Ottola, CFO

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Lifting Businesses™

# Summary

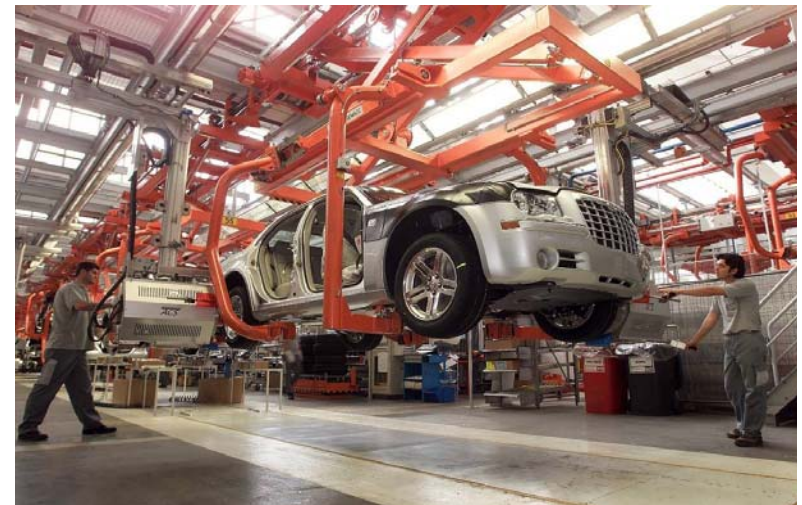
- Market environment
  - Challenging market environment for material handling industry
  - Compared with 2008, close to half of the global new equipment market may have disappeared
    - Services also affected but less
  - Intensifying price competition
- Konecranes' performance 1-6/09 vs. 1-6/08
  - + Sales backed up by strong order book
  - + Service and Standard Lifting orders stabilized in Q2 on the Q1 level
  - + Strong balance sheet
  - + Number of service contracts continued to increase
  - Orders clearly down in all business areas
  - Profitability decreased - cost adjustment impacts not yet fully visible

# Management agenda

- Adjusting capacity and cost structure to the lower demand
  - cost base target appr. EUR 100 million lower in 2010 compared with 2008
- Continued investments in product development and information systems
- Expansion to new geographical territories - open also for acquisitions
- Short term outlook
  - Uncertainty in the market to continue
  - 2009 sales are estimated to be 17-20 percent less than in 2008
  - Margin erosion expected to continue
  - Cost adjustment impacts continuously growing towards year end H2
  - Full year operating margin 6.5-7.5 percent of sales

# Konecranes enters a new business segment

- Market and product offering
  - Estimated EUR 1 billion market
  - Fragmented market with several small players
  - Customer segments
    - Aviation, automotive, health care, solar, energy/renewable energy, food and electronics industry
  - Product offering
    - Load-handling solutions, manipulators and air balancers



## Two acquisitions in July 2009

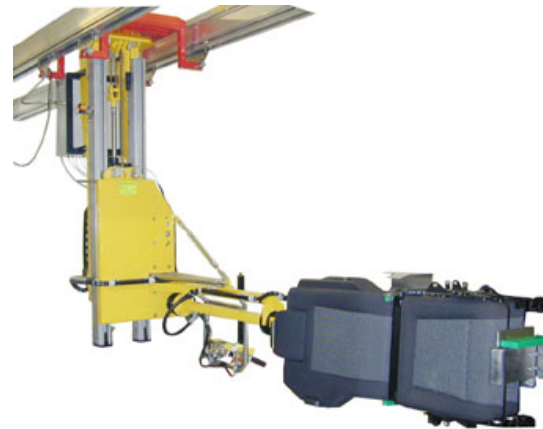
- Austrian ACS Konecranes GmbH (previous ownership 49.9%, now 80%)
- German Knight Europe GmbH & Co. KG (100%)
- Combined net sales in 2008 approx. EUR 15 million
- Combined personnel end of 2008 approx. 100
- Annual combined production volume; several hundred of manipulators
- Main current market in Europe. Business also in Asia and US
- Target 10% market share





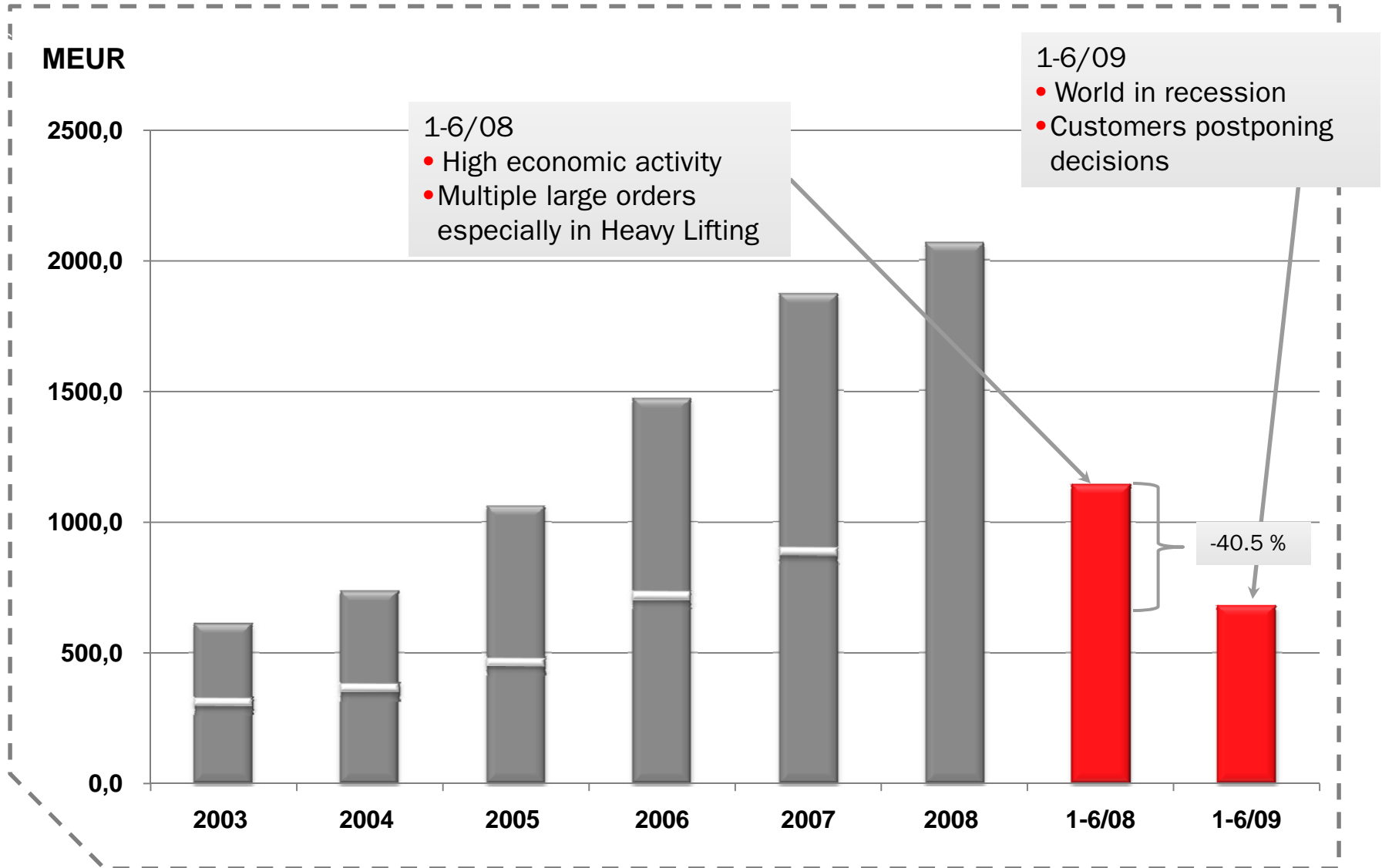
# Synergies

- Cranes and manipulators complement each other as solutions
- Wider product offering to industrial customers
- Cross selling opportunities
- Resources of Konecranes
  - Current customer base
  - Sales organization
  - Service network
  - Procurement volumes and pricing power
  - Financial strength



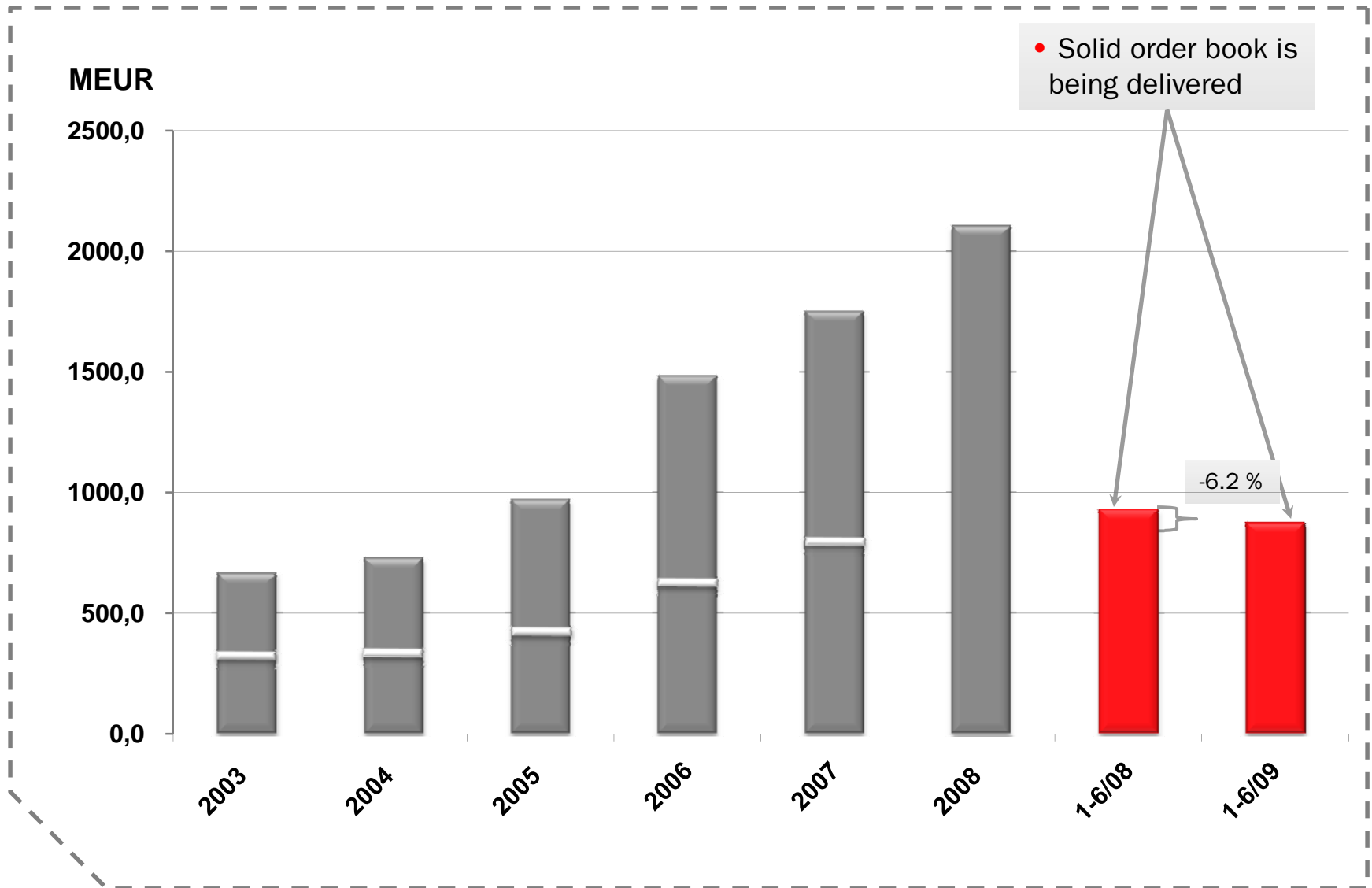
# Group orders received

Orders: 679.3 (1,141.6) MEUR



# Group net sales

Sales: 873.7 (931.6) MEUR

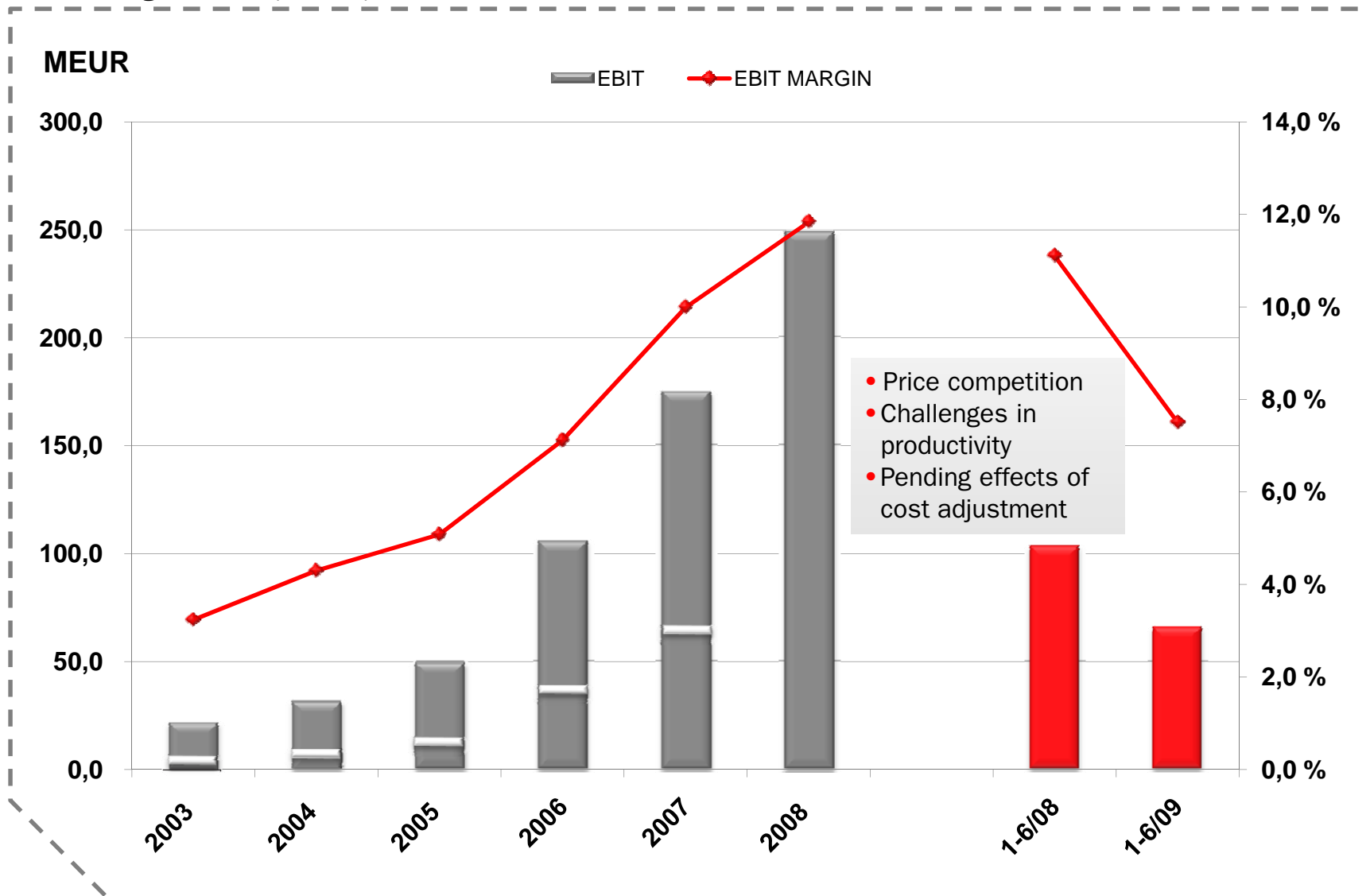




# Group EBIT & EBIT margin

EBIT: 65.6 (103.3) MEUR

EBIT margin: 7.5% (11.1%)



# Q2/09 Group: orders & net sales and EBIT & EBIT margin

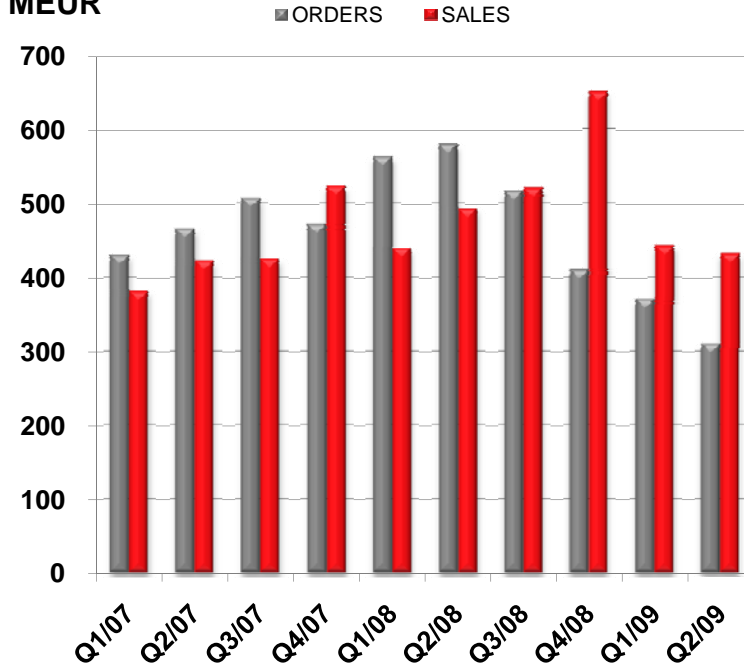
Orders: 309.6 (579.3) MEUR

Net sales: 431.6 (492.4) MEUR

EBIT: 28.8 (58.3) MEUR

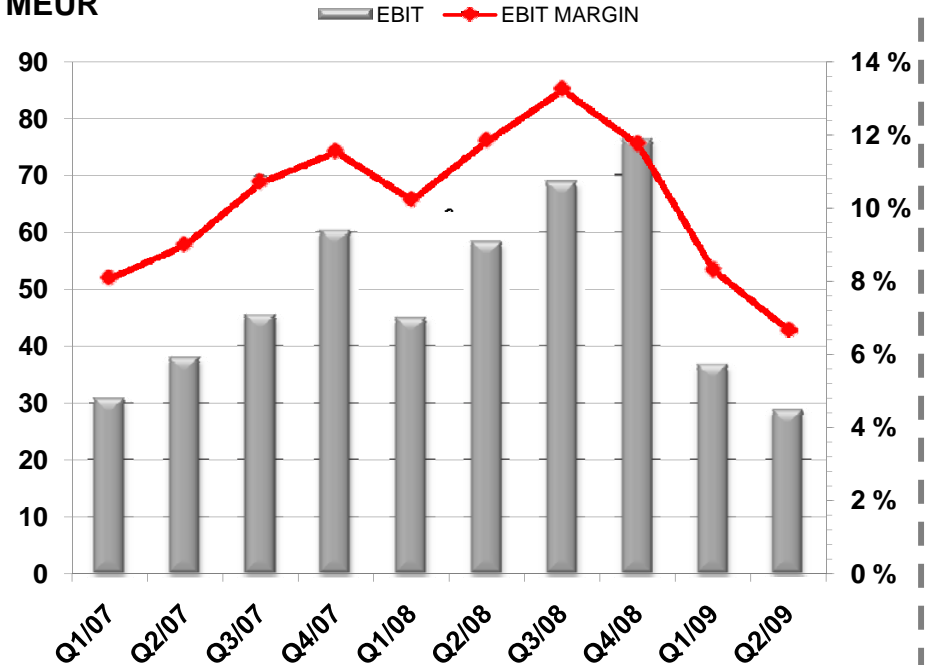
EBIT margin: 6.7% (11.8%)

MEUR



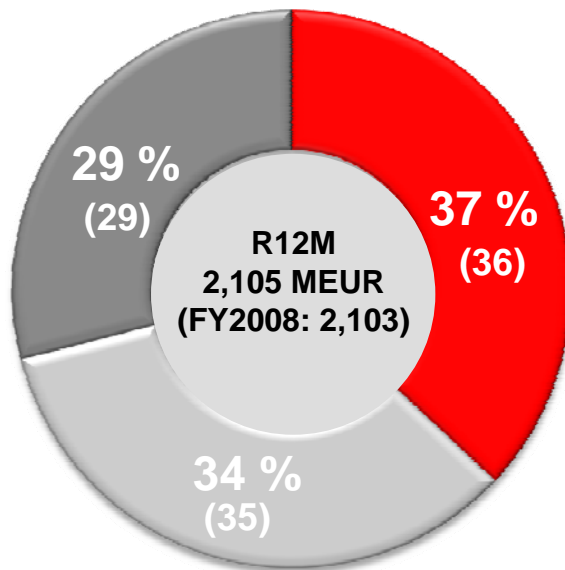
- Q2/08 order intake all time high
- The world was hit by financial crises in late 2008 – declining trend in orders start
- Declining orders affected Q2 sales

MEUR

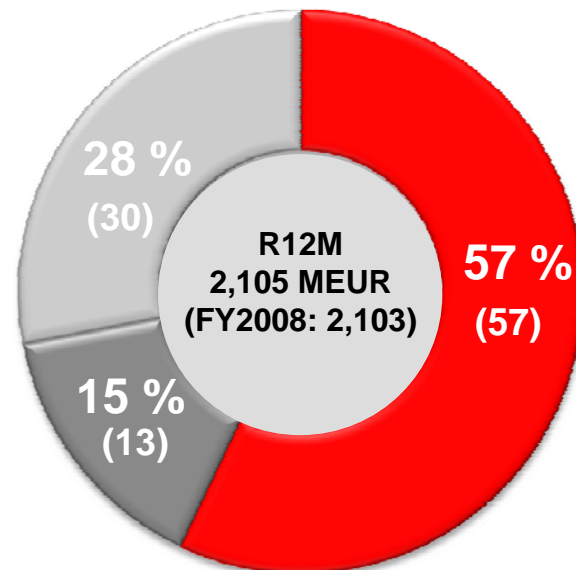


- Lower manufacturing productivity has affected profitability
- Cost adjustment impacts not yet visible

# Sales split by business area & region rolling 12 month



- Standard Lifting
- Service
- Heavy Lifting

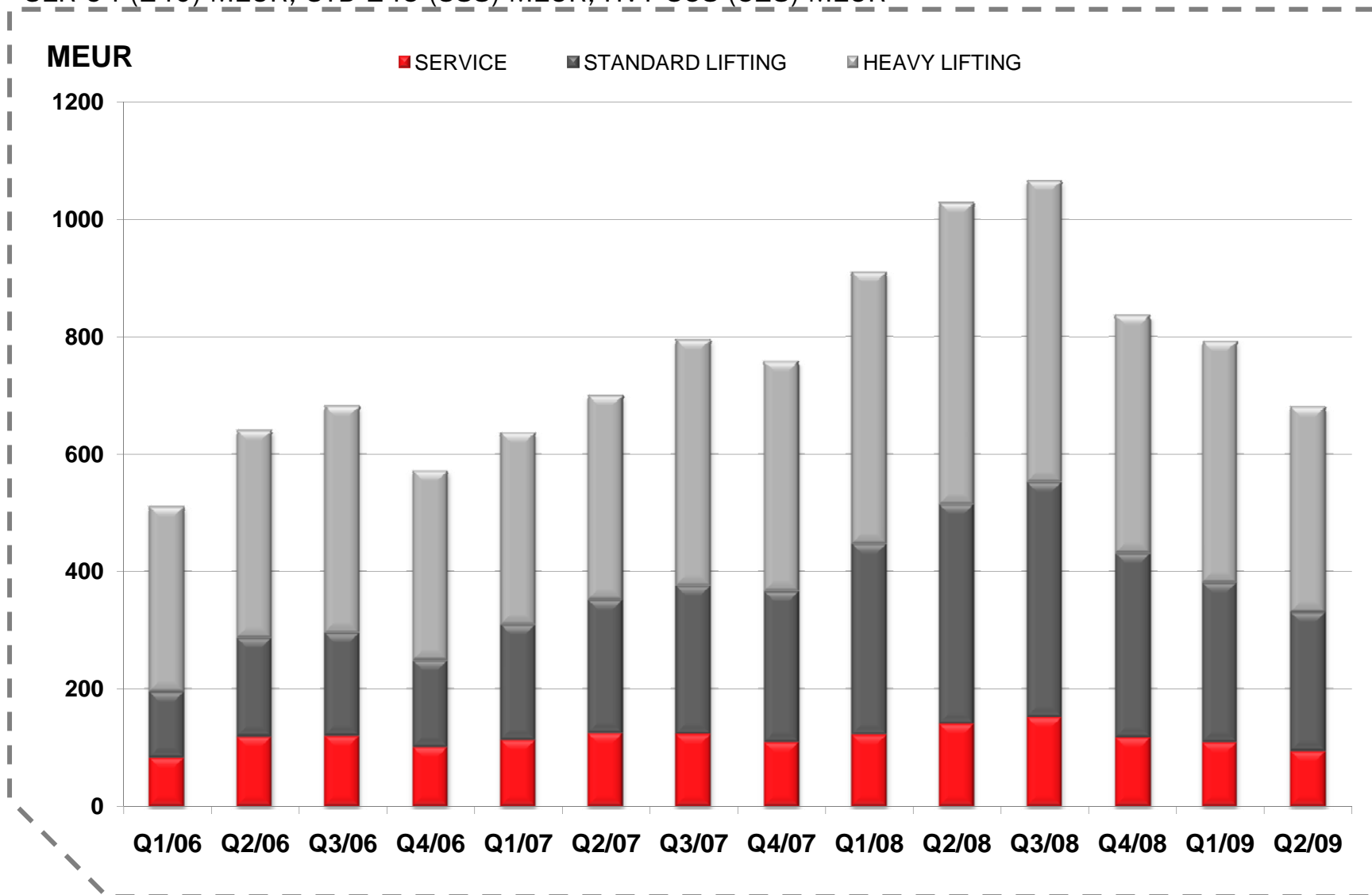


- EMEA
- Asia-Pacific
- Americas

# Order book by business area

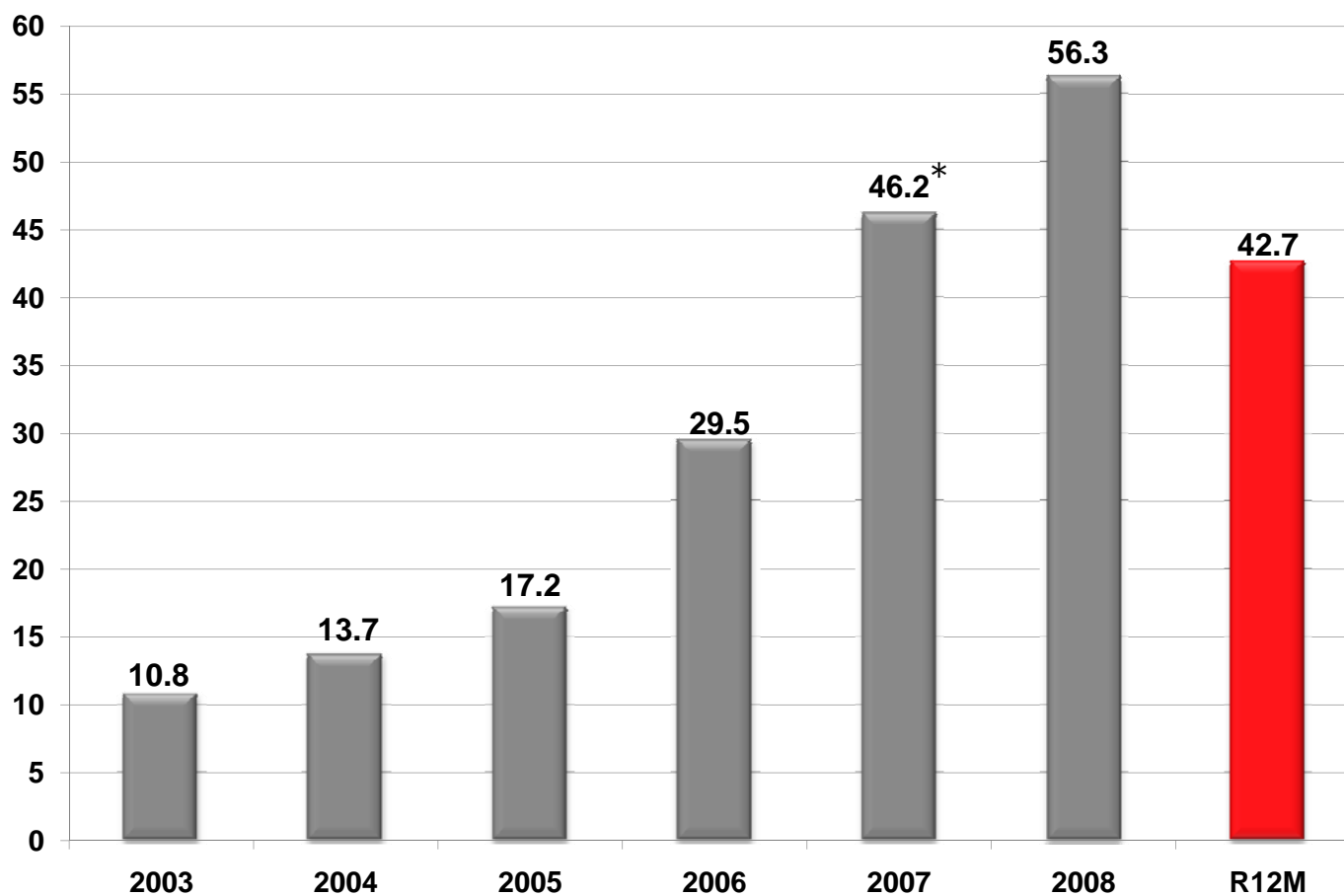
Group: 680.6 (Q2 2008: 1,028) MEUR, -33.8%

SER 94 (140) MEUR, STD 245 (388) MEUR, HVY 358 (528) MEUR



# Return on capital employed

## ROCE %



\*The 2007 ROCE including capital gain was 50.4 %

Service

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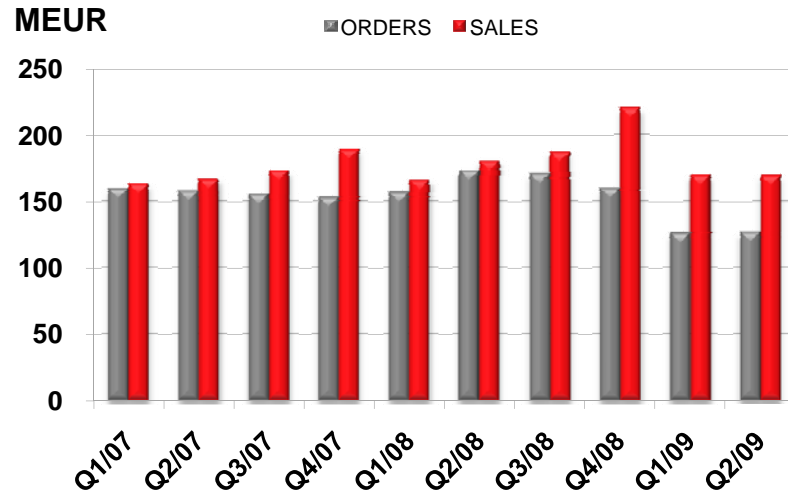
# Q2/09 Service: orders & net sales and EBIT & EBIT margin

Orders: 126.4 (172.6) MEUR

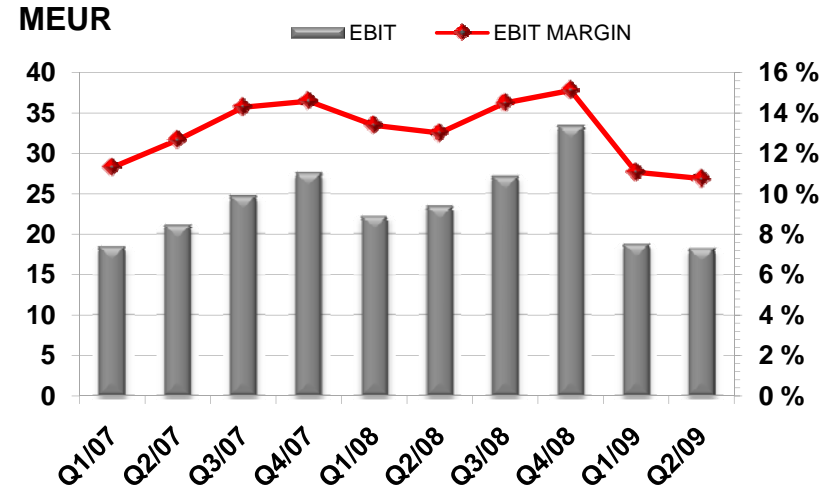
EBIT: 18.2 (23.5) MEUR

Net sales: 169.5 (180.5) MEUR

EBIT margin: 10.8% (13%)



- Low capacity utilization rates hit service orders in Q1
- Q2 orders stable on Q1 level
- Although ordering less spin off, contract customers are carrying the business
- Number of contracts increasing but some downsizing in scope

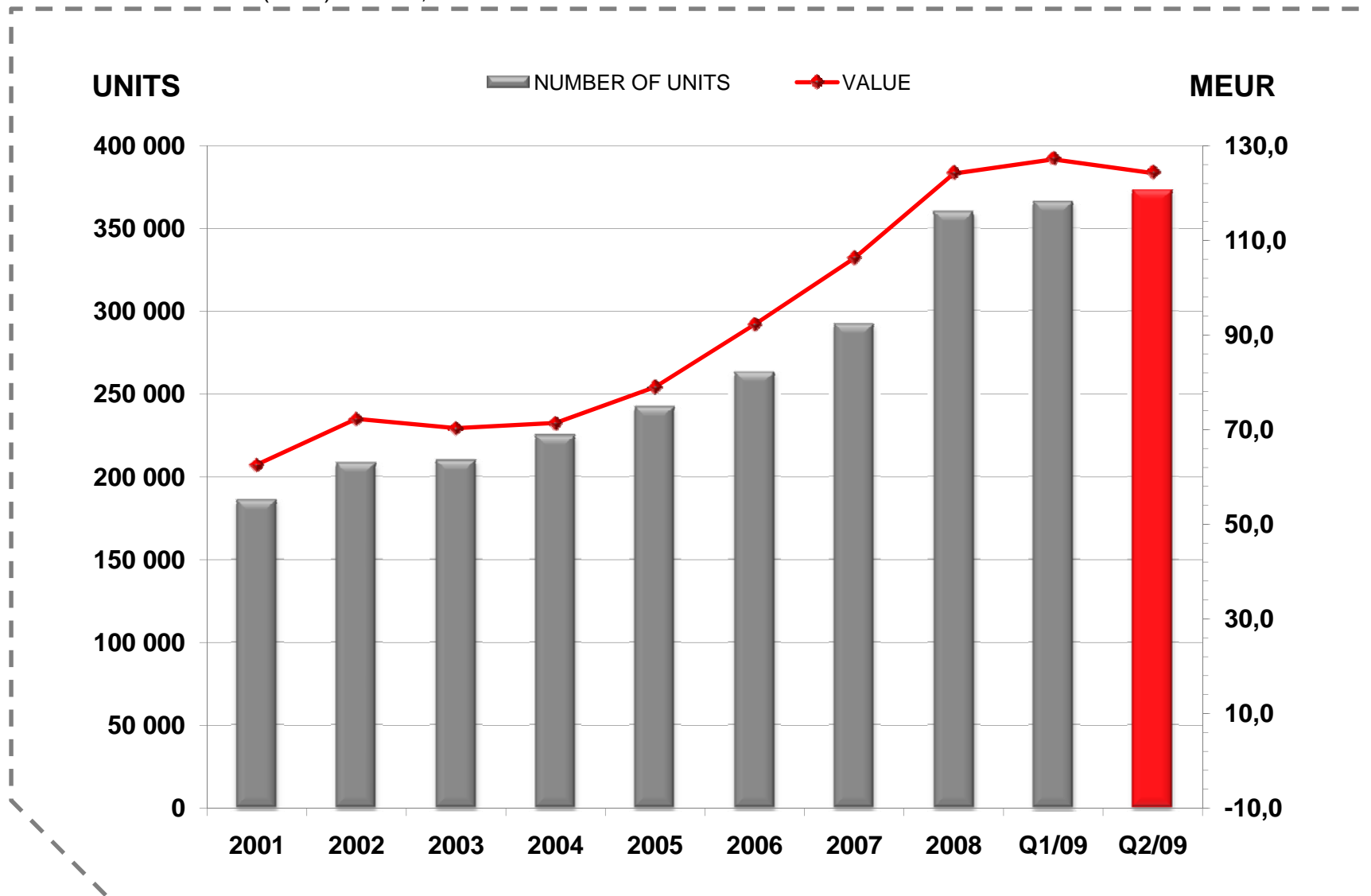


- Declining material content comes immediately through into profitability
- Cost adjustment impacts not visible yet

# Q2/09 Service contract base

374 (330) thousand units, +13 %

Annual value 124 (115) MEUR, +8 %



Standard Lifting



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# Q2/09 Standard Lifting: orders & net sales and EBIT & EBIT margin

Orders: 141.4 (244.8) MEUR

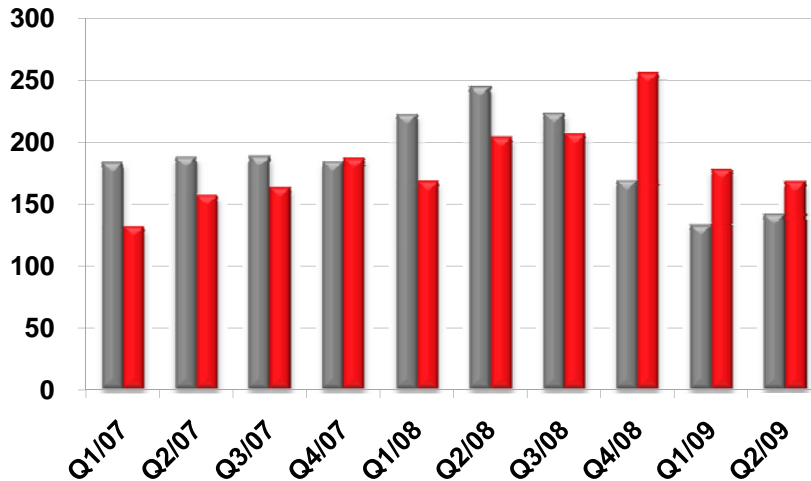
EBIT: 14.5 (34.9) MEUR

Net sales: 168.2 (203.9) MEUR

EBIT margin: 8.6% (17.1%)

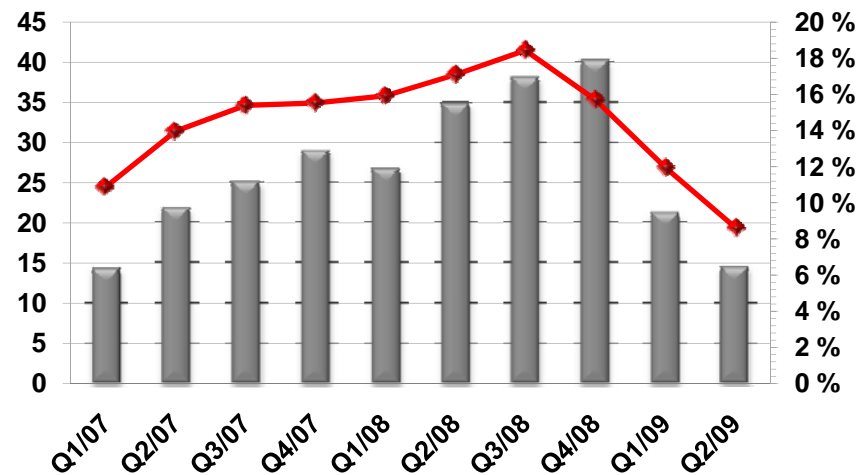
MEUR

■ ORDERS ■ SALES



MEUR

■ EBIT ◆ EBIT MARGIN



- Q2 orders slightly above Q1 level
- Overall market still weak
- A few sizeable orders
- Sales down from year-end 2008, as lower orders for components come quickly through into sales
- Order book 244.6 MEUR

- Lower production volumes and certain price pressure hit profitability
- Less favorable product mix
- Cost adjustment impacts not yet fully visible



**Heavy Lifting**



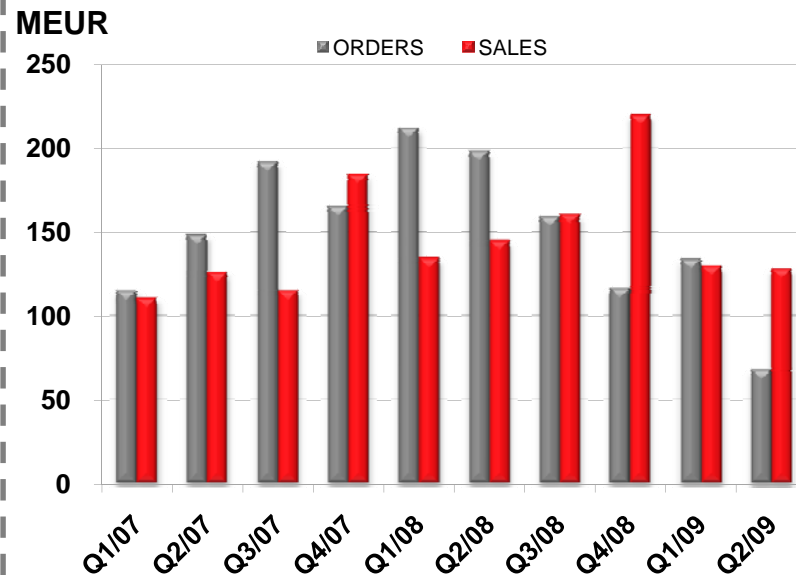
# Q2/09 Heavy Lifting: orders & net sales and EBIT & EBIT margin

Orders: 67.8 (198.4) MEUR

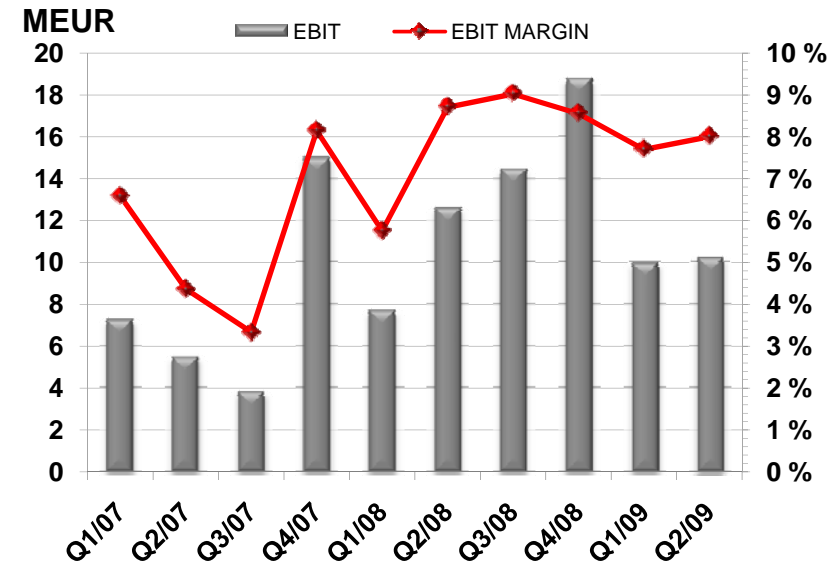
Net sales: 127.9 (144.8) MEUR

EBIT: 10.2 (12.6) MEUR

EBIT margin: 8% (8.7%)



- Heavy Lifting orders typically fluctuate a lot between quarters
- Very few large orders in Q2
- Power generation segment buoyant
- Order book 357.9 MEUR



Positive:

- Internal actions on better project execution biting in

Negative:

- Less favorable product mix burdening margins

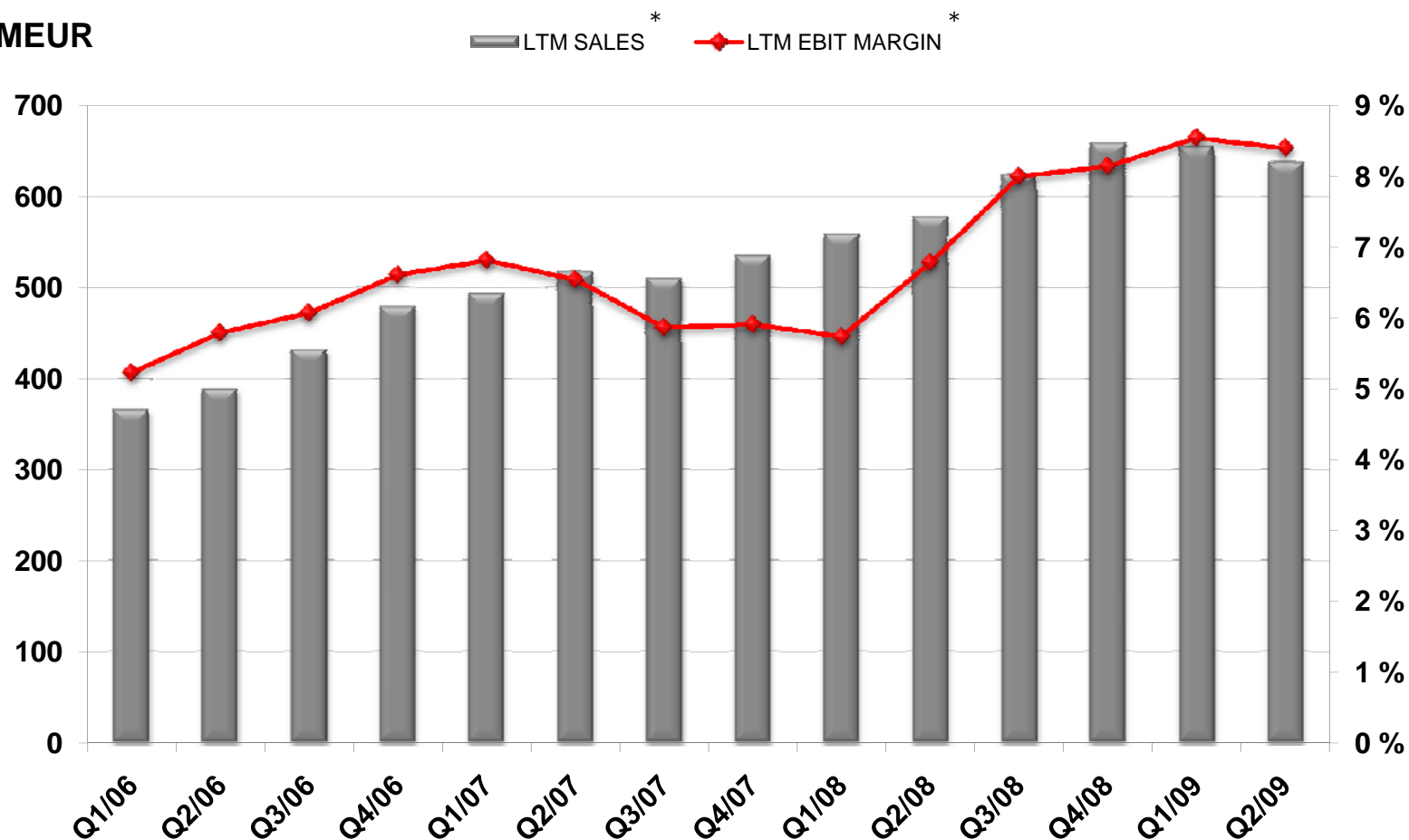


# Heavy Lifting R12M sales & operating margin

R12M Sales: 638 (578.4) MEUR

EBIT Margin: 8.4% (6.8)%

MEUR



\* Estimated 2006 figures according to reporting method implemented as of 2008. Restated 2007 figures.

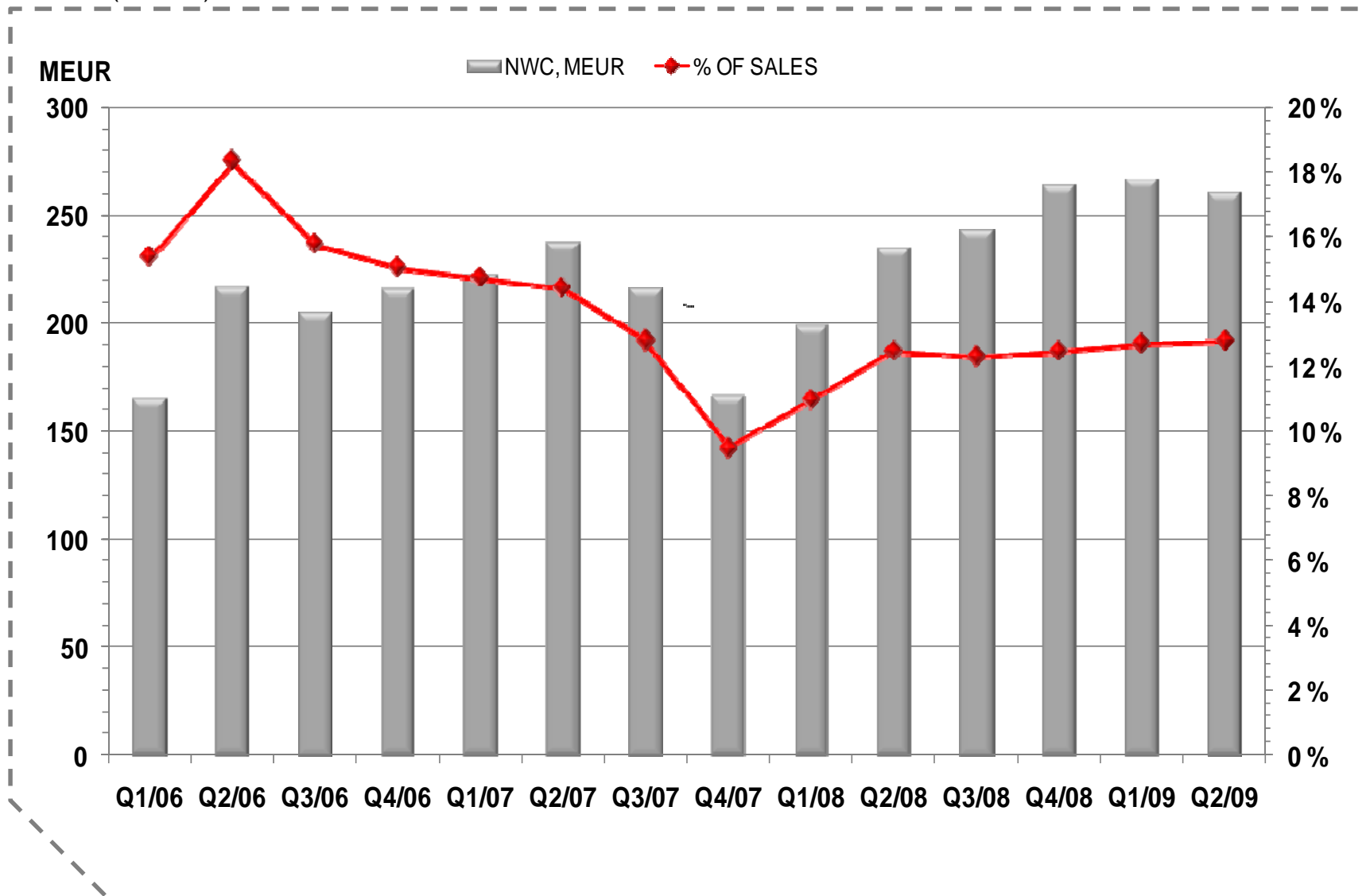


# Balance Sheet and Cash Flow

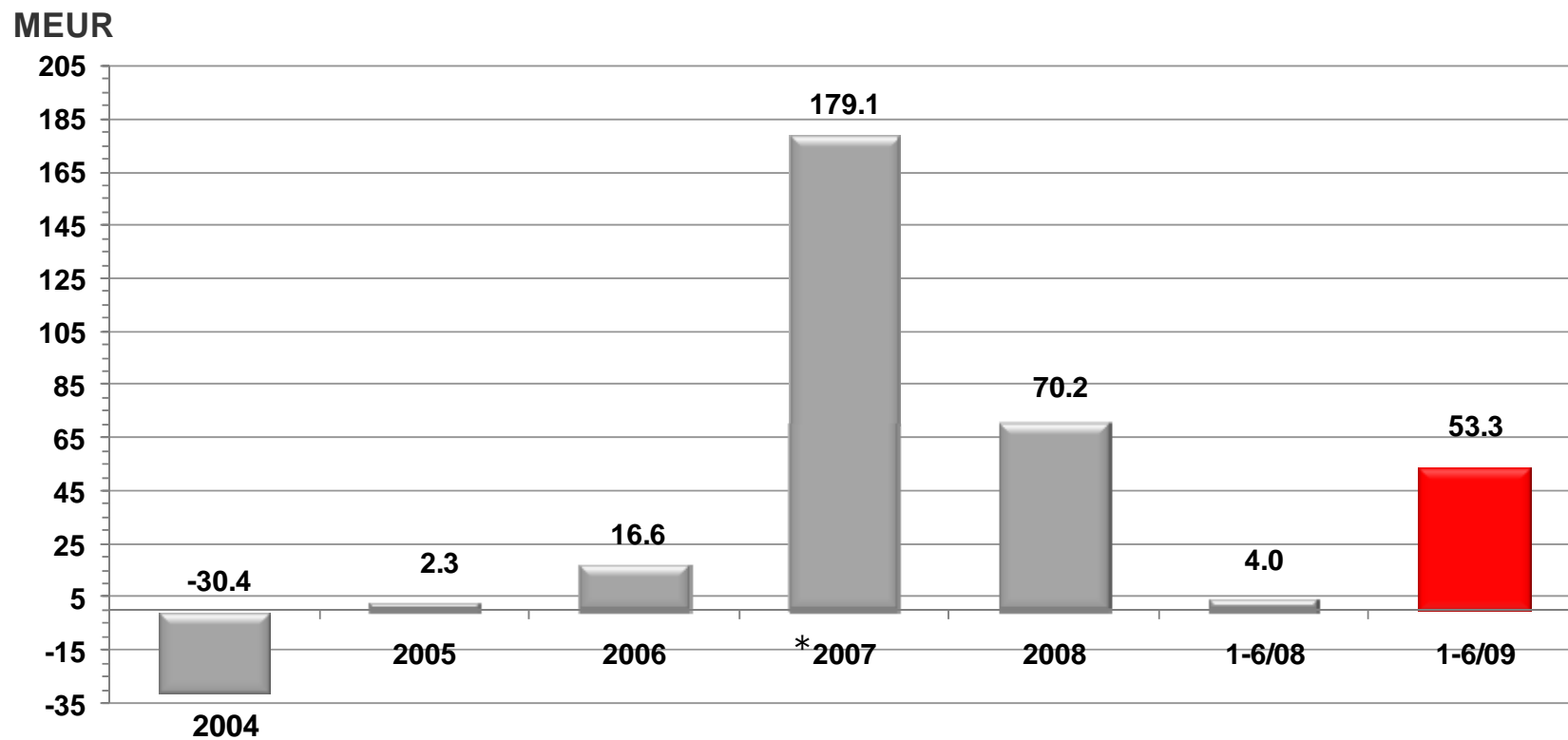
# Net working capital

260.8 (235.2) MEUR

12.8% (12.5%) of Sales

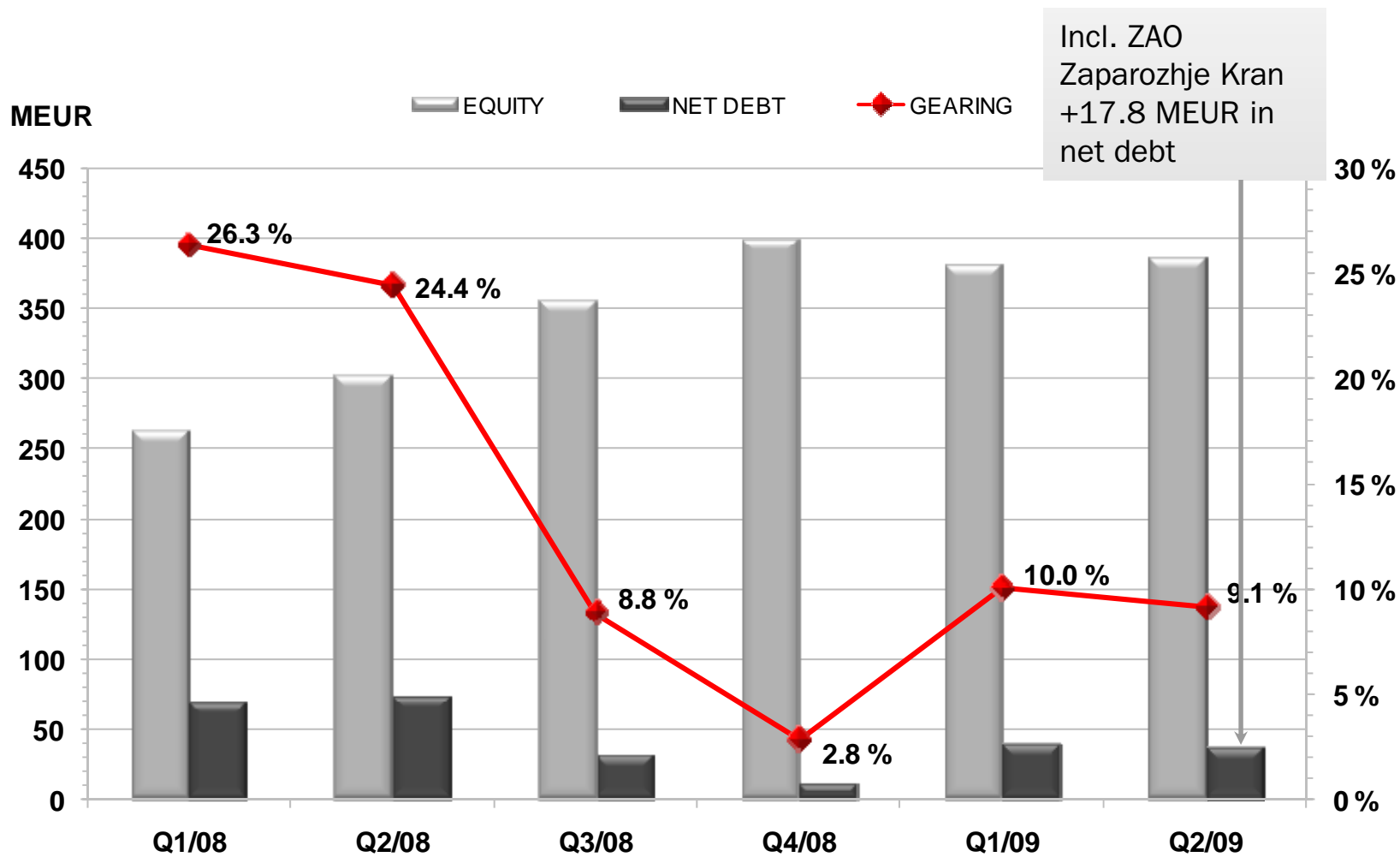


# Cash flow before financing activities



\*Including capital gain

# Gearing



# Future prospects as of July 29, 2009

- Uncertainty in the market is expected to continue
- The full year 2009 sales are estimated to be 17-20 percent less than in full year 2008
- The full year operating margin is estimated to be 6.5 – 7.5 percent of sales excluding restructuring costs
- Target is to achieve a cost structure that would lower the total annual volume adjusted operating cost in 2010 by EUR 100 million compared with year 2008
- Cost reduction program includes both procurement development actions and personnel reductions
- The current estimate of restructuring costs to be booked during the second half of 2009 is EUR 15-20 million

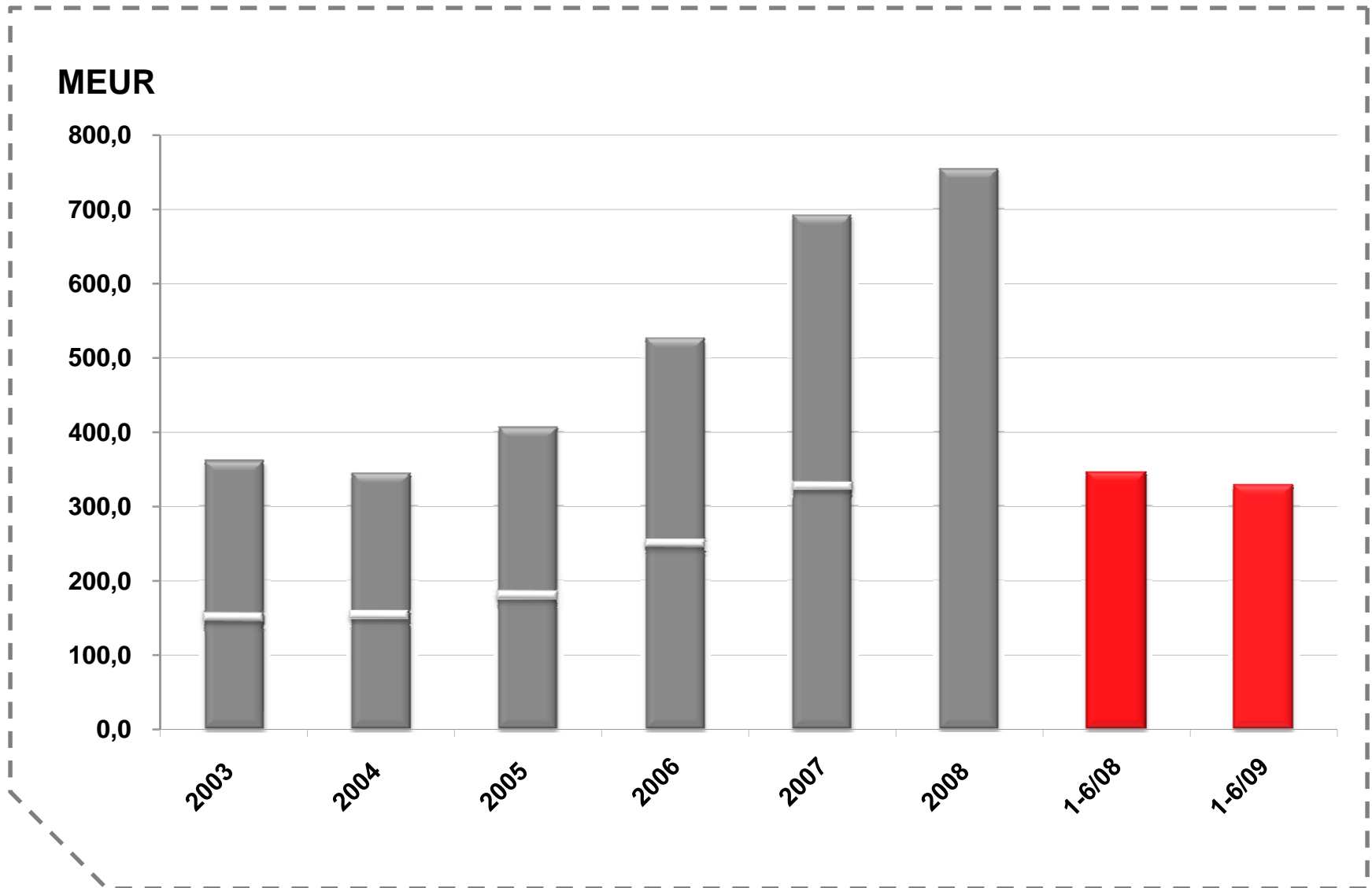




# Appendixes

# Service net sales

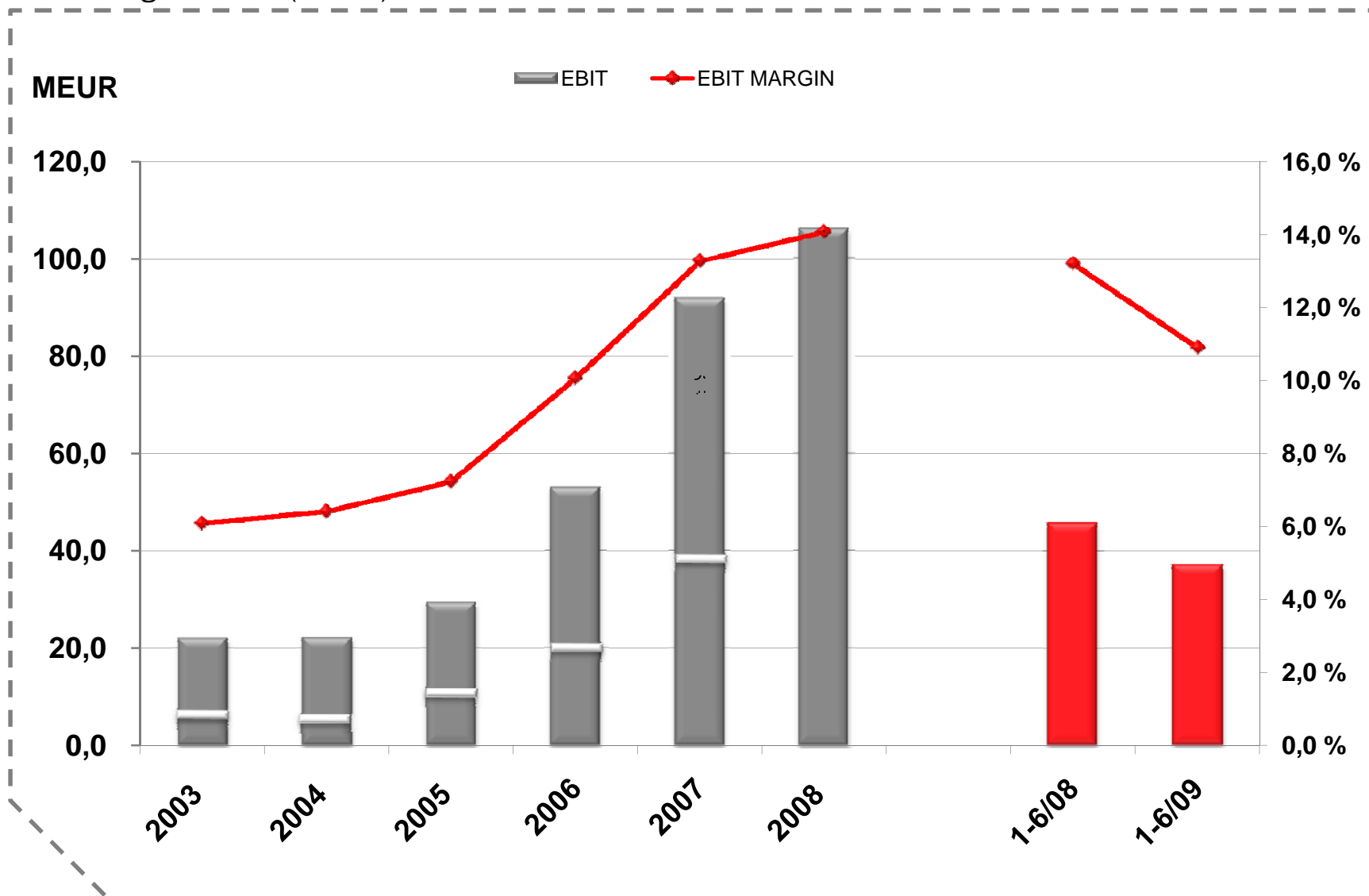
Sales: 339.2 (346.5) MEUR



# Service EBIT & margin

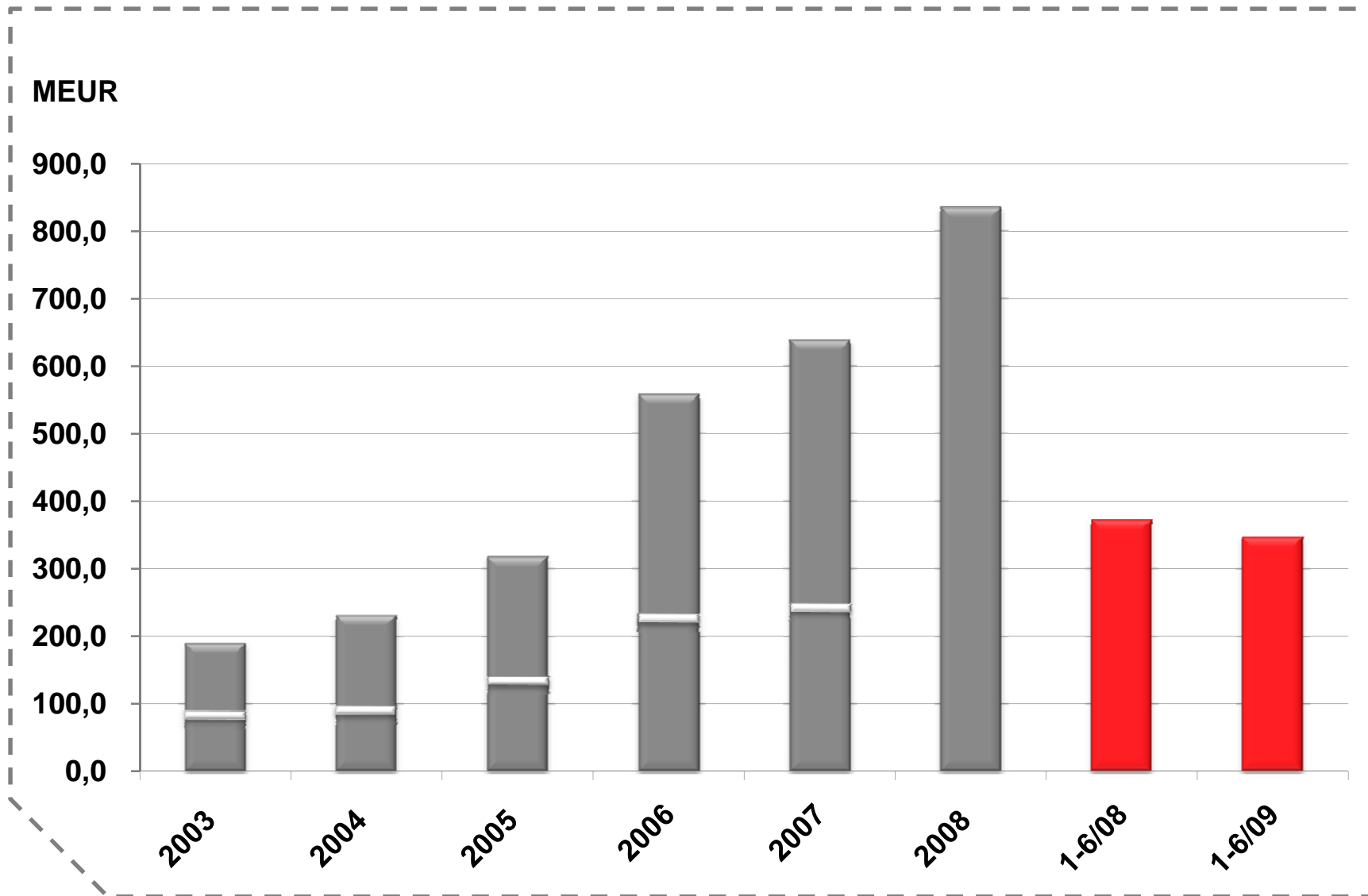
EBIT: 37 (45.7) MEUR

EBIT margin: 10.9% (13.2%)



# Standard Lifting net sales

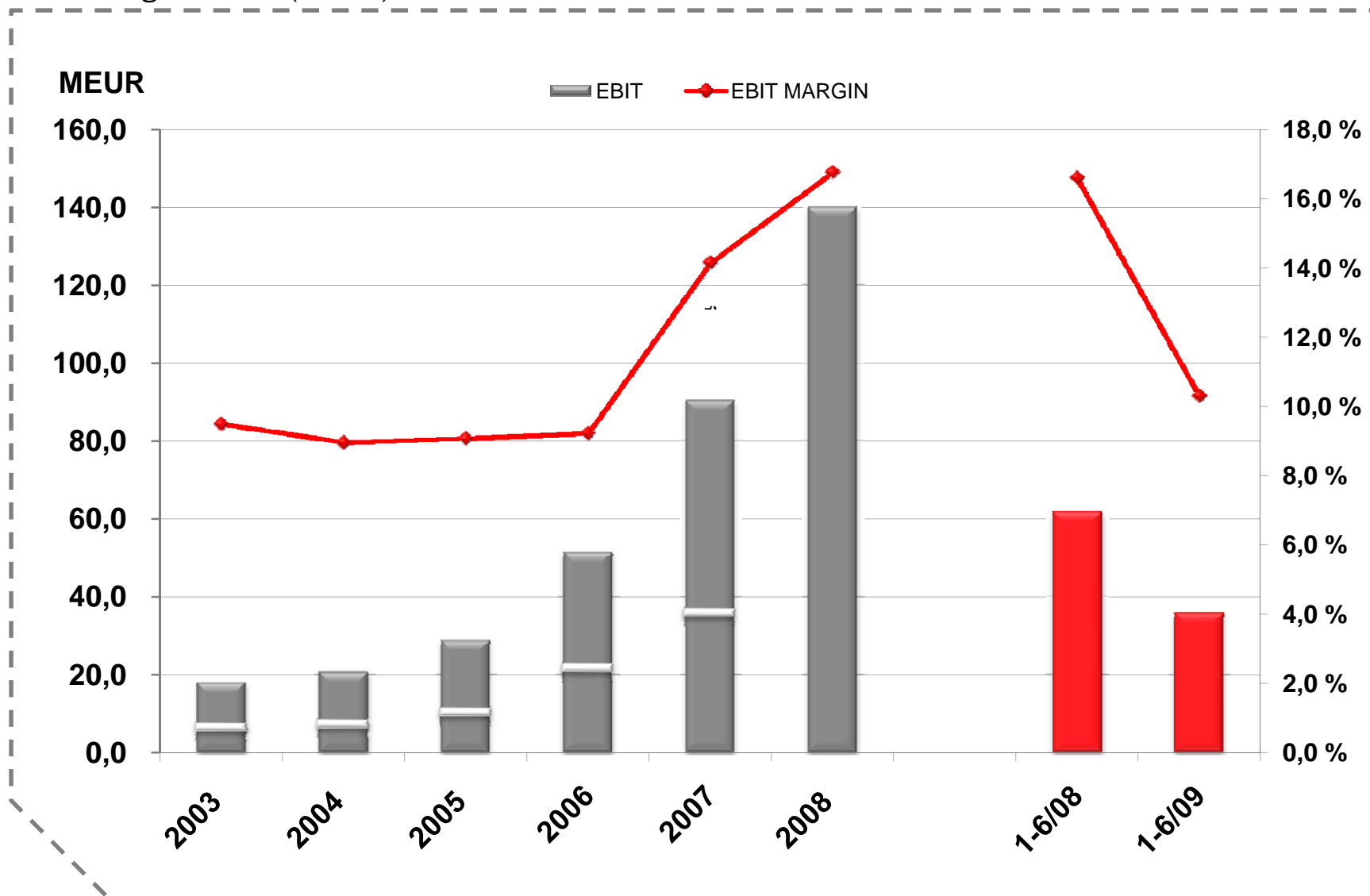
Sales: 346.3 (372.3) MEUR



# Standard Lifting EBIT & margin

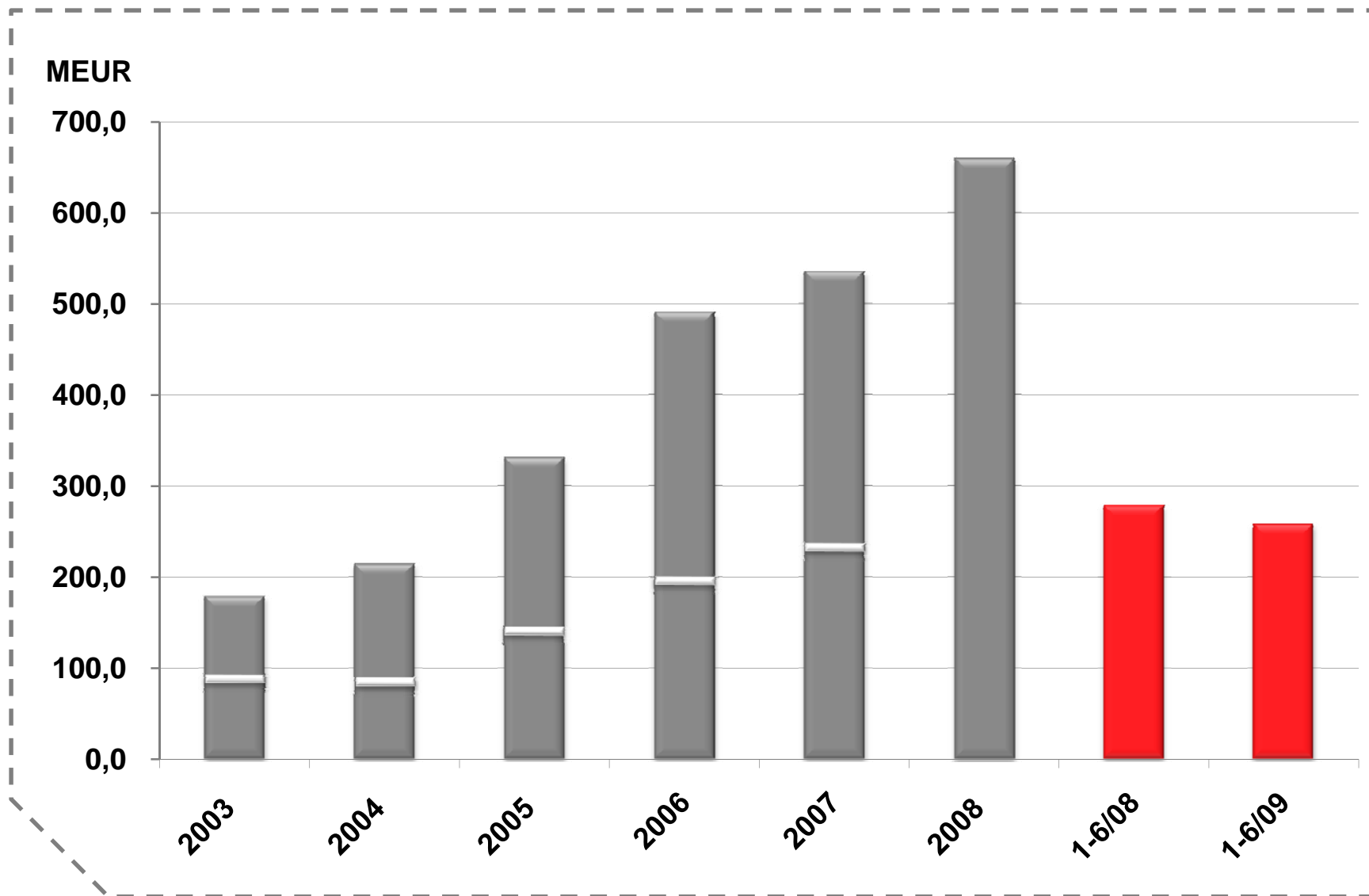
EBIT: 35.8 (61.7) MEUR

EBIT margin: 10.3% (16.6%)



# Heavy Lifting net sales

Sales: 257.6 (279) MEUR

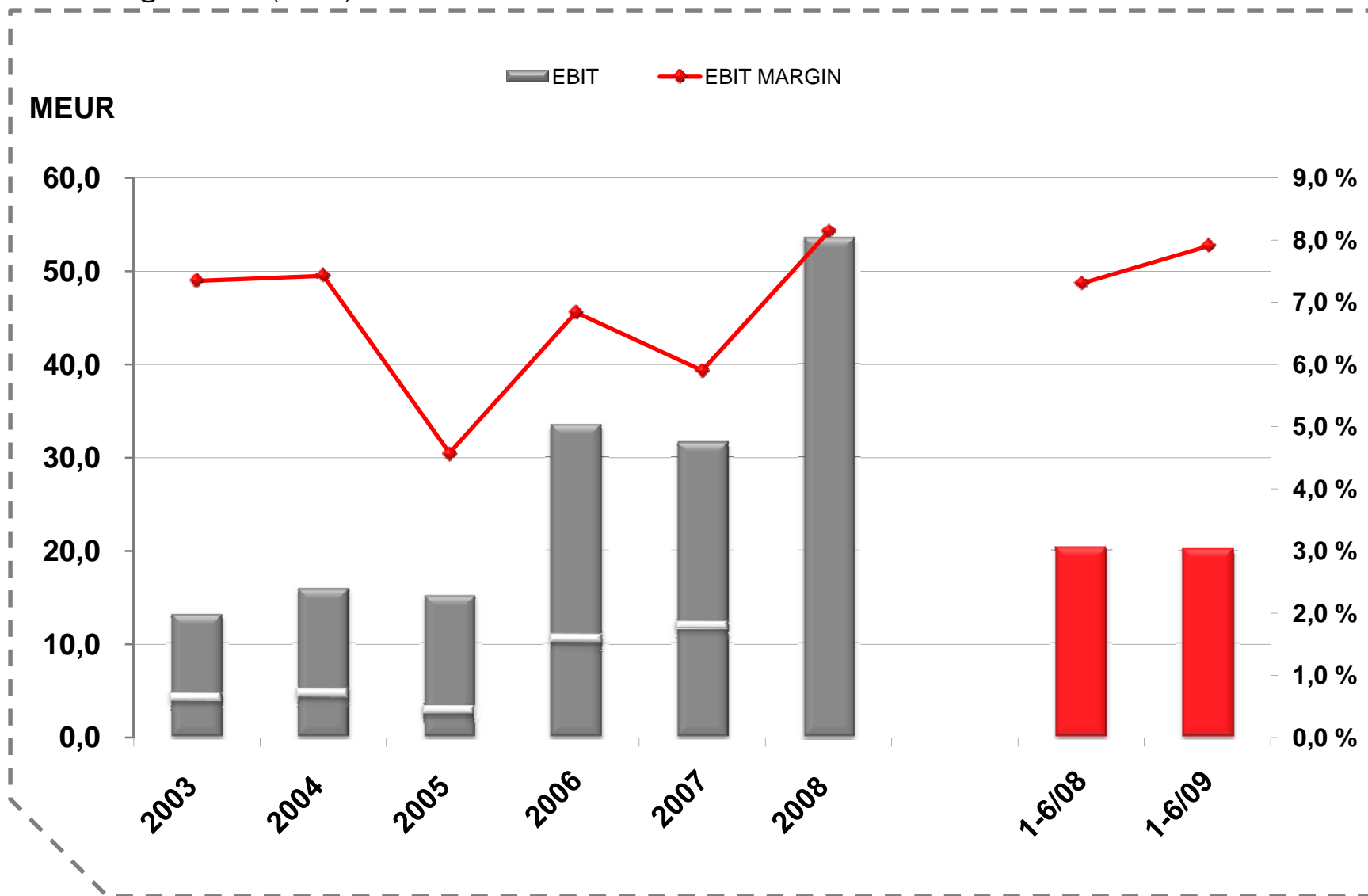




# Heavy Lifting EBIT & margin

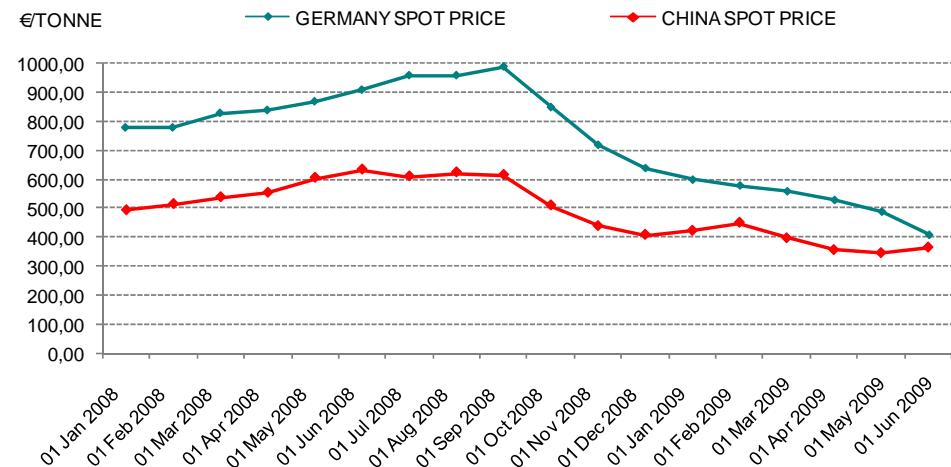
EBIT: 20.2 (20.3) MEUR

EBIT margin: 7.9% (7.3%)



# Purchase prices continued to decline

- Main input costs continued to decline in Q2
  - Steel prices have plunged from their top level at end-Q3, 2008
  - Also freight costs went down
  - Prices for some other raw materials have started to increase – no larger impact on Konecranes
- The operating model of leveraging Konecranes purchase power by global category management is supporting the overall cost reduction plan towards the end of 2009



# Statement of income

	Q2 2009 MEUR	Q2 2008 MEUR	% Change
Sales	431.6	492.4	-12.4
Other operating income	0.8	1.3	
Depreciation and impairments	-6.5	-6.5	
Other operating expenses	-397.0	-428.9	
Operating profit	28.8	58.3	-50.7
Share of result of associated companies and joint ventures	-1.4	0.2	
Interests, net	-0.8	-1.4	
Other financial income and expenses	0.8	-4.5	
Income before taxes	27.4	52.6	-47.8
Taxes	-7.8	-14.7	
Net income for the period	19.6	37.9	-48.2

# Balance sheet

MEUR	Q2 2009	Q2 2008		Q2 2009	Q2 2008
Non-current assets	252.7	224.8	Equity	385.4	302.0
Inventories	322.6	323.5	Non-current liabilities	109.3	134.1
Other current assets	538.1	565.9	Provisions	42.9	38.8
			Current liabilities	575.9	639.3
Total assets	1,113.4	1,114.2	Total s'holders equity and liabilities	1,113.4	1,114.2

# Cash flow statement

MEUR	Q2 2009	Q2 2008
Operating income	28.8	58.3
Depreciation and impairments	6.5	6.5
Profits and losses on sale of fixed assets	0.4	0.0
Other non-cash items	-0.3	0.1
<b>Operating income before change in net working capital</b>	<b>35.4</b>	<b>64.9</b>
Change in net working capital	23.6	-29.9
<b>Cash flow from operations before financing items and taxes</b>	<b>59.0</b>	<b>35.0</b>
Financing items and taxes	-24.6	-20.9
<b>Net cash flow from operating activities</b>	<b>34.4</b>	<b>14.1</b>
Net cash used in investing activities	-8.7	-14.5
<b>Cash flow before financing activities</b>	<b>25.7</b>	<b>-0.4</b>
Translation difference in cash	-1.4	0.8
Repurchase of own shares	0.0	0.0
Dividends paid	0.0	0.0
Change in interest-bearing debt	-36.9	15.1
Proceeds from share subscriptions	0.6	2.2
Related Party net investment to Konecranes shares	-7.1	0.0
<b>Change of cash and cash equivalents</b>	<b>-19.1</b>	<b>17.6</b>

# Key figures

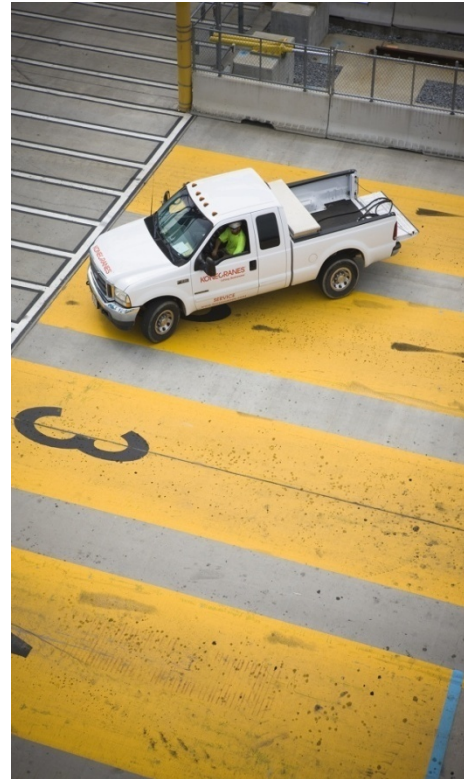
	MEUR Q2 2009	MEUR Q2 2008	% Change
Sales	431.6	492.4	-12.4
Operating Income (EBIT)	28.8	58.3	-50.7
Income before taxes	27.4	52.6	-47.8
Net Income	19.6	37.9	-48.2
Cash flow from operations before financing and taxes	59.0	35.0	+68.5
Cash flow per share before financing and tax	1.00	0.60	+66.7
Net interest bearing debt	35.5	73.6	-51.8
Net gearing (%)	9.1	24.4	
Solidity (%)	41.1	33.7	
Return on capital employed, LTM (%)	42.7	48.3	
Return on equity, LTM (%)	40.8	51.0	
Equity per share (EUR)	6.51	5.11	+27.4
Investments	9.6	9.7	-1.0
Personnel at end of period	9,691	9,354	+3.6
Personnel on average	9,820	8,868	+10.7



# Contact information

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A white Konecranes service van is driving across a bridge over a body of water. The van has a red Konecranes logo on its side. The bridge has metal railings. The background shows a bright sky with the sun low on the horizon, creating a lens flare effect. The water is calm, and there are some rocks and vegetation on the banks.

Thank you!

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