

9 August, 2001  
 10.00 a.m.

## KCI Konecranes Group Interim Report January - June 2001

### PROFITABLE GROWTH

- Strong income growth and margins improvement.
- Strong sales growth (+23.1 %).
- Total new orders growth 6.7 % in spite of worsening business climate.
- Return on total capital employed improved further, to 19.2%.

MEUR	Half year			LTM			LY
	1-6/01	1-6/00	Change %	7/00-6/01	7/99-6/00	Change %	1-12/00
<b>SALES</b>							
Maintenance Services	169.7	144.6	17.4	367.1	299.5	22.6	342.0
Standard Lifting Equipment	117.4	111.9	4.9	258.9	233.7	10.8	253.4
Special Cranes	106.6	66.6	60.1	229.6	159.6	43.9	189.6
Internal Sales	-35.3	-32.0	10.3	-85.3	-66.3	28.7	-82.0
<b>Sales total</b>	<b>358.4</b>	<b>291.1</b>	<b>23.1</b>	<b>770.3</b>	<b>626.5</b>	<b>23.0</b>	<b>703.0</b>
<b>Income from operations (EBITA)</b>	<b>22.9</b>	<b>5.9</b>	<b>288.1</b>	<b>60.7</b>	<b>35.7</b>	<b>69.9</b>	<b>43.7</b>
Goodwill amortisation	2.2	1.8	19.8	4.4	3.3	35.0	4.1
<b>Operating income (EBIT)</b>	<b>20.7</b>	<b>4.1</b>	<b>409.7</b>	<b>56.3</b>	<b>32.5</b>	<b>73.4</b>	<b>39.6</b>
Financial income and expenses	-1.1	-2.1	-46.0	-4.6	-4.1	11.4	-5.6
<b>Income before taxes and minority interest</b>	<b>19.6</b>	<b>2.0</b>	<b>897.8</b>	<b>51.7</b>	<b>28.3</b>	<b>82.5</b>	<b>34.0</b>
<b>Net income</b>	<b>13.4</b>	<b>1.4</b>	<b>892.7</b>	<b>35.4</b>	<b>20.4</b>	<b>73.8</b>	<b>23.4</b>
Earnings per share (EUR)	0.91	0.09	892.7	2.41	1.39	73.8	1.59
<b>ORDERS RECEIVED</b>							
Maintenance Services	168.1	148.9	12.9	320.1	262.4	22.0	300.9
Standard Lifting Equipment	125.3	133.4	-6.1 <sup>1)</sup>	248.8	241.3	3.1	256.9
Special Cranes	109.7	103.3	6.2	290.8	200.2	45.3	284.4
Internal Orders	-32.8	-38.7	-15.2	-71.9	-62.7	14.7	-77.8
<b>Orders Received total</b>	<b>370.3</b>	<b>346.9</b>	<b>6.7</b>	<b>787.8</b>	<b>641.2</b>	<b>22.9</b>	<b>764.4</b>
Order book at end of period	344.7	277.4	24.3	-	-	-	308.8

<sup>1)</sup> zero change when corrected for discontinued business

#### Comments on half-year results:

Total lifting equipment markets contracted considerably during the first half of the year. However, for KCI Konecranes the first half year was good. Maintenance Services continued its good development in all aspects in orders, sales and EBIT growth. New orders for Standard Lifting Equipment stayed on last year's level (corrected for discontinued operations) reflecting increased market shares. Special Cranes' orders still grew at the beginning of the year.

#### Comments on year-end results:

Few threats can be seen to the continuation of the favourable Group developments. In terms of sales, operating income and net income, the second half of the year has always traded better than the first half. Maintenance Services continues to show a good development and is not affected by the worsened market climate. Standard Lifting Equipment benefits from its top modern, high performance product range and Special Cranes, in spite of lower Q2 orders, benefits from a strong order book which secures a full base load for the whole of 2002 and also stretches into 2003.



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## General Review

The first half of 2001 marked strong sales growth and fast profitability improvement.

Sales grew in all Business Areas and in all market areas. Total Group sales reached EUR 358.4 million during the period. This is EUR 67.3 million or 23.1 % more compared to the same period last year. Group operating income (EBIT) was EUR 20.7 million compared to EUR 4.1 million one year ago. The EBIT margin was 5.8 % compared to 1.4 % one year ago.

Financing expenses continued to decrease. For the period the net of financial expenses and income was EUR 1.1 million, down from EUR 2.1 million during the same period last year.

Group net income for the period was EUR 13.4 million or 3.7 % on sales compared to EUR 1.4 million (0.5 % on sales) one year ago. Return on total capital employed was 19.2 % and return on equity 18.0 %. The corresponding figures for last year were 5.9 % and 2.1 %.

Total orders received continued to grow. The Group's order intake during the period was EUR 370.3 million – an increase of 6.7 % compared to the same period last year. The order growth was strongest in Maintenance Services (+12.9 %). Special Cranes orders grew by 6.2 %. The Standard Lifting Equipment area posted a decrease in new orders of 6.1 % during the period. Corrected for discontinued products and operations the order intake for Standard Lifting Equipment was at the same level as it was in the first half of the year 2000.

The total order book at the end of June was EUR 344.7 million. This is 24.3 % higher than one year ago and 11.6 % higher than at year-end 2000.

The Group's development during the last twelve months (LTM) ending June 2001, compared to LTM ending June 2000, was the following:

- Sales grew from EUR 626.5 million to EUR 770.3 million or by 23.0 %
- Orders received grew from EUR 641.2 million to EUR 787.8 million or by 22.9 %
- Operating income (EBIT) grew by 73.4 %, from EUR 32.5 million to EUR 56.3 million.
- Net income grew from EUR 20.4 million to EUR 35.4 million – an improvement of 73.8 %

The Group reduced its shareholding in Vacon Oyj from 10 % to 8 % during the period. The profits realised in the transaction have been offset by an

approximately equal increase in general cost reserves.

Gearing was 52.9% at the end of June and the free cash flow from operations after investments was 16.5 MEUR for the period.

The Group progressed further with its activities in China in order to gain a higher share of that market, which is among the biggest crane markets in the world. One objective is to gain more orders for standard products in the local market in competition with local actors. During the period the Group was awarded, for the first time, new orders for industrial cranes in direct domestic competition (see "Important Orders").

## Half year review by Business Areas

### *Maintenance Services*

Orders received increased during the first half of 2001 by 12.9 % over the corresponding period last year. Sales growth was 17,4 %.

Operating income was EUR 8.9 million for the period. This is EUR 3.5 million or 64.8 % more than it was one year ago. Return on sales was 5.2 % compared to 3.7 % one year ago.

On the basis of the last twelve months (LTM) per the end of June 2001 and the end of June 2000 the development was the following:

- growth in Orders Received + 22.0 %
- growth in Sales + 22.6 %
- growth in Operating Income + 21.6 %

The Group continued to focus its maintenance contract base towards operators with more demanding crane applications and operators who emphasise reliability and availability of their equipment and require professional expertise. As a consequence, the number of cranes in the contract base grew only by approx. 1 % from the year-end 2000 level and by 3.5 % from the end of June 2000. However, the average maintenance contract value per equipment unit grew by about 4 % during the period compared to the value at year-end 2000.

### *Standard Lifting Equipment*

Orders received contracted by 6.1 % during the first half year compared to the first half of year 2000. Excluding the effects of discontinued products in USA the order value was at the same level as it was one year ago.



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Sales grew by 4.9 %. Operating income was EUR 14.2 million (12.1 % on sales) which marks an improvement of 84.4 % over the corresponding period last year.

On a LTM basis the development was:

- growth in Orders + 3.1% (+ 6,5 % excluding the effect of discontinued products)
- growth in Sales + 10.8 %
- growth in Operating Income + 33.0 %.

The introduction of the new wire rope hoist line progressed according to plan. Now more than one third of the orders received are for the new products.

### **Special Cranes**

Orders during the period grew by EUR 6.4 million or 6.2 % from the level one year ago. After historically strong bookings during the first quarter orders were lower (EUR 24.6 million) during the second quarter. Orders for Special Cranes typically show large variations between single quarters.

Sales growth during the period was 60.1 % and Operating income reached EUR 7.3 million compared to EUR 1.3 million during the first half of 2000.

On an LTM basis the development was the following;

- growth in Orders + 45.3 %
- growth in Sales + 43.9 %
- growth in Operating Income + 75.2 %

Due to strong sales activity and lower order intake, the order book for Special Cranes decreased slightly during the second quarter; but stayed on a higher level compared to year-end 2000.

### **Sales by Market Area**

Group sales grew in all market areas. The fastest growth was recorded in Asia-Pacific (+34.7 % for 6 months ending June 2001 compared to the same period last year) and the lowest growth (+17.8 %) was recorded in Western Europe (EU without the Nordic countries).

First half year sales by Market Areas (EURm):

EURm	1-6/01	1-6/00	Change %
Nordic and Eastern Europe	72.9	58.4	24.8
EU (excl. Nordic)	100.4	85.2	17.8
Americas	149.0	120.7	23.4
Asia-Pacific	36.1	26.8	34.7
Total	358.4	291.1	23.1

### **Comment on currencies**

Currency exchange rates had only a small effect on the Group's consolidated sales, orders and profit growth.

All transactions in foreign currencies are subject to approximately one year forward hedging. Alternatively, risks are covered by other instruments. The Group benefits from a relatively weak euro when production from euro-currency countries is exported outside these countries.

### **Important Orders**

Here some examples on new orders during the second quarter of 2001. The list illustrates our reach, both in terms of customer base and geographical coverage. Service and industrial crane orders have been largely omitted.

#### **Maintenance Services**

KCI Konecranes was awarded several modernisation projects during the quarter: Dycore of the Netherlands ordered the modernisation of a cement plant gantry crane, Jaguar of Great Britain ordered the modernisation of three die handling cranes and Aalborg Werft in Norway ordered the modernisation of a portal crane.

Jakarta International Container Terminal, Indonesia, ordered from Noell Konecranes the inspection of their equipment including 9 ship-to-shore cranes, 29 rubber tyred gantry cranes and 47 spreaders.

In Taiwan, Noell Konecranes was awarded a major contract for the repair and re-erection of two stacker reclaimers.

In USA, Jacksonville Port Authority ordered the refurbishment of two ship-to-shore cranes.



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In France, Le Havre Port Authority ordered from Caillard Konecranes the repair of the leg of a gantry grab crane and the installation of additional safety brakes for three slewing hook cranes.

### **Standard Lifting Equipment**

Avesta Polarit Stainless Oy in Tornio, Finland, ordered 14 industrial maintenance cranes for its new cold rolling mill.

Eldorado Irrigation in Northern California, USA, ordered a turbine room crane for a hydro electric station.

Matrix Services in Oklahoma, USA, ordered 22 CXT cranes and hoists for a new facility for production of refinery equipment for the oil industry.

Heavy engineering and equipment maker Komatsu Ltd in USA ordered 20 modular crane packages via the Group's distribution network in North Carolina, USA.

Several orders were received in China. Altogether 13 industrial overhead cranes were ordered by Hi Standard in China and Ningbo QIYI Metal Co. ordered 4 industrial cranes.

### **Special Cranes**

Nassco (National Steel and Shipbuilding Company), USA, ordered a magnet crane for plate handling.

Kiewit Gulf Marine, USA, operating in offshore rig fabrication ordered two magnet cranes for pipe handling in addition to the earlier ordered 18 industrial cranes.

Chineham, Great Britain, ordered two waste to energy cranes.

Bohai Shipyard, People's republic of China, ordered two overhead cranes for the shipyard's assembly hall.

The Port of Copenhagen, Denmark ordered one ship-to-shore container crane.

### **Shares and Shareholders**

On June 29<sup>th</sup>, KCI Konecranes' share closed at EUR 32.05, up with 18.70 % from year-end 2000 EUR 27.00. Since year-end the highest share price was EUR 38.46 and the lowest share price was EUR 25.81. During the same period HEX All-

Share Index decreased by 35.56%, HEX Portfolio Index decreased by 20.84% and The Sector Index (Metal & engineering) increased by 9.61%.

4,365,713 KCI Konecranes shares were traded on Helsinki Exchanges between January - June 2001. This represents 29.7 % of the company's outstanding shares. In monetary terms trading was EUR 145,011,639, which was the 26th largest trading in Helsinki Exchanges.

KCI Konecranes' market value was at the end of June 2001 EUR 480,750,000, the 34th largest market value of companies listed on Helsinki Exchanges.

The non-Finland-based shareholding was 69.64 % at the end of June 2001. The percentage of shares registered in the name of a nominee was 65.59%.

### **Comments on half-year results:**

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### **Comments on year-end results:**

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Hyvinkää 9 August, 2001

The Board of Directors



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## **Stig Gustavson, President and CEO**

*The past six months have marked a significant change in the economic environment. Almost all western developed economies (i.e. those that have relevance for the Group's offering of high-tech solutions) have seen quick changes in growth prospectives.*

*For industrial investments, the new market sentiment has meant less spending or, at best, that customers hesitate to place firm orders.*

*Against this backdrop, the Group's first half-year performance is very satisfactory. The Maintenance Services Business Area represents a continuing stability. Also, Maintenance Services represents a certain counter-cyclical element: In times of low investment spending, modernisations of old equipment can provide equipment owners with substantial extensions of equipment life.*

*For both Standard and Special Cranes, Maintenance provides a superior access to customers.*

*In periods of low investment activities product performance receives increased attention among customers. Here, the Group's modern high performing product ranges are a real asset. The proof: We see our market shares increasing.*

*One further element of importance: An economic downturn usually opens up interesting acquisition opportunities.*

*In all, the Group is well positioned also for a new economic environment. Most members of the current management team experienced and successfully handled the recession in the early 1990's. The team faces the present situation with confidence and the Group's long range goals remain unchanged.*

## **Formal statement**

Certain statements in this report are forward looking and are based on management's expectation at the time they are made. Therefore they involve risks and uncertainties and are subject to change due to changes in general economic conditions or industry conditions.



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**Statement of Income (MEUR)**

	<b>1-6/2001</b>	<b>1-6/2000</b>	<b>1-12/2000</b>
Sales	358.4	291.1	703.0
Share of result of participating interest undertakings	-0.2	-0.2	-0.1
Depreciation	-8.4	-7.9	-16.0
Other operating expenses	-329.1	-278.9	-647.3
Operating income	20.7	4.1	39.6
Interests, net	-1.7	-2.7	-6.1
Other financial income and expenses	0.6	0.6	0.5
Income before taxes	19.6	2.0	34.0
Taxes	-6.2 <sup>1</sup>	-0.6 <sup>1</sup>	-10.6
<b>Net Income for the period</b>	<b>13.4</b>	<b>1.4</b>	<b>23.4</b>
<b>Profit /share (EUR)</b>	<b>0.91</b>	<b>0.09</b>	<b>1.59</b>

**Consolidated Balance Sheet (MEUR)**

	<b>6/2001</b>	<b>6/2000</b>	<b>12/2000</b>
Fixed Assets	103.6	121.3	105.5
Inventories	114.0	107.6	93.0
Receivables and other current assets	224.2	195.1	240.3
Cash in hand and at banks	10.5	11.7	11.2
<b>Total assets</b>	<b>452.3</b>	<b>435.7</b>	<b>450.0</b>
Equity	158.7	133.7	155.3
Minority Interest	0.1	0.1	0.1
Provisions	15.3	10.1	15.5
Long-term debt	40.5	105.1	43.4
Current liabilities	237.7	186.7	235.7
<b>Total shareholders' equity and liabilities</b>	<b>452.3</b>	<b>435.7</b>	<b>450.0</b>
Gearing (net of interest bearing debts and cash divided by equity)	52.9%	75.2%	57.7%
Solidity	37.5%	33.6%	35.8%
Return on capital employed <sup>2</sup>	19.2%	LTM 01 24.5%	LTM 00 18.2%
Equity/share(EUR)	10.29	8.58	10.06

In accordance with the decision of the Annual General Meeting, the company bought back between 14 October and 25 November, 1999 300,000 of its own shares at an average price of EUR 24.96 per share. At 1 July 2001, the company held 300,000 shares with a total nominal value of EUR 600.000 and a total purchase price of MEUR 7,5 which is 2 % of total amount of shares and votes.

<sup>1</sup> According to estimated tax rate

<sup>2</sup> Calculated on annual basis



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**Contingent Liabilities and Pledged Assets (MEUR)**

	6/2001	6/2000	12/2000
Mortgages and pledged assets			
For own debts	5.9	9.9	10.0
For commercial guarantees	0.6	0.8	0.6
Own commercial guarantees	130.7	92.9	125.1
Guarantees			
For associated company's debt	0.8	0.0	0.7
For others	0.1	0.2	0.2
Leasing liabilities	18.3	11.7	16.9
Other liabilities	0.8	0.4	0.5
<b>Total</b>	<b>157.2</b>	<b>115.9</b>	<b>154.0</b>

**Notional Amounts of Derivative Financial Instruments (MEUR)**

	6/2001	6/2000	12/2000
Foreign exchange forward contracts	622.2	482.4	486.2
Interest rate swap	25.0	0.0	25.0
<b>Total</b>	<b>647.2</b>	<b>482.4</b>	<b>511.2</b>

Derivatives are used for currency and interest rate hedging only. The notional amounts do not represent amounts exchanged by the parties and are thus not a measure of the exposure. A clear majority of the transactions relate to closed positions, and these contracts set off each other. The hedged orderbook and equity represent approximately one third of the total notional amounts.

**Investments**

	1-6/2001	1-6/2000	1-12/2000
<b>Total (excl. acquisitions of subsidiaries) (MEUR)</b>	<b>6.2</b>	<b>9.1</b>	<b>14.7</b>

**DEVELOPMENT BY BUSINESS AND MARKET AREA****Sales by Business Area (MEUR)**

	1-6/2001	1-6/2000	LTM*	LTM Prev. year	1-12/2000
Maintenance Services	169.7	144.6	367.1	299.5	342.0
Standard Lifting Equipment	117.4	111.9	258.9	233.7	253.4
Special Cranes	106.6	66.6	229.6	159.6	189.6
./. Internal	-35.3	-32.0	-85.3	-66.3	-82.0
<b>Total</b>	<b>358.4</b>	<b>291.1</b>	<b>770.3</b>	<b>626.5</b>	<b>703.0</b>

\* LTM = last 12 months (full year 2000 ./.. six months 2000 + six months 2001)



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**Operating Income by Business Area**

	1-6/2001		1-6/2000		1-12/2000		LTM*	LTM Year ago
	MEUR	%	MEUR	%	MEUR	%	MEUR	MV
Maintenance Services	8.9	5.2	5.4	3.7	21.3	6.2	24.8	20.4
Standard Lifting Equipment	14.2	12.1	7.7	6.9	22.5	8.9	29.0	21.8
Special Cranes	7.3	6.8	1.3	2.0	13.8	7.3	19.8	11.3
Group costs	-7.4		-8.5		-14.4		-13.3	-18.1
Consolidation items	-2.3		-1.8		-3.6		-4.1	-2.9
<b>Total</b>	<b>20.7</b>		<b>4.1</b>		<b>39.6</b>		<b>56.2</b>	<b>32.5</b>

**Personnel by Business Area (at the End of the Period)**

	6/2001	6/2000	12/2000
Maintenance Services	2,499	2,413	2,501
Standard Lifting Equipment	1,141	1,145	1,178
Special Cranes	706	673	673
Group staff	103	115	111
<b>Total</b>	<b>4,449</b>	<b>4,346</b>	<b>4,463</b>
<b>Average number of personnel during period</b>	<b>4,444</b>	<b>4,126</b>	<b>4,244</b>

**Order Intake by Business Area (Excl. Service Contract Base)(MEUR)**

	1-6/2001	1-6/2000	LTM*	LTM Year ago	1-12/2000
Maintenance Services	168.1	148.9	320.1	262.4	300.9
Standard Lifting Equipment	125.3	133.4	248.8	241.3	256.9
Special Cranes	109.7	103.3	290.8	200.2	284.4
./. Internal	-32.8	-38.7	-71.9	-62.7	-77.8
<b>Total</b>	<b>370.3</b>	<b>346.9</b>	<b>787.8</b>	<b>641.2</b>	<b>764.4</b>

**Order Book (Excl. Service Contract Base)**

	6/2001	6/2000	12/2000
<b>Total (MEUR)</b>	<b>344.7</b>	<b>277.4</b>	<b>308.8</b>

**Sales by Market (MEUR)**

	1-6/2001	1-6/2000	LTM*	LTM Year ago	1-12/2000
Nordic and Eastern Europe	72.9	58.4	171.1	148.0	156.6
EU (excl. Nordic)	100.4	85.2	216.2	182.8	200.9
Americas	149.0	120.7	312.6	240.1	284.4
Asia-Pacific	36.1	26.8	70.4	55.7	61.1
<b>Total</b>	<b>358.4</b>	<b>291.1</b>	<b>770.3</b>	<b>626.5</b>	<b>703.0</b>

\* LTM = last 12 months (full year 2000 ./.. six months 2000 + six months 2001)



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### Teleconference

An international teleconference will be arranged today on 9 August, 2001 at 4.00 p.m. Finnish time (2.00 p.m. London time). The dial-in number is +44-(0)20 8781 0598 (Please call in at 3.50 p.m.) The graphics of the presentation are attached to the report on the Internet. A replay of the teleconference will be available for the next 48 hours at +44-(0)20 8288 4459, code 600 662.

### Internet

This report is also available on the Internet at [www.kcigroup.com](http://www.kcigroup.com). An audio recording of Mr Gustavson's presentation at the teleconference will be available on the Internet (under "Financial Reports") later on 9 August. To listen to the recording you will need a Java-enabled browser, Netscape Navigator 3.0+ or Microsoft Internet Explorer 3.0+ recommended. Optimal sound quality can be achieved by using version 4 of either Netscape or IE.

### Next report

The release date for our 9-month results has changed. The new release date is 30 October, 2001 at 10.00 a.m. Finnish time (8.00 a.m. UK time). We will inform of this change through a separate stock exchange release later on.

### Further information

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### Graphics

A graphical presentation of the Report is available on the Internet at [www.kcigroup.com](http://www.kcigroup.com).

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