Situation of the Company

With products and services in its Industrial Cranes, Port Technology and Services segments, the Demag Cranes Group operates on the global market for cargo-handling equipment and materials logistics. This market includes all products which perform, control and monitor cargo-handling and logistics processes, including the corresponding software solutions and services.

The **Industrial Cranes segment's** products are used in a diverse range of industries and serve a variety of customer groups. It remains difficult to make forecasts for the Industrial Cranes segment because it is heavily reliant on the economic cycle, although the order situation improved sharply in the period under review.

The **Port Technology segment** is dependent on worldwide cargo volumes and growth in container handling. A healthy sign is that there are now positive trends in contract awards. There is a renewed increase in replacement expenditure. In the case of expansion expenditure, we continue to see a reluctance to invest due to terminals still operating at relatively low capacity. The original implementation timetables of terminal automation projects are still being put back. Over the medium and long term, however, experts still anticipate renewed growth in global cargo traffic and, therefore, continuing demand for the relevant handling equipment.

Increasing utilisation of crane equipment by customers is invigorating spare parts business in the **Services segment**. This has a positive effect on the EBIT margin. The Services segment is less vulnerable to the economic crisis than the other two segments, given that equipment will have to be maintained as usual in the interests of safety, reliability and availability.

Business Performance of the Group and its Segments in the Third Quarter of Financial Year 2009/2010

Order Intake and Order Book

The upward trend in the order situation continued in the third quarter of 2009/2010. Order intake rose in value to EUR 242.9 million, up 39.6 percent on the comparative quarter of the previous year (Q3 2008/2009). Compared with the preceding quarter (second quarter 2009/2010), order intake increased by 12.6 percent. All segments contributed to this growth. In the first nine months of financial year 2009/2010, the Demag Cranes Group generated order intake to the value of EUR 643.1 million (Q1 to Q3 2008/2009: EUR 655.6 million). As a result of the strong order trend in the second and third quarter, the shortfall on the first nine months of the previous year was down to 1.9 percent.

in EUR million	Q3 2009/ 2010	Q3 2008/ 2009	Δ	Q1–Q3 2009/ 2010	Q1–Q3 2008/ 2009	Δ	Q2 2009/ 2010	Δ Q3/Q2
Industrial Cranes	113.3	75.8	49.5 %	293.8	320.9	–8.5 %	93.9	20.6 %
Port Technology	51.6	33.3	55.0 %	126.4	107.9	17.1 %	44.3	16.4 %
Services	78.0	64.9	20.3 %	223.0	226.8	–1.7 %	77.4	0.8 %
Group order intake	**242.9**	**174.0**	**39.6 %**	**643.1**	**655.6**	**–1.9 %**	**215.7**	**12.6 %**

The Group order book stood at EUR 340.9 million as at 30 June 2010. This compares with EUR 384.4 million as at 30 June 2009. The order book has been replenished substantially compared with 31 March 2010 (EUR 290.5 million).

in EUR million	30 June 2010	30 June 2009	Δ	30 September 2009	31 March 2010
Industrial Cranes	195.5	247.5	–21.0 %	197.7	173.7
Port Technology	82.8	83.9	–1.2 %	69.4	60.5
Services	62.5	53.0	18.1 %	46.0	56.3
Group order book	**340.9**	**384.4**	**–11.3 %**	**313.1**	**290.5**

The **Industrial Cranes segment** achieved strong third-quarter growth in order intake, with a 49.5 percent increase on the same quarter a year earlier (EUR 75.8 million). This also marked further improvement on the EUR 93.9 million recorded in the preceding quarter. On a cumulative basis, the EUR 293.8 million order intake for the first nine months of the current financial year was 8.5 percent down on the comparative figure for the previous year. The order book in the Industrial Cranes segment came to EUR 195.5 million at 30 June 2010 (30 June 2009: EUR 247.5 million). Compared with 31 March 2010, the order book grew by 12.5 percent.

The third quarter of 2009/2010 also brought a continuation of the positive trend in customer orders in the **Port Technology segment**. At EUR 51.6 million, order intake was above both the same quarter a year earlier (EUR 33.3 million) and the preceding quarter (EUR 44.3 million). The sustained demand for Mobile Harbour Cranes is particularly notable. Some terminal operators are already seeing a return to growth in container handling and ports are also operating at increasingly high capacity. Nonetheless, existing handling capacity is being taken back into service first before any investment is made in expansion. Because of this, the Port Technology segment did not transact any business in automated products during the period under review. Order intake for the first nine months amounted to EUR 126.4 million, 17.1 percent above the comparative figure for the previous year. The order book ran to EUR 82.8 million at 30 June 2010 (30 June 2009: EUR 83.9 million). Compared with 31 March, the order book grew by 36.9 percent.

Order intake in the **Services segment**, at EUR 78.0 million for the third quarter of 2009/2010, surpassed the figure for the same quarter of the previous year by 20.3 percent. The order situation also improved relative to the preceding quarter (EUR 77.4 million). Increasing crane utilisation by customers further boosted spare parts business in the period under review. The nine-month cumulative figure for order intake came to EUR 223.0 million (Q1 to Q3 2008/2009: EUR 226.8 million). The Services segment order book amounted to EUR 62.5 million at 30 June 2010 (30 June 2009: EUR 53.0 million).

Revenue

Group revenue fell in the third quarter of 2009/2010 compared with the same quarter a year earlier by 7.0 percent to EUR 205.1 million. Due to the late-cycle bias of our business, we generally benefit from any upswing with a lag of six to twelve months. The 9.8 percent lower revenue relative to the preceding quarter can be attributed to this fact. Taking into account delivery times and billing terms, the positive trend in order intake consequently was, expectedly, not able to show through in revenue for the quarter under review. As a result, Group revenue was likewise down on a nine-month basis, at EUR 641.1 million, compared with the same period the previous year (Q1 to Q3 2008/2009: EUR 791.8 million).

in EUR million	**Q3 2009/ 2010**	Q3 2008/ 2009	Δ	**Q1–Q3 2009/ 2010**	Q1–Q3 2008/ 2009	Δ	Q2 2009/ 2010	Δ Q3/Q2
Industrial Cranes	101.3	119.5	–15.2 %	316.0	420.5	–24.9 %	108.2	–6.4 %
Port Technology	29.6	35.2	–16.0 %	113.8	146.1	–22.1 %	46.3	–36.0 %
Services	74.2	65.8	12.7 %	211.3	225.2	–6.1 %	73.0	1.7 %
Group revenue	**205.1**	**220.6**	**–7.0 %**	**641.1**	**791.8**	**–19.0 %**	**227.4**	**–9.8 %**

The decrease in revenue affected the segments to differing extents:

In the **Industrial Cranes segment**, third-quarter revenue fell by 15.2 percent compared with the same quarter a year earlier and 6.4 percent relative to the preceding quarter to EUR 101.3 million. This mainly reflects weak order intake in the high-revenue Process and Standard Cranes business in the first and second quarters of 2009/2010. Plant engineering business in particular is subject to fluctuations due to various factors. In the nine-month period, the Industrial Cranes segment generated revenue of EUR 316.0 million (Q1 to Q3 2008/2009: EUR 420.5 million).

Revenue in the **Port Technology segment** totalled EUR 29.6 million in the third quarter of 2009/2010, 16.0 percent down on the comparative quarter of the previous year. Compared with the preceding quarter, revenue fell by 36.0 percent. Most of the revenue generated came from sales of our Mobile Harbour Cranes. The drop in revenue relative to both the same quarter a year earlier and the immediately preceding quarter reflected revenue being postponed to the fourth quarter of 2009/2010. Under our contracts with some customers, products are not billed until customer acceptance. As has already been mentioned with reference to the order situation, we transacted virtually no business with our automated products in the period under review. In the nine-month period, revenue in the Port Technology segment came to EUR 113.8 million, a decrease of 22.1 percent on the comparative figure for the previous year (Q1 to Q3 2008/2009: EUR 146.1 million).

In the **Services segment**, revenue in the reporting period rose by 12.7 percent to EUR 74.2 million compared with the comparative quarter a year earlier. Encouragingly, demand for high-revenue, high-margin spare parts has begun to grow again. The revenue increase compared with the preceding quarter was 1.7 percent. Due to the weaker trend in the first quarter of 2009/2010, revenue for the first nine months, at EUR 211.3 million, remained 6.1 percent down on the comparative period of the previous year (Q1 to Q3 2008/2009: EUR 225.2 million).

Group revenue is distributed among regions as follows:

in EUR million	**Q3 2009/ 2010**	Q3 2008/ 2009	Δ	**Q1–Q3 2009/ 2010**	Q1–Q3 2008/ 2009	Δ	LTM June 2010	Financial year 2008/ 2009	Q2 2009/ 2010	Δ Q3/Q2
Germany	39.5	54.5	–27.4 %	140.0	179.6	–22.0 %	21.6 %	22.2 %	50.8	–22.2 %
Rest of Europe	63.1	67.4	–6.4 %	196.2	250.5	–21.7 %	32.3 %	32.9 %	66.3	–4.9 %
North America	27.6	22.9	20.5 %	78.6	97.0	–19.0 %	11.4 %	11.5 %	28.7	–3.7 %
Mature markets	**130.2**	**144.8**	**–10.1 %**	**414.8**	**527.1**	**–21.3 %**	**65.2 %**	**66.6 %**	**145.8**	**–10.7 %**
BRIC countries	32.9	26.8	22.8 %	98.2	102.4	–4.1 %	14.4 %	12.7 %	38.7	–15.0 %
Central and South America	2.1	2.6	–16.5 %	6.3	11.9	–47.3 %	2.1 %	2.3 %	1.6	34.8 %
Asia/Pacific	23.8	30.8	–23.0 %	79.4	100.0	–20.5 %	13.1 %	13.2 %	25.7	–7.5 %
Other	16.1	15.6	3.2 %	42.4	50.4	–15.8 %	5.2 %	5.2 %	15.7	2.7 %
Emerging markets	**74.9**	**75.8**	**–1.2 %**	**226.3**	**264.7**	**–14.5 %**	**34.8 %**	**33.4 %**	**81.6**	**–8.3 %**
Group revenue	**205.1**	**220.6**	**–7.0 %**	**641.1**	**791.8**	**–19.0 %**	**100.0 %**	**100.0 %**	**227.4**	**–9.8 %**

Looking at the regional figures, revenue was down in most regions compared with both the third quarter and the first nine months of the previous financial year. Growth was achieved in North America, the BRIC countries and the Other region. This corresponds with the general trend in the world economy. The emerging market share of Group revenue stayed near-constant in the last twelve months relative to financial year 2008/2009.

Earnings

Earnings Before Interest and Tax (EBIT)

Consolidated earnings before interest and tax (EBIT) came to EUR 8.3 million in the third quarter of 2009/2010 (Q3 2008/2009: minus EUR 40.8 million). The low comparative figure for the previous year was after provisions for restructuring recognised in the third quarter of 2008/2009. In the first nine months, the Demag Cranes Group generated EBIT of EUR 25.5 million, compared with EUR 4.6 million in the first nine months of 2008/2009.

The Management Board uses operating EBIT as a key indicator for management of the Group. Operating EBIT excludes purchase accounting depreciation and amortisation, comprising the impact on depreciation and amortisation of fair-value adjustments to assets acquired in business combinations. It also excludes any one-off effects, such as severance and restructuring expenses.

In the third quarter of 2009/2010, the Demag Cranes Group generated operating EBIT of EUR 10.0 million (Q3 2008/2009: EUR 5.3 million). The 87.4 percent increase is largely accounted for by the improved cost base as a result of the restructuring programme. Compared with the preceding quarter (EUR 10.5 million), operating EBIT has remained near-constant. Relative to the first nine months of 2008/2009, Group operating EBIT decreased from EUR 55.2 million to EUR 29.7 million.