

# ***KONE to Acquire Partek***

“The acquisition of Partek constitutes a major step for KONE, offering unique opportunities to pursue profitable growth. The combined entity will be a truly global industrial engineering and services company in terms of size and technological leadership.”

- KONE is one of the leading companies in the global elevator and escalator business. In recent years, KONE has set the industry's standards for innovation and technology.
- KONE is a service company: maintenance and modernization business accounts for nearly 60 % of sales.
- KONE has established a strong global brand.
- Impressive operational and financial performance since 1996
  - Sales from EUR 1,818 million to 2,816 million
  - Operating profit from EUR 38 million (2.1%) to 218 million (7.7%)
  - EPS from EUR 0.16 to 7.25
- Strong operating cash flow, reduced working capital and low capital expenditure have resulted in a debt-free balance sheet.

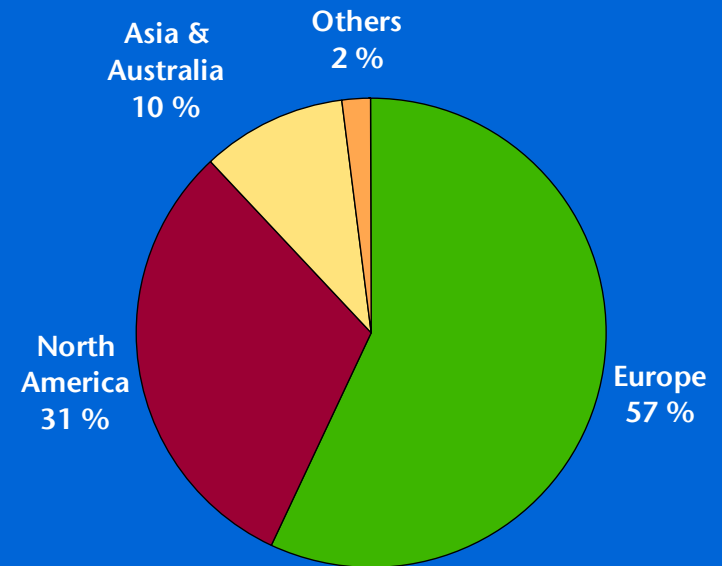
# KONE Today (cont'd)



## Sales & Profitability 1997-2001



## Sales: 2001



# *Rationale for the Acquisition*



- KONE has unique technological, process and service know-how as well as an established global position in its industry.
- To derive maximum benefit from its strengths and satisfy its ambitions, KONE has actively sought an additional engineering business opportunity with attractive growth prospects and significant market position.
- KONE's capital structure and steady service-related cash flow make it possible to carry out a major acquisition.

# *Criteria*



- Potential to grow organically and through acquisitions
- Global presence
- Leading technologies and products
- Sufficient size
- Engineering

# *Why Partek?*



- Attractive international engineering company with world-leading market positions in its main businesses.
- Clear potential for profitable organic growth.
- Ability to support the development of all Partek's business areas in order to create value and enhanced cash flows through shared resources.
- KONE's commitment to increase earnings through speeding timely integration of acquisitions and restructuring initiatives.
- Potential for adding value to Partek's businesses.

## *Why Partek? (cont'd)*



- The acquisition should be earnings enhancing (EPS positive in 2003)
- The new KONE has strong cash flow reducing net debt annually by EUR 200 M
- The deal accelerates value creation
- Partek has announced divestments of about EUR 300 M of non-core businesses



# *Targeted synergy benefits*



- Partek's size (net sales 2.7 B EUR and personnel 12.500) offer significant potential for synergies and savings
- Leveragging of shared after-sales expertise
- Overlapping administration
- Synergies in global purchasing activities
- Global outsourcing
- Financing and capital efficiency
- Tax benefits
- Know-how in standardization of products and processes
- Internal benchmarking in manufacturing, marketing, after sales services and other operations
- M & A experience

# Transaction



- Acquisition of Partek shares held by the Republic of Finland at EUR 15.30 per share representing 30.2% of all Partek shares.
- Key terms & conditions.
  - in conjunction with the transaction, the State may subscribe 3,000,000 post-split KONE shares, representing 4.7% of KONE's shares, following KONE's extraordinary shareholders' meeting
  - KONE will make a conditional public tender offer for the remaining shares at EUR 15.30 per share in cash
  - competition authority approval
  - government approval
  - approval by KONE's board of directors and extraordinary shareholders' meeting (share issue)
- The offering price represents a 25% premium over the closing price on 17 May 2002 (EUR 12.25) and 45% over the 12 month v/w average.

## *Transaction (cont'd)*



- Total price of shares (non-diluted) to be acquired: EUR 747 million
- The public tender offer will be conditional, among other things, on:
  - KONE acquiring 90% of Partek's total shareholding
  - competition authority approval

# Offer Price EUR 15.30 per Share



## Partek share price since 1997



Source: Bloomberg

**45% premium over  
12 month v/w average  
(EUR 10.54)**

Source: HEX

**25% premium over  
17 May 2002 closing  
(EUR 12.25)**

Source: HEX

# *Financing of Transaction*



- KONE is debt-free
- KONE has available facilities to finance the transaction
- Post-transaction balance sheet expected to improve rapidly through strong operating cash flow: combined cash flow clearly exceeding EUR 400 million in 2001
- Impact on KONE's pro forma balance sheet based on latest interim reports
  - estimated transaction goodwill: approximately EUR 100 million
  - equity ratio: 21%
  - gearing 160%, net debt 1.5 B EUR
  - net debt/EBITDA: approximately 3.2

# *Combined Entity*



- One of the largest Nordic industrial engineering companies in terms of sales
- Combined 2001 sales of EUR 5,556 million with EBITDA of EUR 491 million (8.8% of sales)
- Truly global: international operations account for nearly 90% of sales

# Key Figures



MEUR	KONE			PARTEK			COMBINED <sup>(1)</sup>		
	1-12/00	1-12/01	1-3/02	1-12/00	1-12/01	1-3/02	1-12/00	1-12/01	1-3/02
Orders received	1,854	2,100	500	2,383	2,294	615	4,237	4,394	1,115
Net sales	2,602	2,816	631	2,543	2,740	628	5,145	5,556	1,259
Net sales growth y/y	7.9 %	8.2 %	6.8 %	18.1 %	7.7 %	-3.5 %	12.7 %	8.0 %	1.4 %
Operating profit	186	218	35	161	90	14	347	308	49
% of net sales	7.1 %	7.7 %	5.6 %	6.3 %	3.3 %	2.2 %	6.7 %	5.5 %	3.9 %
Total assets	1,829	2,107	2,190	2,259	2,176	2,187	4,088	4,283	4,377
Personnel <sup>(2)</sup>	22,978	22,949	23,113	12,893	12,447	12,409	35,871	35,396	35,522
of which in Finland	1,457	1,515		4,659	4,565		6,116	6,080	

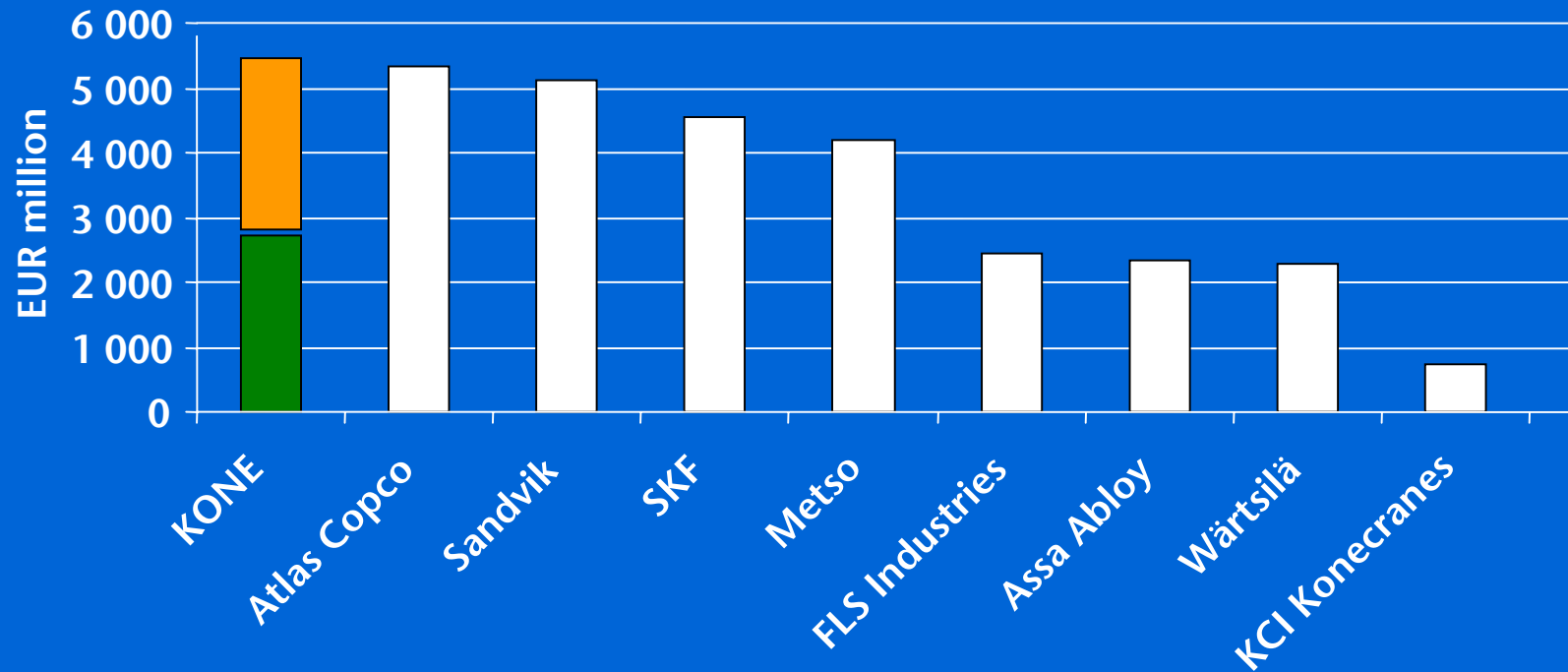
1) A simple arithmetic addition of KONE and Partek figures

2) Number of employees at the end of period

# Nordic Engineering Peers



## Nordic industrial engineering companies by sales: 2001



Source: company accounts, EUR/DKK 7.44, EUR/SEK 9.24



## *Expected Timetable*



- Tender offer to be launched by mid-June
- Filing for competition authority approval as soon as the tender offer is launched (no problem anticipated because there are no overlapping activities involved)
- Tender offer expected to close in mid-August

## *Next steps*



- Open the discussions with Partek management
- Prioritise Key Issues
- Prepare prospectus (jointly with Partek management)
- Put Financial arrangements in place
- Detail the Plan

# Partek in Brief



- An international engineering company with four divisions and attractive market positions. Annual sales of EUR 2,740 million.



## **Container handling**

Leading supplier of container-handling solutions



## **Load handling**

A global market leader in load-handling solutions for vehicles



## **Forest machines**

World number 2 supplier of cut-to-length forest machines



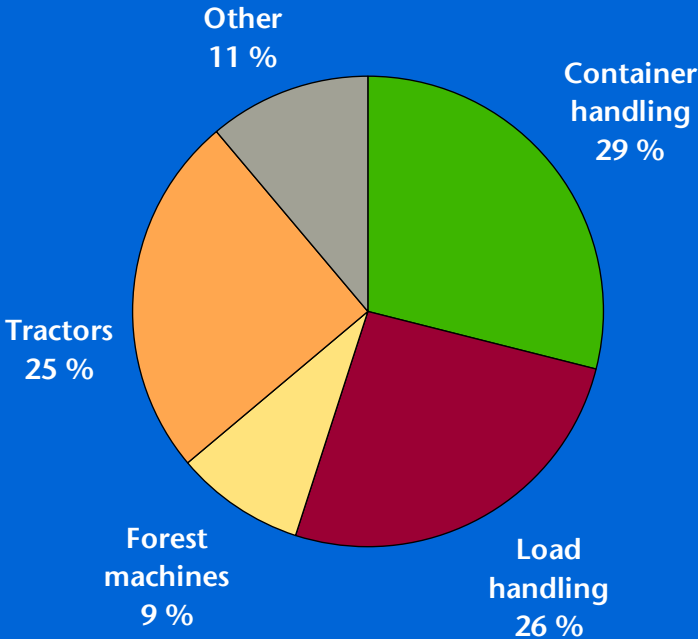
## **Tractors**

Market leader in Nordic countries with runner-up position in Latin America

# Partek in Brief

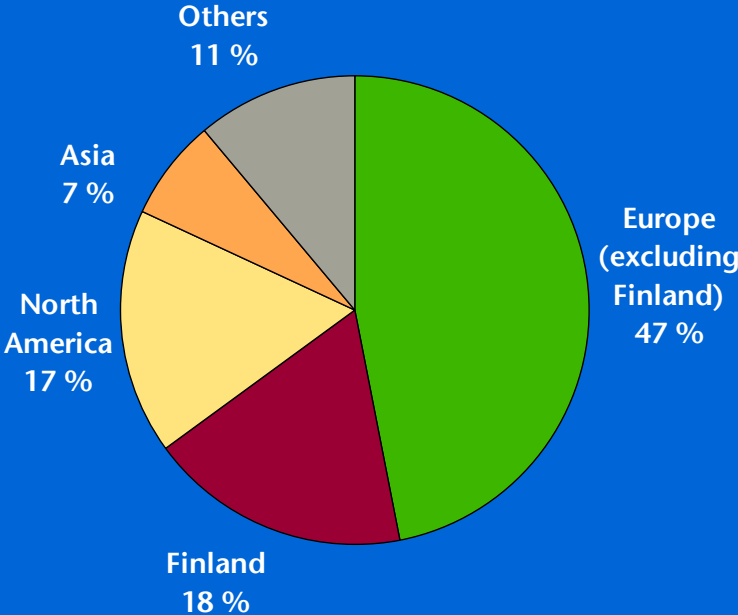


### Sales 2001 by division



Source: Partek annual report 2001

### Sales 2001 by market



Source: Partek annual report 2001

# Partek's Shareholders

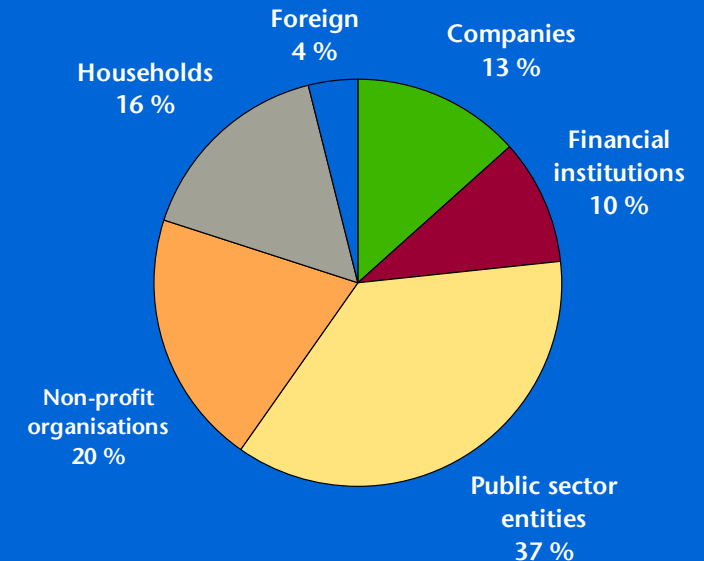


## TOP 10 SHAREHOLDERS AS OF 6 MAY 2002

	SHARES	%
The State of Finland	14,721,835	30.2 %
Åbo Akademi University Foundation	4,318,821	8.8 %
Åbo Akademi University Foundation	4,141,146	
Foundation of Martha och Albin Löfgrens Kulturfond	125,933	
Foundation of Martha och Albin Löfgrens Understödfond	51,742	
Metso Capital Oy	4,126,039	8.5 %
Svenska litteratursällskapet i Finland	1,956,600	4.0 %
If P&C Holding Ltd.	1,613,040	3.3 %
If P&C Insurance Company Ltd.	1,033,000	
If Industrial Insurance Ltd.	580,040	
Varma-Sampo Mutual Pension Insurance Company	1,209,590	2.5 %
Odin Norden Mutual Fund	720,900	1.5 %
Sampo Group	545,642	1.1 %
Sampo Life Insurance Company Ltd.	497,200	
Kaleva Mutual Insurance Company	48,442	
MET	450,850	0.9 %
Security Trading	379,300	0.8 %
<b>TOP 10</b>	<b>30,042,617</b>	<b>61.5 %</b>
<b>Total</b>	<b>48,821,181</b>	<b>100.0 %</b>

Source: Central Depository

## Shareholders by type as of 31 Dec 2001



Source: Partek annual report 2001