

Kone Cargotec

**World's Leading Provider of Cargo-Handling Solutions for
Ships, Ports, Terminals and Local Distribution**

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Kone Cargotec

Acquisition of MacGREGOR

Acquisition of MacGREGOR Group

- The debt-free transaction price is appr. EUR 186 million.
- The deal will be financed primarily by selling own shares held by KONE Corporation in the public trading starting in 10 December, 2004.
- The transaction is subject to competition authority approval.
- The transaction is anticipated to be closed before the planned demerger of KONE into two separately listed companies, KONE Corporation and Cargotec Corporation.

MacGREGOR in brief

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- Business overview

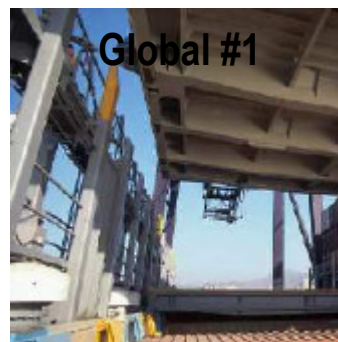
- › MacGREGOR is focused on design, engineering, and service of marine equipment.
- › The company has been owned by Industri Kapital and Gambro AB.
- › MacGREGOR is the global market leader in providing marine cargo flow solutions and service for ship owners, ship operators and ship builders.



MacGREGOR products



Hatch covers



Cranes



Securing



RoRo



Elevators and
escalators



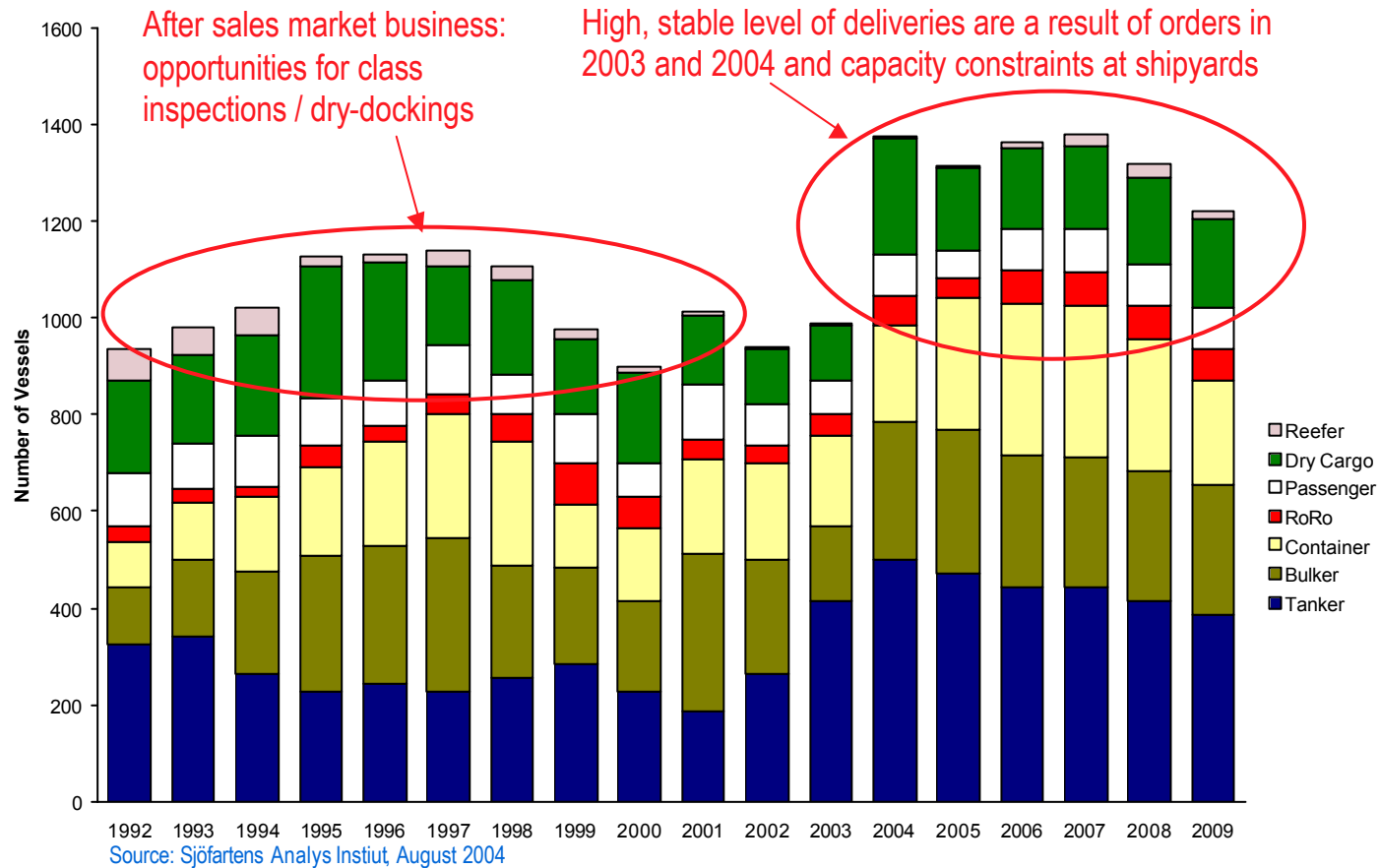
Service

Geographical scope

- MacGREGOR operates in over 25 major shipping and ship building countries
- The service network consists of more than 50 service stations offering 24-hour service around the globe to a fleet of 13,000 ships outfitted with MacGREGOR products
- 935 employees

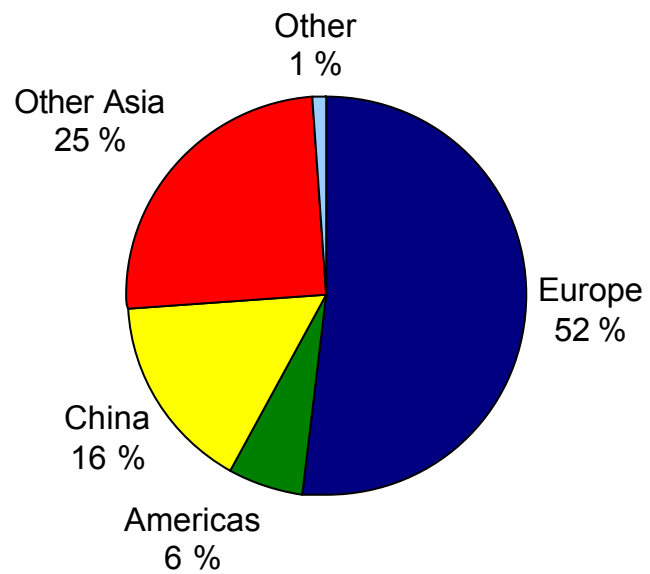


Global shipyard deliveries

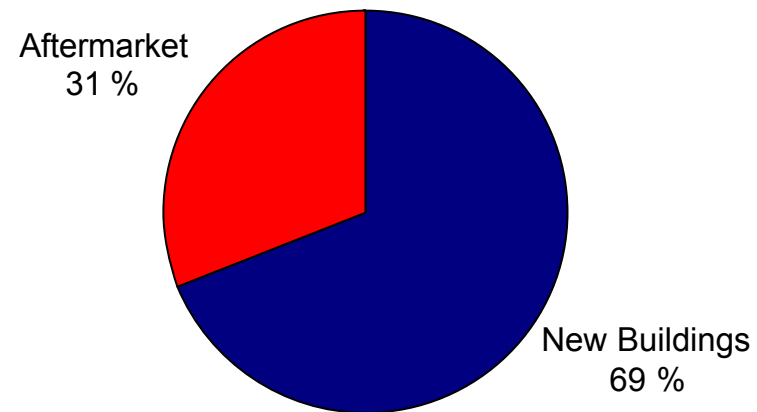


Sales distribution

Sales by Geography



Sales by End Market



MacGREGOR – Financial development

MacGREGOR			
MEUR	2002	2003	2004E
Orders received	304	429	472
growth, %		41 %	10 %
Order book	311	369	459
growth, %		19 %	24 %
Net Sales	378	359	369
Sales growth, %		-5 %	3 %
EBITA (Adjusted*)	10	19	22
EBITA margin, %	3 %	5 %	6 %

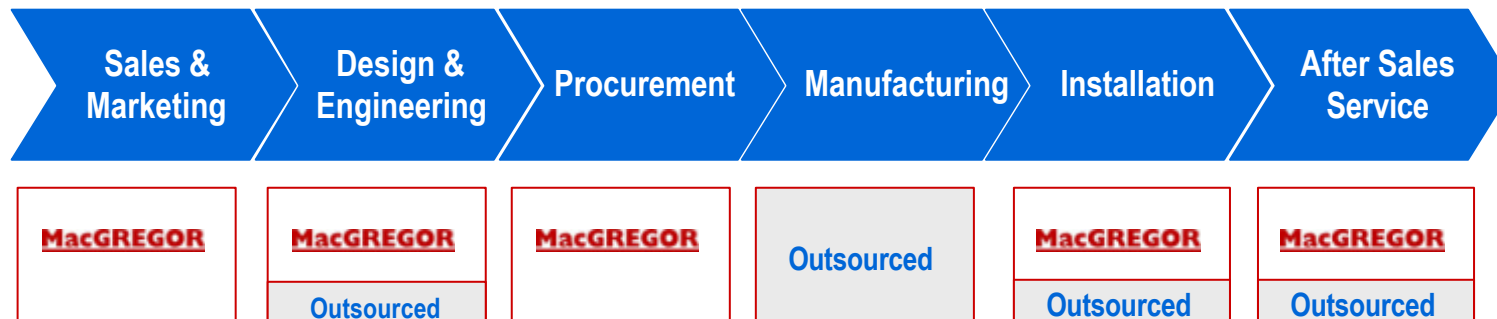
*before non-recurring items

Major structural changes made in past two years

- Structural changes to reduce fixed cost base
 - › Group HQ and Service Division HQ combined and relocated
 - › Hatch Cover Division management moved to Shanghai
 - › Passenger Division moved to Florida, USA
 - › Number of employees reduced from 1 136 to 935 in past two years
- Streamlining operations and supply chain management
 - › Standardized parts and common design platform
 - › Optimized manufacturing cost base in China
 - › New logistics centers in Hamburg, Shanghai and East Coast, USA
- Enhanced internal efficiency
 - › Integration of Hatch Covers, Cranes and Securing into Dry Cargo Division

MacGREGOR business concept

- Unique concept focused on design, engineering and service
- Outsourced all manufacturing activities (c. 75% of cost base)




- Focus on core competencies
- Flexible business model
- Low capital employed
- High cash conversion rate

Kone Cargotec

MacGREGOR in Kone Cargotec



Areas of interface

Kone Cargotec	<u>MacGREGOR</u>
Container handling <ul style="list-style-type: none"> • Ship-to-shore cranes • RTG cranes • Reachstackers • Container FLT (Fork lift trucks) RoRo <ul style="list-style-type: none"> • RoRo FLT • Terminal tractors 	Dry Cargo <ul style="list-style-type: none"> • Heavy-duty cranes • General purpose cranes • Hatch covers • Container securing systems RoRo <ul style="list-style-type: none"> • Ramps • Side access equipment
<ul style="list-style-type: none"> • Application development across the logistical function from seato distribution warehouse <ul style="list-style-type: none"> • China Supply • Technical service in ports 	
	<u>MacGREGOR</u>
<ul style="list-style-type: none"> • Elevators and escalators 	

Kone Cargotec's vision with MacGREGOR

- Kone Cargotec aims to grow and hold global market leader position in cargo flow niche businesses with strong brands
- MacGREGOR is a strategic fit for Kone Cargotec:
 - › Business concept close to Kone Cargotec
 - › Growth for Kone Cargotec
 - › Strong world-wide known brand
 - › China & Asia focus
 - › Know-how in demanding engineering solutions
 - › Service in harbours a potential
 - › Synergies identified
 - Purchasing
 - Administration
 - Maintenance and spare parts
 - Technology

Sensitivity to business cycles

	Time from customer reaction to deliveries	Own manufacturing content	Share of service business	Depth of cycle
 HIAB	2 – 4 months	High	14%	Low
 Kalmar	6 – 12 months	Medium	24%	Medium
MacGREGOR	12 - 24 months	Low	30%	High

Key driver – general economic development – is the same, but the reaction time and capability to respond to cycles are different

MacGREGOR expands Kone Cargotec's position in the cargo flow chain

MacGREGOR	Marine cargo handling equipment	Customers	Market size	Market position
<ul style="list-style-type: none"> • Hatch covers • Cranes • Securing 	<ul style="list-style-type: none"> • RoRo • Passenger ships • Service 	<ul style="list-style-type: none"> • Shipyards • Ship owners • Ship operators 	> 2 billion	1
Kalmar	Container handling	Customers	Market size	Market position
<ul style="list-style-type: none"> • Straddle carriers • Reachstackers • Terminal tractors 	<ul style="list-style-type: none"> • Ship-to-shore (STS) • RTG's, RMG's • Heavy forklifts 	<ul style="list-style-type: none"> • Ports • Terminals • Heavy Industry • Defence 	> 4 billion	1
HIAB	Cargo handling	Customers	Market size	Market position
<ul style="list-style-type: none"> • Loader cranes • Demountables • Truck-mounted FL 	<ul style="list-style-type: none"> • Tail lifts • Forestry cranes 	<ul style="list-style-type: none"> • Truck manufacturers • Distribution companies • Defence 	> 3 billion	1

Profit enhancement

- We expect that the MacGREGOR acquisition will have a positive impact on Kone Cargotec result already in 2005

Kone Cargotec



MacGREGOR

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www.konecorp.com