CAVOTEC ANNUAL REPORT
2003

CAVOTEC

Table of Contents

The Cavotec Group at a glance

Who we are

Cavotec is the name of a multi-national group of companies serving the following industries: ports and maritime, mining and tunnelling, steel and aluminium, energy and offshore, airports and automation. In the early 1960's our main focus was the design and production of motor-powered cable reels primarily for manufacturers of tower cranes, harbour cranes and mining equipment. Today, Cavotec is connecting mobile equipment around the world in many diverse applications.

Where we are

The Cavotec Group consists of 6 manufacturing "Centres of Excellence" located in Canada, France, Germany, Italy and Sweden and by 5 local manufacturing units located in Australia, China, Germany, and the USA. For the distribution of products and support to customers Cavotec has 25 sales companies which, together with a network of distributors, serve more than 30 countries in five continents. The ultimate objective is to be perceived as "local everywhere".

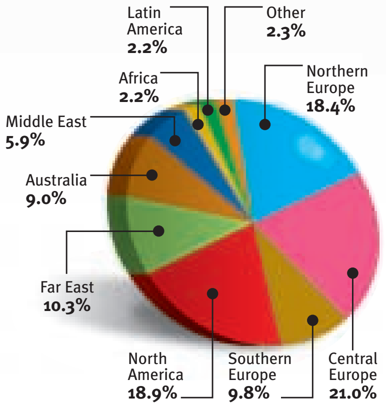
What we do

Design and manufacturing are handled by the highly specialised Cavotec "Centres of Excellence" and Group Partners which focus on the following products: motorised cable reels, rail clips and pads, Panzerbelt cable protection systems, slipring columns, aircraft support systems, special flexible cables, spring driven reels, industrial plugs and sockets, cable chain systems, radio remote controls, permanent elevators and automated mooring systems.

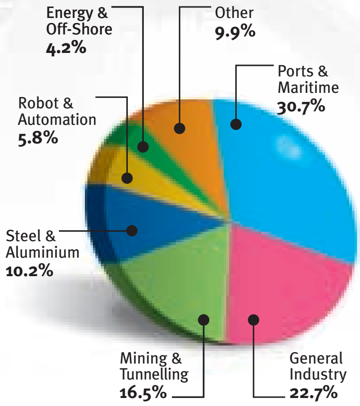
How we work

Our aim is to work very closely with customers in order to build long-term partnerships. To achieve this aim we have created a working environment that attracts the best people, encourages them to stay and brings out their best qualities.
By producing totally reliable products and backing them with efficient service, we create true customer satisfaction.

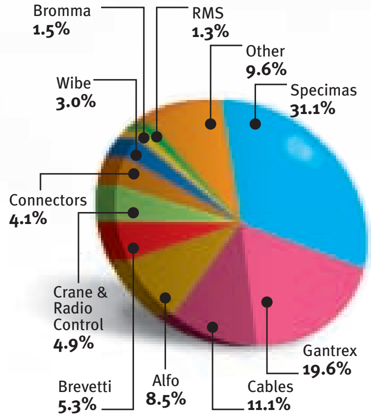
Main Regions 2003



Main Markets 2003



Main Products 2003



Five years in summary

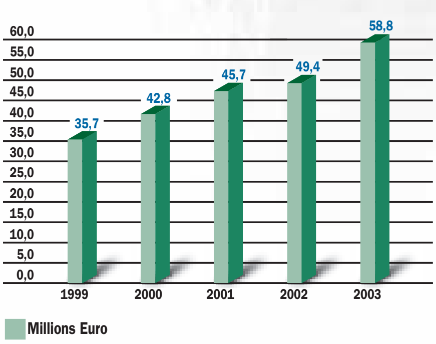
Amounts in thousands €	2003	2002	2001	2000	1999
Result and cash flow					
Net sales	58,824	49,377	45,702	42,833	35,710
Net margin on sales (EBIT)	3,913	2,255	2,502	2,394	2,473
Financial income/loss	–431	–319	–434	–415	–382
Result on ordinary activities before taxation	3,425	1,921	2,037	1,905	2,091
Net Income after taxation	2,284	918	374	919	1,104
EVA with WACC 6,03%	1,250	–59	–135	410	923
Cash flow from commercial operations	7,514	2,176	3,828	1,726	2,978
Order Intake	58,445	51,327	45,494	44,800	39,213
Total investment in tangible assets	10,328	9,988	7,111	6,653	5,761
Balance sheet					
Equity (incl. conv. bonds)	12,452	11,428	6,327	6,093	5,590
Goodwill	4,943	5,056	1,397	1,263	1,714
Net interest bearing loans	790	4,872	5,726	6,243	4,232
Total assets	36,191	35,124	25,440	25,824	21,847
Ratios					
Net margin on sales/net sales	6.65%	4.57%	5.48%	5.59%	6.93%
Profit before taxation/net sales	5.82%	3.89%	4.46%	4.45%	5.86%
Net margin on sales/average capital invested	32.78%	25.40%	40.30%	40.98%	53,12%
Profit after tax/average capital invested	19.13%	10,34%	6.01%	15.73%	23.71%
Net equity (incl. conv. bonds)/total assets (solidity)	34.41%	32.53%	24.87%	23.59%	25,59%
EVA/net sales	2.12%	–0.12%	–0.29%	0.96%	2.58%
Number of employees					
Number of employees at end of year	294	298	234	212	191
Average number of employees	302	260	223	202	168
Turnover per employees	194,782	189,911	195,310	202,042	186,963
Net margin per employee	12,959	8,601	11,487	12,179	13,864
Average cost per employee	37,010	38,514	39,591	35,919	38,801

DEFINITIONS

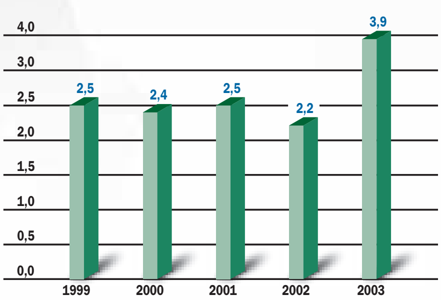
NOPAT/WACC*NetA= EVA
Nopat = net profit after tax
WACC = Calculated base 1998
EQ = Equity

ATAX = average tax base
NetA = net assets
The net margin on sales (EBIT)
is presented without depreciation on goodwill.

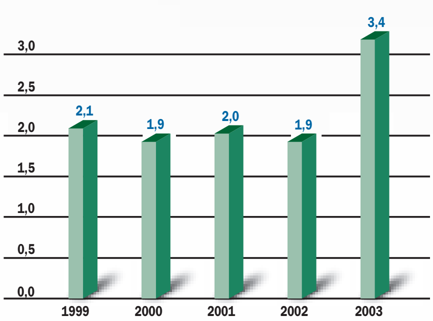
Turnover



Net margin on sales (EBIT)



Result on ordinary activity before taxation



A message from the Chairman

As the representative of the Cavotec Group management I am pleased to present to you the Annual Financial Report 2003 of the Company, which includes the Consolidated Financial Report 2003 of the Group.

2003 Financial Results

Our Group continued to grow substantially in 2003, yielding a record growth both regarding our revenues as well as our overall results. In fact our consolidated turnover arrived to € 58.8 million compared with the € 49.4 million in 2002, representing a 19.1% increase over last year. Our order book increased by 9.1% to € 14.4 million (2002: 13.2 million).

Our operating profit (EBIT) amounted to € 3.91 million (2002: 2.25 million). The consolidated net profit amounted to € 2.28 million (2002: 0.92 million).

As previously agreed, the convertible bonds issued in 2002 (value € 2.0 milion) will be converted into capital in June 2004 bringing the total equity to € 12.5 milion.

A year of challenges and growth

In general the year 2003 was characterised by political instability and a series global setbacks for the international financial markets. Financial scandals, volatile currency exchange rates, the war in Iraq, the SARS disease in Asia and Canada, and several major terrorist attacks continued to destabilize the economical climate, shaking the confidence of investors and consumers alike. This instability resulted in a general trend of deferred investments and sluggish markets, which was felt by many of our companies in Europe and the Americas.

Despite these continued challenges our Group had a positive development both regarding size as well as financial performance. Our growth was mainly due to the acquisition in late 2002 of the Gantrex Group in North America, and to a strong growth in our subsidiaries in China and Australia. In fact most of our investments made in the nineties have now come to fruition, and we were happy to register a positive contribution from all our 25 subsidiaries in 2003.

With the acquisition of Gantrex at the end of 2002, our Group strengthened its position in the important American market. In fact our sales in North America jumped from 6.7% in 2002 to 18.9% in 2003. With such a strong increase of our presence in the Americas, combined with our traditional strong position in Asia, our sales in Europe have now become less than 50% of our activities. We see this as a very positive and satisfying development, since our Group's foremost ambition is to operate globally and to provide a strong support for all our customers worldwide.

Acquisition of M. Fladung GmbH

On December 17th, 2003 the Cavotec Group signed the agreement to acquire, as per January 1st 2004, Manfred Fladung GmbH, one of the worldwide leading players in the field of aircraft support systems.

As a curiosity we can mention that this important acquisition took place on the one hundred year anniversary of the first flight undertaken by the Wright brothers on December 17th, 1903 at Kitty Hawk in North Carolina. This coincidence is important for us since it marked the entry in force of the Cavotec Group into the airport market.

Manfred Fladung GmbH with its seat in Mömbris near Frankfurt in Germany has revenues exceeding € 7.0 million, features a well-known and comprehensive range of cable retrievers, connectors and pop-up pit systems for the supply of 400Hz, PCA and water to aircraft. Combined with our own recent development of Cavotec Caddy systems with similar functions, our Group has now a diversified and complete range of products for aircraft support systems. Today the efficiency of airports and airlines is becoming more and more a vital aspect in the highly competitive aviation industry.

Airlines are requiring more efficient, automated handling systems for their aircraft when parked at the gate, with the aim to achieve quicker turnaround time. Following our long tradition of supplying power and controls to cranes, mining machinery and other mobile equipment, our Group is aiming to also obtain a leading role in this developing market.

License agreement with MSL

Mooring Systems Ltd. of Christchurch in New Zealand has developed a totally new and revolutionary automated mooring system for ships (see page 24). Mooring Systems Ltd. is a publicly owned company listed on the New Zealand stock exchange since the year 2000.

Starting in 1997 the company has developed a new mooring system based on vacuum technology, which allows a ship to moor in some 10-20 seconds rather than the 5-15 minutes necessary with traditional mooring lines. The system has been tested initially at the ports of Picton and Wellington in New Zealand and has recently been installed at Patrick's Shipping Company in Australia for their RoRo-terminals in Melbourne and Tasmania. The ferry terminal of Dover in the UK has awarded Mooring Systems with a first test order of a QuaySailor 80, which will be installed at Dover later this summer.

On the base of a license agreement signed in March 2004 the Cavotec Group has become the official sales and marketing organisation for Mooring Systems. Since Mooring Systems is foremost an engineering company, Cavotec will also be responsible for the manufacturing and service of the system.

We believe that this agreement with Mooring Systems constitutes in itself one of the most promising opportunities for our Group. Combined with our own expertise in bringing shore power to ships, it yields a high expansion potential for our Group activities in the maritime industry.

Acquisition of Micro-control

As I am writing this report we have just completed the negotiations for the acquisition of the remaining 80% of Micro-control, our Norwegian partner and key supplier of radio remote controls. This acquisition will be beneficial for Micro-control as it will become an integral part of our Group, thereby also gaining access to larger resources for growth as well as increased financial strength. The Cavotec Group will benefit by obtaining another state-of-the-art core product, which further completes its range of products for the supply of power and communication to mobile equipment. Micro-control uses high-tech software solutions for their products, which provide safer and more sophisticated solutions for our customers and their constantly changing and increasing requirements.

Micro-control has revenues of approximately € 3.0 million and employs 18 people in Stjørdal in Norway, out of which 5 are fully dedicated to R&D. We welcome the Micro-control team to our Group, and we feel certain that they will make a major contribution to our future development.

Looking ahead

After three years of economic decline our management finally sees some tangible signs of recovery on a global scale. This increase of market activities combined with the new opportunities for the Group give us full confidence for the coming year.

Cavotec Group Holdings NV

Stefan Widegren
Chairman &
Chief Executive Officer

A report from the Chief Operating Officer

2003 Overview

The year 2003 was a year full of challenges for industry worldwide. The Iraq war, SARS, a general economical recession and the strong Euro all contributed to a feeling of uncertainty and volatily in the marketplace.

Despite this difficult climate the Cavotec Group performed admirably as it produced solid financial results while continuing to invest strongly in future activities.

The consolidated sales of Cavotec Group in 2003 amounted to € 58.8 million, thus yielding an increase of 19.1% despite a strong negative effect on our turnover due to the weakening of the US dollar and several other USD-related currencies.

Through the acquisition of the Gantrex Group the US became our first market with almost 19% of our total sales, followed by Germany 10%, Australia 9% and China 8%.

Gantrex Group up-date

Despite the continued slowdown in the steel industry, one of the main Gantrex markets, the company performed well and succeeded to increase its turnover with over 10% compared to 2002.

During the first part of 2003 the management at Gantrex performed the necessary and planned turn-around of the company making it profitable once again. The integration process is now in its second phase, with the aim to arrive to a full merger of our two US companies, Cavotec Inc and Gantrex Corp, before the end of 2005. The combined Cavotec Gantrex organisation in North and South America consists of some 12 sales offices with more than 70 people providing support to our customers in this important area.

Rapid growth in all businesses

The Group gained significant market share in the Maritime and Mining businesses. Cavotec succeeded to secure orders in co-operation with ABB Marine, Finland and Schottel, Germany for Carnival Corporation and Royal Caribbean cruise-lines as well as for the new generation of Russian ice breakers and the Norwegian Norskill icebreakers.

The recent increase of the world demand for raw materials made the mining industry more attractive for new investments.

This positive trend has brought us increasing sales volumes with all our main mining customers, mostly OEM's, such as; Atlas Copco in Sweden, Sandvik Tamrock in Finland and Boart Longyear in Poland and South Africa.

Successes create new perspectives

Cavotec has been awarded numerous prestigious orders during 2003, giving evidence to its strong market penetration and the reliability of the Cavotec products.

One of the our major projects was awarded by Maschinen Stahlbau Dresden in Germany, who gave us an order for special reels for their TBM boring machines to be used for the new Sankt Gotthard railway tunnel in Switzerland with a total length of 57 km. Another major order was given by China Harbour Engineering for Huang Hua Coal Terminal.

Here follows as list of some major end-users who ordered Cavotec equipment in 2003:

- *Frankfurt Airport, Germany*
- *Hidd Port, Bahrain*
- *National Oilwell, USA*
- *Dalian, Hong Kong, Rizhao and Tianjin Ports in China*
- *Puorto Limon, Costa Rica*
- *Copenhagen Opera House, Denmark*
- *Rolls Royce Marine AS, Norway*
- *Genova, Gioa Tauro and Trieste Ports in Italy*
- *Le Havre Port, France*
- *Hamburg Port, Germany*
- *Statoil, Norway*
- *Kingston Port, Jamaica*
- *Kuwait City, Kuwait*
- *Kotka and Pori Ports, Finland*
- *Hakata Port, Japan*
- *Kwang Yang Port, Korea*
- *Wallmart, USA*
- *Hammersley Iron Mine, Western Australia*
- *Northport, Malaysia*
- *Tilbury Port, UK*
- *PSA, Singapore*
- *Abu Dhabi Airport, Bahrain*
- *Frankfurt Rail Terminal, Germany*
- *Miami, New Jersey, New Orleans, Los Angeles, Seattle Ports in USA*
- *U.S. Coast Guard*
- *East Coast Fleet, USA*
- *U.S. Navy, Japan*

New markets & environmental care

The Group made important breakthroughs in new markets like Alternative Maritime Power Supply and Aircraft Support Systems.

Environment has recently become an even more important issue in many large ports around the world. Recent studies on the emissions from the diesel engines of large ships show that if a ship leaves its engines running when docked at the port, the quantity of air-pollution produced is equivalent to emissions of 42,000 cars. This critical issue has become a major concern for many large communities in the USA.

The Cavotec Group, who has a long track record in the supply of shore power to ships since the mid-eighties, has been chosen by important US customers as their main supplier for this new environmentally friendly power supply system. Today, the Cavotec Group is considered the most important supplier in this field thanks to its innovative solutions against pollution. Already the US Coast Guard uses Cavotec equipment for their shore power supply needs for all of their “87 ft” fleet.

As concerns the Group’s expansion in the airport industry, the recent acquisition of the German leader in aircraft support systems, Manfred Fladung GmbH, has substantially enlarged our range of systems and equipment. We are now able to serve anything from small single engine aircrafts up to the newest Airbus A380.

Human resources

At the end of 2003 the Cavotec Group had 294 employees with an individual turnover per employee of € 195.000. With the new acquisition of Manfred Fladung GmbH, the number of employees reached 350 in early 2004.

Despite the fact our Group is rather small, we are indeed a truly international organisation with 28 nationalities and 36 spoken languages all bound together by English as our corporate language. In accordance with our strategy to maintain a high competence level within the Group, we are continuously training our staff all over the world.

Positive development of results

Despite a difficult global economical situation, Cavotec succeeded to achieve an EBIT of € 3.9 million, without depreciation of goodwill. This represents an improvement of 74% compared to our EBIT in 2002. The main reasons for this are a strict cost control policy, increased Group efficiency, higher volume and a good gross margin on the large projects.

These positive developments were achieved mainly thanks to solid teamwork and good strategy implementation within the Group’s 25 companies. The Group succeeded to lower the consolidated level of receivables with € 1.7 million, only increased payables with € 0.5 million, reduced the inventory with about € 0.5 million and increased the total cash flow to € 4.2 million. These satisfactory results were achieved despite an increase of turnover with 19.1%. Furthermore our Group has a healthy net financial position of € 0.8 million with a minimum of debts.

2004 Forecast

At consolidated level our order intake has been stable for the first quarter of 2004, with a slight decrease in invoicing compared to our budget. Notwithstanding, the latest market signals make us confident that 2004 will be a good year in general and the Group revenues will reach the new budgeted level of € 65.0 million.

As a consequence we expect our financial performance to improve so as to meet the budgeted EBIT of € 5.5 million.

Cavotec Group Holdings NV

Ottonel Popesco
President &
Chief Operating Officer

The Cavotec Group Board

The Cavotec Group Board of Directors consists of ten members, who represent our main shareholders. All members have a long experience in international business. Reference is made to Note 10 (page 40) of the financial reporting where disclosure is made of emoluments.

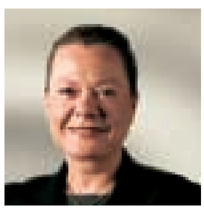
The Cavotec CMT

The Cavotec CMT (Corporate Management Team) is formed by 11 senior executive officers appointed by the Chairman, who develop and overview Group policies and strategies, and put forward proposals to be decided upon by the Board.


Geir Leret Andersen

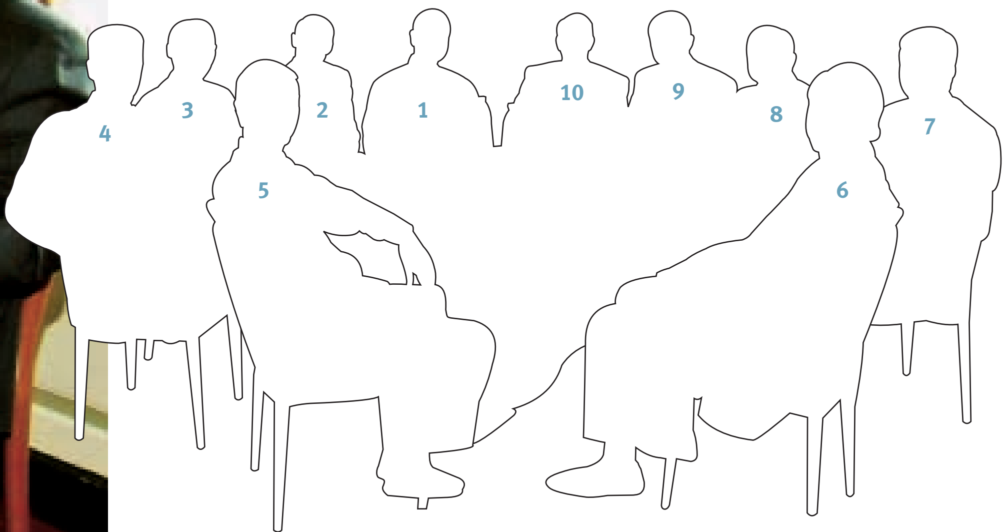

Christian Bernadotte


John Cooper


Leena Essén


Giorgio Lingiardi

CMT members are:
Geir Leret Andersen, Christian Bernadotte, Peter Brandel, John Cooper, Leena Essén, Lars Hellman, Giorgio Lingiardi, Ottonel Popesco, Michael Widegren, Stefan Widegren, Erik Wilhelmsen



1. **Stefan Widegren** *Chairman & CEO*
2. **Federico Oriani**
3. **Fabio Cannavale**
4. **Claudio Mauri**
5. **Peter Brandel** *Group Vice President & CTO*
6. **Lars Hellman** *Group Vice President & CMO*
7. **Erik Lautmann**
8. **Marco Baratti**
9. **Ottonel Popesco** *President & COO*
10. **Jack Groesbeek** *Group Managing Director*

Michael Widegren

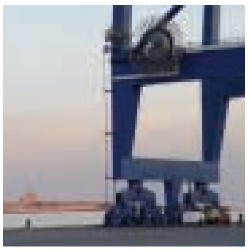
Erik Wilhelmsen

an Overview of Cavotec Activities

Through a process of steady development the Cavotec Group has grown into one of the world's leading companies in the specialised field of mobile power supply. In 2003 the Group enlarged its range with new product systems and entered a new market segment.

The foundation of our continued success in the marketplace is related to our willingness and ability to provide a broad spectrum of standard and custom products that better serve the needs of our customers.

in ports and maritime



In many ports and terminals around the world the name Cavotec means advanced mobile power supply systems such as cable reels, cables, the Panzerbelt cable protection system and power connectors. For decades, in fact, Cavotec has continuously developed new systems to meet the global containerisation process.

Another aspect of this development is, during the last few years, our contribution to the Maritime industry. Here we have participated in the development of a revolutionary propulsion system for all types of ship.

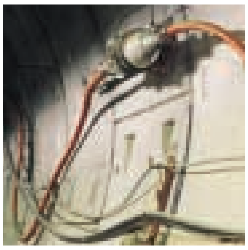
The 360 degrees manoeuvrability allowed by this system requires the installation of a special Cavotec MPS slipring unit able to transmit control and data signals through optical fibres, conventional rings with a special multi-channel swivel for billage, oil, grease and air.

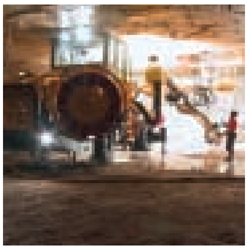
The last ships that have been supplied with our MPS units are 5 Voyager Class Cruise ships built by Kvaerner Masa Yards. We are now in the process of constructing a new unit for the soon to be built Super Voyager Class ships. As a consequence we are today close to a 100 operational MPS installations all around the world.

Major Customers:
ABB
Fantuzzi-Reggiane
Hyundai
Kalmar
Konecranes
LA Port
Miami Port
Maersk
MHI
Mitsui
NOELL
P&O
Samsung
Sumitomo
US Navy
US Coast Guard
ZPMC


Kværner Masa-Yards
KVÆRNER

in mining and tunnelling





Cavotec reels and power connectors are a familiar sight in mines and tunnels working day and night whatever the circumstances. In fact, the majority of mobile drilling rigs and other mining equipment are powered through Cavotec cable reel systems.

A recent contribution to tunnelling is in progress in Switzerland for the construction of the south San Gothard rail tunnel with a total length of 57 kilometres.

In the south half of the tunnel the contractor, TAT Consortium, has at work a TBM full-facer drilling machine which, for making its way through the rock, requires a specially designed train incorporating a total of 30 Cavotec reels to ensure the supply of the necessary services to the full-face drilling rig. Water, for instance, is supplied to and from the drill-face through very large diameter hoses mounted on specially designed Cavotec 'Talpa' reels. These reels are controlled by a custom designed programme and can be operated either in manual, automatic or transfer mode. Emergency air is provided through special hoses able to withstand up to 300 degrees Celsius.

Transfer of power, data and signals is established through Cavotec reels mounted on the front and rear of the rail carriages ensuring a continuous line of communication from the tunnel mouth to the drill face.

The completion of the tunnel is estimated to take 10 years.
It will be a real test of man and machine.

Major Customers:
Atlas Copco
Herrenknecht Lovat
Krupp
Longyear Boart
Putzmeister
Robbins
Rowa
Roxon
Sandvik Tamrock
Voest Alpine

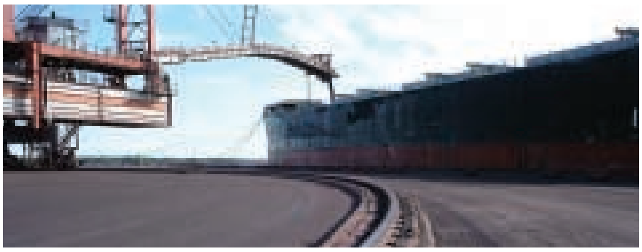
in steel and aluminium



One year after becoming part of the Cavotec Group, Gantrex has returned with full strength to the American market. Not only in ports and steel mills where they were successful with the Panzerbelt cable protection system manufactured by Cavotec Specimas but also in their core sector: the metal industry.

A very positive signal that the slump in the metal industry is at an end was the recent order received by Gantrex from ALCASA. This company is one of the world leading aluminium producers and is located in Peurto Ordaz in Venezuela. The service runways for four large outdoor operating cranes are today secured by means of thousands of Gantrex Weldlok two-bolt clips and specially designed rail pads which absorb the stresses and vibrations on the concrete.

Long before the acquisition of Gantrex by the Cavotec Group, steel and aluminium plants all over the world were using low voltage Cavotec Power Connectors. These robustly designed and manufactured connectors were the ideal choice in harsh working environments often found in the metal industry thanks to the innovative use of Multi-Way Technology and the IP 66 protection class.



Major Customers:
Alcoa
Arcelor
Avesta-Sheffield
Baosteel
CORUS

in energy and offshore

The use of Cavotec technology changed operational life aboard the ship G.O. Sars. This vessel, with a GRT of 4067 tonnes, is at work in the North Sea researching fishing quotas and making geological surveys. This normally requires a multitude of people, cables and crane equipment to be able to operate. Not anymore however, thanks to Micro-control.

The four electro-hydraulic driven deck cranes, 5 specially developed hangar cranes and several lifting frames are now commanded by means of radio remote technology. This technology came in the form of 7 Micro-control RRC units featuring radio and cable control systems with PLC integration. The obvious advantages of this solution are the ability to do the same work with less people and the complete elimination of cables lying around on the deck making the working area much less hazardous.

Two other radio remote control units are used to control the special winches located on the sides of the ship which are used for special scientific equipment.

Another feature of this ship is a special fin that can be operated according to the needs of the research programme. This ability to move is made possible by special cable chains supplied by Cavotec's Italian partner Brevetti.

Jon Bjørgum of TTS Marine, the worldwide supplier of maritime cranes, has stated that the use of Cavotec equipment has made the operation of the cranes more flexible, safe and economical.

The Cavotec Group has been serving the Energy & Offshore sector for more than a decade with equipment specially designed to withstand the harsh operational conditions found on offshore equipment.

Major Customers:

Adnoc
Amclyde
BP
ELF
Fisia Italimpianti
Halliburton
Hitec
Huisman
Hydralift
Maritime Hydraulics
Saipem
Statoil


G.O. SARS
BERGEN

in airports

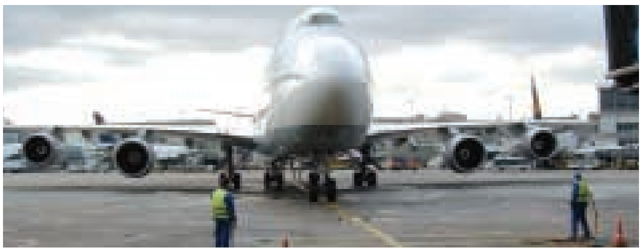
During the year 2000 we started the development of a new application of Cavotec technology which introduced us into the airport industry. The result was the Cavotec Caddy, a mobile unit for the supply of 400Hz power, water and pre-conditioned air to aircraft. Initially, this unit was developed for the new generation of Airbus 380 aircraft with the aim to make the servicing operation more efficient and cost effective while eliminating heavy trucks, diesel generators and ladder vehicles from occupying the tarmac apron.

During testing at Frankfurt Airport, Cavotec people first encountered the Fladung company. We were new in the airport industry with just one experimental system; Fladung on the other hand was well-known in many airports around the world with a range of proven and accepted systems.

Two years later we started a cooperation based on the fact that we could enlarge Fladung operations globally through our extensive marketing organisation while the Fladung range could include the new, revolutionary Caddy system completing their already wide range of specialised aircraft support systems.

At the beginning of 2004 Manfred Fladung GmbH became an important member of the Cavotec Group. That year also saw the first sale of the latest version of Cavotec Caddy to Frankfurt Airport in Germany.

The Cavotec Group is now fully equipped and organised to become a market leader in this important market sector.

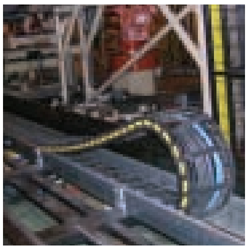


Major Customers:

Dubai Airport
Frankfurt Airport
Linate SEA
SAS

657
STAR ALLIAN

in general industry and automation



Mail handling by central post offices is becoming more and more complex. In fact the amount of correspondence travelling around the world is continuously increasing not withstanding the booming e-mail era.

This is the field where Transman AB, a Swedish company, has gained a large experience and a leadership position among gantry robot manufacturers by acquiring large orders with their innovative loading and unloading postal handling systems.

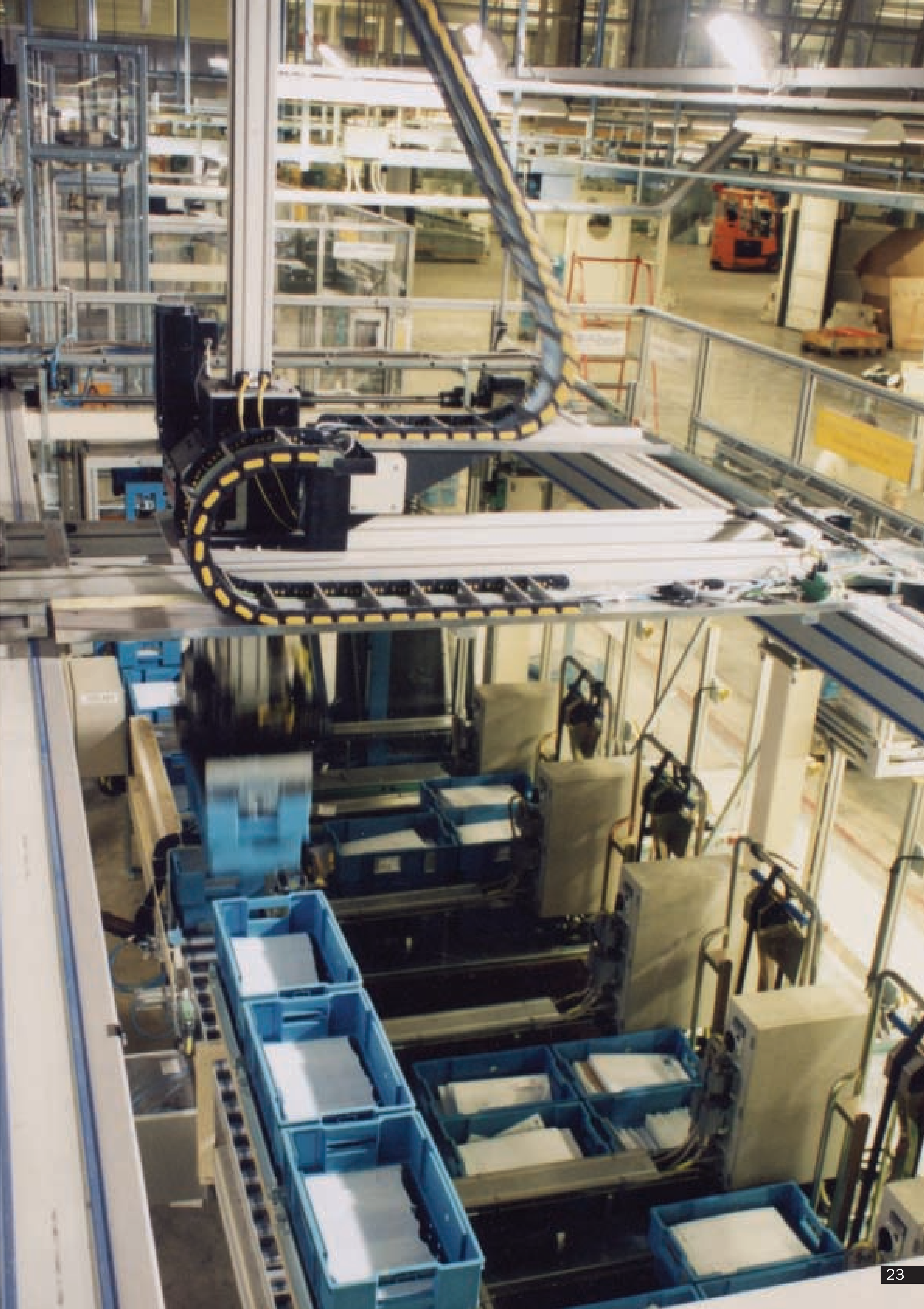
The Transman program has developed a high capacity robot system, named RLS , designed to sort and handle trays and boxes in an efficient and cost effective way while contributing to an improved working environment. Today the system is successfully operating at various automated central postal sorting centres in Sweden, Norway and China with a total of 52 loading and unloading stations.

The Brevetti cable protection system supplied by Cavotec, consisting of power cable chains which guide and protect power supply to the Transman system, contribute with three cable chains per station to the high working efficiency and accuracy.

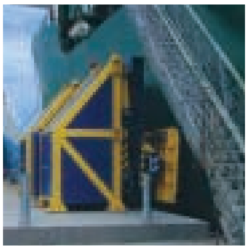
As in any industrial ambient where Brevetti cable chains are present they also create a sort of safe aerial colourful decorations.

Major Customers:

ABB
Akalon
BMW
Comau
Motoman
Terex



Cavotec in progress



For centuries vessels of any type were pushed onto the beach or tied to shore by the use of ropes. Although the ships have become larger and more technologically advanced we are still securing the ship in their berths with mooring lines. Due to the stresses and harsh working environments ropes are subject to a strict maintenance control and are often replaced. This ancient way of mooring also requires the use of a lot of manpower and time and has a large risk factor.

Some years ago a small group of engineers in New Zealand decided that things had to change. They dedicated all their efforts in finding a new concept which would replace traditional mooring with ropes. Their long study and obstinate dedication resulted in the idea of using vacuum to secure ships of all dimensions, from small ferries to large containerships.

In layman's terms the system consists of vacuum controlled pads installed on the edge of a berth which can reach out, pull a ship close and hold there until released. The system can be controlled by just one person from the bridge of the ship. The system allows for extreme tidal changes and very bad weather conditions by using its 'stepping' modus.

It was the start of a revolution.

A company with the name Mooring Systems Ltd. was formed and soon gained popularity with the investors of the New Zealand stock exchange.

The first customers of the company were the ports in Wellington and Picton, New Zealand. This was followed in 2002 by an installation at the well-known company of Patrick's Shipping Company in Melbourne, Australia. The latest success in Europe has been the acceptance by Dover Port to install a test system later this year.

On the base of a recently signed license agreement the Cavotec Group has become the official sales and marketing organisation for Mooring Systems Limited. Since Mooring Systems is foremost an engineering company, Cavotec will also be responsible for the manufacturing and service of the installations.

around the world

Cavotec equipment and technology is at work around the world in very diverse operating environments, from ports and terminals to offshore and energy and from mining and tunnelling to marine industry and shipyards.

The pictures on these two pages show some typical examples of Cavotec equipment at work around the world.

Cavotec Connectors at Stockholm Port in Sweden

Panzerbelt at work at Southampton Port, UK

Cavotec reel and connectors at work in a Swedish mine

De Jong PE elevator in action in the Gulf of Mexico

Gantrex clips and pads at a steel mill, USA

A Cavotec Specimas MPS application for the Seven Seas

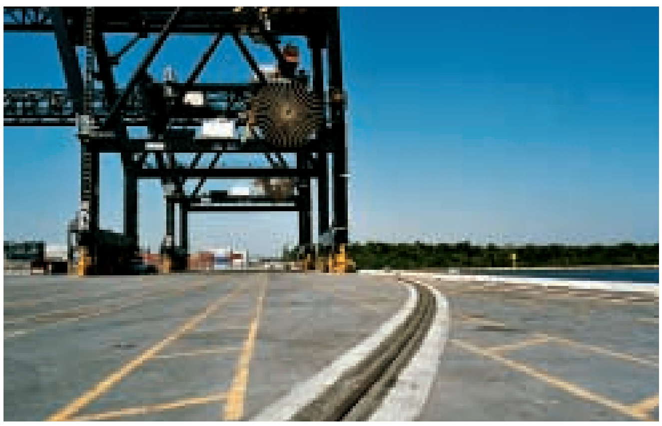
Cavotec reels in action at L.A. port, USA

Brevetti chains in action in Odense, Denmark

Cavotec Caddy at work at Frankfurt Airport, Germany

Giant tunnelling reels for the San Gothard tunnel, Switzerland

A reefer plug application at the port of Dunkirk, France



A Pull & Store reel in action at Everglades terminal, USA

in the market

This page shows how the Cavotec Group is organised to support its customers through our manufacturing companies, sales companies and Group partners.
Their combined technological competence and common approach to the market are the secret to the Cavotec Group's steady growth.

MANUFACTURING NETWORK

Centres of Excellence

Canada
Gantrex
Crane Rail Systems

France
Cavotec RMS
Spring Driven Reels

Germany
Cavotec Alfo
Spring Driven Reels
Sliping Columns
Fladung GmbH
Aircraft Support Systems
Physical Security Systems

Italy
Cavotec Specimas
Motorized Cable Reels
Panzerbelt Cable Protection
Sliping Columns

Sweden
Cavotec Connectors
Electrical Plugs & Sockets

Local Manufacturing

Australia
Cavotec Metool
Motorized Cable Reels

China
Cavotec China
Product Assembly

Germany
Cavotec AixRail
Crane Rail Systems

Sweden
Cavotec Swerige
Product Assembly

USA
Cavotec Inc.
Product Assembly

Group Partners

Belgium
Gantry
Crane Rail Systems

Italy
Brevetti Stendalto
Cable Chains
Pirelli
Flexible Cables
Tratos Cavi
Flexible Cables

New Zealand
Mooring Systems Ltd
Automated Mooring Systems

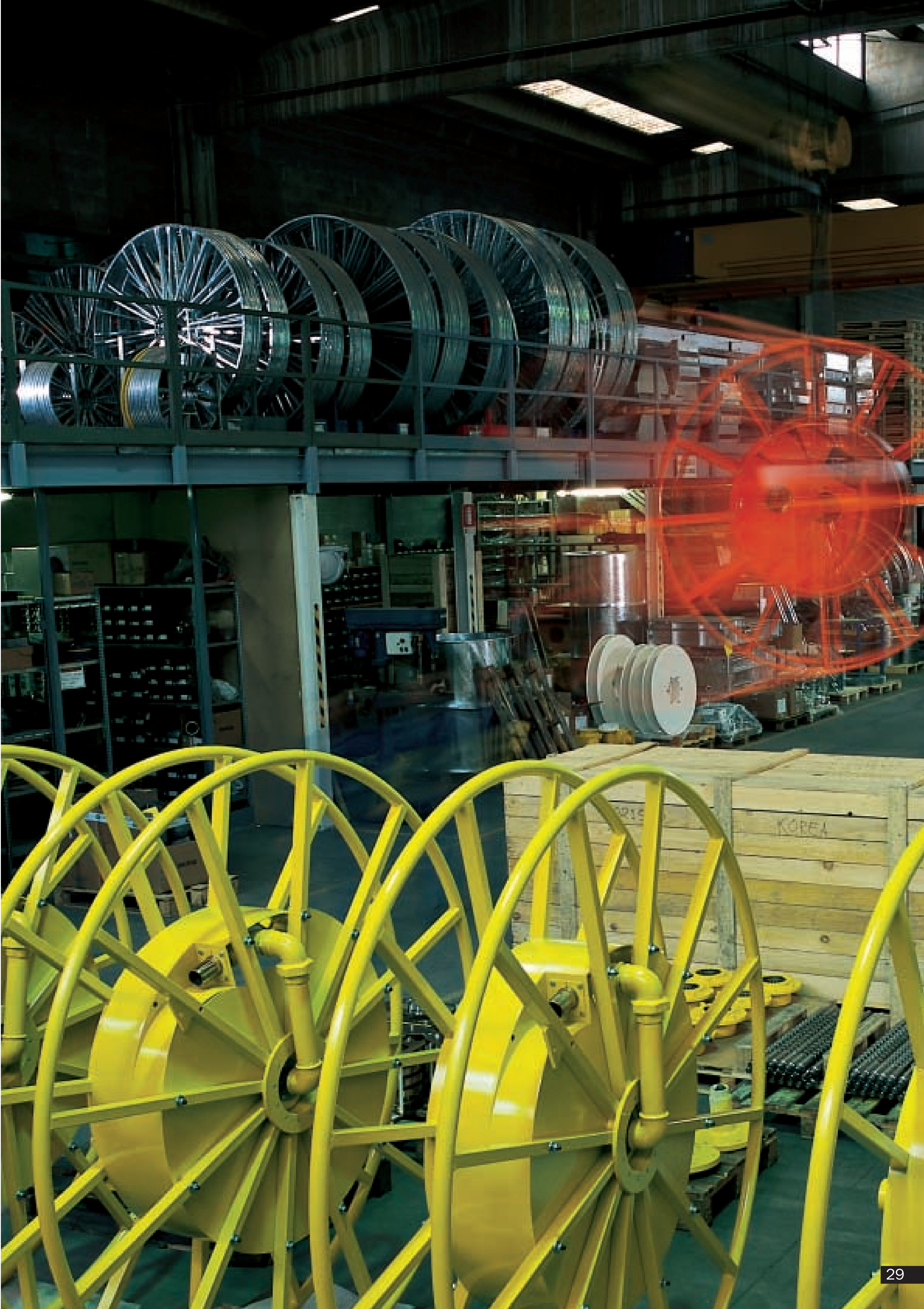
Norway
Micro-control
Radio Remote Controls

The Netherlands
De Jong
Permanent Elevators

SALES NETWORK

Cavotec Australia
Cavotec BeNeLux
Cavotec China
Cavotec Denmark
Cavotec Finland
Cavotec France
Cavotec Germany
Cavotec Hong Kong
Cavotec Italy
Cavotec Korea*
Cavotec Latin America
Cavotec Middle East
Cavotec Norway
Cavotec Singapore
Cavotec Sweden
Cavotec UK & Ireland
Cavotec USA
Cavotec Gantrex South Africa
Gantrex USA-Pittsburgh
Gantrex USA-Houston
Gantrex USA-Phoenix
Gantrex USA-Chicago
Gantrex Canada
Gantrex Mexico
Gantrex Chile*
Gantrex Brazil*

* Branch Office


KOREA

managers in the field

People are crucial to Group success.
Our target is to continuously expand their knowledge and experience in order to meet market requirements. This page presents a glimpse of Cavotec senior officers who carry a great responsibility for Group growth.

Group Officers

Stefan Widegren
Chairman & CEO

Ottonel Popesco
President & COO

Lars Hellman
Group Vice President & CMO

Peter Brandel
Group Vice President & CTO

Leena Essén
Financial Controller

Michael Widegren
Group Vice President

Michael Scheepers
Group Communications

Pino Lai
Communication Consultant

Eric Isaac
Patents & Trademarks

Group Partners

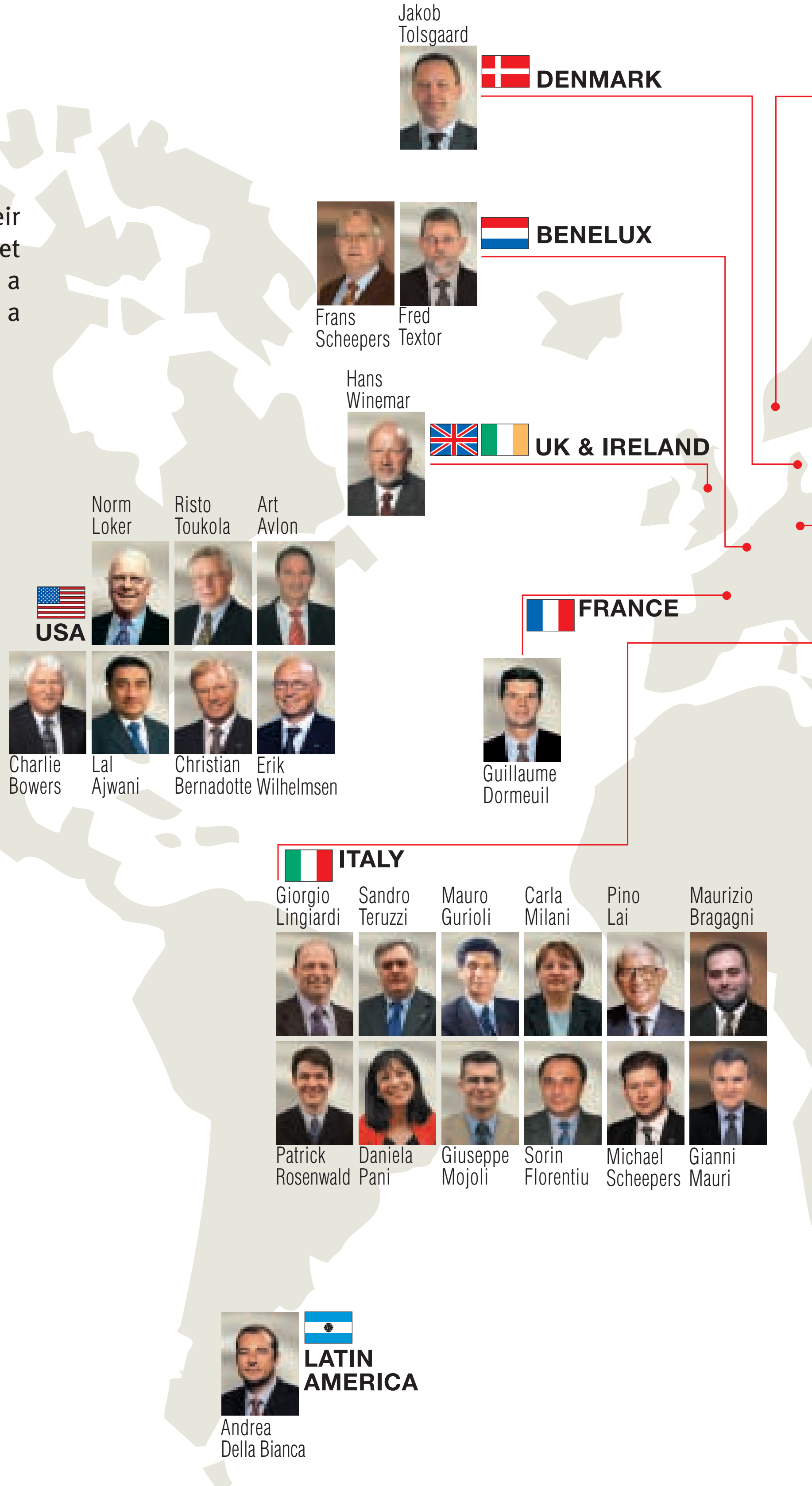
Gianni Mauri
Brevetti Stendalto SpA, Italy

Maurizio Bragagni
Tratos Cavi, Italy

Peter Montgomery
Mooring Systems Ltd, New Zealand

Robert Weber
Mooring Systems Ltd, New Zealand

Frans Scheepers
De Jong's BV, The Netherlands



Senior Management

Group Partners


Sofus Gedde-Dahl
Terje Hansen
Geir Leret Andersen
Geir Paulsen
NORWAY
Mats Tegnér
Eric Chilò
SWEDEN
Thorbjörn Gahmberg
Peter Grönholm
FINLAND
Michael Widegren
Manfred Groß
Thomas Dreyer
Dieter Verheyen
GERMANY
Christoph Gieseke
Kai Fladung
Hermann Väth
Christer Nilsson
MIDDLE EAST
Thomas Widegren
Unni Madhavan
Lars Leksell
CHINA
John Cooper
Xiutao Xu
SINGAPORE
Denis Ong
SOUTH AFRICA
Johann Jankowitz
AUSTRALIA
Mike Stoney
David Leighton
Phillip Macridis
NEW ZEALAND
Robert Weber
Peter Montgomery

Financial Reporting

The management of the Cavotec Group is pleased to present the Annual Financial Report 2003 of the Company, which includes the Consolidated Financial Report 2003 of the Cavotec Group.

Cavotec Group Holdings N.V. & Subsidiaries

Consolidated Balance Sheet

at December 31, 2003

Assets

		2003 Euro	2002 Euro
Fixed assets			
Intangible fixed assets	Note 2	5,569,808	6,003,777
Tangible fixed assets	Note 3	3,278,469	3,913,790
Financial fixed assets	Note 4	471,342	309,763
Total fixed assets		**9,319,619**	**10,227,330**
Current assets			
Inventories	Note 5	8,651,744	9,124,694
Accounts receivable	Note 6	11,782,356	13,545,755
Cash at bank and in hand	Note 7	6,436,886	2,226,499
Total current assets		**26,870,986**	**24,896,948**
Total assets		**36,190,605**	**35,124,278**

Liabilities & Shareholders equity

		2003 Euro	2002 Euro
Shareholders' equity		10,451,959	9,427,512
Minority shares		2,383,236	2,676,733
Provisions	Note 8	591,722	479,061
Long-term liabilities	Note 9	3,724,639	3,629,771
Current liabilities	Note 10	19,039,049	18,911,201
Total liabilities		**36,190,605**	**35,124,278**

Cavotec Group Holdings N.V. & Subsidiaries

Consolidated Profit and Loss account - for the year ended *December 31, 2003*

		2003 Euro	2002 Euro
Sales		**58,824,226**	**49,376,924**
Cost of sales		34,855,138	28,768,444
Total operating result		**23,969,088**	**20,608,480**
Personnel costs	Note 11	11,177,048	10,013,614
External services		3,807,215	3,779,384
Travelling expenses		939,809	893,120
General expenses		2,894,915	2,519,674
Depreciation		1,236,619	1,148,070
		20,055,606	**18,353,862**
Net margin on sales		**3,913,482**	**2,254,618**
Interest income		184,979	341,243
Interest expenses		–616,368	–660,536
Financial income / (loss)		**–431,389**	**–319,293**
Minority shares		–56,862	–14,230
Sub-Total		**–488,251**	**–333,523**
Result on ordinary activities before taxation		**3,425,231**	**1,921,095**
Share in net result other shares and participations	Note 12	138,817	27,183
Extraordinary income/(expenses)	Note 13	–139,949	–105,239
Result after extraordinary items before taxation		3,424,099	1,843,039
Income Taxes		1,140,072	924,808
Profit after taxation		**2,284,027**	**918,231**

Cavotec Group Holdings N.V. & Subsidiaries

Group Accounting Policies

Basis of preparation of financial statements
The consolidated financial statements for 2003 have been prepared in accordance with International Accounting Standards and comply with the International Financial Reporting Standards formulated by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment effected in prior years. EEC regulation CE 1606/2002 approved on 11 September 2002 prescribes that all companies quoted in the European Union must present consolidated financial statements in accordance with International Accounting Standards and International Financial Reporting Standards with effect from 2005. The Cavotec Group, although not quoted, has chosen to report under International Accounting Standards before this mandatory date by implementing such standards as of 2003. Except for certain adjustments relative to the recording of goodwill and related amortization, the financial statements for 2002 have not been restated as the retroactive application of International Accounting Standards for 2002 would not have resulted in significant adjustments.

Consolidation
Subsidiary undertakings, which are those undertakings in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements as from the date of acquisition or up to the date of disposal. All inter company transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group. Separate disclosure is made of minority interests. A listing of the Group's principal subsidiaries is set out in page 45.

Investments in Associates
Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Provisions are recorded for long-term impairment in value. Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss for the year. The Group's interest in the associate is carried in the balance sheet at an amount which reflects its share of the net assets of the associate and includes goodwill on the acquisition. A listing of the Group's principal associated undertakings is shown in page 45.

Basis of classification
The classification between current assets and current liabilities and medium and long term assets and liabilities is based on the generally accepted twelve month criteria.

Foreign currencies
The income statements of foreign entities are translated into Euros at average exchange rates for the year and the balance sheets are translated at year end exchange rates ruling on 31 December. Exchange differences arising from the retranslation of the net investment in foreign subsidiaries and associated undertakings and of borrowings which hedge such investments, are reflected directly in " Translation Reserve " included in shareholders' equity Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Foreign currency transactions in Group companies are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at year end exchange rates.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary / associated undertaking at the date of acquisition. Goodwill on acquisitions which occurred prior to 1 January 1995 was charged in full to free reserves; such goodwill has not been retroactively capitalised and amortised. Goodwill relating to acquisitions occurring between 1 January 1995 and 31 December 2000 which had previously also been written off against free reserves has been restated in the balance sheet as of 1 January 2002 net of the related amortisation attributable thereto. Such goodwill and goodwill on acquisitions arising after 1 January 2001 is reported in the balance sheet as an intangible asset and has been amortised for years up to and including 2001 using the straight line method over its estimated useful life which was deemed as not to exceed ten years. No goodwill amortisation has been recorded for 2002 and 2003 in accordance with the provisions of International Financial Reporting Standard 3 which requires that goodwill should be written down based on annual impairment tests and not based on systematic annual amortisation charges.

Research and development
Research and development expenditure is recognised as an expense except that costs incurred on development projects are recognised as development assets (intangible assets) to the extent that such expenditure is expected to have future benefits. However, development costs initially recognised as an expense are not recognised as an asset in a subsequent period. Development costs which have been capitalised are amortised from the commencement of commercial production of the product to which they relate on a straight line basis over the period of expected benefit but not exceeding five years.

Computer software development costs
Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product which will be controlled by the group and has a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset. Associated costs include staff costs of the development team and an appropriate portion of relevant overheads. Computer software development costs recognised as assets relate primarily to ERP systems which are amortised on a straight line basis at the rate of 20% per annum.

Other intangible assets and deferred charges
Patents, trademarks, licences and other costs having future benefits are stated at cost and generally amortised on a straight-line basis at an annual rate of 20%.

Fixed assets and related Depreciation
Fixed assets are stated at cost, including related acquisition costs, except for assets deriving from acquisition of subsidiaries which are stated at fair value as of the acquisition date.

Maintenance and repair costs are charged to income as incurred; improvements and other expenditures which significantly increase the production capacity or the useful lives of fixed assets are capitalized.

Depreciation is determined on the straight-line method based upon the following rates reflecting the estimated useful lives of the assets:

Annual percentage

Industrial buildings	4
Building improvements and other constructions in leasehold	20
Plant and machinery	10 to 20
Laboratory equipment and miscellaneous tools	20
Furniture and office machines	20
Motor vehicles	20
Computer hardware	33 1/3

In the year of acquisition fixed assets are depreciated at half the annual rate.

Accounting for leases
Leases of property, plant and equipment where the Group assumes substantially all of the risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to receive a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance charges is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset. Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Inventories
Inventories are stated at the lower of cost or net realisable value. Cost is determined on the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Obsolete or un saleable items are written down to values which reflect their net realisable values while slow moving items or items exceeding sales or production requirements in the ordinary course of business are covered by a provision.

Accounts receivable
Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end and an appropriate provision for bad and doubtful debts is recorded. Bad debts are written off in the year in which they are identified.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts and other bank borrowings. In the balance sheet bank overdrafts and other bank borrowings are included in long-term and current liabilities.

Provisions
Provisions are recognised when the Group has a present obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Employee entitlements to annual leave are recognised when they accrue to employees and a provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

Pension obligations
The Group has pension obligations for certain members of its staff. Such obligations are based on defined contribution plans which are funded annually with insurance companies and the costs relative to which are charged to income in the year to which they relate.

Deferred Compensation
This liability represents deferred pay due to certain employees at the end of the year in accordance with the relative labour regulations in certain countries. The amount payable is calculated in accordance with the existing legal requirements and the related national labour contracts. The major part of this liability is long term in nature.

Revenue recognition
Sales are recognised upon delivery of product and customer acceptance, if any. Sales are stated net of value-added taxes.

Cost of sales
This includes the historic or manufacturing costs of the products sold, as well as the costs of purchasing, storage and transport.

Income taxes
Income taxes are provided based on national tax rates and applicable tax legislation in the countries in which the group operates and comprise both current and deferred taxes and are calculated based on the earnings of the various group companies. Deferred taxation is provided to recognise the tax effect of items which are included in the financial statements in a period different from that in which they are dealt with for tax purposes. Deferred taxes are generally accounted for under the deferral method, on the basis of tax rate in effect at the balance sheet date. Deferred tax assets are recorded in the balance sheet only if there realisation is assured in the foreseeable future.

Minority interests
These represent the share of third party stockholders in the net earnings and equity of certain consolidated subsidiaries.

Argentina	1 €=	3.53200	ARP	Singapore	1 €=	2.14000	SGD
Australia	1 €=	1.67800	AUD	South Africa	1 €=	8.33000	ZAR
Canada	1 €=	1.62600	CAD	Sweden	1 €=	9.07000	SEK
China	1 €=	10.4121	RMB	United Arab Emirates	1 €=	4.62500	AED
Denmark	1 €=	7.44500	DKK	United Kingdom	1 €=	0.70480	GBP
Hong Kong	1 €=	9.78000	HKD	USA	1 €=	1.25800	USD
Norway	1 €=	8.40000	NOK				

Notes to the consolidated financial statements - for the year ended December 31, 2003

Note 1. Restatement of Goodwill and Retained Earnings

The group has implemented International Accounting Standards and International Financial Reporting Standards as from 2003. Except for certain adjustments relative to goodwill and related amortisation, the financial statements for 2002 have not been restated as the retroactive application of International Accounting Standards for 2002 would not have resulted in significant adjustments. The adoption of these standards for 2003 and the retroactive application of IFRS 3 as of 1 January 2002 have resulted in the restatement of both goodwill and retained earnings by an amount of Euro 1.078.037.

Note 2. Intangible fixed assets - €

	Research & Development	Patents and intellectual property	Goodwill	Total
Book value January 1, 2003	**56,244**	**891,987**	**5,055,546**	**6,003,777**
Movement				
Purchases for the year	363,210	12,298	–	375,508
Disposals for the year	–1,937	–	–	–1,937
Revaluation for the year	–	–	–	–
Value changes for the year	–	–	–	–
Depreciation for the year	–118,728	–191,561	–	–310,289
Currency exchange differences	–3,961	–381,160	–112,130	–497,251
Deconsolidations	–	–	–	–
Net year movement	**238,584**	**–560,423**	**–112,130**	**–433,969**
December 31, 2003	**294,828**	**331,564**	**4,943,416**	**5,569,808**
Acquisition price	633,563	1,101,804	4,963,152	6,698,519
Revaluations	–	–	–	–
	633,563	**1,101,804**	**4,963,152**	**6,698,519**
Accumulated depreciation and value changes	–338,735	–770,240	–19,736	–1,128,711
Book value December 31, 2003	**294,828**	**331,564**	**4,943,416**	**5,569,808**

Note 3. Tangible fixed assets - €

	Machinery, equipment and tools	Land & Buildings	Other tangible fixed assets	Total
Book value January 1, 2003	**1,670,039**	**1,495,410**	**748,341**	**3,913,790**
Movement				
Purchases for the year	245,886	–	253,488	499,374
Disposals for the year	–152,875	–	–66,030	–218,905
Revaluation for the year	–	–	–	–
Value changes for the year	–	–	–	–
Depreciation for the year	–520,589	–63,040	–257,252	–840,881
Currency exchange differences	–51,817	–52,503	29,411	–74,909
Deconsolidations	–	–	–	–
Net year movement	–479,395	–115,543	–40,383	–635,321
December 31, 2003	**1,190,644**	**1,379,867**	**707,958**	**3,278,469**
Acquisition price	5,679,834	1,447,251	3,200,461	10,327,546
Revaluations	111,906	168,352	5,432	285,690
	5,791,740	1,615,603	3,205,893	10,613,236
Accumulated depreciation and value changes	–4,601,096	–235,736	–2,497,935	–7,334,767
Book value December 31, 2003	**1,190,644**	**1,379,867**	**707,958**	**3,278,469**

Note 4. Financial fixed assets - €

	Other shares and participations	Long-term receivables	Total
Book value January 1, 2003	**154,623**	**155,140**	**309,763**
Movement			
Purchases for the year	16,667	44,459	61,126
Disposals for the year	–	–10,378	–10,378
Revaluation for the year	–	–	–
Value changes for the year	138,817	–	138,817
Depreciation for the year	–	–	–
Currency exchange differences	–31,719	3,733	–27,986
Deconsolidations	–	–	–
Transfer to provisions	–	–	–
Net year movement	**123,765**	**37,814**	**161,579**
December 31, 2003	**278,388**	**192,954**	**471,342**
Acquisition price	251,790	192,954	444,744
Revaluations	–	–	–
	251,790	**192,954**	**444,744**
Accumulated depreciation and value changes	26,598	–	26,598
Book value December 31, 2003	**278,388**	**192,954**	**471,342**

Total fixed assets - €

	Intangible fixed assets	Tangible fixed assets	Financial fixed assets	Total
Book value January 1, 2003	**6,003,777**	**3,913,790**	**309,763**	**10,227,330**
Movement				
Purchases for the year	375,508	499,374	61,126	936,008
Disposals for the year	–1,937	–218,905	–10,378	–231,220
Value change for the year	–	–	138,817	138,817
Depreciation for the year	–310,289	–840,881	–	–1,151,170
Currency exchange differences	–497,251	–74,909	–27,986	–600,146
Deconsolidations	–	–	–	–
Net year movement	**–433,969**	**–635,321**	**161,579**	**–907,711**
December 31, 2003	**5,569,808**	**3,278,469**	**471,342**	**9,319,619**
Acquisition price	6,698,519	10,327,546	444,744	17,470,809
Revaluations	–	285,690	–	285,690
	6,698,519	**10,613,236**	**444,744**	**17,756,499**
Accumulated depreciation and value changes	–1,128,711	–7,334,767	26,598	–8,436,880
Book value December 31, 2003	**5,569,808**	**3,278,469**	**471,342**	**9,319,619**

Note 5. Inventories

	2003 Euro	2002 Euro
Raw materials	3,509,823	3,646,442
Work in progress	777,808	692,934
Finished goods	4,625,951	4,785,318
Prepayments in stock	–261,838	–
	8,651,744	**9,124,694**

Note 6. Accounts receivable

	2003 Euro	2002 Euro
Accounts receivable	10,902,148	11,941,220
Other current receivable	880,208	1,604,535
	11,782,356	**13,545,755**

All receivables are due and receivable within one year

Note 7. Cash & bank in hand

	2003 Euro	2002 Euro
Cash at pool account	144,753	–
Cash & bank balances	6,199,039	2,151,671
Other liquid assets	93,094	74,828
	6,436,886	**2,226,499**

All cash is at the free disposal of the company

Note 8. Provisions

	2003 Euro	2002 Euro
Taxes	199,141	122,314
Deferred compensation	17,444	15,463
Other	375,137	341,284
	591,722	479,061

Note 9. Long-term liabilities

	2003 Euro	2002 Euro
Loans	2,551,576	348,369
Taxes	–13,237	–23,931
Deferred compensation	1,050,293	980,231
Convertible bonds	–	2,000,000
Other	136,007	325,102
	3,724,639	3,629,771

Note 10. Current liabilities

	2003 Euro	2002 Euro
Accounts payable	8,832,140	8,354,423
Dividend payable	360,000	180,000
Taxes and social security	1,510,333	1,191,763
Other current liabilities	1,661,678	2,435,364
Cash at pool account	–	388,203
Convertible bonds*	2,000,000	–
Bank credit	1,899,892	2,268,470
Short term loans	2,775,006	4,092,978
	19,039,049	18,911,201

All current liabilities are due and payable within one year

* *Convertible bonds are not carrying any interest.*
* *The bondholders have the right and the obligation to convert their bonds into shares.*
The conversion will be realized in the year 2004.

Note 11. Personnel costs

	2003 Euro	2002 Euro
Salaries and wages	7,993,678	6,814,738
Social security	1,397,850	1,092,770
Deferred compensation and pension premiums	460,649	474,015
Other personnel costs	1,324,871	1,632,091
	11,177,048	10,013,614

Number of personnel amounted to 294 (2002:298) at year end while the average during the year came to 302.

Directors' emoluments
The members of the Cavotec Board of directors as a group received emoluments for 2002 and 2003 amounting to € 940,946 and € 984,500, respectively. These emoluments include those amounts received by the directors for the services provided by them to other companies within the Group.

Note 12. Share in net result other shares and participations

	2003 Euro	2002 Euro
	138,817	27,183

Note 13. Extraordinary income/expenses

	2003 Euro	2002 Euro
Extraordinary income		
(i.e. costs due to previous year and corporate income tax)	54,322	180,211
Extraordinary expenses		
(i.e. expenses due to previous year corporate income tax and revaluations)	194,271	285,450
Total extraordinary income/expenses	–139,949	– 105,239

Note 14. Interest bearing liabilities

	2003 Euro	2002 Euro
Bank credit	1,899,892	2,268,470
Short term loans*	2,775,006	4,092,978
Long term loans*	2,551,576	348,369
Cash at pool account	–	388,203
	7,226,474	7,098,020
Cash and bank in hand	–6,436,886	– 2,226,499
Net interest bearing liabilities	789,588	4,871,521

* Consisting of bank loans

Note 15. Securities and collaterals

Credit facility Skandinaviska Enskilda Banken AG, Frankfurt am Main
The SEB AG has provided a current account facility of € 2,000,000, and a renewable loan of € 800,000 via a subsidiary.

Collaterals:
- 100% of the shares of Cavotec Sverige AB
- pledge of the inventory, machinery and receivables of Cavotec Alfo GmbH
- cross quarantees given by Cavotec Sverige AB, Cavotec Alfo GmbH and Cavotec Specimas Spa in favour of Cavotec Group Holdings N.V.

For the pool account facility (see note 6) all participating firms (including Cavotec Group Holdings NV) assume joint and several liability to SEB AG Enskilda Banken A.G.

Other securities given:
Various tangible fixed assets, inventories and trade receivables have been given as security to local banks in connection with opening of credit lines.

Commitments and contingencies
The future minimum rental payments under non-cancellable operating leases as of December 31, 2003 amounted to € 479,928.
The Cavotec Group committed to pay an amount of € 451,369 related to rental payments for the year 2004.

Note 16. Subsequent Events

On 17 December 2003 the company signed an agreement to acquire, as of 1 January 2004, 100% of the share capital of M Fladung GmbH, Mombris, Germany, a leading player in the field of airport support systems. This transaction was closed in April 2004. The purchase price of this transaction is based on the average earnings generated by M Fladung GmbH for the years 2003 and 2004. In 2003 M Fladung reported revenues of some Euro 7.0 million.

In May 2004 an agreement in principle was reached with the shareholders of Micro – control AS, Norway to acquire the remaining 80% of the share capital of this company. Micro – control AS, which is a key manufacturer of advanced radio remote controls, reported revenues of some Euro 3.0 million in 2003.

In accordance with the terms of the issue of the Convertible Bonds amounting in total to Euro 2.0 million and included in current liabilities, these will be converted into share capital after formal approval by the shareholders at their next meeting scheduled to be held on 4 June 2004. This will have the effect of increasing net equity by Euro 2.0 million.

Cavotec Group Holdings N.V. & Subsidiaries

Consolidated cash flow statement for 2003 according to indirect method

	2003 Euro	2002 Euro	2001 Euro
1. Cash flow from operating activities			
Operating result	3,913,482	2,254,618	2,502,329
Adjustments for Depreciation	1,236,619	1,148,070	1,205,553
Subtotal	**5,150,101**	**3,402,688**	**3,707,882**
Movements in working capital:			
Increase/Decrease in trade debtors	1,763,399	–1,914,403	1,035,408
Increase/Decrease in stocks	472,950	–1,209,553	–556,468
Increase/Decrease in trade creditors/curr.liabilities including VAT payable/reclaimable	127,848	1,897,182	–358,575
Subtotal	**2,364,197**	**–1,226,774**	**120,365**
Cash flow from commercial operations	**7,514,298**	**2,175,914**	**3,828,247**
Interest received	184,979	341,243	194,850
Interest paid	–616,368	–660,536	–628,733
Profit tax paid	–1,140,072	–924,808	–1,011,883
Extraordinary income	–139,949	–105,239	–595,615
Subtotal	**–1,711,410**	**–1,349,340**	**–2,041,381**
Total cash flow from operating activities	**5,802,888**	**826,574**	**1,786,866**
2. Cash flow from investing activities			
Acquisiton of financial fixed assets	–61,126	–324,935	–181,086
Deconsolidation	–	–	–
Share in net result subsidaries	–	–	–
Investment in intangible fixed assets	–375,508	–4,425,042	–560,010
Investment in tangible fixed assets	–499,374	–2,421,502	–1,199,648
Disposal of financial fixed assets	10,378	197,129	155,293
Disposal of intangible fixed assets	1,937	57,281	53,165
Disposal of tangible fixed assets	218,905	186,532	304,742
Total cash flow from investing activities	**–704,788**	**–6,730,537**	**–1,427,544**
3. Cash flow from financing activities			
Long-term liabilities	94,868	–106,641	–195,500
Emission of convertible bonds	–	2,000,000	–
Provisions	112,661	270,199	–86,652
Increase share capital	–	226,137	–
Increase share premium	–	2,965,760	–
Increase/(decrease) of currency exchange reserve	–899,580	–794,191	9,096
Other movements in reserves	–360,000	–215,808	–148,500
Total cash flow from financing activities	**–1,052,051**	**4,345,456**	**–421,556**
Net cash flow (Grand Total 1-3)	**4,046,049**	**–1,558,507**	**–62,234**
Effect of exchange rate changes on cash items	375,880	71,051	63,320
Share in net result other shares and participations	138,817	27,183	–56,077
Minority shares	–350,359	2,508,982	–8,942
Increase/Decrease in cash	**4,210,387**	**1,048,709**	**–63,933**

Cavotec Group Holdings N.V.

Corporate Balance Sheet

at December 31, 2003

			2003 Euro	2002 Euro
Assets	Fixed assets			
	Intangible fixed assets	Note 5	2,358,079	2,361,890
	Financial fixed assets	Note 6	14,014,722	13,462,693
	Total fixed assets		**16,372,801**	**15,824,583**
	Current assets	**Note 7**	**1,938,625**	**1,342,154**
	Total assets		**18,311,426**	**17,166,737**
Liabilities	Shareholders' equity	Note 8	10,451,959	9,427,512
	Provisions	Note 9	308,528	372,501
	Long-term liabilities	Note 10	2,450,000	2,182,314
	Current liabilities	Note 11	5,100,939	5,184,410
	Total liabilities		**18,311,426**	**17,166,737**

Corporate Profit and Loss account - for the year ended

December 31, 2003

	2003 Euro	2002 Euro
Income from investments after taxation	2,287,374	1,002,418
Other profit / (loss) before taxation	−3,347	−84,187
Profit after taxation	**2,284,027**	**918,231**

Notes to the corporate financial statements - for the year ended
December 31, 2003

Note 1.
General

Cavotec Group Holdings N.V. (the “company”), a corporation limited by shares, has its statutory seat in Ablasserdam, the Netherlands. The statutory financial statements of Cavotec Group Holdings N.V. have been prepared on the accrual basis in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 Book 2 of the Netherlands Civil Code. These financial statements are available at the Head Office of Cavotec Group Holdings N.V. in Albasserdam, The Netherlands.

Note 2.
Activities of the Company

The principal activities of the Cavotec are to act as a holding and finance company.

Note 3.
Basis of preparation of financial statements

The corporate financial statements for 2003 have been prepared in accordance with International Accounting Standards and comply with the International Financial Reporting Standards formulated by the International Accounting Standards Board (IASB).

Note 4.
Accounting principles

The corporate financial statements of the Company are included in the consolidated financial statements of the Group. The accounting policies used are similar to those used for the preparation of the consolidated finacial statements. The consolidated financial statements as presented on pages 34 through 41 form an integral part of these notes and reference is made to these pages for further information.

Note 5.
Intangible fixed assets - €

	Research & Development	Goodwill	Total
Book value January 1, 2003	**3,811**	**2,358,079**	**2,361,890**
Movement			
Purchases for the year	–	–	–
Disposals for the year	–	–	–
Value changes for the year	–	–	–
Depreciation for the year	–3,811	–	3,811
Net year movements	**–3,811**	**–**	**3,811**
December 31, 2003	**–**	**–**	**2,358,079**
Acquisition price	44,693	2,377,815	2,422,508
Total revaluations	–	–	–
	44,693	**2,377,815**	**2,422,508**
Accumulated depreciation	–44,693	–19,736	–64,429
Book value December 31, 2003	**–**	**2,358,079**	**2,358,079**

Note 6.
Financial fixed assets - €

	Investments in subsidiaries	Other Shares and participations	Loans to companies*	Total
Book value January 1, 2003	**13,262,743**	**138,690**	**61,260**	**13,462,693**
Equity share in profits	2,148,557	138,817	–	2,287,374
Dividends received	–790,514	–	–	–790,514
Currency exchange difference	–1,124,778	–32,931	–	–1,157,709
Purchases,capital increase and other movements	258,973	17,878	–	276,851
Transfer to provision	–63,973	–	–	–63,973
Total value changes	**428,265**	**123,764**	**–**	**552,029**
Book value December 31, 2003	**13,691,008**	**262,454**	**61,260**	**14,014,722**

* € 61,260 to group companies

Note 7. Current assets

	2003 Euro	2002 Euro
Acc. receivable group companies	295,139	452,439
Dividend receivable	740,009	762,384
Cash & bank balances	826,075	51,680
Taxes	52,402	23,703
Other	25,000	51,948
	1,938,625	1,342,154

Shareholder's equity

Note 8. Share Capital

	2003 Euro	2002 Euro
Starting balance	900,000	673,863
Capital increase	–	226,137
Year-endend balance	900,000	900,000

Share-premium

	2003 Euro	2002 Euro
Starting balance	5,122,011	2,156,251
Capital increase	–	2,965,760
Year-endend balance	5,122,011	5,122,011

Legal reserve

	2003 Euro	2002 Euro
Starting balance	1,013,300	988,717
Capital increase	–	33,522
Transfer to retained profit	–3,811	–8,939
Year-ended balance	1,009,489	1,013,300

Currency Exchange Reserve

	2003 Euro	2002 Euro
Starting balance	–465,630	328,561
Increase/(decrease) for the year	–899,580	–794,191
Year-ended balance	–1,365,210	–465,630

Retained profit

	2003 Euro	2002 Euro
Starting balance	2,857,831	2,179,991
Transfer from legal reserves	3,811	8,939
Net profit for the year	2,284,027	918,231
Dividend distribution	–360,000	–249,330
	4,785,669	2,857,831

Summary of shareholders' equity

	2003 Euro	2002 Euro
Share capital	900,000	900,000
Share premium	5,122,011	5,122,011
Legal reserve	1,009,489	1,013,300
Currency exchange reserve	–1,365,210	–465,630
Retained profit	4,785,669	2,857,831
	10,451,959	9,427,512

The authorized share capital consists of 400,000 common shares of Euro 5 each, the issued and paid–up share capital amounts to 180,000 common shares.

Note 9. Provisions

	2003 Euro	2002 Euro
Negative value of subsidiaries	308,528	372,501

Note 10. Long-term liabilities

	2003 Euro	2002 Euro
Convertible bonds	–	2,000,000
Bank loan	2,450,000	182,314
	2,450,000	2,182,314

Note 11. Current liabilities

	2003 Euro	2002 Euro
Accounts payable	24,416	58,585
Proposed dividend	360,000	180,000
Acc. payable group companies	1,099,678	1,018,458
Other current liabilities	16,845	506,899
Cash at cash pool account	–	336,566
Convertible bonds*	2,000,000	–
Bank credit	1,600,000	3,083,902
	5,100,939	5,184,410

**Convertible bonds are not carrying any interest*

**The bond holders have the right and the obligation to convert their bonds into shares*

The conversion will be released in the year 2004

Note 12. Employees

The company employed an average number of five people in 2003 with a total cost for remuneration of € 96,000. In 2002, the company employed an average number of four people, with a total cost for remuneration of € 58,599.

Note 13. Directors

The Board of Directors consists of ten members.

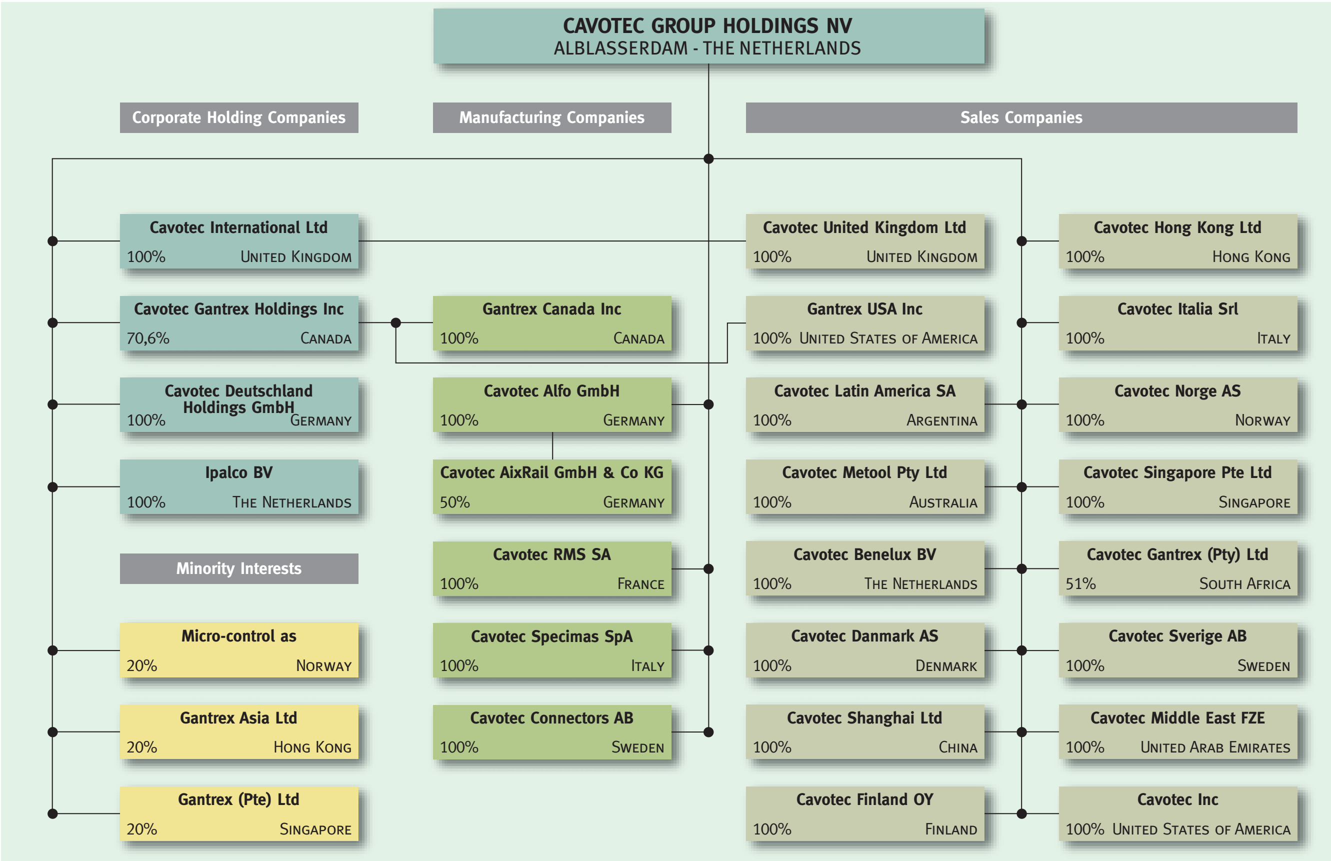
Ablasserdam, May 10th, 2004

The Board of Directors

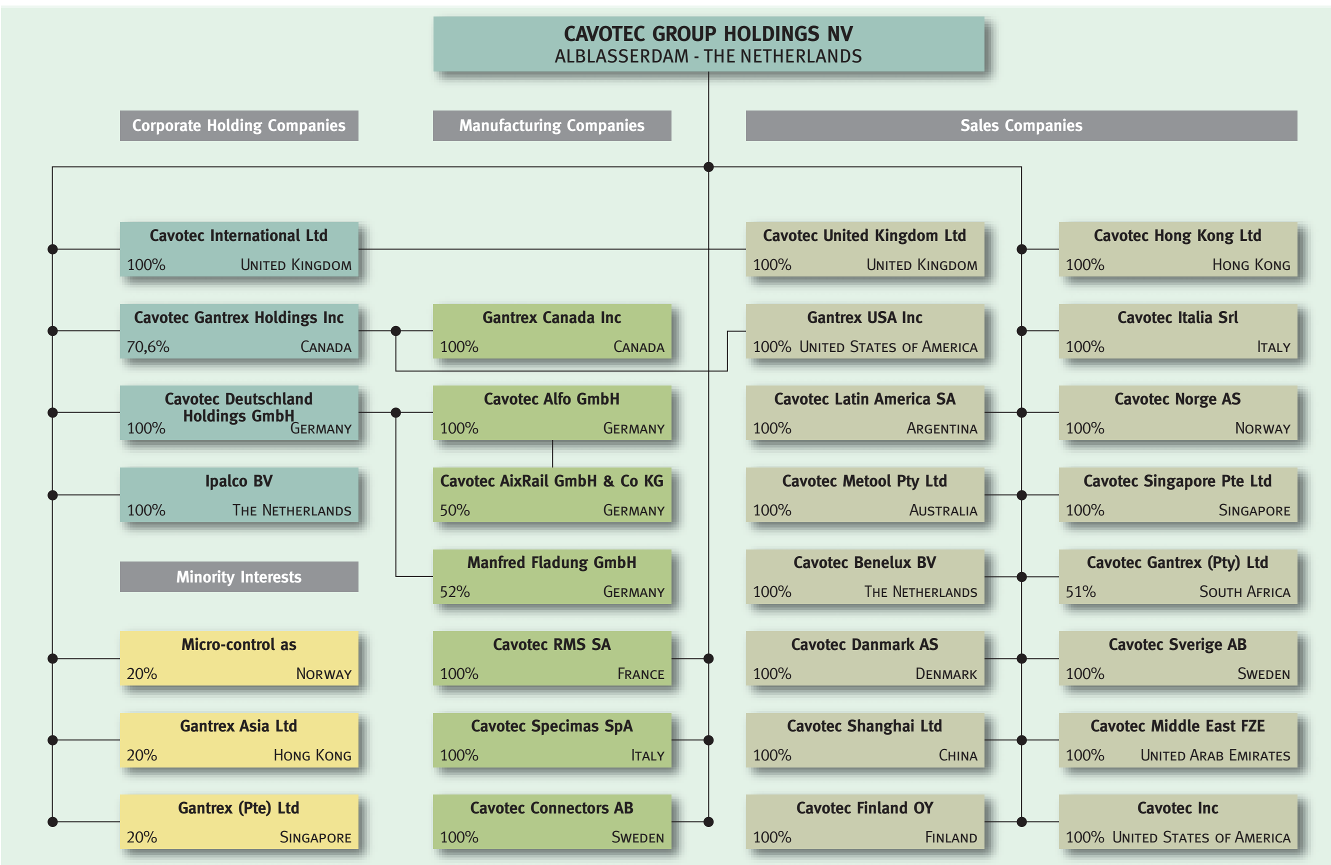
Stefan Widegren	Marco Baratti
Ottonel Popesco	Claudio Mauri
Jack Groesbeek	Erik Lautmann
Lars Hellman	Fabio Cannavale
Peter Brandel	Federico Oriani

Cavotec major subsidiaries and participations

Cavotec Group Fiscal Organization Chart as per December 31, 2003



Cavotec Group Fiscal Organization Chart as per April 30, 2004



Auditor's report

We have audited the 2003 financial statements of Cavotec Group Holdings N.V. at Alblasserdam. These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with audit standards generally excepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the company as of 31 December 2003 and of the result for the year then ended in accordance with International Accounting Standards and comply with the International Financial Reporting Standards formulated by the International Accounting Standards Board.

Rozenburg, May 10th, 2004

MOORE STEPHENS MSN B.V.

Edwin P.H. van Ravenswoud
Registeraccountant

Dividend proposal

"Management proposes to declare a dividend of € 2.00 per share (totaling € 360,000). This proposal has already been included in the financial statements."


MAHER
44

With its strong network of manufacturing and sales companies and distributors throughout the world, the Cavotec Group is prepared to give customers the support they need, no matter where they are located.

Websites:
www.cavotec.com
www.gantrex.com
www.fladung-systems.de
www.micro-control.no

Headquarters

Cavotec Group Holdings N.V.
Postbus 213
NL-2950 AE Alblasserdam
The Netherlands
phone: + 31 78 693 0794
fax: + 31 78 693 1212

Corporate Offices

Cavotec Monza
Via Italia, 28
IT-20052 Monza (Milan)
Italy
phone: + 39 039 230 24 68
fax: + 39 039 32 24 24

Cavotec Stockholm
Markörgatan 3
SE-136 44 Haninge
Sweden
phone: + 46 8 556 52 220
fax: + 46 8 556 52 219

Cavotec International Ltd
Stirling Way
Market Deeping
GB-Lincolnshire PE6 8AS
United Kingdom
phone: + 44 1778 346 769
fax: + 44 1778 341 850

Corporate IT
Postboks 838
NO-3007 Drammen
Norway
phone: + 47 3226 4509
fax: + 47 3226 4510

Sales Companies and Distributors

Australia
Cavotec Metool Pty Ltd
Cardiff (Newcastle)
phone: + 61 2 4956 5788
fax: + 61 2 4956 5823

BeNeLux
Cavotec Benelux BV
Alblasserdam
phone: + 31 78 693 1200
fax: + 31 78 693 1212

Brazil
Gantrex Marlin
Rio de Janeiro
phone: + 55 21 325 6339
fax: + 55 21 325 1184

Chile
Gantrex Chile Corp
Santiago
phone: + 56 2 225 5415
fax: + 56 2 223 9386

China
Cavotec China Ltd
Shanghai
phone: + 86 21 6489 8301
fax: + 86 21 3417 0255

Denmark
Cavotec Danmark AS
Odense S
phone: + 45 63 13 13 00
fax: + 45 63 13 13 02

Egypt
ASE
Cairo
phone: + 20 2 639 3155
fax: + 20 2 245 9599

Finland
Cavotec Finland Oy
Espoo
phone: + 358 9 8870 200
fax: + 358 9 8870 2050

France
Cavotec RMS SA
Cergy Pontoise (Paris)
phone: + 33 1 30 37 99 00
fax: + 33 1 30 37 98 98

Germany
Cavotec Alfo GmbH
Eschborn (Frankfurt)
phone: + 49 6196 50 95 00
fax: + 49 6196 50 950 22

Hong Kong
Cavotec Hong Kong Ltd
Shatin
phone: + 852 2791 6161
fax: + 852 2791 1834

Italy
Cavotec Italia Srl
Nova Milanese (Milan)
phone: + 39 0362 36 76 06
fax: + 39 0362 36 75 88

Korea
Cavotec Korea Branch
Ulsan
phone: + 82 52 277 4511
fax: + 82 52 277 4512

Latin America
Cavotec Latin America SA
Buenos Aires - Argentina
phone: + 54 11 4743 7049
fax: + 54 11 4743 9914

Mexico
Gantrex Mexico
Monterrey
phone: + 11 52 8186 2533 34
fax: + 11 52 8186 2533 33

Middle East
Cavotec Middle East FZE
Dubai
phone: + 971 4 883 83 50
fax: + 971 4 883 83 52

Norway
Cavotec Norge AS
Drammen
phone: + 47 3226 4500
fax: + 47 3226 4510

Micro-control
Stjørdal
phone: + 47 7483 9861
fax: + 47 7483 9899

Singapore
Cavotec Singapore Pte Ltd
Singapore
phone: + 65 6862 2545
fax: + 65 6862 2548

South Africa
Cavotec Gantrex (Pty) Ltd
Germiston
phone: + 27 11 822 2113
fax: + 27 11 822 2899

Sweden
Cavotec Sverige AB
Haninge
phone: + 46 8 556 52 200
fax: + 46 8 556 52 222

Taiwan
Ehrung Industrial Co. Ltd
Taipei Hsein
phone: + 886 3 324 6458
fax: + 886 3 324 5801

UK & Ireland
Cavotec UK Ltd
Market Deeping
phone: + 44 1778 346 769
fax + 44 1778 341 850

USA & Canada
Cavotec Inc
Statesville (Charlotte) NC
phone: + 1 704 873 3009
fax: + 1 704 873 3093

Gantrex Inc
Pittsburgh PA
phone: + 1 412 655 1400
fax: + 1 412 655 3814

Manufacturing Companies

Australia
Cavotec Metool Pty Ltd
Kewdale WA
phone: + 61 8 9453 3952
fax: + 61 8 9453 3972

Canada
Gantrex Canada Inc
Ajax, Ontario
phone: + 1 905 686 0560
fax: + 1 905 686 0962

China
Cavotec China Ltd
Shanghai
phone: + 86 21 6489 8301
fax: + 86 21 3417 0255

France
Cavotec RMS SA
Cergy Pontoise (Paris)
phone: + 33 1 30 37 99 00
fax: + 33 1 30 37 98 98

Germany
Cavotec Alfo GmbH
Overath (Köln)
phone: + 49 2206 60 95 00
fax: + 49 2206 60 95 22

Cavotec AixRail GmbH
Aachen
phone: + 49 2411 68 91 10
fax: + 49 2411 68 91 19

Manfred Fladung GmbH
Mömbris (Frankfurt)
phone: + 49 6029 97 100
fax: + 49 6029 7464

Italy
Cavotec Specimas SpA
Nova Milanese (Milan)
phone: + 39 0362 45 11 11
fax: + 39 0362 412 33

Sweden
Cavotec Connectors AB
Dalby (Malmö)
phone: + 46-46 202 112
fax: + 46 46 200 303

Cavotec Sverige AB
Haninge
phone: + 46 8 556 522 00
fax: + 46 8 556 522 22

USA
Cavotec Inc
Statesville (Charlotte) NC
phone: + 1 704 873 3009
fax: + 1 704 873 3093

Cavotec Partners

Brevetti Stendalto
Monza, Italy

De Jong
Leerdam, The Netherlands

Mooring Systems
Christchurch, New Zealand

Pirelli Cavi
Milan, Italy

Tratos Cavi
Florence, Italy