Strong commitment to improving profitability

Mikko Puolakka, CFO
Strong commitment to improving profitability

We have delivered solid improvement in profitability

Our cost efficiency programs are on track

Our financing structure supports strategy execution

We have a concrete plan in place to reach 10% EBIT
We have increased EBIT* margins since 2013 through operational improvements

- EBIT* 2013 EUR 127 million
- EUR 264 million better gross profit
- EUR 133 million increase in fixed costs
- EBIT* Q2 2017 LTM** EUR 258 million

2013 EBIT-%

- Hiab equipment 3.4%
- Service and software 1.9%
- Kalmar’s large projects 1.6%
- Kalmar equipment 1.0%
- MacGregor equipment business -1.5%
- R&D, Software, Sales network and Service investments -2.5%
- Other fixed costs increases -0.3%
- Q2 2017 LTM EBIT-% 7.5%

*Excluding restructuring costs
**LTM=Last 12 months (Q3/16-Q2/17)
We have four main profit improvement programs in place

EUR 25 million (MacGregor)
EUR 2 million (Interschalt)
EUR 13 million (Lidhult assembly transfer in Kalmar)
EUR 50 million (indirect purchasing and new Business Services operations)
# Business Area cost efficiency programs are on track

<table>
<thead>
<tr>
<th>Scope and Target</th>
<th>Status June 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MacGregor</strong></td>
<td></td>
</tr>
<tr>
<td>Reduction of 230 FTEs in China, Finland, Norway, Singapore and Sweden</td>
<td>Layoffs, asset divestments and lease contract terminations completed</td>
</tr>
<tr>
<td>Annual savings EUR 25 million in 2017</td>
<td>EUR 12 million savings in H1 2017</td>
</tr>
<tr>
<td><strong>Interschalt</strong></td>
<td></td>
</tr>
<tr>
<td>Re-organising operations in Germany, USA and China</td>
<td>Layoffs completed</td>
</tr>
<tr>
<td>Annual savings EUR 2 million in 2017</td>
<td>EUR 1 million savings in H1 2017</td>
</tr>
<tr>
<td><strong>Transfer of Kalmar production site</strong></td>
<td></td>
</tr>
<tr>
<td>Forklift trucks production from Lidhult, Sweden to Stargard, Poland</td>
<td>Production facilities ready. Light and medium fork lift trucks already moved, heavy transferred in H2 2017.</td>
</tr>
<tr>
<td>Annual savings EUR 13 million from 2018 onwards</td>
<td></td>
</tr>
</tbody>
</table>
Group wide EUR 50 million cost savings programme proceeding faster than expected

**WHY**
- Investments in common systems as enabler
- EUR ~600 million addressable indirect cost base

**WHAT**
- Reductions in indirect purchasing spend (EUR 30 million), and more efficient support functions (EUR 20 million)

**HOW**
- Central procurement organization to drive indirect procurement cost and efficiency
- Establishing support function services in Sofia
- Automation in Finance, HR, information management and procurement

![Expected savings compared to 2016 cost level, MEUR](chart.png)

- Indirect procurement
- Support functions

Including business services centre in Sofia

Group wide EUR 50 million cost savings programme proceeding faster than expected

Cargotec CMD 2017 12/9/2017 6
Strategic sourcing actions and increased efficiencies drive the EUR 30 million indirect procurement savings

2017: EUR 5 million

2020: EUR 30 million

- Strategic sourcing
- Increased efficiencies

Strategic sourcing
- Consolidation of current supplier base
- Example categories: logistics, facilities management, MRO & investments

Increased efficiencies
- New tools, harmonised processes, automation and internal procurement savings
We establish Cargotec Business Services in Sofia to improve support function efficiency by EUR 20 million

- Savings from consolidation, outsourcing of certain activities, labour arbitrage and robotics
- Scope: Finance, Human Resources, Information Management and Indirect Procurement services primarily from Sofia, Bulgaria
- Good progress in establishing Cargotec Business Services
  - Infrastructure ready, key positions manned
  - First 53 employees joined on 1st of August, induction has started
- Finland as pilot, cooperation negotiations completed in June 2017
Working capital efficiency supports cash flow generation

**Key drivers**
- Supply chain optimisation
- Central spare parts inventory
- Supplier financing
- Payment term harmonisation
- Services growth
- Low project orders in Kalmar and MacGregor

**Key drivers**
- Higher profit
- Working capital efficiency actions
- Asset light business model

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*LTM=Last 12 months (Q3/16-Q2/17)*
Strong cash flow supports higher dividends as well as investments in R&D and M&A

- Dividend distribution according to dividend policy of 30-50% of earnings
- M&A to support strategy
- Investing in organic growth through R&D

Free cash flow generation

Sources of funds, 2013 – H1/2017, MEUR

- Change in bank and cash: 35
- Other financing: 59
- Operative cash flow: 1,125
- R&D*: 405

Use of funds

- Dividends: 222
- CAPEX: 231
- M&A: 341
- Financial costs: 157
- Taxes: 259

*R&D is included in the operative cash flow
M&A strategy focusing on bolt-on acquisitions

Key acquisition criteria
Contribution to 15% ROCE target
Recurring business
Increase the potential for services through larger installed base and increased presence
Group gearing long term target of 50%

M&A focus by business area:
Kalmar
Expand service footprint and software offering
Hiab
Expand geographical presence, service and product offering
MacGregor
Focus on distressed assets and software and intelligent technology

Net debt and gearing

<table>
<thead>
<tr>
<th>Year</th>
<th>Net debt (MEUR)</th>
<th>Gearing-%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>578</td>
<td>46.7 %</td>
</tr>
<tr>
<td>2014</td>
<td>719</td>
<td>59.2 %</td>
</tr>
<tr>
<td>2015</td>
<td>622</td>
<td>46.4 %</td>
</tr>
<tr>
<td>2016</td>
<td>503</td>
<td>36.0 %</td>
</tr>
<tr>
<td>Q2/17</td>
<td>599</td>
<td>42.7 %</td>
</tr>
</tbody>
</table>

Net debt and gearing are shown in MEUR.
## Updated financial targets reflect increased stability and profitability

<table>
<thead>
<tr>
<th>Targets from 2015</th>
<th>New targets</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grow faster than the market</td>
<td>Grow faster than the market</td>
<td>Growth rates 2013 - Q2 2017 LTM per annum (CAGR): Kalmar 2.0%, Hiab 5.9%, MacGregor -3.6%</td>
</tr>
<tr>
<td>EBIT margin 10% for each business area over the cycle</td>
<td>Cargotec operating profit margin 10% in 3-5 years</td>
<td>Q2 2017 LTM: 7.5%**</td>
</tr>
<tr>
<td>Service and software sales 40% of net sales</td>
<td>Service and Software sales 40% of net sales, minimum EUR 1.5 billion in 3-5 years</td>
<td>Q2 2017 LTM: 30% total EUR 1.04 billion</td>
</tr>
<tr>
<td>Dividend 30-50% of earnings per share</td>
<td>Increasing dividend in the range of 30-50% of EPS, dividend to be paid twice a year*</td>
<td>2013-2016: steady 31% p.a. (CAGR) increase in absolute dividend, average 46% of EPS</td>
</tr>
<tr>
<td>15% ROCE over the cycle</td>
<td>15% ROCE in 3-5 years</td>
<td>Q2 2017: 10.2% (annualised)</td>
</tr>
<tr>
<td>Gearing below 50%</td>
<td>Gearing below 50%</td>
<td>Gearing 42.7% in Q2 2017</td>
</tr>
</tbody>
</table>

*To be proposed to Annual General Meeting 2018
**Excluding restructuring costs
We have good growth opportunities in all business areas

<table>
<thead>
<tr>
<th>KALMAR</th>
<th>HIAB</th>
<th>MACGREGOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Increasing average ship size and container throughput growth</td>
<td>▪ Growing construction market</td>
<td>▪ Growing global trade</td>
</tr>
<tr>
<td>▪ Growing automation penetration</td>
<td>▪ Changing distribution patterns and models</td>
<td>▪ Growing demand for energy</td>
</tr>
<tr>
<td>▪ Growing replacement market</td>
<td>▪ Increasing lifting equipment penetration in developing countries</td>
<td>▪ Maritime intelligence: Customers’ requirements on operational efficiency, predictability and sustainability</td>
</tr>
<tr>
<td>▪ Inland logistics and intermodal offering</td>
<td>▪ Broad spectrum of industries and segments where involved</td>
<td>▪ Blue Growth: clean energy, aquaculture, maritime resources</td>
</tr>
</tbody>
</table>

MEGATRENDS
Globalisation, urbanisation, population growth, growing middle class, increasing consumption, digitalisation, energy demand, environmental awareness and demand for more intelligent solutions
Our target is to reach 10% EBIT in the next 3-5 years

- 7.5% Q2/17 LTM* EBIT**
- ~1-2% Growth in Kalmar & Hiab equipment growth
- ~0.1% Kalmar's large projects and MacGregor equipment
- ~0.5-1% Continuing innovations (R&D investments)
- ~0% Improve cost efficiency, leveraging sales
- ~1-2% EBIT target in the next 3-5 years

*LTM=Last 12 months (Q3/16-Q2/17)
**Excluding restructuring costs
Higher operating profit is key driver to reach 15% ROCE target
We aim to increase dividends annually

Dividend per B share for 2016: EUR 0.95

Higher EPS and strong cash flow support increasing dividend

- Dividend to be paid twice a year*

Target to increase the dividend in the range of 30-50% of EPS

*To be proposed to AGM 2018
Strong commitment to improving profitability

We have delivered solid improvement in profitability
Our cost efficiency programs are on track
Our financing structure supports strategy execution
We have a concrete plan in place to reach 10% EBIT