Q3 2014 London road show
27-28 November 2014

Executive Vice President and CFO Eeva Sipilä
Cargotec in brief
Cargotec’s business areas

**MacGregor**
- MacGregor offers integrated cargo flow solutions for maritime transportation and offshore industries
- Global company with facilities near ports worldwide
- Wide offering for ships, ports and terminals and offshore industry

**Kalmar**
- Kalmar offers the widest range of cargo handling solutions and services to ports, terminals, distribution centres and heavy industry
- Industry forerunner in terminal automation and in energy efficient container handling

**Hiab**
- Hiab is the global market leading brand in on-road load handling solutions
- Load handling solutions are used in various sectors of on land transport and delivery, including construction, distribution, forestry, warehousing, waste and recycling, and defence
Cargotec’s business basics

Cargotec sales split in 1-9/2013

- MacGregor: 26%
- Kalmar: 31%
- Hiab: 43%

Geographical split of sales in 1-9/2014

- EMEA: 22%
- APAC: 23%
- AMER: 28%

Services share of sales in 1-9/2014

- EMEA: 22%
- APAC: 23%
- AMER: 43%

Order to delivery lead time

- EMEA: 12-24 months
- APAC: 6-9 months
- AMER: 2-4 months
Key drivers for the business areas

**MacGregor**
- Merchant ship building
- Development of global energy demand and oil price, which have a direct impact on exploration and production (E&P) spending and investment in the oil industry
- Oil drilling moving to new locations
  - Deep sea environments and subsea installations drive demand for premium products
- Ship dry dockings, repairs and modernisations
- Preventive maintenance and on-call service needs

**Kalmar**
- Gross domestic product (GDP) growth is the main driver behind activities in ports and terminals and in the industrial sector
- Container traffic is an important driver for around 70 percent of Kalmar’s business operations
  - Drewry Shipping Consultants estimates that global container throughput will grow by around five percent per year
  - Growth in Asia-Pacific is expected to be double that of the rest of the world
- Capacity utilisation drives services
- Bigger ships drive crane refurbishment
- Preventive maintenance and outsourcing needs

**Hiab**
- Hiab’s business fluctuates based on truck sales and construction activity. Sentiments in the distribution, warehousing and forest businesses also affect Hiab
- Residential houses, associated roof constructions and other construction elements are increasingly built elsewhere and transported to their location
  - In mature markets, this creates a need for Hiab products, especially for high capacity equipment
  - In emerging markets, the trend involves a move away from small transportation packages
- Crane utilisation and increased remote diagnostics drive services
Key competitors

MACGREGOR

KALMAR

HIAB
Cargotec’s must wins 2013–2014

- Converting Hiab’s high business potential into profitability
- Creating solid platform for growth through successful integration of acquisitions in MacGregor
- Safeguarding competitiveness in mobile equipment in Kalmar
- Driving services offering development and growth in MacGregor and Kalmar
- Driving growth in automation in Kalmar
Cargotec’s must wins 2014–2015

- Driving Hiab to best in class profitability and capital return
- Driving MacGregor profitability over the cycle through better effectiveness
- Safeguarding competitiveness in mobile equipment in Kalmar
- Driving services offering development and growth in MacGregor and Kalmar
- Driving growth in automation in Kalmar
Enabling better performance

> Building world class business platforms

> Performance culture

> Better control, predictability and capital returns

> Embracing digitalisation
Cargotec financial targets for 2016

- **Operating profit margin (EBIT)**: >8%
- **Return on capital employed (ROCE pre-tax)**: >13%
- **Gearing**: <50%
- **Dividend**: 30–50% of earnings per share
Contracting forecast reflects imbalance in the merchant ship market

Long-term contracting 2002–2023

World fleet additions 2002–2026

Source: Clarkson Newbuilding Market Forecast, September 2014
Deep-sea production requires bigger, versatile and more complicated offshore vessels

Contracting in US$ billion
Total mobile offshore contracting

Long-term forecast average $62 billion

Source: Clarkson February 2014
Strong positions in merchant ship and offshore markets

- Hatch covers, container lashings
- Cranes
- RoRo access equipment
- Port and terminal solutions
- Marine selfunloaders
- Offshore load handling
- Marine loading arms
- Deck machinery
- Steering gears
- Mooring systems
- Offloading systems
- Bow loading systems
Financial impact of synergies seen in order intake and material cost reduction

Orders 2014

Sales 2014

Acquisitions
Synergies
Legacy MacGregor

Acquisitions
Synergies
Legacy MacGregor
Key actions to drive profitability in MacGregor

**Service**
- Right capabilities and systems
- Service footprint
- Excellence in spare parts availability

**Sales**
- Increase sales by cross-selling & defining sales models
- Increase solution selling

**Effectiveness**
- Leveraging technology and R&D
- Design to value

Grow services to 30% of sales
Cross-selling 100 MEUR +
2% product margin improvement
MacGregor mid-term outlook

- Moderate growth for merchant, offshore outlook remains positive
- Margin impacted by low volumes, competitive environment, one-time costs and delivery mix
- Integration and synergies on target
- Building platform for growth
- Key improvement actions started, impact visible 2016 onwards
Kalmar
Kalmar business mix has changed

<table>
<thead>
<tr>
<th>Terminal projects</th>
<th>Equipment</th>
<th>Services</th>
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<tbody>
<tr>
<td>30% (↓)</td>
<td>42% (↑)</td>
<td>28% (↑)</td>
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Nov 2014
Container throughput forecast illustrates that Kalmar is in a growth business

Source: Drewry: Container forecaster Q3 2014, Base case, October 2014
Securing competitiveness of mobile equipment

- New products meeting customer requirements also in emerging markets
  - Energy efficiency improvements
  - Environmentally friendly products
  - Safety enhancements and easier to maintain

- Profit improvement initiatives integrated
  - Design-to-cost
  - Sourcing
  - Improved pricing power

- Reduced total cost of ownership

- Differentiation against low-cost competition
Services development continues in all areas

- Kalmar Care contracts won in all regions
- Kalmar Care for automated terminals – work in progress
- Crane Upgrades growth delayed, but still anticipated
- Spare parts pricing and tool development will show results in 2015
Kalmar has all the capabilities to respond to the increased demand for port automation

- Terminals are looking for different types of automation

- Greenfield projects = New automated terminals, expansion of current automated terminals or conversions of existing manual operations
  - Currently approx. 25 projects on-going or planned
  - Expected 20 more projects in coming five years

- Brownfield projects = Automating existing manual operations
  - Development in early phase
  - Currently approx. 130 existing straddle carrier terminals, of which 10% with automation potential
  - Currently approx. 430 existing RTG terminals, of which 10–15% with automation potential
Example of an automated terminal project

TERMINAL CAPACITY: 3 MILLION TEU / YEAR
TOTAL KALMAR SCOPE APPROX. EUR 190-260 MILLION

**Horizontal transport**
- AutoShuttles
- Units: 60
- Unit value: €0.9-1.1M
- Total: €54-66M

**Quay**
- Automated lashing platform (ALP)
- Units: 20
- Unit value: €0.6-0.8M
- Total: €12-16M

**Container yard**
- Automated stacking cranes (ASCs)
- Units: 40
- Unit value: €2.5-3.5M
- Total: €100-140M

**Operations**
- TOS license and professional services
- Total: €8-11M

**Kalmar Optimal Care**
- Service and material for equipment care
- 24/7 on-call and remote diagnostics
- Total: €16-18M / year

**Process automation**
- SmartLanes, SmartQuay, SmartTracks, SmartStack, M&S
- Total: €1-6M

Nov 2014
Hiab
Hiab offering

Loader cranes

Loader cranes

Truck-mounted forklifts

Demountables

Tail lifts

Forestry cranes

Stiff boom cranes

Services
Two-fold market environment for Hiab

Truck sales growth GVW over 15 ton - regions

EMEA construction output

AMER construction output

Source: IHS Global Insight Q3/2014 forecast
Route-to-market achievements

- Simplified organisation – less layers & lower cost
- Built key expertise around sales, services and dealer management
- New dealer operating standards
- Outsourced and divested dealerships and service workshops
Achievements in gross margin and overheads improvements

- The aim was to achieve a run-rate improvement of EUR 40 million by the end of 2014. Hiab is well on track in delivering on this promise and is proceeding ahead of schedule.

- Design-to-cost process contributes to gross margin for all products.

- Continuous work to consolidate our supplier base to low cost countries.

- Price realisation & discount management.
Building a sustainably profitable and growing business

- Closing the cost gap
- Building the foundation
- Demonstrating clear profitability improvement

“Preparation for growth” 2015–2016
- Cost leadership
- Operational excellence
- Investment to product portfolio, processes & systems
- Targeting 10% operating profit margin in 2016

“Profitable growth” 2017–
- Leverage cost leadership & operational excellence to drive growth
- Targeted emerging market expansion
- Regain leadership in cranes
- Targeting 10% operating profit margin over a business cycle
Three must win battles to reach targets in Hiab

1. Outperform competition in sales & services execution
   - Dealer management
   - Sales funnel management
   - Parts availability

2. Develop customer driven, simplified and competitive product offering
   - Customer insight
   - Product portfolio upgrading
   - Modularisation

3. Reduce value chain complexity, cost and cash conversion cycle
   - Stargard up to full-scale
   - Optimise the distribution network
   - Working capital management
January–September financials
Highlights of Q3

- Orders grew 15% y-o-y and totalled EUR 829 (724) million
  - With fixed currencies orders grew 17%

- Sales grew 12% y-o-y to EUR 840 (752) million
  - With fixed currencies sales grew 14%

- Operating profit excluding restructuring costs was EUR 48.4 (35.4) million or 5.8 (4.7)% of sales

- Operating profit was EUR 45.8 (31.2) million

- Cash flow from operations increased to EUR 63.4 (38.2) million

- Reorganisation launched in MacGregor
### January–September key figures

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</thead>
<tbody>
<tr>
<td>Orders received, MEUR</td>
<td>829</td>
<td>724</td>
<td>15%</td>
<td>2,685</td>
<td>2,348</td>
<td>14%</td>
<td>3,307</td>
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<tr>
<td>Order book, MEUR</td>
<td>2,327</td>
<td>2,048</td>
<td>14%</td>
<td>2,327</td>
<td>2,048</td>
<td>14%</td>
<td>1,980</td>
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<tr>
<td>Sales, MEUR</td>
<td>840</td>
<td>752</td>
<td>12%</td>
<td>2,395</td>
<td>2,267</td>
<td>6%</td>
<td>3,181</td>
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<tr>
<td>Operating profit, MEUR*</td>
<td>48.4</td>
<td>35.4</td>
<td>37%</td>
<td>77.8</td>
<td>87.9</td>
<td>-12%</td>
<td>126.5</td>
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<tr>
<td>Operating profit margin, %*</td>
<td>5.8</td>
<td>4.7</td>
<td></td>
<td>3.2</td>
<td>3.9</td>
<td></td>
<td>4.0</td>
</tr>
<tr>
<td>Cash flow from operations, MEUR</td>
<td>63.4</td>
<td>38.2</td>
<td></td>
<td>120.3</td>
<td>47.0</td>
<td></td>
<td>180.9</td>
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<tr>
<td>Interest-bearing net debt, MEUR</td>
<td>835</td>
<td>577</td>
<td></td>
<td>835</td>
<td>577</td>
<td></td>
<td>578</td>
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<tr>
<td>Earnings per share, EUR</td>
<td>0.43</td>
<td>0.31</td>
<td></td>
<td>0.48</td>
<td>0.77</td>
<td></td>
<td>0.89</td>
</tr>
</tbody>
</table>

*excluding restructuring costs
MacGregor Q3 – lower than average profitability in certain deliveries

- Order intake grew 61% y-o-y to EUR 253 (157) million.
  - Contribution of acquired businesses EUR 73 million.

- Market for marine cargo handling equipment remained stable.

- Offshore cargo handling equipment market remained stable. Uncertainty in market, but deep-sea production and related lifting equipment market is still expected to grow faster than the overall offshore market.

- Demand for services was satisfactory.

- Sales grew 28% y-o-y to EUR 255 (200) million.
  - Contribution of acquired businesses EUR 61 million.

- Profitability excluding restructuring costs was 2.9%.
  - Clearly lower-than-average profitability in certain deliveries.
  - PPA depreciation and amortisation EUR 2.7 million (approx. EUR 10 million annually).
Kalmar Q3 – clear progress in profit improvement

- Demand for mobile equipment and automation solutions remained stable, while demand for large port projects rose slightly.
- Demand was healthy in Europe and North America, whereas it was satisfactory in Asia and South America.
- Demand for services was healthy.
- Order intake grew 4% y-o-y to EUR 380 (366) million.
- Sales grew 9% y-o-y to EUR 385 (354) million.
- Profitability excluding restructuring costs was 8.0%.
  - Additional costs of EUR 3 million to finalise delivers of the projects sold in 2012 (Q3 2013: 9 MEUR).
- Profit improvement programme proceeding according to plan.

Nov 2014
Hiab Q3 – steady profitability

- Demand for load handling equipment has been two-fold throughout the year
  - Strong demand in USA while demand in Europe was satisfactory
- Demand for services was healthy
- Orders declined 3% y-o-y to EUR 197 (203) million
- Sales were at comparison period’s level at EUR 200 (198) million
- Profitability excluding restructuring costs was 7.1%
- Profit improvement programme proceeding ahead of schedule
Cash flow from operations strengthened

MEUR

-50 -200 0 50 100 150 200

2012 2013 Q1/12 Q2/12 Q3/12 Q4/12 Q1/13 Q2/13 Q3/13 Q4/13 Q1/14 Q2/14 Q3/14

-50 0 34 38 63
Acquisitions increased MacGregor’s share in portfolio

Sales by reporting segment 1-9/2014, %
- Equipment: 78 (82)%
- Services: 22 (18)%

Sales by geographical segment 1-9/2014, %
- EMEA: 42%
- APAC: 30%
- Americas: 28%
Outlook unchanged

- Cargotec’s 2014 sales are expected to grow from 2013.
- Operating profit excluding restructuring costs for 2014 is expected to improve from 2013.
CARGOTEC