Goldman Sachs Eight European Small and Mid-Cap Symposium, London 5–6 May, 2015

Eeva Sipilä, Executive Vice President and CFO
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 1-3/2015**
- MacGregor: 24%
- Kalmar: 32%
- Hiab: 44%

**Geographical split of sales in 1-3/2015**

- **EMEA**
  - MacGregor: 22%
  - Kalmar: 27%
  - Hiab: 24%

- **APAC**
  - MacGregor: 12-24 months
  - Kalmar: 6-9 months
  - Hiab: 2-4 months

- **AMER**
  - MacGregor: 12-24 months
  - Kalmar: 6-9 months
  - Hiab: 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 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
MacGregor
Contracting forecast reflects imbalance in the ship market

Long-term contracting 2002–2024

Long-term deliveries 1996–2027

Source: Clarkson Newbuilding Market Forecast, April 2015

* 1996 – 2014 average
Mobile offshore unit contracting and delivery forecast

Long-term contracting 2002–2021

ship nos
1,200
History
Forecast
0 0 0 0 0 0 0
02 04 06 08 10 12 14 16 18 20

Long-term deliveries 2002–2021

ship nos
800
History
Forecast
0 0 0 0 0 0 0
02 04 06 08 10 12 14 16 18 20

Source: Clarkson Offshore Newbuilding Market Forecast, April 2015
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
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 savings measures

- Weakened market situation
  - Low oil price
  - Low number of merchant ship orders

- Strong focus on earlier announced development programmes continues
  - Sales, services and design-to-cost

- Estimated reduction of 220 employees globally

- EUR 20 million targeted annual savings

- Estimated restructuring cost of EUR 5 million
Kalmar
Kalmar offering

Terminal projects

Equipment

Services

STS cranes  ASCs  RTGs
Straddle carriers  Shuttle carriers  Automation
Siwertell  Bromma spreaders  Navis TOS
Reachstackers  Empty container handlers
Terminal tractors  Forklift trucks
Crane upgrades  Maintenance
Spare parts  Fleet management
Container throughput forecast illustrates that Kalmar is in a growth business.

Source: Drewry: Container forecaster Q3 2014 and Q1 2015, Base case, April 2015.
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 maintenance

- 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

May 2015
Hiab offering

- Loader cranes
- Truck-mounted forklifts
- Demountables
- Stiff boom cranes
- Forestry cranes
- Services
- Tail lifts
Two-fold market environment for Hiab

Truck sales growth GVW over 15t, regions

EMEA Construction Output

Index 2005 = 100

AMER Construction Output

Index 2005 = 100

Source: IHS Global Insight Q1-Q2/2015 forecast

May 2015
Building a sustainably profitable and growing business

“Turnaround”
2013–2014

- 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–March financials
Highlights of January–March

- Orders grew 9% y-o-y and totalled EUR 939 (863) million
  - With fixed currencies orders grew 2%

- Order book strengthened 12% from 2014 year-end to EUR 2,469 million

- Sales grew 18% y-o-y to EUR 889 (751) million
  - With fixed currencies sales grew 10%

- Operating profit excluding restructuring costs was EUR 52.3 (24.6) million or 5.9 (3.3)% of sales

- Operating profit was EUR 51.3 (23.8) million

- Cash flow from operations was EUR 51.6 (32.5) million

- Savings measures initiated in MacGregor
Market environment in January–March

- Market for marine cargo handling equipment rather weak in early 2015
  - Demand for cargo handling solutions for bulk carriers low, activity level in container ship sector picking up
  - Offshore cargo handling equipment market remained healthy, but uncertainty increasing

- Demand for container handling equipment and services saw positive development on all continents

- Market for load handling equipment continued its strong growth in the US, and varied significantly between countries in Europe
  - Early signs of market picking up in Europe
# January–March key figures

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<tbody>
<tr>
<td>Orders received, MEUR</td>
<td>939</td>
<td>863</td>
<td>9%</td>
<td>3,599</td>
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<tr>
<td>Order book, MEUR</td>
<td>2,469</td>
<td>2,111</td>
<td>17%</td>
<td>2,200</td>
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<tr>
<td>Sales, MEUR</td>
<td>889</td>
<td>751</td>
<td>18%</td>
<td>3,358</td>
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<tr>
<td>Operating profit, MEUR*</td>
<td>52.3</td>
<td>24.6</td>
<td>112%</td>
<td>149.3</td>
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<tr>
<td>Operating profit margin, %*</td>
<td>5.9</td>
<td>3.3</td>
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<tr>
<td>Cash flow from operations, MEUR</td>
<td>51.6</td>
<td>32.5</td>
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<td>Interest-bearing net debt, MEUR</td>
<td>789</td>
<td>824</td>
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<td>Earnings per share, EUR</td>
<td>0.56</td>
<td>0.20</td>
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*excluding restructuring costs
MacGregor Q1 – offshore orders still on good level

- Order intake declined 28% y-o-y to EUR 228 (315) million
- Order book grew 10% from 2014 year-end
- Sales grew 30% y-o-y to EUR 282 (217) million
- Profitability excluding restructuring costs was 4.4%
- Savings measures initiated
Kalmar Q1 – strong start for the year

- Order intake increased 38% y-o-y to EUR 455 (330) million
- Order book strengthened 12% from 2014 year-end
- Sales grew 21% y-o-y to EUR 395 (327) million
- Profitability excluding restructuring costs was 7.4%
Hiab Q1 – profitability improved further

- Orders grew 17% y-o-y to EUR 256 (218) million
- Order book strengthened 22% from 2014 year-end
- Sales were at comparison period’s level at EUR 212 (208) million
- Profitability excluding restructuring costs was 9.0%

![Graph showing orders, sales, and operating profit for Q1/14 to Q1/15.](image)

*excluding restructuring costs
Cash flow from operations healthy
More balanced geographical mix in sales

Sales by reporting segment 1-3/2015, %

- Equipment: 78 (77)%
- Services: 22 (23)%

Sales by geographical segment 1-3/2015, %

- Equipment: 76 (77)%
- Services: 24 (23)%

- Equipment: 73 (71)%
- Services: 27 (29)%

MacGregor Kalmar Hiab

- Americas
- APAC
- EMEA
Sales by geographical segment by business area

MacGregor
- Americas: 7% (6)
- EMEA: 30% (36)
- APAC: 63% (58)

Kalmar
- Americas: 37% (28)
- EMEA: 42% (52)
- APAC: 21% (20)

Hiab
- Americas: 42% (34)
- EMEA: 48% (55)
- APAC: 10% (11)
Return on capital (ROCE) improved towards the >13% target level

ROCE, annualised
* excluding restructuring costs
Outlook

- Cargotec’s 2015 sales are expected to grow from 2014 (3,358 MEUR).
- Operating profit excluding restructuring costs for 2015 is expected to improve from 2014 (149.3 MEUR).