Q3 2015 Paris road show

27 October 2015

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 1-9/2015

- 24% MacGregor
- 32% Kalmar
- 44% Hiab

Cargotec geographical split of sales in 1-9/2015

- 28% EMEA
- 33% APAC
- 39% AMER

Geographical split of sales in 1-9/2015

**MacGregor**
- EMEA: 20%
- APAC: 12-24 months
- AMER: 24%

**Kalmar**
- EMEA: 27%
- APAC: 6-9 months
- AMER: 27%

**Hiab**
- EMEA: 24%
- APAC: 2-4 months
- AMER: 24%

Order to delivery lead time

- 12-24 months
- 6-9 months
- 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

<table>
<thead>
<tr>
<th>MacGregor</th>
<th>Kalmar</th>
<th>Hiab</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="MacGregor Logo" /></td>
<td><img src="image2" alt="Kalmar Logo" /></td>
<td><img src="image3" alt="Hiab Logo" /></td>
</tr>
<tr>
<td><img src="image4" alt="Other Competitors Logos" /></td>
<td><img src="image5" alt="Other Competitors Logos" /></td>
<td><img src="image6" alt="Other Competitors Logos" /></td>
</tr>
</tbody>
</table>
Cargotec financial targets for 2016

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit margin (EBIT)</td>
<td>&gt;8%</td>
</tr>
<tr>
<td>Return on capital employed (ROCE pre-tax)</td>
<td>&gt;13%</td>
</tr>
<tr>
<td>Gearing</td>
<td>&lt;50%</td>
</tr>
<tr>
<td>Dividend</td>
<td>30-50% of earnings per share</td>
</tr>
</tbody>
</table>
Contracting forecast reflects imbalance in the merchant ship market

Long-term contracting 2005–2024

Long-term deliveries 1996–2027

Source: Clarkson Newbuilding Market Forecast, September 2015

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

Long-term contracting 2004–2021

<table>
<thead>
<tr>
<th>Year</th>
<th>History</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>600</td>
<td>400</td>
</tr>
<tr>
<td>2013</td>
<td>500</td>
<td>300</td>
</tr>
<tr>
<td>2014</td>
<td>400</td>
<td>200</td>
</tr>
</tbody>
</table>

Long-term deliveries 2004–2021

<table>
<thead>
<tr>
<th>Year</th>
<th>History</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>500</td>
<td>300</td>
</tr>
<tr>
<td>2013</td>
<td>400</td>
<td>200</td>
</tr>
<tr>
<td>2014</td>
<td>300</td>
<td>100</td>
</tr>
</tbody>
</table>

* 2004 – 2014 average

Source: Clarkson Offshore Newbuilding Market Forecast, September 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 restructuring measures

- Weak 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

- Restructuring measures announced in April have been completed
  - Reduction of some 200 employees
  - EUR 20 million targeted annual savings
  - Restructuring cost of EUR 4.5 million

- In August, announced plans to reduce workforce in Uetersen, Germany
  - Estimated reduction of 100 employees
  - EUR 7 million targeted annual savings
  - Estimated restructuring cost of EUR 5 million

- During Q3, several smaller restructuring measures initiated mainly due to low demand in the offshore segment
Kalmar
Kalmar offering

Terminal projects

Equipment

Services

Oct 2015
Container throughput forecast illustrates that Kalmar is in a growth business.
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

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

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

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

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

Container yard
- Automated lashing platform (ALP)
- Units: 20
- Unit value: €0.6-0.8M
- Total: €12-16M
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 15t, regions

EMEA Construction Output

AMER Construction Output

Building a sustainably profitable and growing business in Hiab

- 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 the third quarter

- Orders increased 9% y-o-y to EUR 907 (829) million
- Order book strengthened one percent from 2014 year-end to EUR 2,233 million
- Sales grew 10% y-o-y to EUR 928 (840) million
- Operating profit excluding restructuring costs was EUR 68.3 (48.4) million or 7.4 (5.8)% of sales
- Operating profit was EUR 61.9 (45.8) million
- Cash flow from operations strong at EUR 74.5 (63.4) million
Market environment in January–September

- Market for marine cargo handling equipment was weak
  - Demand for cargo handling equipment for large container ships improved during Q3, demand for cargo handling solutions for bulk carriers and offshore vessels was low
  - Demand for RoRo and special vessel related cargo handling equipment was healthy

- Demand for container handling equipment and services was active

- Demand for Kalmar industrial and logistical solutions was healthy especially in the US

- Market for load handling equipment was strong in the US, and healthy in Europe varying significantly between countries
# January–September key figures

<table>
<thead>
<tr>
<th></th>
<th>7-9/15</th>
<th>7-9/14</th>
<th>Change</th>
<th>1-9/15</th>
<th>1-9/14</th>
<th>Change</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received, MEUR</td>
<td>907</td>
<td>829</td>
<td>9%</td>
<td>2,733</td>
<td>2,685</td>
<td>2%</td>
<td>3,599</td>
</tr>
<tr>
<td>Order book, MEUR</td>
<td>2,233</td>
<td>2,327</td>
<td>-4%</td>
<td>2,233</td>
<td>2,327</td>
<td>-4%</td>
<td>2,200</td>
</tr>
<tr>
<td>Sales, MEUR</td>
<td>928</td>
<td>840</td>
<td>10%</td>
<td>2,753</td>
<td>2,395</td>
<td>15%</td>
<td>3,358</td>
</tr>
<tr>
<td>Operating profit, MEUR*</td>
<td>68.3</td>
<td>48.4</td>
<td>41%</td>
<td>178.6</td>
<td>77.8</td>
<td>130%</td>
<td>149.3</td>
</tr>
<tr>
<td>Operating profit margin, %*</td>
<td>7.4</td>
<td>5.8</td>
<td></td>
<td>6.5</td>
<td>3.2</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>Cash flow from operations, MEUR</td>
<td>74.5</td>
<td>63.4</td>
<td></td>
<td>227.3</td>
<td>120.3</td>
<td>204.3</td>
<td></td>
</tr>
<tr>
<td>Interest-bearing net debt, MEUR</td>
<td>678</td>
<td>835</td>
<td></td>
<td>678</td>
<td>835</td>
<td>719</td>
<td></td>
</tr>
<tr>
<td>Earnings per share, EUR</td>
<td>0.67</td>
<td>0.43</td>
<td></td>
<td>1.67</td>
<td>0.48</td>
<td>1.11</td>
<td></td>
</tr>
</tbody>
</table>

*excluding restructuring costs
MacGregor Q3 – order intake reflecting challenging market situation

- Order intake declined 21% y-o-y to EUR 200 (253) million
- Order book decreased 13% from 2014 year-end, but still at EUR 984 million
- Sales grew 13% y-o-y to EUR 289 (255) million
- New restructuring measures announced to improve profitability
- Profitability excluding restructuring costs was 4.3%
  - Restructuring costs EUR 5.2 million
Kalmar Q3 – strong progress in orders and profitability

- Order intake increased 22% y-o-y to EUR 463 (380) million
- Order book strengthened 18% from 2014 year-end
- Sales grew 6% y-o-y to EUR 409 (385) million
- Profitability excluding restructuring costs was 8.8%
Hiab Q3 – profitability improved further

- Orders grew 21% y-o-y to EUR 239 (197) million
- Order book strengthened 14% from 2014 year-end
- Sales grew 14% y-o-y to EUR 229 (200) million
- Profitability excluding restructuring costs was 11.0%

![Graph showing orders, sales, and operating profit% for Q3/14 to Q3/15 with a note: *excluding restructuring costs.]

Oct 2015
Cash flow from operations strong
Balanced geographical mix in sales

Sales by reporting segment 1-9/2015, %
- Equipment: 80 (78)%
- Services: 20 (22)%

Sales by geographical segment 1-9/2015, %
- Americas: 28% (28)
- APAC: 39% (42)
- EMEA: 33% (30)
Sales by geographical segment by business area 1–9/2015

MacGregor
- Americas 6% (9)
- EMEA 29% (31)
- APAC 65% (60)

Kalmar
- Americas 37% (36)
- EMEA 41% (44)
- APAC 22% (20)

Hiab
- Americas 42% (38)
- EMEA 48% (51)
- APAC 10% (11)
Return on capital (ROCE) improved towards the >13% target level

ROCE, annualised
*excluding restructuring costs
Outlook unchanged

- 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).