Sustainability – providing opportunities for Cargotec
Kalmar
In ports

Kalmar’s offering includes cargo handling equipment, automation, software and services

These provide the widest range of cargo handling solutions and services to ports, terminals, distribution centres and heavy industry

Hiab
On road

Hiab is a leading provider of global on-road load handling equipment and services

Hiab’s customers range from small entrepreneurs to large national organisations, including single truck owners, rental companies, transportation companies, fleet operators, and governments

MacGregor
At sea

MacGregor shapes the offshore and marine industries by offering world-leading engineering solutions and services

Shipbuilders, ship owners and operators can optimise the lifetime profitability, safety, reliability and environmental sustainability of their operations
Strong global player with well-balanced business

Sales:
EUR 3,250 million
EBIT: 8.0%

Sales split: new equipment vs service and software

- Kalmar: Sales: EUR 1,598 million, EBIT: 8.3% (EUR 133.1 million)
- Hiab: Sales: EUR 1,084 million, EBIT: 14.5% (EUR 157.2 million)
- MacGregor: Sales: EUR 571 million, EBIT: 1.9% (EUR 10.6 million)

Service and software: 33%
New equipment: 67%

Sales by business areas
- Kalmar: 49%
- Hiab: 33%
- MacGregor: 18%

Sales by geographical area
- AMER: 32%
- EMEA: 44%
- APAC: 24%

Strengths we are building upon
- Leading market positions in all segments
- Strong brands
- Loyal customers
- Leading in technology

Figures have been restated according to IFRS 15 and are calculated by using the new definitions for the equipment, service and software businesses announced in March 2018.
Technology leader and strong market positions, leading brands in markets with long term growth potential

Global megatrends
- Globalisation and trade growth
- Urbanisation
- Growing middle class

Growth drivers
- Container throughput growth
- Construction activity
- Automation
- Digitalisation

Competitive advantages
- Strong brands
- Full automation offering
- Technology leadership

Market position
- #1 or #2 in all major segments
Growth drivers

Key driver for Kalmar

Key driver for Hiab

Key driver for MacGregor

Global container throughput (MTEU)

EMEA construction output
y/y change (%)

Long term contracting
Merchant ships > 2,000 gt (excl ofs and misc)

Long term contracting
Mobile offshore units

Source: Clarkson Research (number of ships and offshore units)
Source: Oxford Economics
Source: Drewry
Market environment in 2017

Growth in number of containers handled at ports accelerated

Strong interest for efficiency improving automation solutions
- Customers’ decision making is slow and starting with phased investments

Construction activity on good level
- Good development continued in Europe, US demand stayed on strong level

Market improved in merchant sector, but orders remained well below historical levels
- In offshore, interest level has increased, but not materialised in orders

Global container throughput (MTEU) – Key driver for Kalmar

Source: Drewry

Construction output – Key driver for Hiab

Source: Oxford Economics

Long term contracting – Key driver for MacGregor

Source: Clarkson Research (number of ships and offshore units) Indicative historical average
Cargotec has operations in more than 100 countries.

Every year, over 700 million container moves are being made globally in ports. Every fourth of them is handled by a Kalmar solution.

1
4

Every other ship in the world carries MacGregor equipment.

1883

1880s There were no cars.

Kalmar history started over 100 years ago.

Equipment designed for arctic conditions can operate in -50°C Celsius.

Over the past 70 years Hiab has delivered more than 0.5 million loader cranes to its customers.
We are transforming from equipment provider into a leader in intelligent cargo handling

2013
Product leadership
Good equipment company
→ Product R&D drives offering development and higher gross profit

2018
Services leadership
World-class service offering
→ Connected equipment and data analytics building value on data
→ Significant software business

2020
Leader in intelligent cargo handling
40% of the sales from services and software
→ More efficient and optimised cargo handling solutions

MUST-WINS
Lead digitalisation
World-class service offering
Build world-class leadership
We serve an industry, which produces the majority of emissions as well as GDP in the world - Inefficient industry with potential to improve

Our vision to be the leader in intelligent cargo handling also drives sustainability - Increasing efficiency and life-time solutions

We are in a position to be the global frontrunner, setting the sustainability standards for the whole industry - We are ready to shape the industry to one that is more sustainable

Sustainability is a great business opportunity
Sustainability is getting more validity in the industry

Regulative development together with ambition to more sustainable operations are main drivers

- IMO (International Maritime Organisation) ambition for CO2 decrease defined
- California Clean Air Action Plan
- EU transportation package
- Customers are demanding for more sustainable supply chain
Sea Freight Transport is by far the most sustainable transport mode in terms of emissions

Compared to transportation of goods

→ by trains, sea freight emits ~2-3 times less emissions
→ by trucks, sea freight emits ~3-4 times less emissions
→ by air cargo, sea freight emits ~14 times less emissions
Our customers in varying sectors face increasing need to decrease inefficiency and energy usage

MACGREGOR is part of sea cargo handling value chain that transports 90% of global trade. Container shipping accounts 60% of that.

2.2% of annual global GHG emissions in 2014 were emitted by international maritime shipping, with container ships 1/4 of the amount.

MacGregor is calling for industry collaboration to increase efficiency in the maritime transportation with its “so much potential do not waste it” initiative

As an example, HIAB connects with industries that account directly or indirectly for an estimate of 50% of global GDP.

One of these industries (construction and housing) is responsible of 30% of global CO₂ emissions.

Hiab is developing light-weight solutions to decrease the amount of emissions produced by the truck when transporting Hiab products

In the big picture, KALMAR is a part of the logistics industry, which emissions contribute to ~6% of GHG emissions worldwide.

230 million people are directly exposed to other air emissions in the top 100 world ports.

50% of Kalmar’s offering portfolio is available with electric and hybrid solutions decreasing the GHG emissions and decreasing the air emission impacts on human health
Key to more sustainable cargo handling business is solution development

Waste in cargo handling business due to inefficiencies ~17 billion euros

~2.5 mil barrels (1.8 mil CO2 equivalent tonnes) of fuel savings enabled by Cargotec port equipment solutions during past 6 to 10 years

19 mil CO2 in shipping industry annually For moving empty containers

~31 900 CO2 eqv. tonnes of emissions from Cargotec factories annually
We drive sustainability in cargo handling industry with our offering by

Increasing efficiency along cargo handling chain with software enabling visibility to inefficiencies

Enabling safe operations and efficiency in terminals and ports with automation

Providing the industry with leading emission-efficient equipment

Ensuring longevity and material efficiency of existing equipment with service, upgrades and retrofits
Biggest efficiency increase available through system level changes: Navis Terminal and Carrier Solutions

- Planning & Execution: plan and execute all moves across terminal. Increases throughput and lowers cost
- Track vessel operational performance and environmental compliance
- Automate & improve truck turn times
- Optimise vessel load and discharge across cranes
- Optimise stowage planning
- Analytics for better operational decision making
- Optimise container yard moves, save cost and reduce moves
- Optimize rail load and discharge processes
- Optimize vehicle routing and costs
- Optimize vessel operational performance and environmental compliance
- Capture all billable events for accurate and timely billing

€17 BILLION inefficiency
19 million CO2 equiv. on moving only empty containers

Source: McKinsey
June 2018 Oddo Environment Forum
Capitalizing global opportunities for future automation and software growth

Industry trends support growth in port automation:
- Only 40 terminals (out of 1,200 terminals) are automated or semi-automated currently globally
- Ships are becoming bigger and the peak loads have become an issue
- Increasing focus on safety
- Customers require decreasing energy usage and zero emission ports
- Optimum efficiency, space utilization and reduction of costs are increasingly important
- Shortage and cost of trained and skilled labour pushes terminals to automation

Significant possibility in port software:
- Container value chain is very inefficient: total value of waste and inefficiency estimated at ~EUR 17bn
- Over 50% of port software market is in-house, in long term internal solutions not competitive
- Navis has leading position in port ERP

Customers consider their automation decisions carefully
- Shipping line consolidation
- Utilisation rates of the existing equipment base
- Container throughput volumes
- Efficiency of the automation solutions

Automation creates significant cost savings*

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour costs</td>
<td>60% less labour costs</td>
</tr>
<tr>
<td>Total costs</td>
<td>24% less costs</td>
</tr>
<tr>
<td>Profit increase</td>
<td>125%</td>
</tr>
</tbody>
</table>

* Change when manual terminal converted into an automated operation
Optimisation of ships’ productivity and earning potential linked to decrease in CO2 per transported cargo

Based on current studies ships are utilizing only 75-80 percent of their total container capacity.

Underutilisation means decreased earning potential to ship owner and emission inefficiency.

MacGregor PlusPartner solutions may enable even 10 to 15% increase in ships container capacity/flexibility, increasing earning potential and decreasing CO2 per amount of cargo transported.
Leading the way to electrification of cargo handling industry

Kalmar is the industry leader in providing clean and emission-free equipment to ports and terminals

Kalmar total equipment offering will be available as electrified versions by 2021

Growing market demand for emission-free and silent operations is pushed by increasing regulation
Offering for eco-efficiency as our competitive advantage

Sales account for around 18%* of the total revenue in 2017:
Significant R&D and digitalisation investments drive the growth of offering for eco-efficiency

*adjusted figure restated according to IFRS15, not audited. Audited figure before adjustment 19%
Cargotec sustainability roadmap: Supporting the growth strategy and managing the risks
Cargotec sustainability management has the Board overview and it is in line with major international initiatives.

WE SUPPORT

GRI standards

SUSTAINABLE DEVELOPMENT GOALS

8 DECENT WORK AND ECONOMIC GROWTH
13 CLIMATE ACTION
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

LABOUR ISSUES
ENVIRONMENT
HUMAN RIGHTS
ANTI-CORRUPTION
Clear practices and policies in all sustainability segments

**Own operations**

**CODE OF CONDUCT**  
Recurring training to all employees (face-to-face or e-learning)  
SpeakUp Line – a confidential and anonymous reporting channel  
Process for internal investigations, disciplinary and remedy actions  
Management oversight – monthly Code of Conduct panel

- **ENVIRONMENT**  
  - Offering for eco-efficiency  
  - Solar energy-driven inland port test fields  
  - ISO14001 coverage  
  - Environmental KPI monitoring  
  - Environmental policies

- **LABOUR ISSUES**  
  - OHSAS18001 coverage  
  - Transparent recruitment and employee management process  
  - Employee surveys with social responsibility and engagement index  
  - Global management trainings to improve team climates  
  - Work councils  
  - Labour issues covered in related e-learnings and trainings

- **HUMAN RIGHTS**  
  - Clear non-discrimination, recruitment, safety and remuneration policies with follow-up tools  
  - Work councils  
  - Human rights included in related trainings

- **ANTI-CORRUPTION**  
  - Anti-corruption compliance programme with risk assessments and site visits as well as policies on anti-corruption, gift and hospitality, and engaging agents  
  - Trainings and workshops  
  - Compliance monitoring and internal controls

**Within the sphere of interest**

**CODE OF CONDUCT**  
Same principles for employees and third party representatives acting on behalf of the company  
Supplier Code of Conduct  
Recurring training to all employees (face-to-face or e-learning)  
SpeakUp Line available for external stakeholders

- **ENVIRONMENT**  
  - University and technology centre partnerships about clean technology issues  
  - Third party risk assessment and requirements  
  - Supplier criteria, monitoring and audits

- **LABOUR ISSUES**  
  - Third party assessment and requirements  
  - Supplier criteria, monitoring and audits around labour management practices and safety

- **HUMAN RIGHTS**  
  - Renewed supplier criteria, monitoring and audits with emphasis on human rights

- **ANTI-CORRUPTION**  
  - Third party risk assessments and due diligence  
  - Targeted actions such as supplier anti-corruption letters and training  
  - TRACE International membership
Performance highlights 2017

- 82% of employees conducted the code of conduct e-learning tool
- Permanent Code of Conduct panel and case investigation process
- Supplier code of conduct sent to all strategic suppliers
- Offering for eco-efficiency 18% of total sales

**Employee Engagement Index**

- **2017**
  - Kilmar: 71.72
  - Hiab: 70.68
  - MacGregor: 63.63

- **2016**
  - Kilmar: 70.68
  - Hiab: 69.68
  - MacGregor: 62.62

**Industrial Injury Frequency Rate**

- Cargotec IFR**
- Number of lost time injuries
- *IIFR and number of injuries cover Cargotec production sites
- **Number of injuries per million hours worked

**Social Responsibility Index**

- **2017**
  - Kilmar: 80.81
  - Hiab: 80.79
  - MacGregor: 77.74

- **2016**
  - Kilmar: 79.64
  - Hiab: 64.93
  - MacGregor: 46.46

**Leadership Index**

- **2017**
  - Kilmar: 69.72
  - Hiab: 66.71
  - MacGregor: 65.69

- **2016**
  - Kilmar: 68.72
  - Hiab: 65.71
  - MacGregor: 64.69

*Employee view on managers' performance and leadership skills

**Certification Coverage**

- OHSAS18001: 95%
- ISO14001: 95%
- ISO9001: 94%

**Compass Completion Rate**

- 2015: 88.86%
- 2016: 89.85%
- 2017: 85.85%

*Share of certified sites’ sales volume of the total sales volume
**Number of injuries per million hours worked

Oddo Environment Forum
2018 sustainability targets increasing traditional sustainability compliance level

Renewed human rights risk assessment to be conducted for Cargotec operations with proposals for corrective actions

All Finnish and Swedish sites to use electricity from renewable sources

IIFR 4 to be implemented in factories

100 percent of strategic suppliers to be taken into the sustainability self-assessment tool process; the Supplier Code of Conduct process finalised with suppliers that cover 80 percent of the direct sourcing spend
Sustainability supporting future business possibilities

Our largest possibility in sustainability comes from developing more efficient ways to handle cargo: **sustainability is a great growth opportunity**

Requirements for sustainability are being pushed by regulators as well as our customers

We make sure we have license to operate by supervising both our own operations as well as the ones in our sphere of interest: **sustainability decreases risks from investors’ point of view**
Appendices
Cargotec’s R&D and assembly sites

**EMEA**
- Arendal, Norway (MacGregor R&D)
- Averøy, Norway (MacGregor prod + R&D)
- Kristiansand, Norway (MacGregor R&D)
- Dundalk, Ireland (Hiab prod. + R&D)
- Witney, UK (Hiab prod.)
- Whitstable, UK (MacGregor prod.)
- Zaragoza, Spain (Hiab prod.)
- Uetersen, Germany (MacGregor prod. + WS + R&D)
- Schwerin, Germany (MacGregor prod.)
- Stargard Szczecinski, Poland (Kalmar + Hiab prod.)
- Bispgården, Sweden (Hiab prod.)
- Lidhult, Sweden (Kalmar R&D)
- Bjuv, Sweden (Kalmar prod.)
- Örnsköldsvik, Sweden (MacGregor WS + WH + R&D)
- Hudiksvall, Sweden (Hiab R&D)
- Helsinki, Finland (HQ)
- Kaarina, Finland (MacGregor R&D)
- Raisio, Finland (Hiab prod.)
- Tampere, Finland (Kalmar WS + R&D)

**APAC**
- Chungbuk, South Korea (Hiab prod.)
- Tianjin, China (MacGregor prod.)
- Bangalore, India (Kalmar prod. + R&D)
- Chennai, India (Navis–Kalmar R&D)
- Ipoh, Malaysia (Bromma prod.)
- Shanghai, China (Kalmar prod. + WH)
- Busan, South Korea (MacGregor prod.)
- Singapore, (R&D)

**Americas**
- Ottawa, Kansas (Kalmar prod.)
- Oakland, California (Kalmar R&D)
- Cibolo, Texas (Kalmar prod.)
- Tallmadge, Ohio (Hiab prod.)