Operating profit improvement continued, strong cash flow

*Cargotec’s financial statements review 2016
Mika Vehviläinen, CEO
Mikko Puolakka, CFO

*) Excluding restructuring costs
Contents

1. Group level development
2. Business areas
3. Financials
4. Strategy and outlook
Highlights of 2016 – Highest operating profit* in Cargotec’s history

Profitability continued to improve

- Record high operating profit excl. restructuring costs and margin continued to increase
  - Investments into the strategy: R&D costs have increased 43% compared to 2013
- Sales and profitability increased in Kalmar and Hiab
- MacGregor affected by difficult market situation, new actions to safeguard profitability started in Q4

Services sales 25% of total sales at EUR 872 (883) million

Strong cash flow from operations EUR 373 (315) million

*) Excluding restructuring costs
Number of containers handled at ports grew
- Growth continued in 2016, but at slower pace
- Strong interest for efficiency improving automation solutions
- Customer decision making is slower

Construction activity on good level
- Strong development continued in the US
- Activity levels increasing in Europe

Marine cargo handling equipment market still weak
- Market remained weak both in merchant and offshore
- Shipping and oil price environment improved towards the end of the year
Orders received – Hiab’s and Kalmar’s orders received grew in Q4

MEUR


Kalmar | Hiab | MacGregor

2015:
- Hiab: 939 MEUR (+13% y/y)
- Kalmar: 887 MEUR (+11% y/y)
- MacGregor: 907 MEUR

2016:
- Hiab: 822 MEUR (-2% y/y)
- Kalmar: 824 MEUR
- MacGregor: 825 MEUR (903 MEUR (-34% y/y) and 822 MEUR (+5%))

Cargotec’s financial statements review 2016
Order book stable in Kalmar and Hiab

Order book by reporting segments, Q4 2016

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</thead>
<tbody>
<tr>
<td>500</td>
<td>1,000</td>
<td>1,500</td>
<td>2,000</td>
<td>2,500</td>
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<td>1,500</td>
<td>1,000</td>
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</table>

Order book

- **Kalmar**
- **Hiab**
- **MacGregor**
Good development in Kalmar and Hiab operating profit

Sales
MEUR

<table>
<thead>
<tr>
<th></th>
<th>Q115</th>
<th>Q215</th>
<th>Q315</th>
<th>Q415</th>
<th>Q116</th>
<th>Q216</th>
<th>Q316</th>
<th>Q416</th>
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<tbody>
<tr>
<td>Kalmar</td>
<td>889</td>
<td>936</td>
<td>928</td>
<td>977</td>
<td>828</td>
<td>898</td>
<td>854</td>
<td>933</td>
</tr>
<tr>
<td>Hiab</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>MacGregor</td>
<td></td>
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</tr>
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</table>

Operating profit*
MEUR

Kalmar
Hiab
MacGregor
Cargotec total EBIT**

*) Excluding restructuring costs. **) Including Corporate admin and support
Gross profit improvement driven by new products

![Graph showing gross profit improvement over years]

- 2013: Gross profit improvement 18.3%
- 2014: Gross profit improvement 18.9%
- 2015: Gross profit improvement 21.1%
- 2016: Gross profit improvement 23.9%

Gross profit, MEUR
Gross profit-%
Increasing focus on services potential
Good progress in Hiab, Kalmar improved towards year-end, weak market situation in MacGregor

Key actions for growth:

- Improve sales process
  - Improved visibility on customer potential and tools to capitalise the potential
- Digitalisation and connectivity:
  - Online services and e-commerce solutions
  - Over 1,200 new equipment connected in 2016
- Service agreements for new equipment
- New distribution centers improving availability
- Improved dealer management
- Dedicated services program established in Kalmar
Business areas

Cargotec’s financial statements review 2016
Kalmar Q4 – Strong quarter

- Orders received increased in EMEA
  - Growth in Automation and Projects, software and services orders received
- Order book at last year’s level
- Service sales increased 6%, software sales growing
- Profitability improved in Automation and Projects, software and services

### MEUR

<table>
<thead>
<tr>
<th></th>
<th>Q416</th>
<th>Q415</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>440</td>
<td>395</td>
<td>+11%</td>
</tr>
<tr>
<td>Order book</td>
<td>900</td>
<td>877</td>
<td>+3%</td>
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<tr>
<td>Sales</td>
<td>477</td>
<td>468</td>
<td>+2%</td>
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<tr>
<td>Operating profit*</td>
<td>41.5</td>
<td>35.9</td>
<td>+16%</td>
</tr>
<tr>
<td>Operating profit margin*</td>
<td>8.7%</td>
<td>7.7 %</td>
<td></td>
</tr>
</tbody>
</table>

*) Excluding restructuring costs
Hiab Q4 – New product launches driving orders

- Good growth in EMEA and APAC
  - Orders driven by new products: 54 new products introduced in 2016
- Sales grew in loader cranes and demountables
- Several additional costs impacted profitability
  - Around 1.5 percentage point impact on operating profit margin*

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<thead>
<tr>
<th></th>
<th>Q416</th>
<th>Q415</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>282</td>
<td>250</td>
<td>+13%</td>
</tr>
<tr>
<td>Order book</td>
<td>286</td>
<td>305</td>
<td>-6%</td>
</tr>
<tr>
<td>Sales</td>
<td>257</td>
<td>249</td>
<td>+3%</td>
</tr>
<tr>
<td>Operating profit*</td>
<td>32.9</td>
<td>30.7</td>
<td>+7%</td>
</tr>
<tr>
<td>Operating profit margin*</td>
<td>12.8%</td>
<td>12.3%</td>
<td></td>
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</tbody>
</table>

*) Excluding restructuring costs
MacGregor Q4 – Difficult market

- Orders received decreased in all regions and major divisions
  - Challenging market situation visible in orders received
- Good sales growth in RoRo, other divisions declined
- Operating profit positive due to cost savings

<table>
<thead>
<tr>
<th></th>
<th>Q416</th>
<th>Q415</th>
<th>Change</th>
</tr>
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<tbody>
<tr>
<td>Orders received</td>
<td>100</td>
<td>180</td>
<td>-44%</td>
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<tr>
<td>Order book</td>
<td>598</td>
<td>883</td>
<td>-32%</td>
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<tr>
<td>Sales</td>
<td>199</td>
<td>259</td>
<td>-23%</td>
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<tr>
<td>Operating profit*</td>
<td>0.5</td>
<td>-7.2</td>
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<tr>
<td>Operating profit margin*</td>
<td>0.3%</td>
<td>-2.8 %</td>
<td></td>
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</tbody>
</table>

*) Excluding restructuring costs

Sales mix in 2016

- 75% Merchant
- 25% Offshore
Cost savings programmes proceeding

Announced savings actions and timing
- 2017 EUR 25 million (MacGregor)
- 2017 EUR 2 million (INTERSCHALT)
- Further EUR 13 million in 2018 (Kalmar)
- Product redesign and project management development continues in 2017

We will investigate various possibilities to increase our operational efficiency
Financials

Cargotec’s financial statements review 2016
## Key figures

### Operating profit margin continued to improve

<table>
<thead>
<tr>
<th></th>
<th>10–12/16</th>
<th>10–12/15</th>
<th>Change</th>
<th>1–12/16</th>
<th>1–12/15</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td>Orders received, MEUR</td>
<td>822</td>
<td>824</td>
<td>-0.3%</td>
<td>3,283</td>
<td>3,557</td>
<td>-7.7%</td>
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<tr>
<td>Order book, MEUR</td>
<td>1,783</td>
<td>2,064</td>
<td>-13.6%</td>
<td>1,783</td>
<td>2,064</td>
<td>-13.6%</td>
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<tr>
<td>Sales, MEUR</td>
<td>933</td>
<td>977</td>
<td>-4.5%</td>
<td>3,514</td>
<td>3,729</td>
<td>-5.8%</td>
</tr>
<tr>
<td>Operating profit, MEUR*</td>
<td>61.0</td>
<td>52.1</td>
<td>+16.9%</td>
<td>250.2</td>
<td>230.7</td>
<td>+8.4%</td>
</tr>
<tr>
<td>Operating profit, %*</td>
<td>6.5</td>
<td>5.3</td>
<td></td>
<td>7.1</td>
<td>6.2</td>
<td></td>
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<tr>
<td>Cash flow from operations, MEUR</td>
<td>152.0</td>
<td>87.3</td>
<td>373.0</td>
<td>314.6</td>
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<tr>
<td>Interest-bearing net debt, MEUR</td>
<td>503</td>
<td>622</td>
<td>503</td>
<td>622</td>
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<tr>
<td>Earnings per share, EUR</td>
<td>0.20</td>
<td>0.55</td>
<td></td>
<td>1.95</td>
<td>2.21</td>
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*) Excluding restructuring costs
Cash flow from operations strong

MEUR

<table>
<thead>
<tr>
<th>Year</th>
<th>Q113</th>
<th>Q213</th>
<th>Q313</th>
<th>Q413</th>
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<tr>
<td>2013</td>
<td>181</td>
<td>204</td>
<td>315</td>
<td>373</td>
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<tr>
<td>2014</td>
<td>84</td>
<td>52</td>
<td>101</td>
<td>74</td>
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<tr>
<td>2015</td>
<td>87</td>
<td>91</td>
<td>56</td>
<td>74</td>
</tr>
<tr>
<td>2016</td>
<td>152</td>
<td>152</td>
<td>152</td>
<td>152</td>
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Cargotec’s financial statements review 2016

08/02/2017
**Balance sheet strengthening**

- **Net debt EUR 503 million (622)**
  - Average interest rate 2.3%
  - Net debt/EBITDA 1.8
- **Total equity EUR 1,395 million (1,339)**
  - Equity/total assets 39.1% (39.8%)
- **Well diversified loan portfolio:**
  - Bonds EUR 304 million
  - Bank loans EUR 425 million
  - Other EUR 41 million
  - Undrawn facilities EUR 300 million
- **Balanced maturity profile**
  - EUR 129 million loans maturing in 2017
Operating profit* margin improved, ROCE impacted by restructuring costs

ROCE, annualised *) Excluding restructuring costs
Solid track record to increase the dividend

Board proposal EUR 0.95 dividend per B share for 2016

*) Dividend proposal by the Board of Directors
Strategy and outlook

Cargotec’s financial statements review 2016
## Strategy progressed well in 2016

### Digitalisation
- IoT cloud platform successfully built
- Good progress in equipment connectivity
- Navis offering complemented by INTERSCHALT acquisition
- XVELA collaboration platform in commercial pilot

### Services
- Spare parts: Focus on branding, logistics, pricing and launching new products
- Services operation development
- Good progress in Hiab

### Leadership
- Aim to establish more uniform performance-based leadership culture
- Over 200 key leaders engaged to leadership transformation
- Good progress in employee engagement
Key strategy focus areas in 2017

Service, leadership and digitalisation continue to be focus areas in all business areas

**KALMAR**
- Service growth
- Win in automation through proven solutions
- Grow in software through new offering
- Transfer of assembly operations from Sweden to Poland

**HIAB**
- Service growth
- Expand positions in core and emerging markets as well as product segments
- Continue renewing equipment offering
- Expanding digitalised business solutions
- Operational efficiency

**MACGREGOR**
- Service growth
- Continue focus on operational efficiency
- Enhance customer centricity
- Continue investments in digitalisation
Operating profit excluding restructuring costs for 2017 is expected to improve from 2016 (EUR 250.2 million).
Appendix

Cargotec’s financial statements review 2016
Capex and R&D

Capital expenditure

Research and development

Main capex investments:
- Kalmar assembly unit in Stargard, Poland
- Manufacturing plant expansion in Kansas, US for Kalmar

R&D investments focused on
- Digitalisation
- Competitiveness and cost efficiency of products

*) Including amortisations and impairments
Hiab’s share increasing in sales mix

2015

30% Kalmar
25% Hiab
45% MacGregor

2016

22% Kalmar
30% Hiab
48% MacGregor
Well diversified geographical sales mix
Sales by geographical segment by business area 2016

- **Kalmar**
  - EMEA: 36% (36)
  - APAC: 42% (42)
  - Americas: 22% (22)

- **Hiab**
  - EMEA: 41% (42)
  - APAC: 11% (10)
  - Americas: 48% (48)

- **MacGregor**
  - EMEA: 7% (6)
  - APAC: 59% (65)
  - Americas: 34% (29)