

Investor presentation, February 2020

# Becoming the leader in intelligent cargo handling



# Why invest in Cargotec?



♥ Our target:  
To become the leader in intelligent cargo handling

Every 4th container in the WORLD is moved by Kalmar solution

♥ Several favorable megatrends support our growth prospects

- DIGITALISATION
- GLOBALISATION
- TRADE GROWTH
- URBANISATION
- GROWING MIDDLE CLASS

CONTAINER TRAFFIC  
PORT AUTOMATION

MARKET POSITION  
#1, #2  
IN MAJOR SEGMENTS

CONSTRUCTION ACTIVITY

MARKET POSITION  
#1, #2  
IN MAJOR SEGMENTS

SHIP BUILDING

MARKET POSITION  
#1, #2  
IN MAJOR SEGMENTS

Every other ship in the WORLD has MacGregor equipment on board

♥♥ We have strong brands and a loyal global customer base



● Transformation from equipment provider into a leader in intelligent cargo handling



● Unique position to benefit from the growth prospects in port automation and software



● Growing services and software business increase stability of our business

Currently, only 40 of the world's 1200 terminals are automated or semi-automated. Port automation increases energy and cost efficiency as well as employee safety.

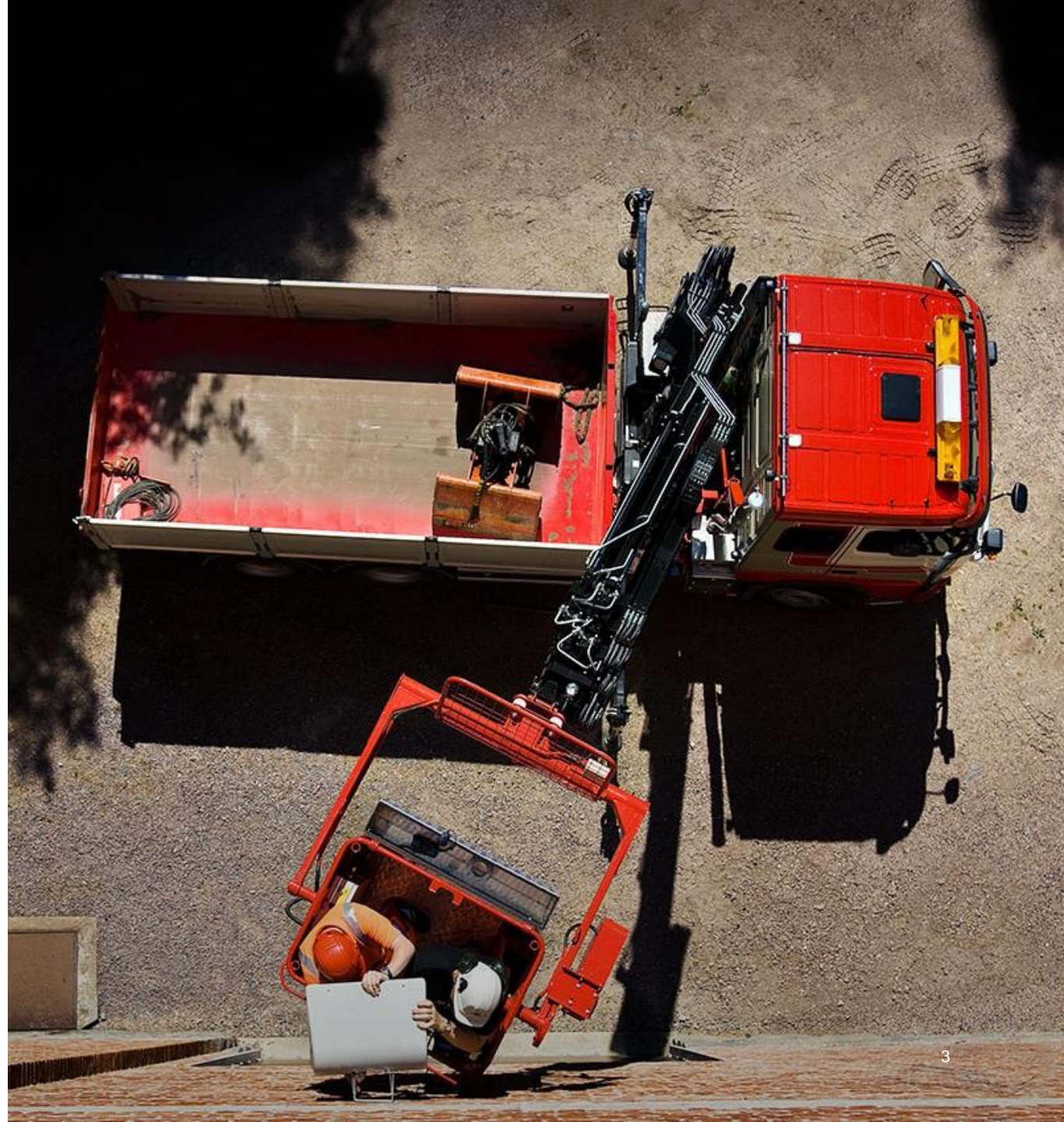
## € Financial targets

- Grow faster than the market
- Increase service and software sales to 40% of net sales, min. EUR 1.5 billion in 3-5 years
- Target 10% operating profit and 15% ROCE in 3-5 years
- Target gearing <50% and increasing dividend in the range of 30-50% of EPS, to be paid twice a year



# Content

1. Cargotec in brief
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5. MacGregor
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# Cargotec in brief





# Strong global player with well-balanced business

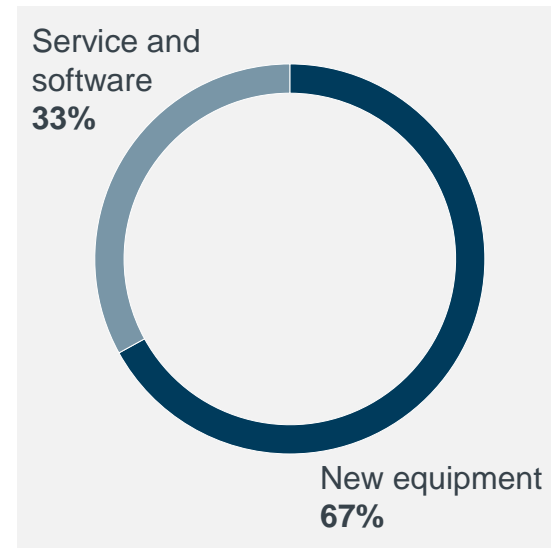
**Sales:**  
**EUR 3,683 million**  
**EBIT: 7.2%**

**Kalmar**  
 Sales: **EUR 1,723 million**  
 EBIT: **9.4%** (EUR 161.8 million)

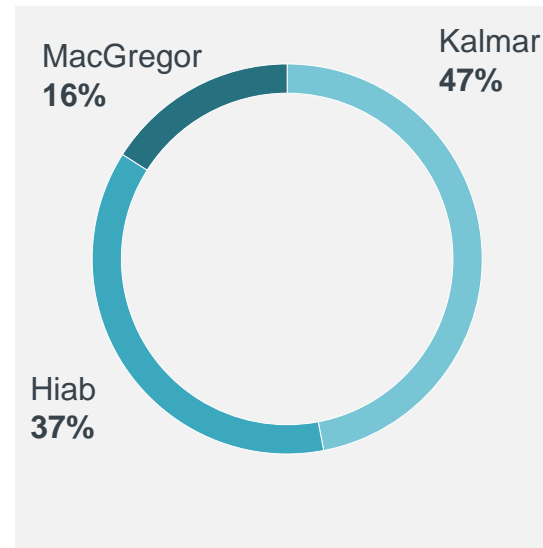
**Hiab**  
 Sales: **EUR 1,350 million**  
 EBIT: **12.6%** (EUR 170.2 million)

**MacGregor**  
 Sales: **EUR 611 million**  
 EBIT: **-4.6%** (EUR -28.2 million)

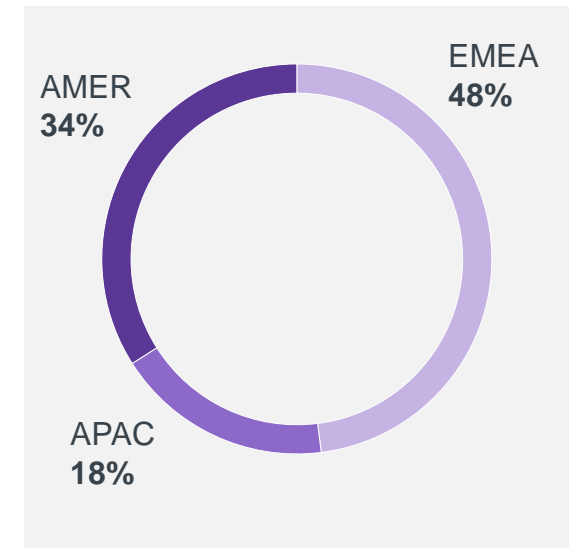
**Sales split: new equipment vs service and software**



**Sales by business areas**



**Sales by geographical area**



## Strengths we are building upon

Leading market positions  
in all segments

Strong brands

Loyal customers

Leading in technology



# Key competitors

Cargotec is a leading player in all of its business areas

Global main competitors



Other competitors

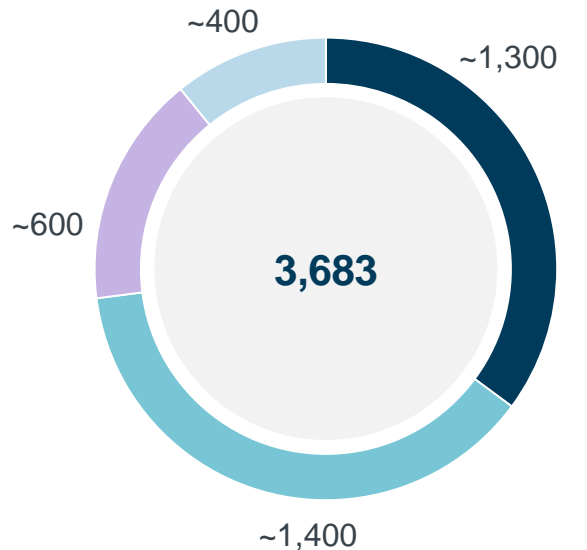




# Currently two businesses performing well

## Net sales\* in 2019

EUR million



- Kalmar equipment
- MacGregor
- Hiab
- Kalmar APD and software

	Trend in orders, last 12 months	Profitability: Comparable EBIT margin
Kalmar software (Navis) and Automation and Projects division	➔	Above break-even
MacGregor	+39%	<b>-3.8%</b>
Hiab	+23%	<b>11.8%</b>
Kalmar equipment and service (excluding Automation and Projects Division & Navis)	➔	Low double digit

\* Figures rounded to closest 100 million



# Investment highlights



# Investment highlights: Why invest in Cargotec?

1. Technology leader and strong market positions, leading brands in markets with long term growth potential
2. Our vision is to become the global leader in intelligent cargo handling
3. Growing service & software business and asset-light business model are increasing stability
4. Capitalising global opportunities for future automation and software growth
5. On track for profitability improvement and to reach financial targets





# 1. 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

## 2. Our vision is to become the global leader in intelligent cargo handling

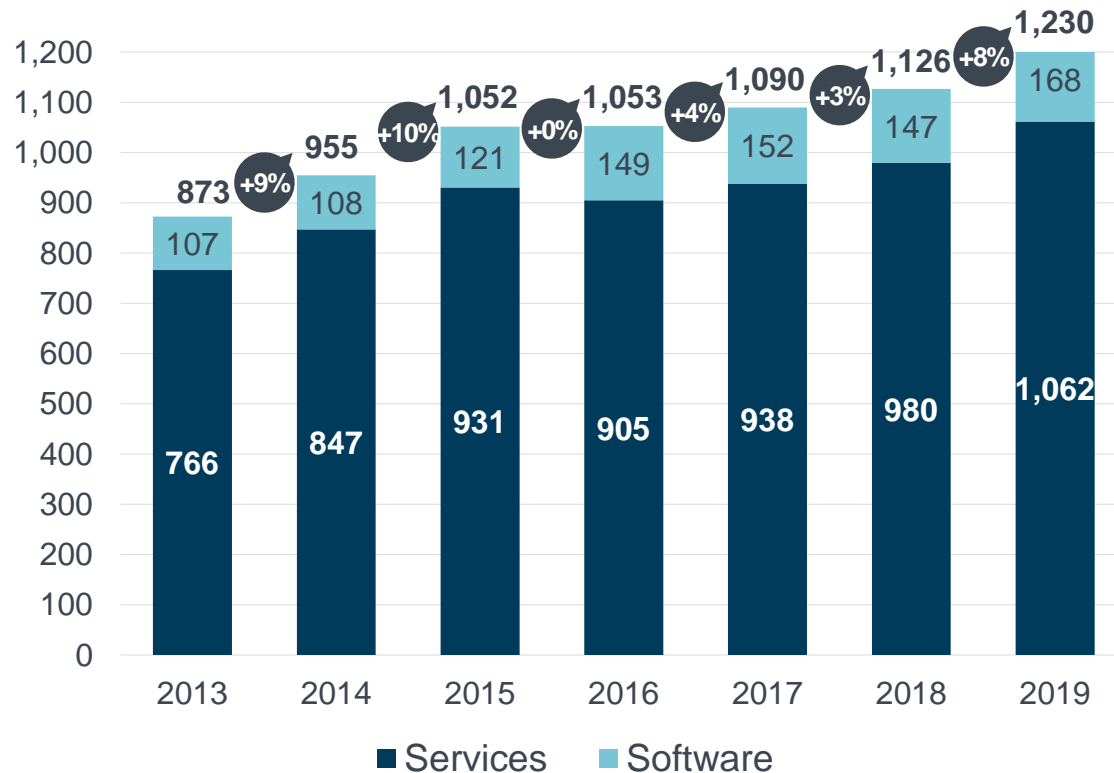
<b>VISION</b>	<b>GLOBAL LEADER IN INTELLIGENT CARGO HANDLING</b>	
<b>MUST-WIN BATTLES</b>	<b>WIN THROUGH CUSTOMER CENTRICITY</b>  We help our customers achieve their goals by aligning our offering and way of working to serve them better.	<b>ACCELERATE DIGITALISATION</b>  We build and expand our digital solutions to offer a great customer experience and more efficient business processes.
	<b>ADVANCE IN SERVICES</b>  We extend our offering towards intelligent solutions that enable us to serve our customers wide across their lifecycle.	<b>PRODUCTIVITY FOR GROWTH</b>  We focus on activities that add value and benefit our customers and us by developing our business operations and common platforms.



# 3. Growing service & software business and asset-light business model are increasing stability

## Service and software\* sales

MEUR



## Asset-light business model with a flexible cost structure

- Kalmar and Hiab: efficient assembly operation
- MacGregor: efficient project management and engineering office: > 90% of manufacturing and 30% of design and engineering capacity outsourced
- No in-house component manufacturing

## Next steps to increase service and software sales:

- Improve service offering through digital solutions
- Build on Navis position as industry leader
- Increase spare parts capture rates
- Boost service contract attachment rates

# 4. Capitalising 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\*

Labour costs	60% less labour costs
Total costs	24% less costs
Profit increase	125%



\* Change when manual terminal converted into an automated operation



# 5. Clear plan for profitability improvement and to reach financial targets

## Growth

Target to grow faster than market

- Megatrends and strong market position supporting organic growth
- M&A potential

## Service and software

Targeting service and software sales 40% of net sales, minimum EUR 1.5 billion in 3-5 years\*

## Balance sheet and dividend

Target gearing < 50% and increasing dividend in the range of 30-50% of EPS, dividend paid twice a year

## Profitability

Target 10% operating profit and 15% ROCE in 3-5 years\*

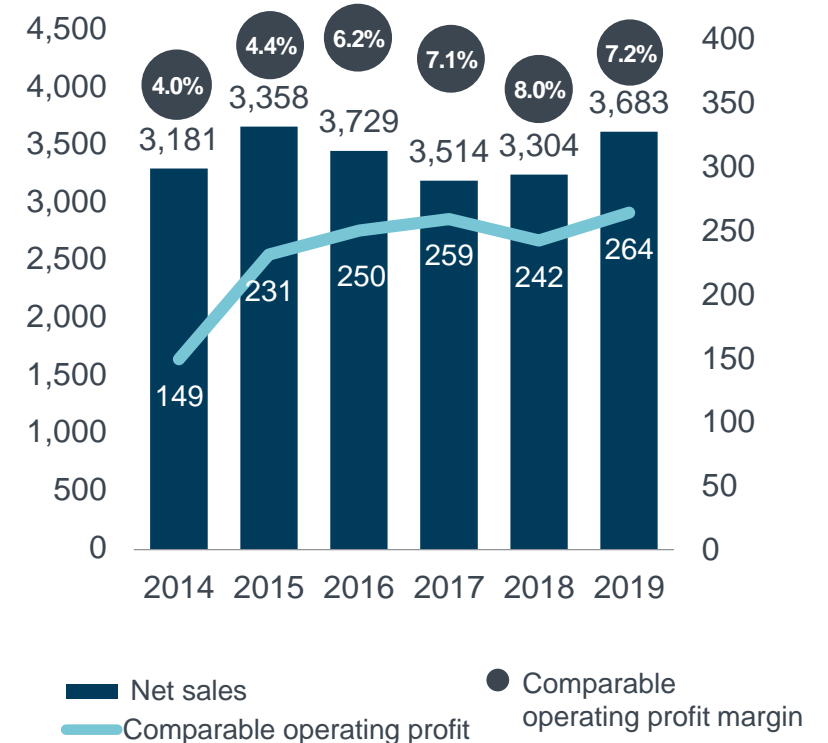
Higher service and software sales key driver for profitability improvement

Cost savings actions:

- 2020 EUR 30 million (indirect purchasing and new Business Services operations)

Product re-design and improved project management

## Sales and comparable operating profit development



\*Target announced in September 2017

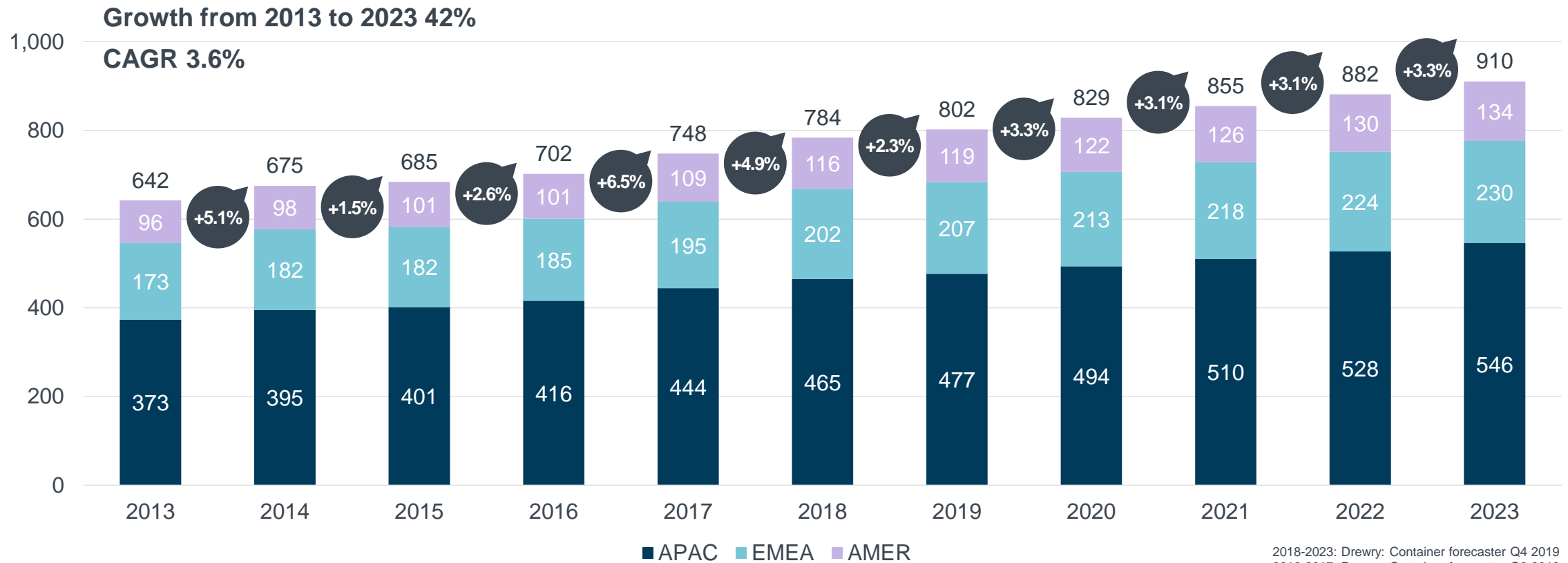
# Kalmar





# Container throughput still forecasted to grow year on year

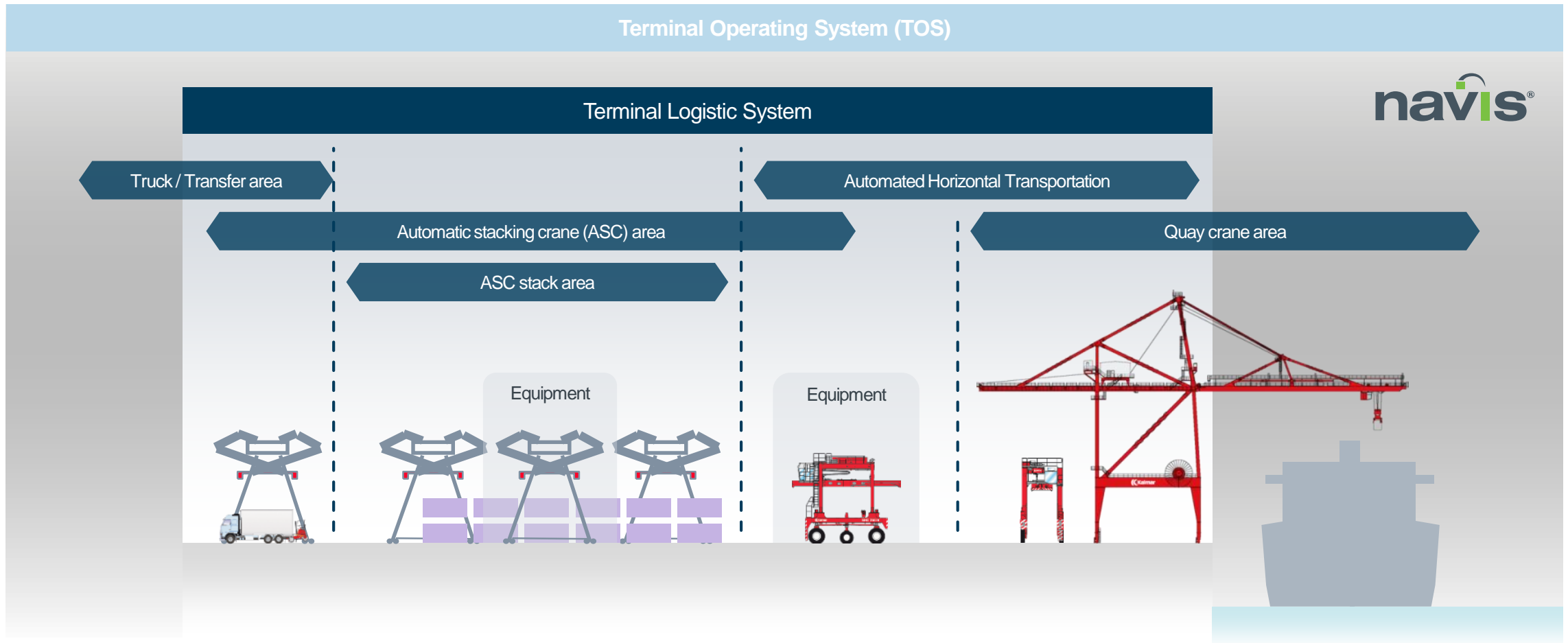
TEU million



2018-2023: Drewry: Container forecaster Q4 2019  
 2016-2017: Drewry: Container forecaster Q2 2019  
 2015 Drewry: Container forecaster Q2 2018

2013-2014 Drewry Global Container Terminal Operators Annual Report 2013

# Flexible and scalable Navis TOS software





# Kalmar's operating environment



Provides integrated port automation solutions including software, services and a wide range of cargo handling equipment



TOS coordinates and optimises the planning and management of container and equipment moves in complex business environments.

Navis provides also maritime shipping solutions:

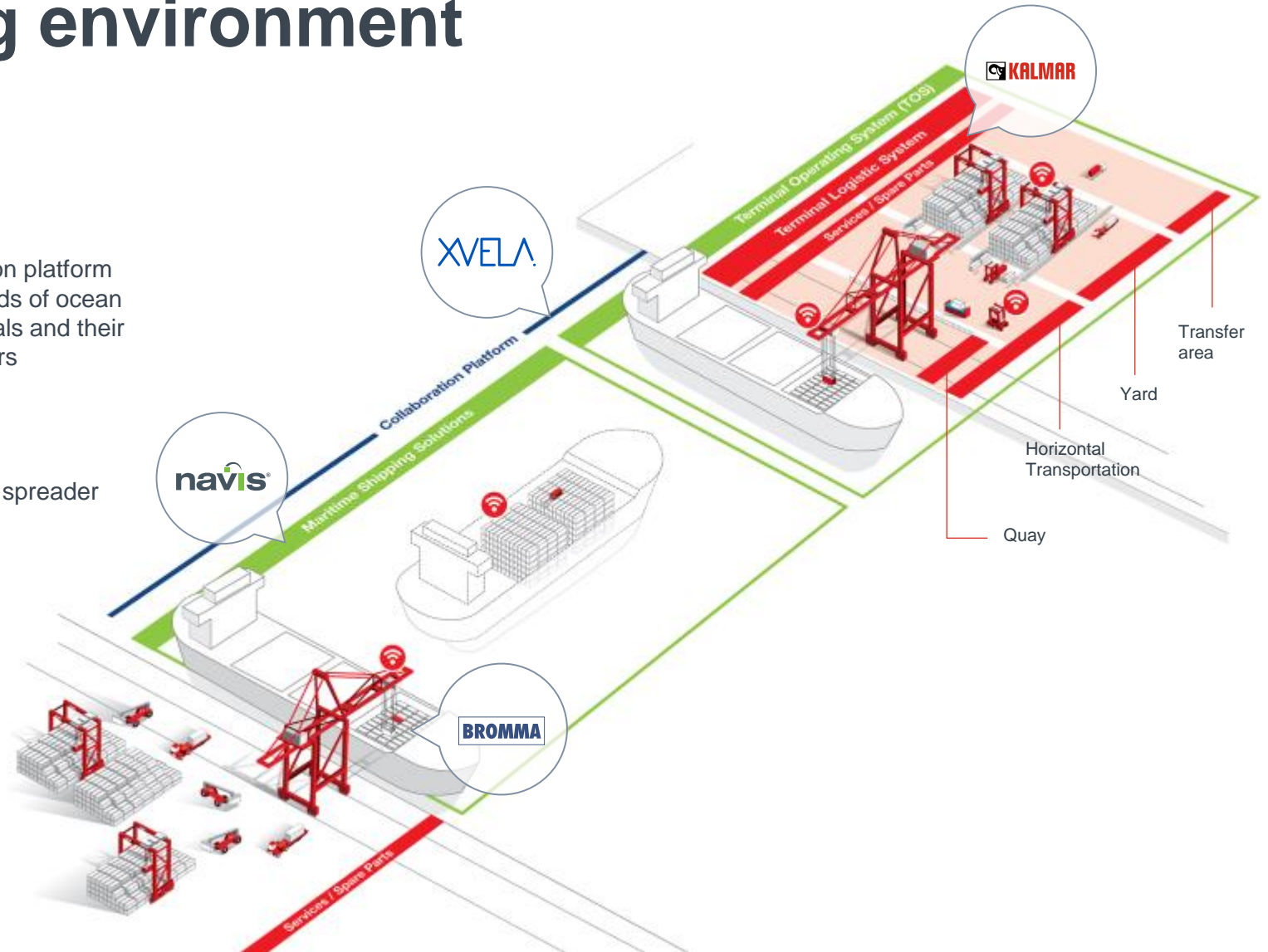
- Stowage planning
- Vessel monitoring
- Loading computer
- Route planning



The collaboration platform serving the needs of ocean carriers, terminals and their shipping partners



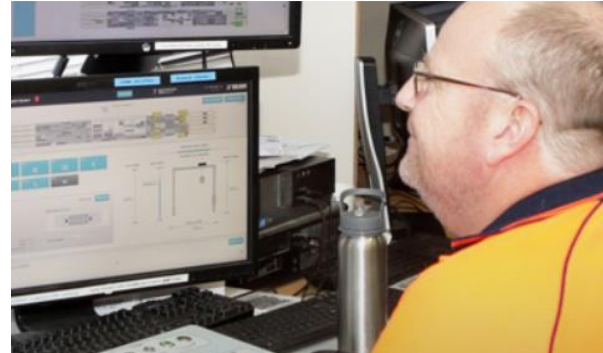
Industry leading spreader manufacturer



# Services provide our biggest medium-term growth opportunity



Equipment & Projects  
**20-30%**



Software  
**20-30%**



Services  
**3-5%**

Market  
share

Market  
size

**6B€**

**0.5-1B€**

**8B€**



# Automation deals highlight our successful investments in automation

## **Kalmar and Navis to deliver world-first intermodal automation solution to Sydney, Australia**

Greenfield intermodal terminal, Qube's Moorebank Logistics Park

- First fully automated intermodal terminal in the world

Kalmar OneTerminal contract, including Navis N4 TOS

All equipment can be operated electrically on local solar power

Order value EUR 80 million, booked in Q2 2018

## **Fully digitalised and autonomous container handling solution with software and services to Yara**

Solution enables autonomous, cost efficient and emission-free operations of the Yara Birkeland container ship in Norway



# Hiab

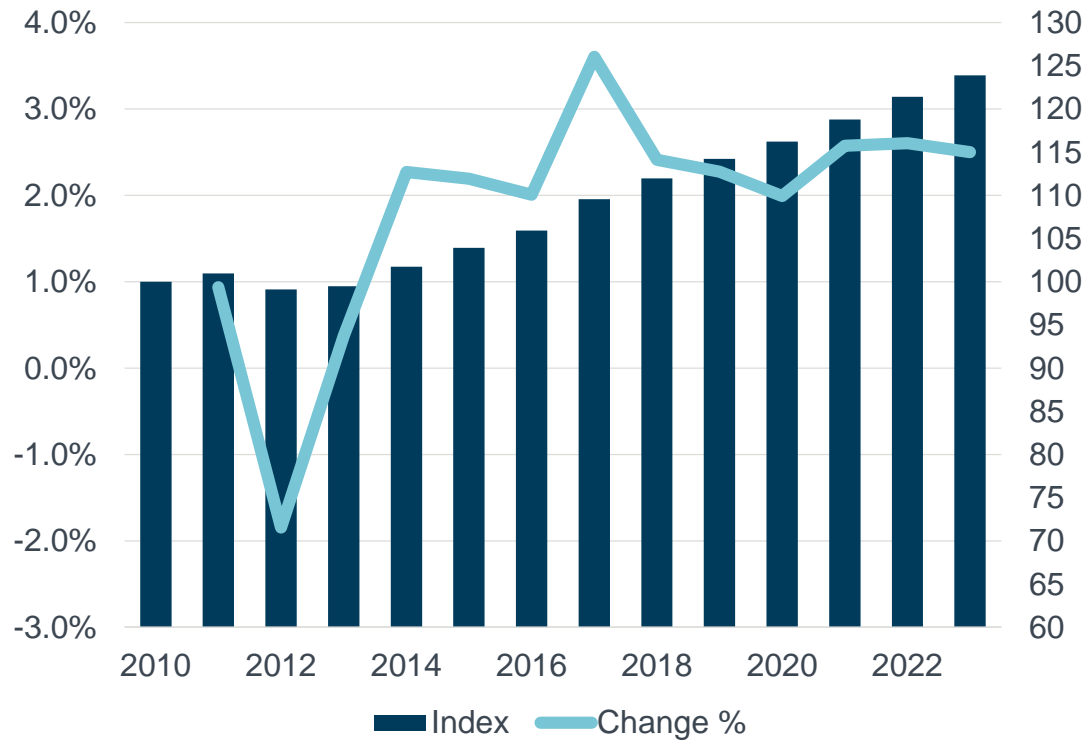




# Construction output driving growth opportunity

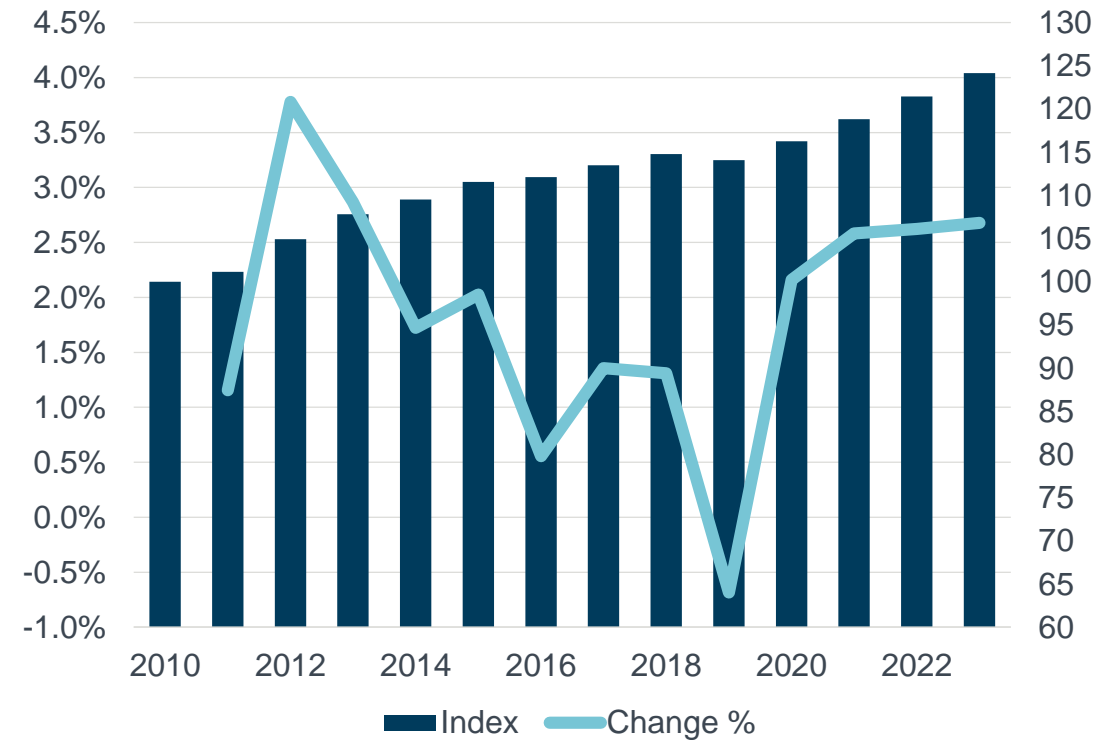
## EMEA construction output

y/y change (%)








## AMER construction output

y/y change (%)

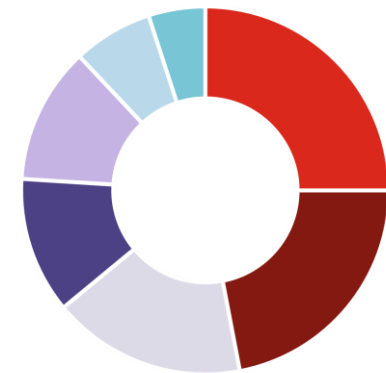


Oxford Economics: Industry output forecast  
12/2019

# Strong global market position and customers across diverse industries

	MARKET SIZE* (EUR billion)	KEY SEGMENTS	HIAB GLOBAL POSITION & TREND
<b>LOADER CRANES</b> 	~1.5	Construction and Logistics	#2 ↗
<b>TAIL LIFTS</b> 	~0.9	Retail Industry and Logistics	#2 ↗
<b>DEMOUNTABLES</b> 	~0.6	Waste and Recycling, Defense	#1 ↗
<b>TRUCK MOUNTED FORK LIFTS</b> 	~0.3	Construction and Logistics	#1 →
<b>FORESTRY &amp; RECYCLING CRANES</b> 	~0.3	Timber, Pulp, Paper & Recycling	#2 →

Industry segment indicative sales mix 2018



Most important segments

- Construction and Building Material
- Delivery Logistic
- Waste & Recycling
- Timber, Paper & Pulp
- Defense Logistic
- Road & Rail
- Other



# Attractive megatrends and growth drivers

## MEGA TRENDS



- **Urbanisation** and **Consumption** growth driving needs for efficiency
- **Digitalisation** and **Connectivity** enabling new **business** solutions

## MARKET GROWTH



- **North America** and main **European** markets continue to grow
- **Developing markets** strong load handling equipment penetration potential

## KEY SEGMENTS



- **Construction, Waste & Recycling, Logistics** and **Governmental** business segments show continued growth projection

## PRODUCT OFFERING



- **New applications** market and segment growth potential
- Developing for increasing demand in **Electrification** and **Automation**

## SERVICE SOLUTIONS



- Growing demand for comprehensive **life-cycle service offerings** and tailored **business solutions**

# Hiab's key growth drivers



## Cranes

Gain market share in big loader cranes and crane core markets



## Tail lifts

Enter fast growing emerging markets and standardise and globalise business model



## Truck-mounted forklifts

Accelerate penetration in North America and Europe



## Services

Increase spare parts capture rates driven by connectivity and e-commerce



# MacGregor



# We are an active leader in all maritime segments

~2/3 of sales

~1/3 of sales

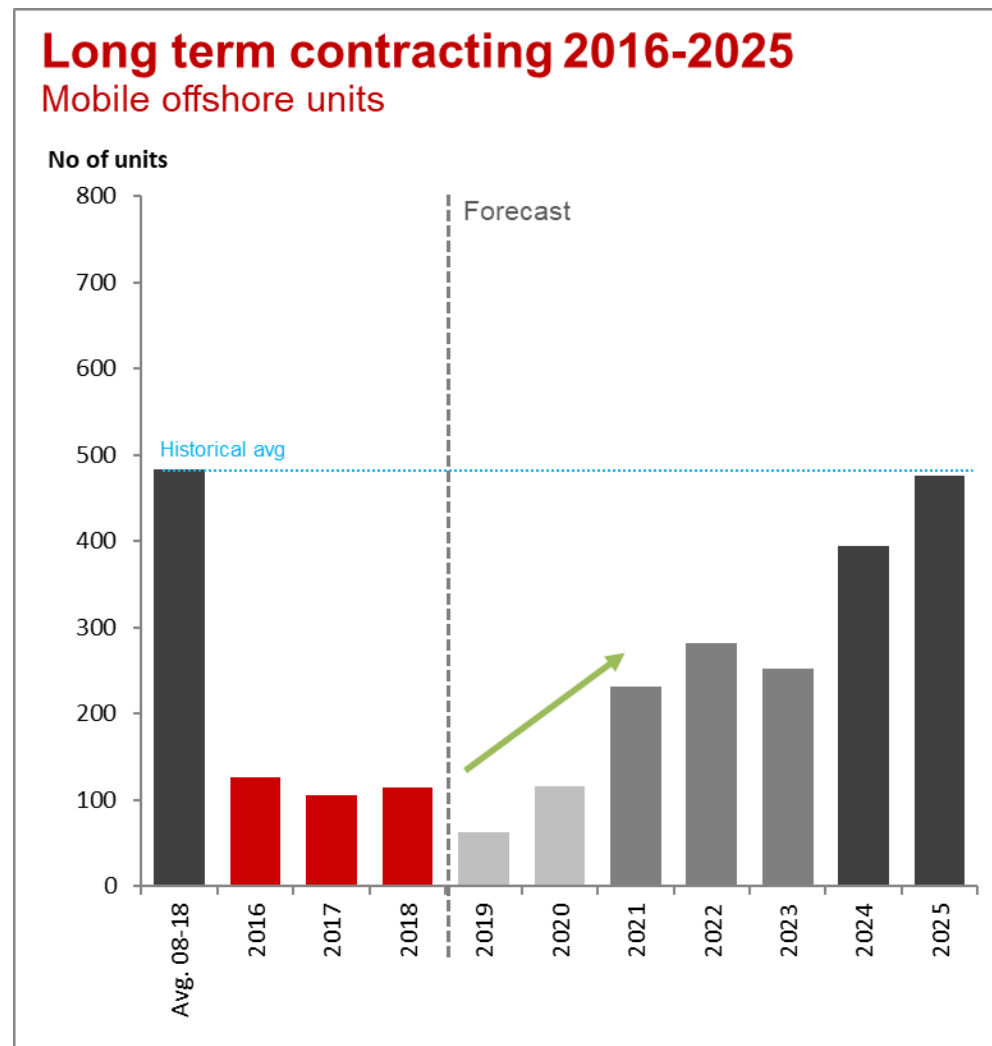
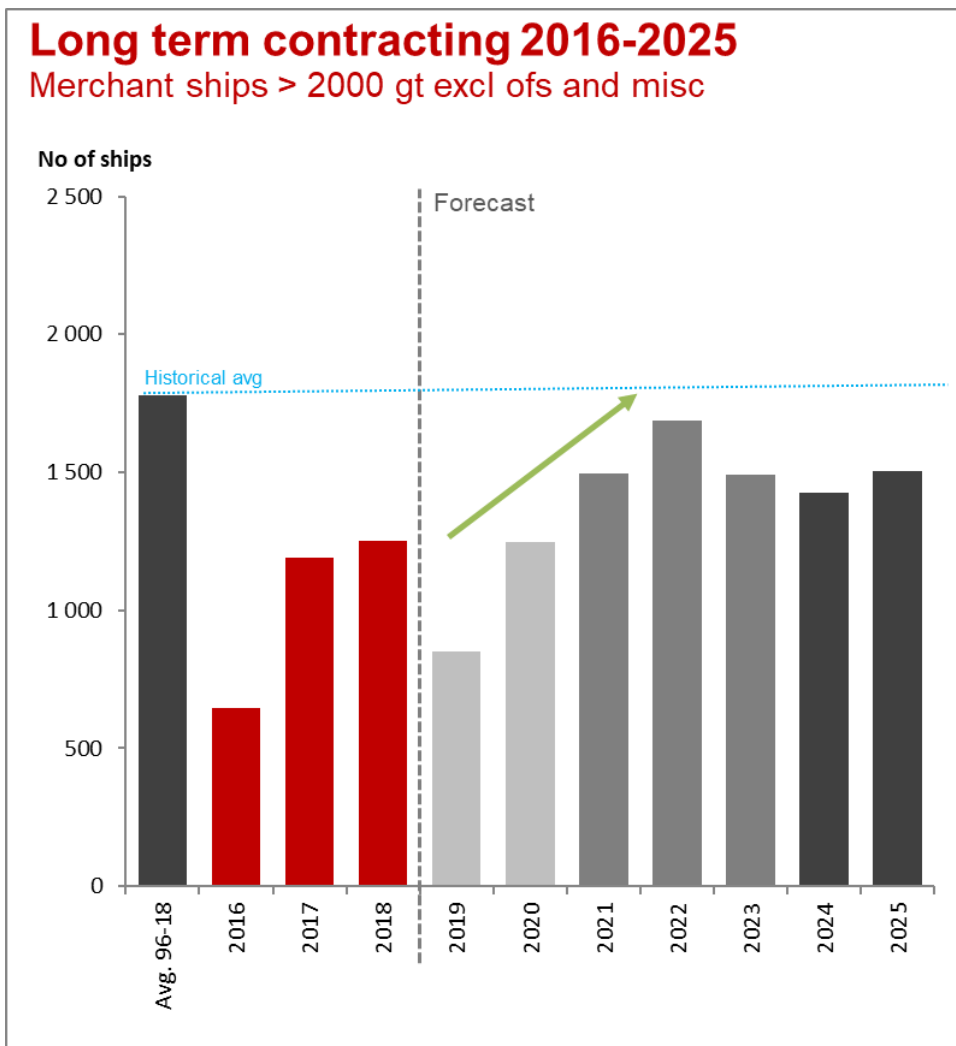
<p>Merchant Cargo Flow</p> <p><b>MARKET POSITION #1</b></p>	<p>Marine People Flow</p> <p><b>#1</b></p>	<p>Naval Logistics and Operations</p> <p><b>#1-2</b></p>	<p>Offshore Energy</p> <p><b>#1</b></p>	<p>Marine Resources &amp; Structures</p> <p><b>#1-2</b></p>
<ul style="list-style-type: none"> <li>▪ Container cargo</li> <li>▪ Bulk cargo</li> <li>▪ General cargo</li> <li>▪ Liquid cargo</li> <li>▪ RoRo cargo</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ferry</li> <li>▪ Cruise</li> <li>▪ Superyachts</li> </ul>	<ul style="list-style-type: none"> <li>▪ Naval &amp; Military Supplies Logistics</li> <li>▪ Naval &amp; Military Operations Support</li> <li>▪ Ship-to-ship transfer</li> </ul>	<ul style="list-style-type: none"> <li>▪ Oil &amp; Gas</li> <li>▪ Renewables</li> </ul>	<ul style="list-style-type: none"> <li>▪ Research</li> <li>▪ Fishery</li> <li>▪ Aquaculture</li> <li>▪ Mining</li> </ul>

## Lifecycle Services



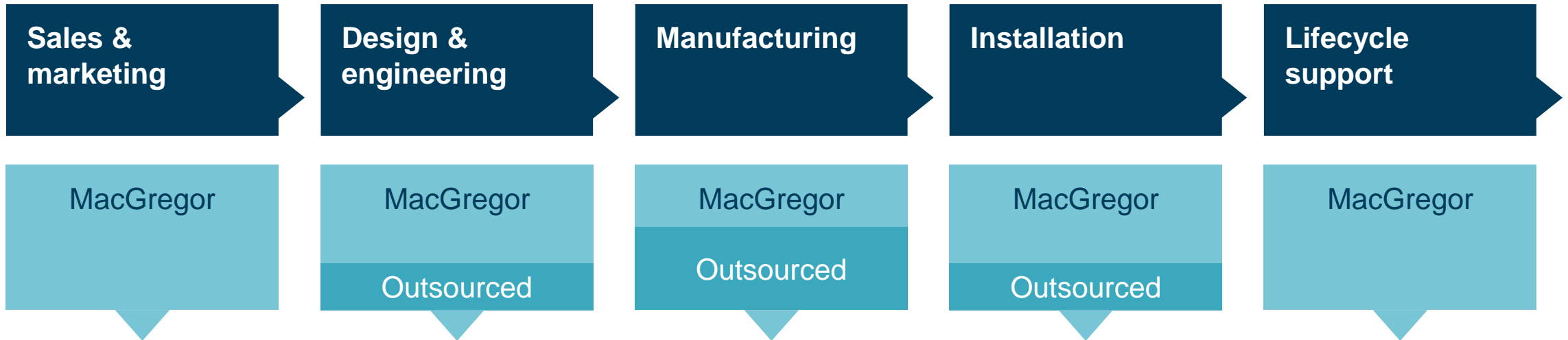
Picture: Equinor

# Merchant Ships and Offshore contracting activity below historical levels





# MacGregor's asset-light business model gives flexibility



Cost-efficient scaling

**90%** of manufacturing outsourced

**30%** of design and engineering capacity outsourced

# Planned MacGregor cost savings

The potential cost savings in 2020 are estimated to be around EUR 15 million

Potential cost savings from the TTS integration

- EUR ~12 million in 2020
- EUR ~10 million in 2021
- EUR ~5 million in 2022–2024

TTS integration cost synergy components

- Roles/Positions
- Facilities
- Supply chain



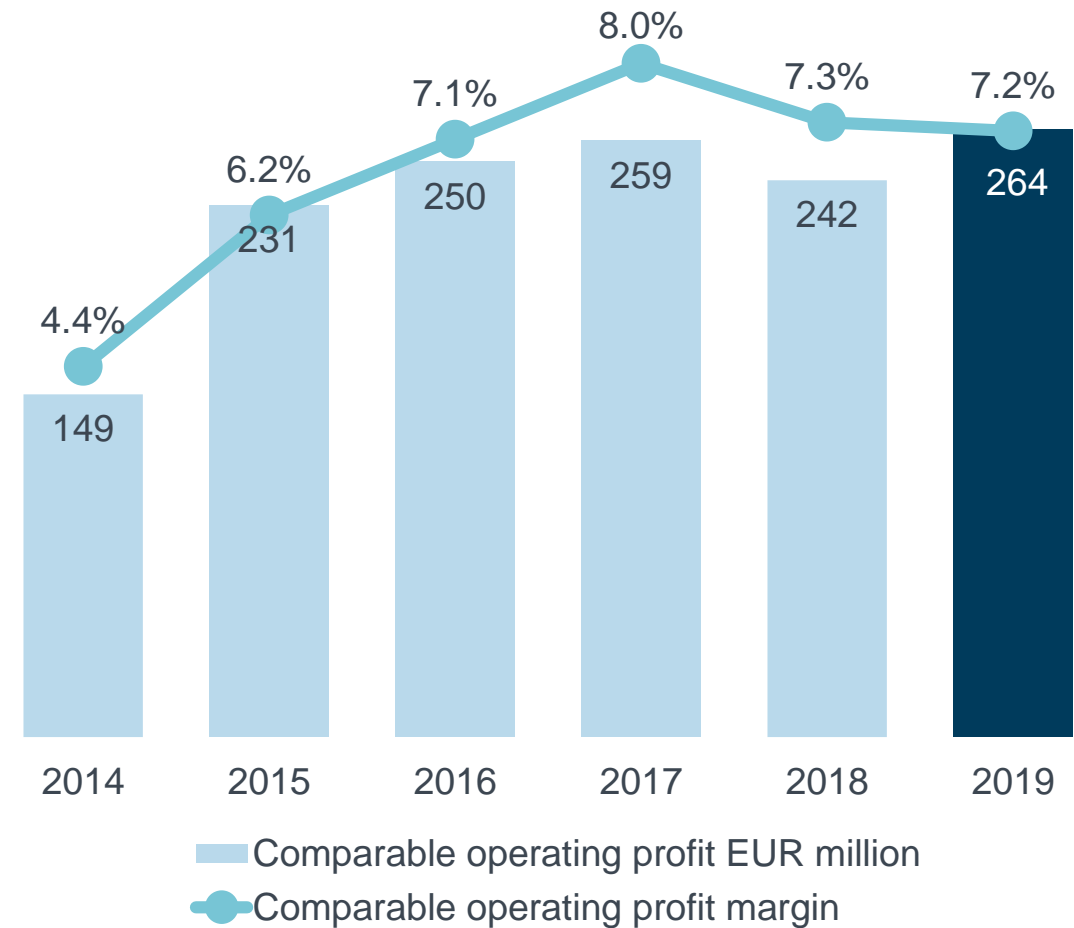
# Recent progress





# Highlights of 2019 – Comparable operating profit and sales increased

- Orders received decreased by 1%
  - Kalmar -7%
  - Hiab +4%
  - MacGregor +9%
- Sales increased by 11%
  - +10% in comparable FX
- Comparable operating profit increased by 9%
  - Kalmar's increased by 13%, Hiab's by 27%
  - MacGregor's comparable operating profit was MEUR -28 EUR



# Market environment 2019

## Growth in number of containers handled at ports continued

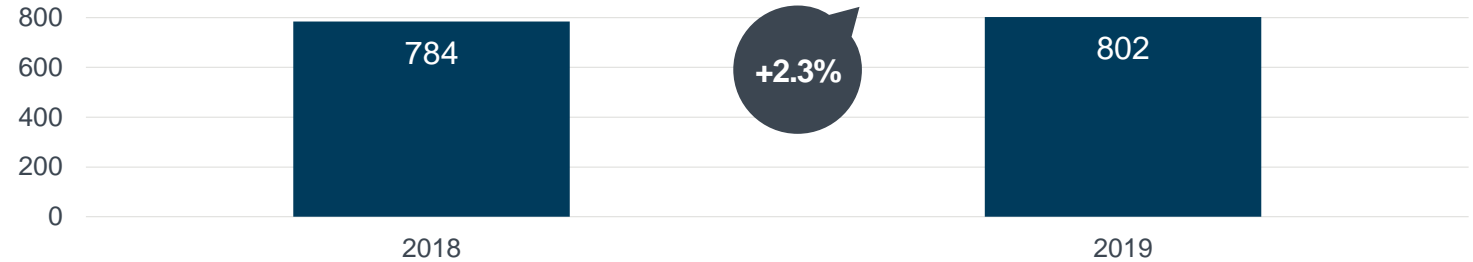
- Customers are starting automation projects mainly with phased investments

## Construction activity increased in Europe and grew slightly in the US

## In both merchant and offshore sector, orders and activity remained on a low level

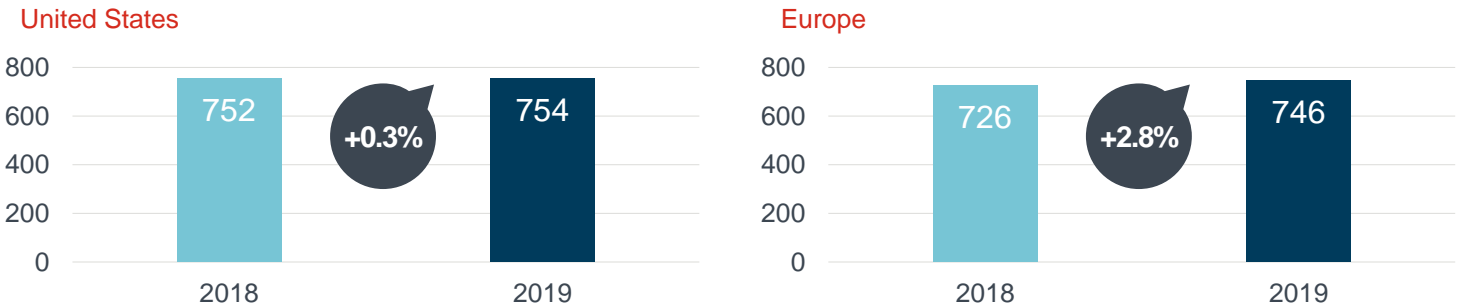
Global container throughput (MTEU) – Key driver for Kalmar

Source: Drewry



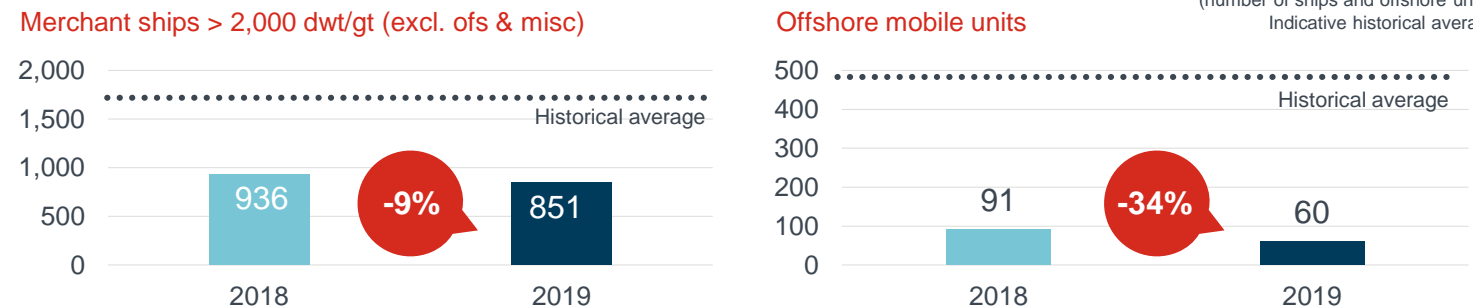
Construction output – Key driver for Hiab

Source: Oxford Economics

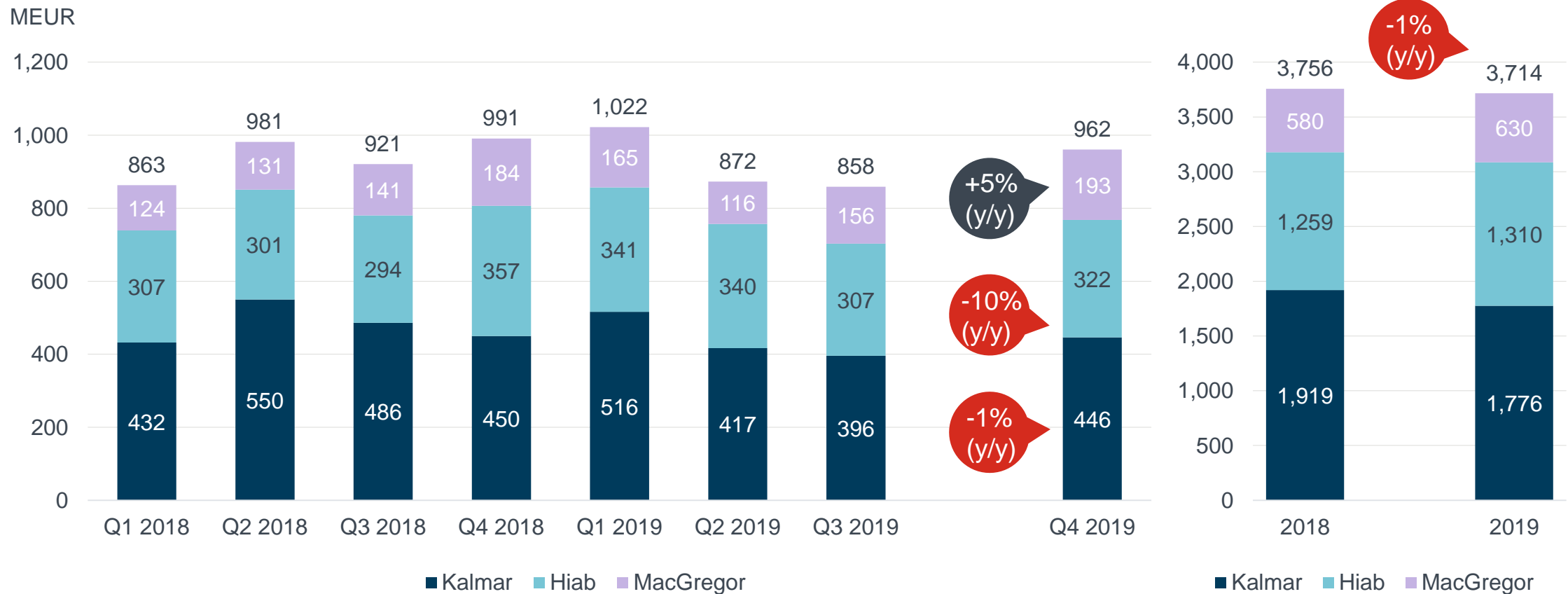


Long term contracting – Key driver for MacGregor

Source: Clarkson Research  
(number of ships and offshore units)  
Indicative historical average



# Orders received remained at a high level in 2019

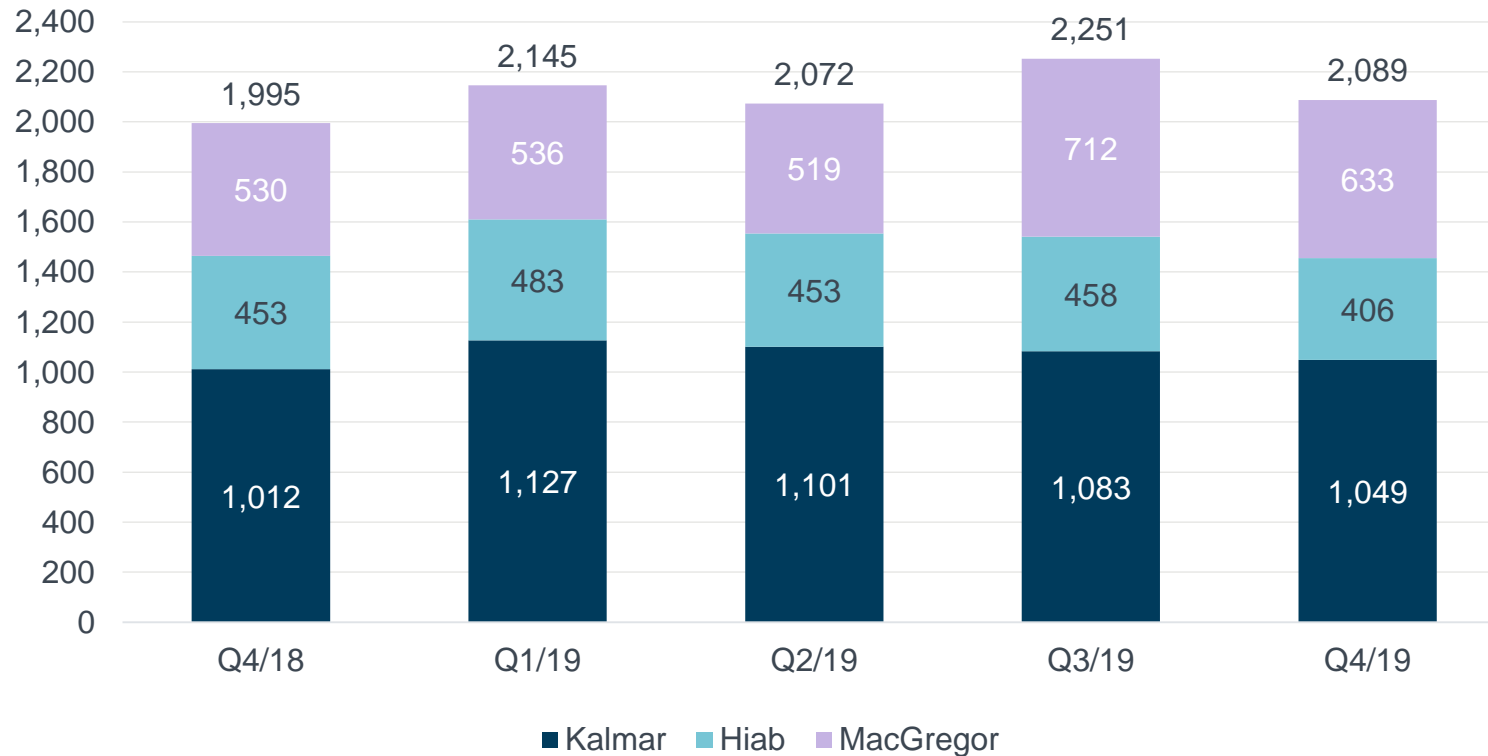




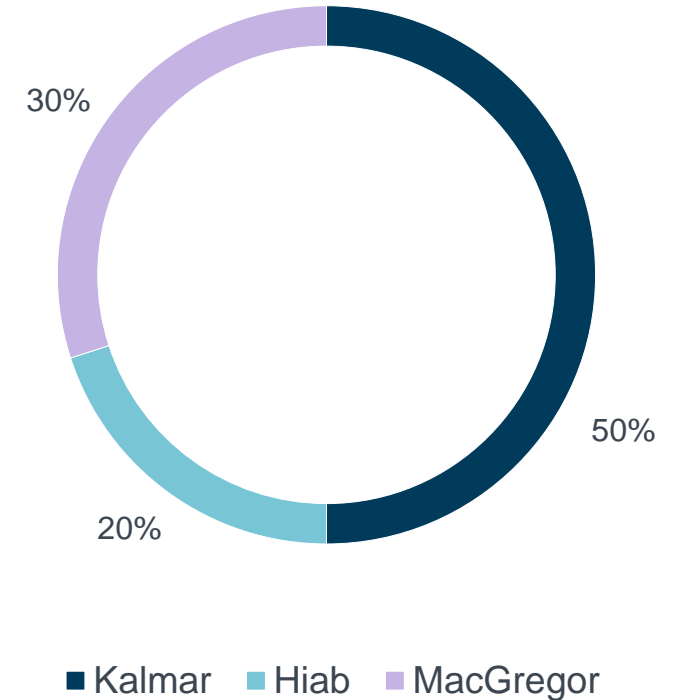
# Order book increased compared to 2018, driven by MacGregor and Kalmar

## Order book

MEUR



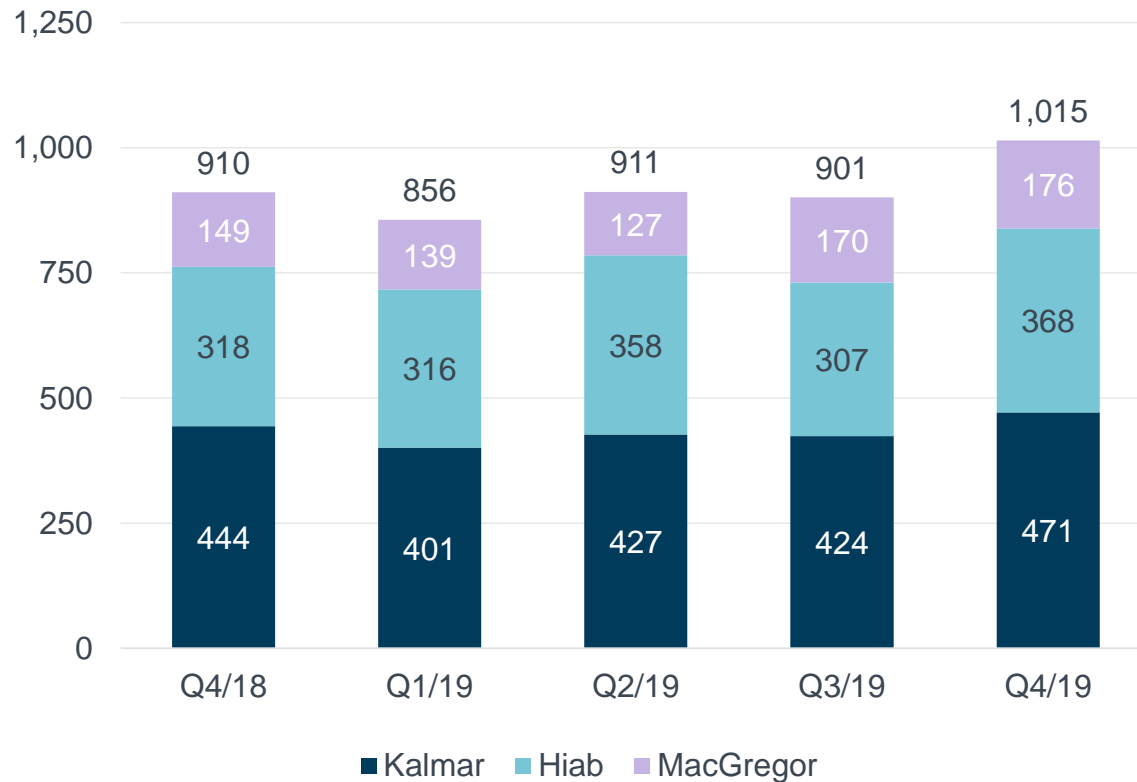
## Order book by reporting segment, Q4 2019



# Sales increased in all business areas, comparable operating profit burdened by MacGregor's weak result

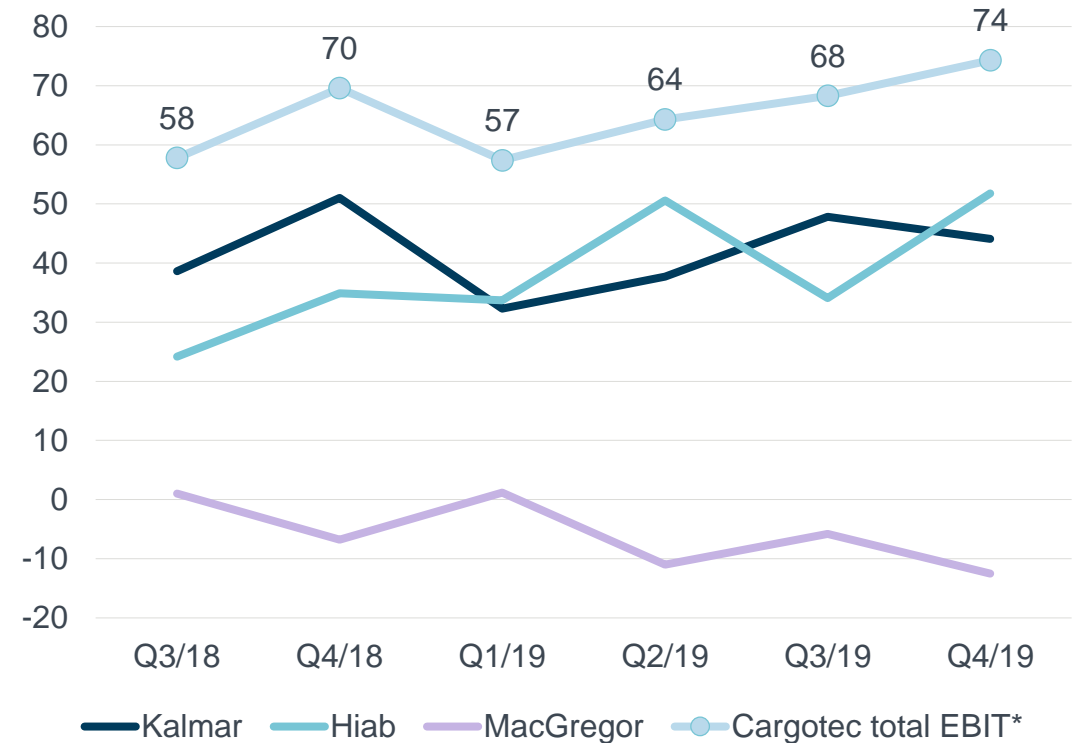
## Sales

MEUR



## Comparable operating profit

MEUR

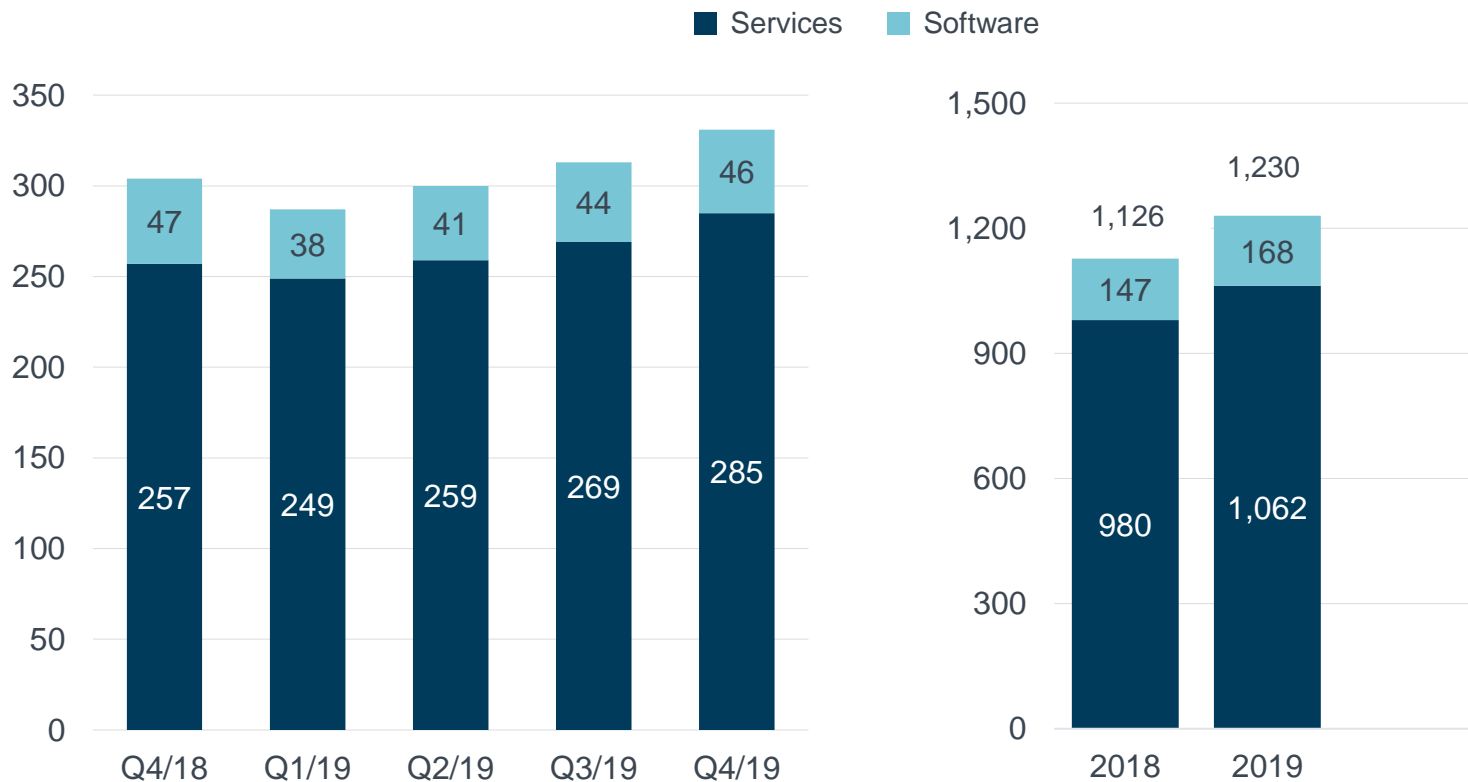


\*) Including Corporate admin and support

# Good development in service and software sales

## Service and software\* sales

MEUR



\*Software sales defined as strategic business unit Navis and automation software

2019 service sales +8%

- Kalmar +3%
- Hiab +11%
- MacGregor +15%
- Total service sales 7% in comparable FX

Software sales +15%

Service and software sales constituted 33% of total sales in 2019



# Kalmar Q4 – Strong order book, profitability declined

Orders received remained stable

- Growth in automation and projects, decline in mobile equipment

Sales increased by 6%

- Services growth +6% in comparable FX

Comparable operating profit decreased due to a less profitable sales mix

MEUR	Q4/19	Q4/18	Change
Orders received	446	450	-1%
Order book	1,049	1,012	+4%
Sales	471	444	+6%
Comparable operating profit	44	51	-14%
Comparable operating profit margin	9.4%	11.5%	-214bps



# Hiab Q4 – Strong improvement in operating profit

Order backlog lower as supply chain normalised

- 10% decline in orders received, coming mainly from the US and UK

Sales increased by 16%

- Across all product lines

Comparable operating profit increased due to growth in sales

MEUR	Q4/19	Q4/18	Change
Orders received	322	357	-10%
Order book	406	453	-10%
Sales	368	318	+16%
Comparable operating profit	52	35	+49%
Comparable operating profit margin	14.1%	11.0%	+310bps



# MacGregor Q4 – Loss making in Q4, service sales increased

Orders received increased by 5%

- Orders received excl. TTS -8%
- Decline in merchant, increase in offshore (+35%) and service orders (+36%)

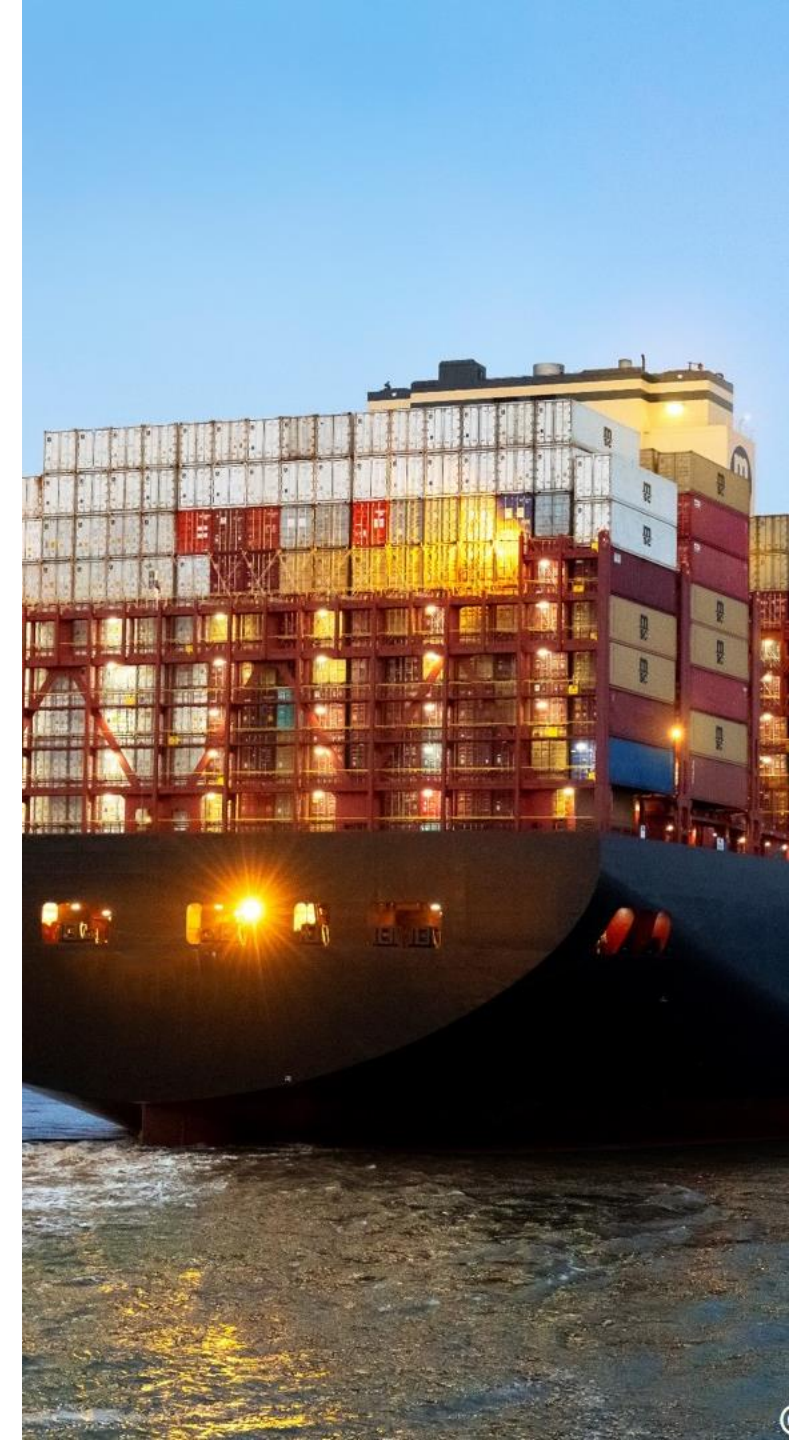
Sales increased by 18%

- Sales excl. TTS -3%
- Service sales +26%

Comparable operating profit declined

- Cost overruns in certain offshore projects, low capacity utilisation, lower sales margins
- Productivity improvements ongoing

MEUR	Q4/19	Q4/18	Change
Orders received	<b>193</b>	184	+5%
Order book	<b>633</b>	530	+20%
Sales	<b>176</b>	149	+18%
Comparable operating profit	<b>-13</b>	-7	-84%
Comparable operating profit margin	<b>-7.1%</b>	-4.6%	-255bps





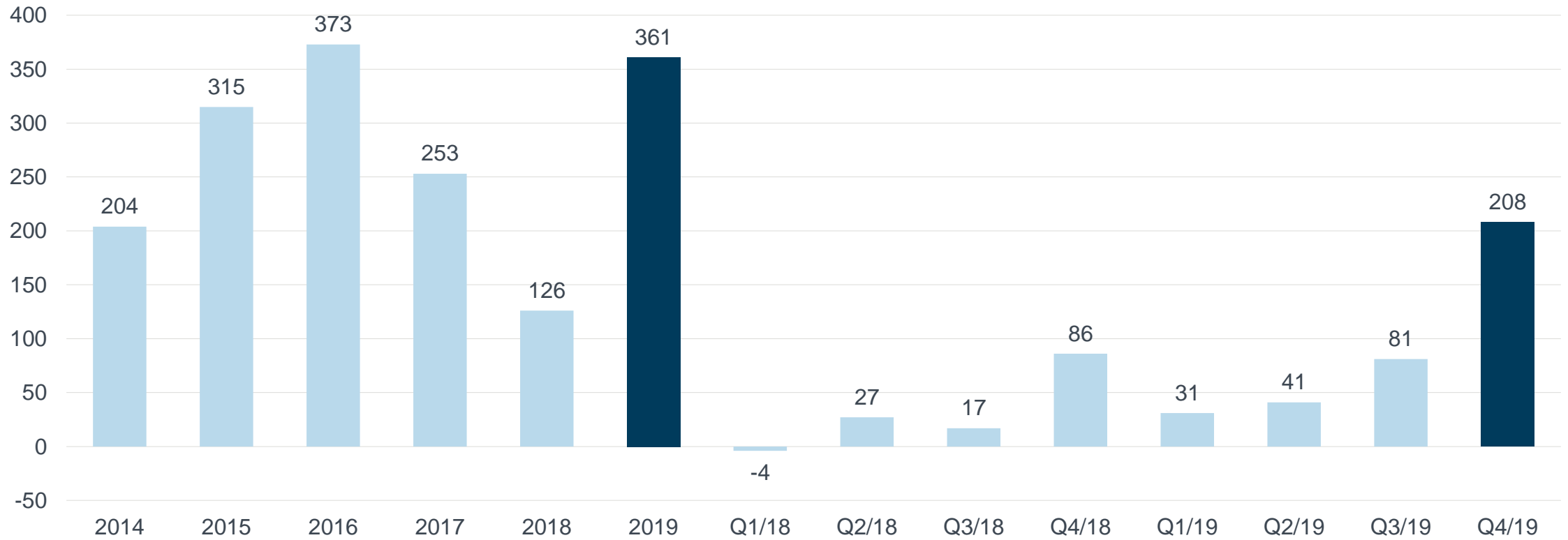
# Key figures – EPS burdened by restructuring costs

	10-12/19	10-12/18	Change	2019	2018	Change
Orders received, MEUR	962	991	-3%	3,714	3,756	-1%
Order book, MEUR	2,089	1,995	+5%	2,089	1,995	+5%
Sales, MEUR	1,015	910	+12%	3,683	3,304	+11%
Comparable operating profit, MEUR	74	70	+7%	264	242	+9%
Comparable operating profit, %	7.3%	7.7%		7.2%	7.3%	
Items affecting comparability, MEUR	-56	-9	< -100%	-84	-52	-62%
Operating profit, MEUR	18	61	-70%	180	190	-5%
Operating profit, %	1.8%	6.7%		4.9%	5.8%	
Net income, MEUR	-0	34	<- 100%	89	108	-17%
Earnings per share, EUR	-0.00	0.53	<- 100%	1.39	1.66	-16%
Earnings per share, EUR*	0.51	0.62	-16%	2.19	2.33	-6%

# Cash flow improved significantly

## Cash flow from operations before financing items and taxes

MEUR



# Strong financial position

## Interest-bearing net debt EUR 774 million (31 Dec 2018: 625)

- Average interest rate\* 1.8% (2.1%)
- Net debt/EBITDA 2.5 (2.3)
- Net debt/EBITDA 1.9 excluding IFRS 16

## Net debt and gearing increased mainly due to IFRS 16

- Gearing without IFRS 16 approximately 41%

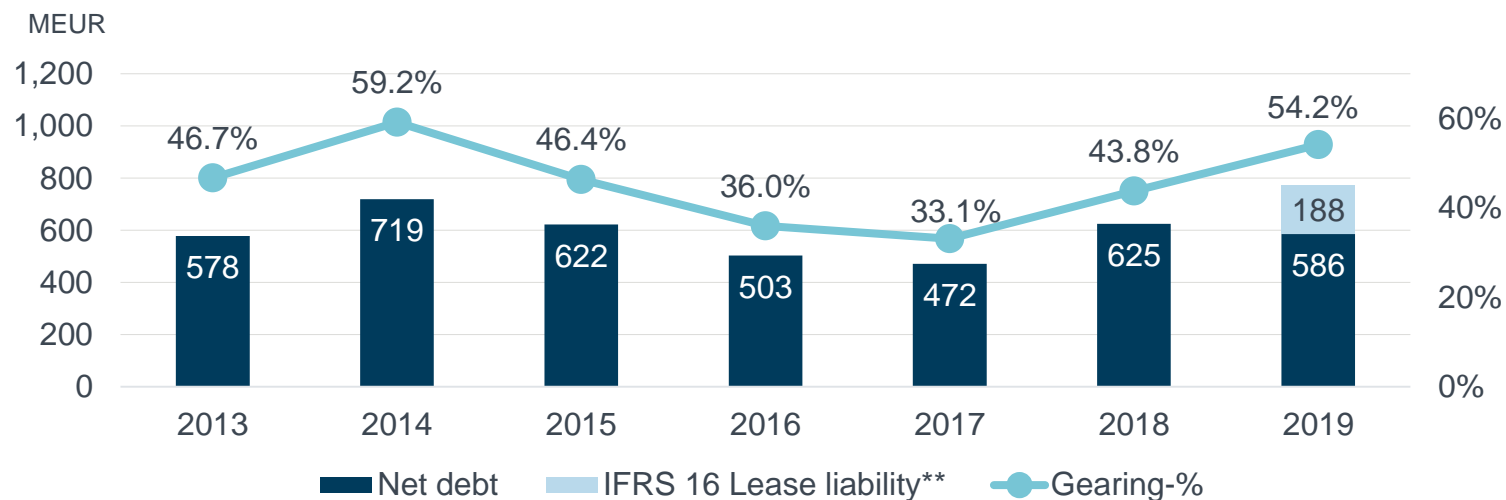
## Total shareholders' equity EUR 1,427 million (1,429)

- Equity/total assets 36.4% (40.9%)

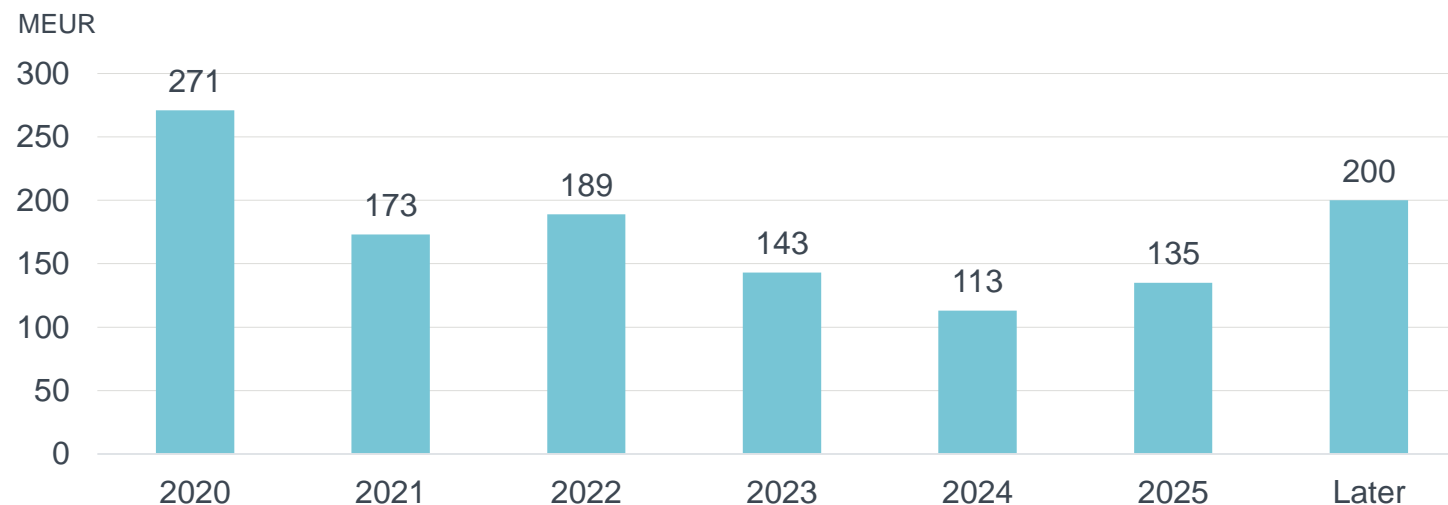
## Balanced maturity profile

- EUR 271 million maturing in 2020
- Two bonds issued in September 2019 (aggregate amount EUR 250 million) to prepare for 2020 re-payments

### Net debt and gearing

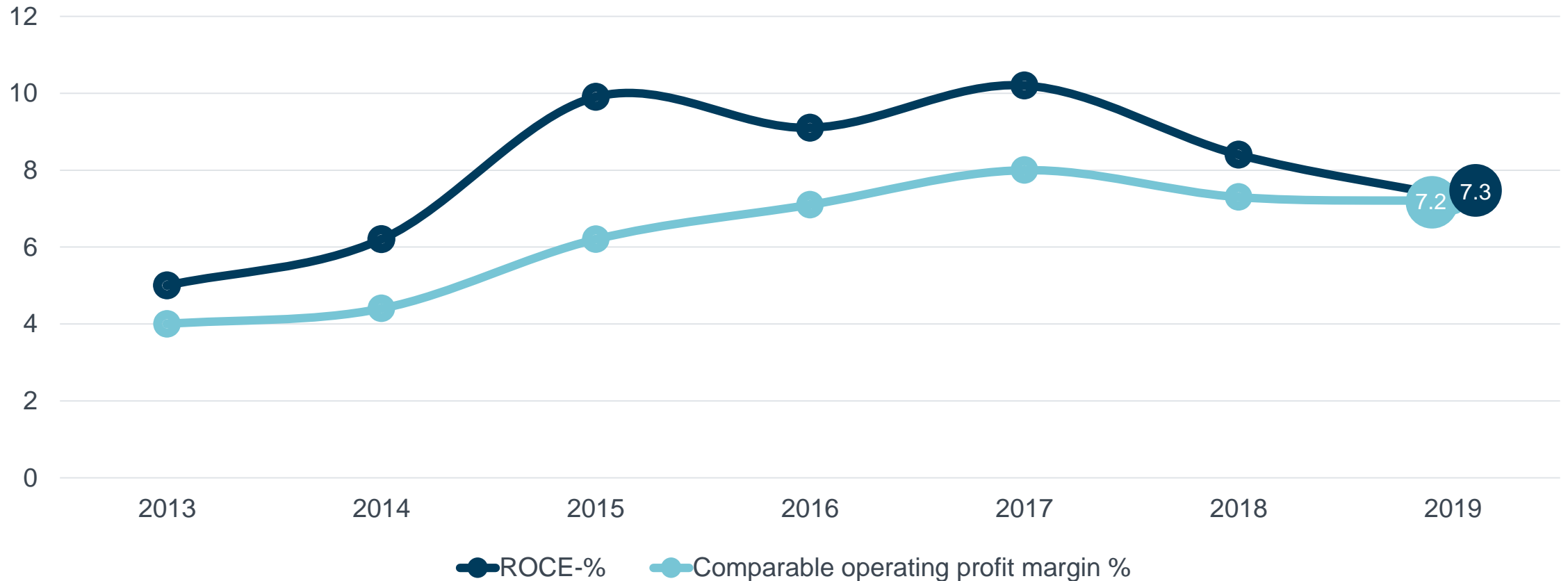


### Repayment schedule of interest-bearing liabilities





# ROCE decreased compared to 2018, impacted by restructuring costs



Cargotec has refined the treatment of the interest rate component of currency forward contracts in the calculation of return on capital employed. As a result, the return on capital employed increased by 0.4 percentage points in 2018, 0.5 percentage points in 2017, 0.3 percentage points in 2016, and 0.1 percentage points in 2015. The figures for earlier years have not been restated.

# Assumptions for 2020

## MacGregor

- MacGregor's comparable operating profit is expected to increase from 2019
- EUR 15 million cost savings



## Productivity improvements in all business areas and corporate



## Service business is expected to grow

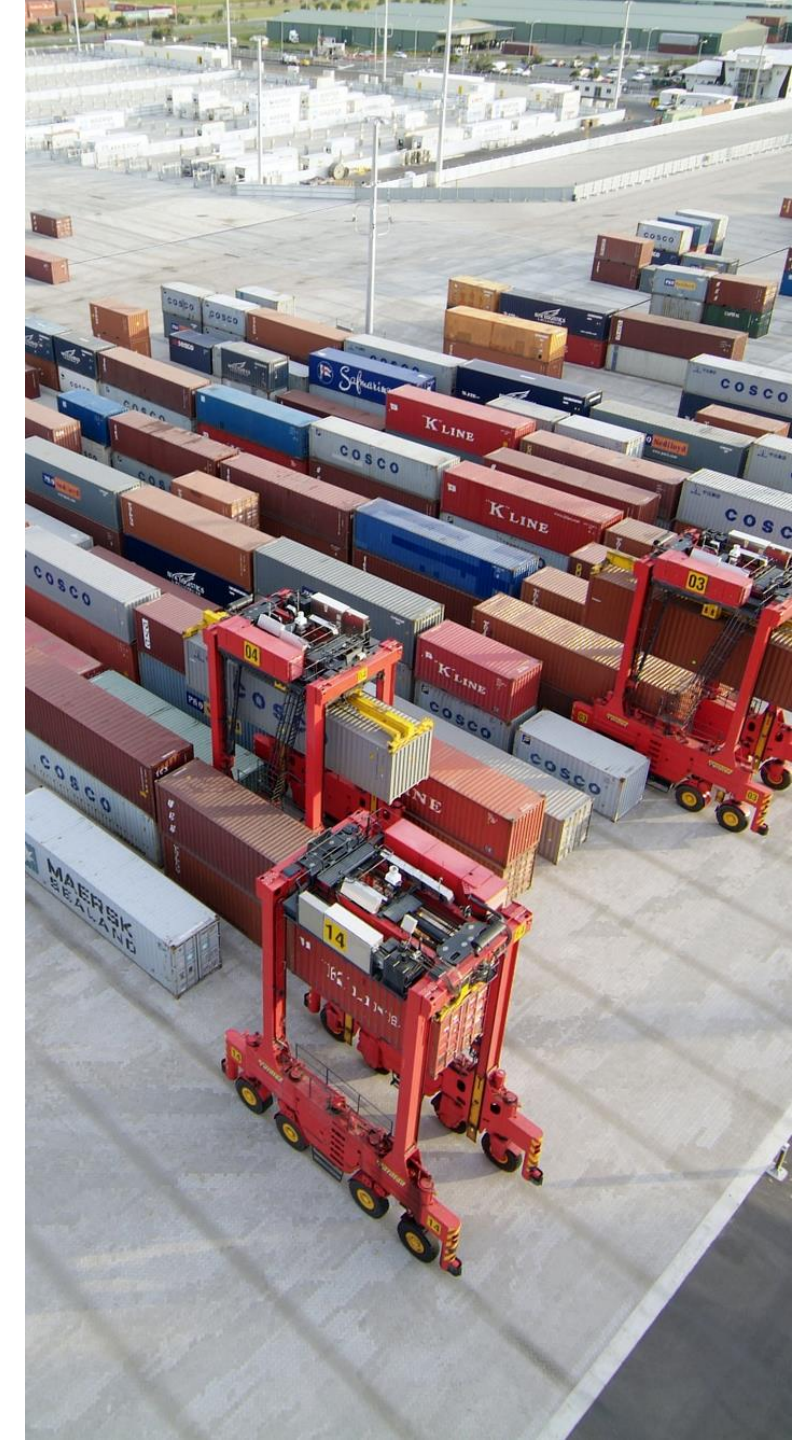


## Market visibility – uncertain demand

- Kalmar mobile equipment
- Hiab

## Restructuring

- Approximately EUR 60 million costs from ongoing programmes
- Reviews have been started which may increase or decrease the estimate







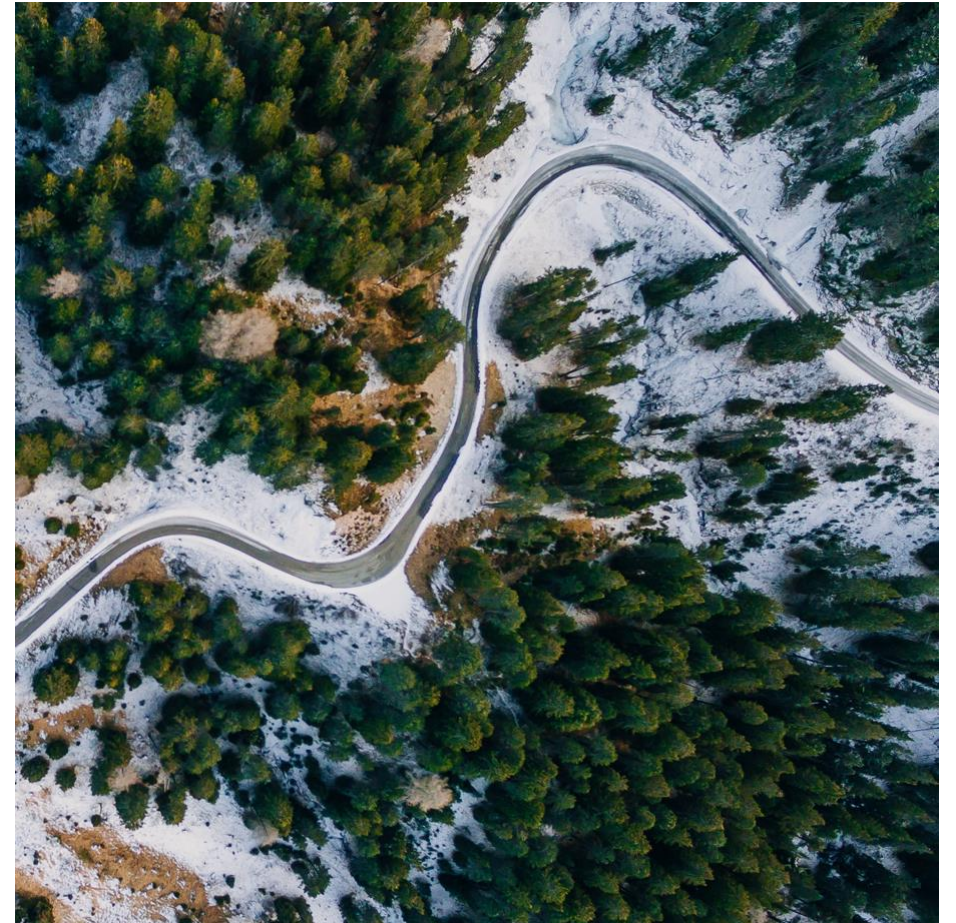
# Outlook for 2020

Cargotec expects its comparable operating profit for 2020 to improve from 2019 (EUR 264 million).



# Cargotec to evaluate strategic options for Navis business

- Cargotec will review **alternative development paths** including new ownership structures and a potential sale of Navis business
- The aim of the strategic evaluation is to secure best possible **growth and value creation** for the next development phase for Navis
- Cargotec's investment since 2011 has enabled Navis to become the market leader in terminal operating systems (TOS), and **more than doubled revenue to EUR 115 million** in 2019
- Cargotec's other software business will not be part of the evaluation

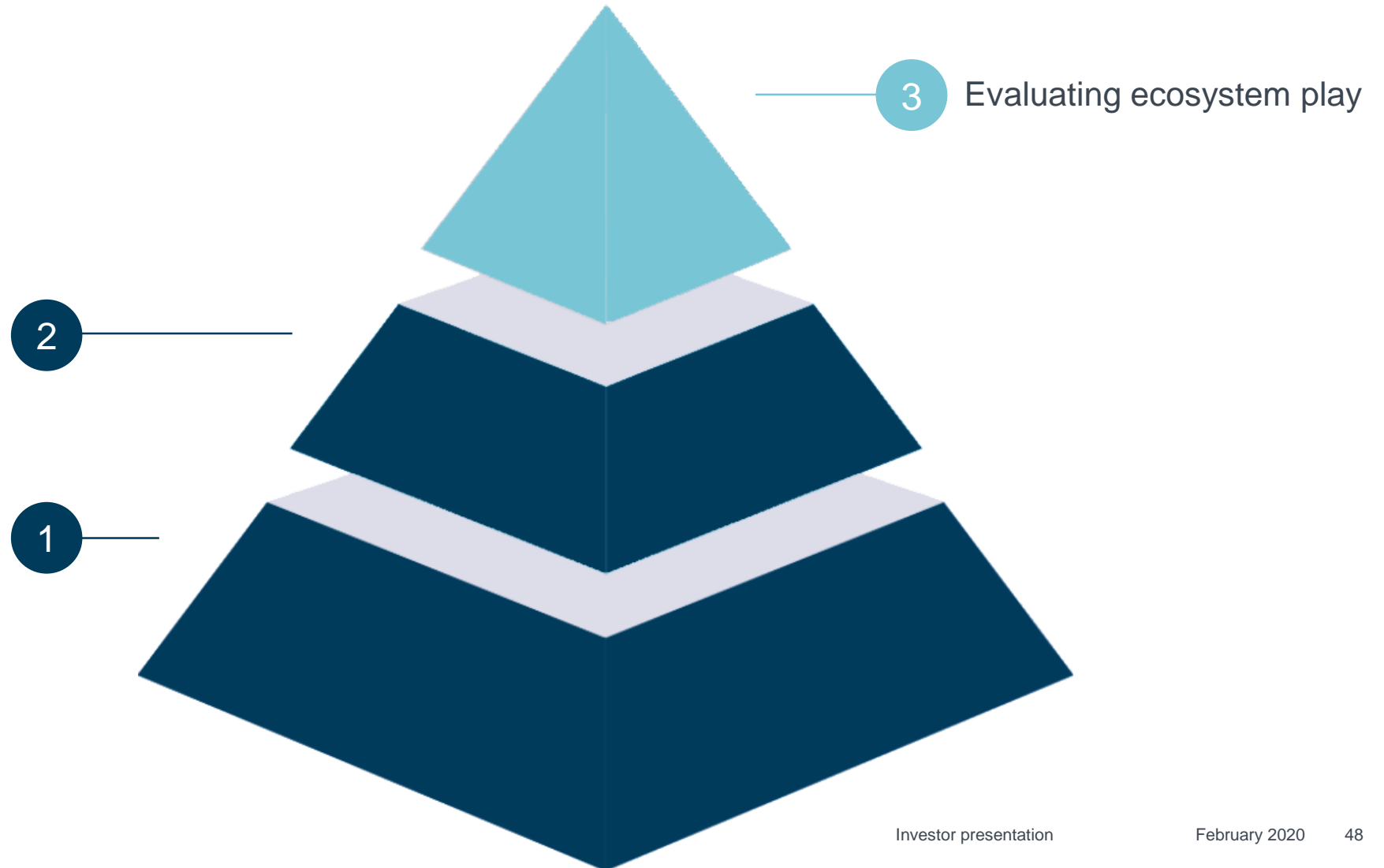


# Committed to become the leader in intelligent cargo handling – evaluating future options for value creation

Increased focus on intelligent solutions and system level optimisation.

Availability and performance-based solutions and services  
Advanced robotics

Continuous development of equipment, spare parts and maintenance services



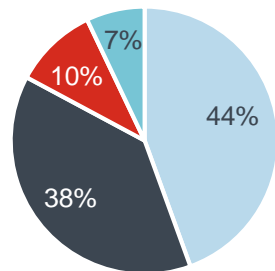
# Service sales growth on track towards our targets

Cargotec service sales totalled EUR 1,062 million in 2019

- Spare parts the biggest category, around 47% of total service sales
- Maintenance around 31% of total service sales

## Kalmar

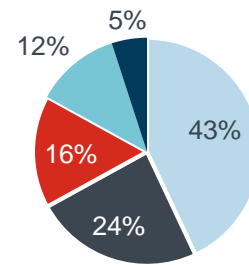
MEUR	2019
Service orders received	473
Service sales	464



■ Spare parts     ■ Maintenance  
■ Fleet management     ■ Upgrade projects

## Hiab

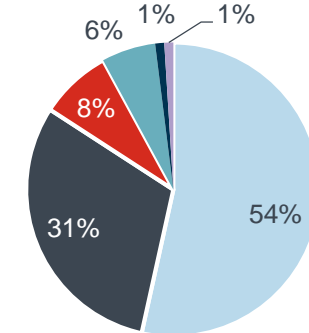
MEUR	2019
Service orders received	336
Service sales	343



■ Spare parts     ■ Maintenance  
■ Installations     ■ Accessories  
■ Used equipment

## MacGregor

MEUR	2019
Service orders received	271
Service sales	255



■ Spare parts     ■ Maintenance  
■ Running supply     ■ Projects  
■ Cargo Boost     ■ RoRo conversions

\* Target announced in September 2017



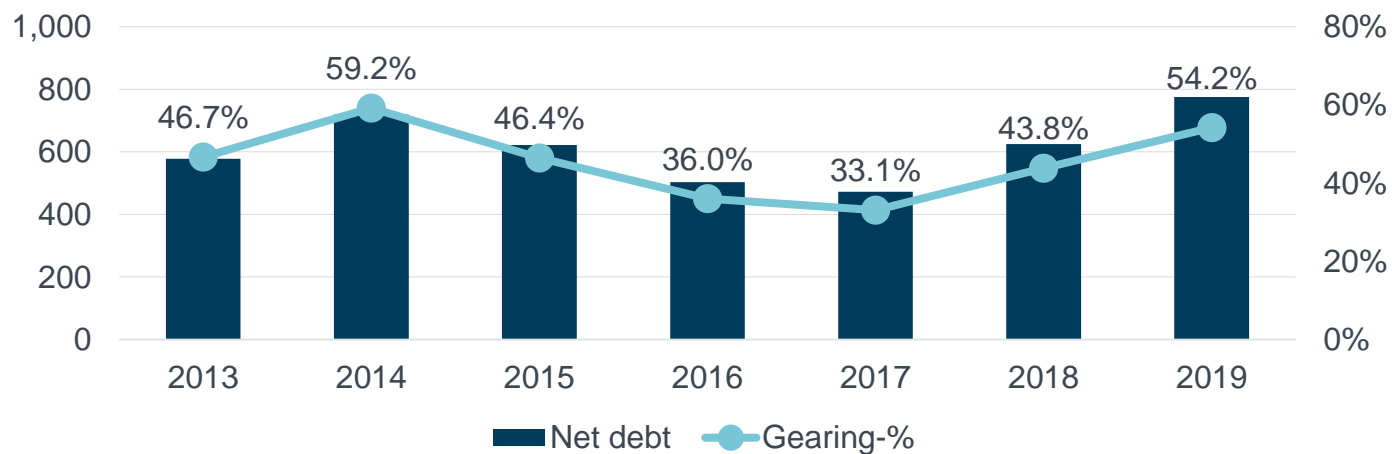
# M&A strategy focusing on bolt-on acquisitions

## Key acquisition criteria

- Contribution to 15% ROCE target
- Recurring business
- Increase the potential for services through larger installed base and increased presence
- Group gearing long term target of 50%

## Interest-bearing net debt and gearing

MEUR



## M&A focus by business area:

### Kalmar

Expand service footprint and software offering

### Hiab

Expand geographical presence, service and product offering

### MacGregor

Focus on distressed assets and software and intelligent technology



# TTS acquisition completed

## Strategic rationale

Service growth potential

Strengthening MacGregor's position also in China

Based on revised estimates, potential cost synergies are estimated to be around EUR 25-30 million on annual level

## Overview of the acquired business

Employs ca. 600 people

Services 26% of revenues

Estimated 2019 sales EUR 50 million, comparable operating profit at break-even

Closing balance sheet expected to be completed during Q4

Restructuring costs ca. EUR 40 million in 2019

## Acquisition

Acquired businesses represent around 90% of total sales of the TTS Group

Announced enterprise value EUR 87 million

Acquisition was completed on 31 July 2019

TTS results have been consolidated into MacGregor's financial figures as of 1 August 2019



# TTS product portfolio

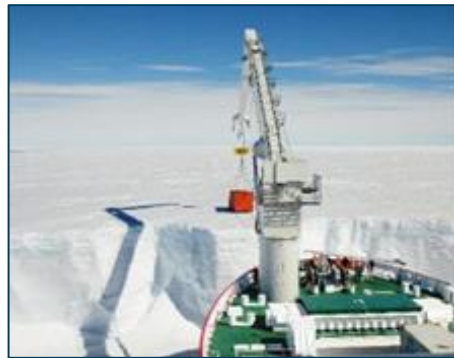
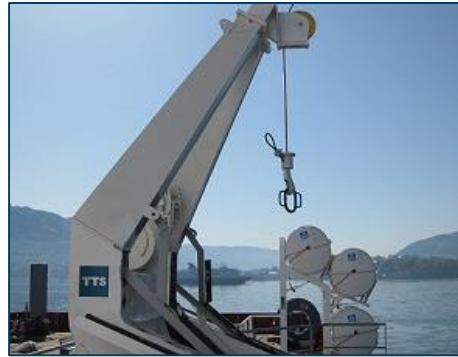
RoRo, Cruise & Navy

Container, Bulk &  
Tank Vessels

Multipurpose &  
General Cargo

Offshore Vessels

Services





# Group wide EUR 50 million cost savings programme proceeding faster than expected

## WHY

- Investments in common systems as enabler
- EUR ~600 million addressable indirect cost base

## WHAT

- Reductions in indirect purchasing spend (EUR 30 million), and more efficient support functions (EUR 20 million)

## HOW

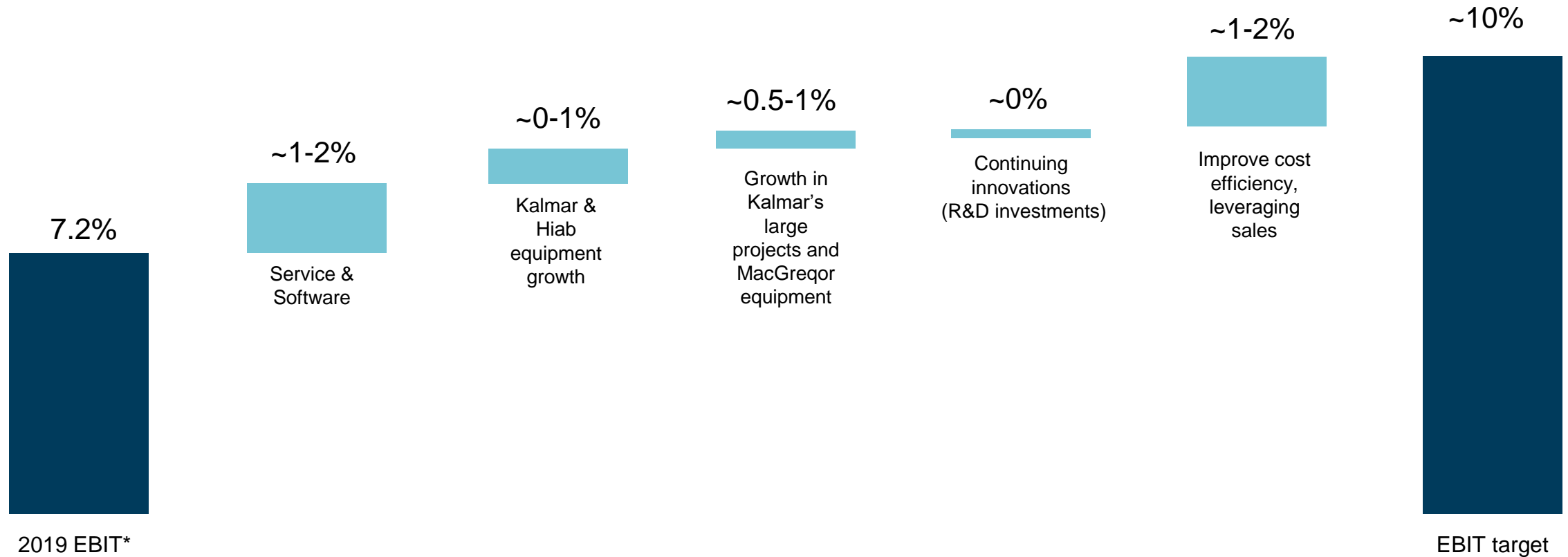
- Central procurement organization to drive indirect procurement cost and efficiency
- Support function services centre in Sofia, Bulgaria officially opened 30 January 2018
- Automation in Finance, HR, information management and procurement

## RESULTS

- EUR 41 million savings realised since the beginning of the programme in 2017.
- The remaining part of the savings is expected to be achieved in 2020.



# Our target is to reach 10% EBIT



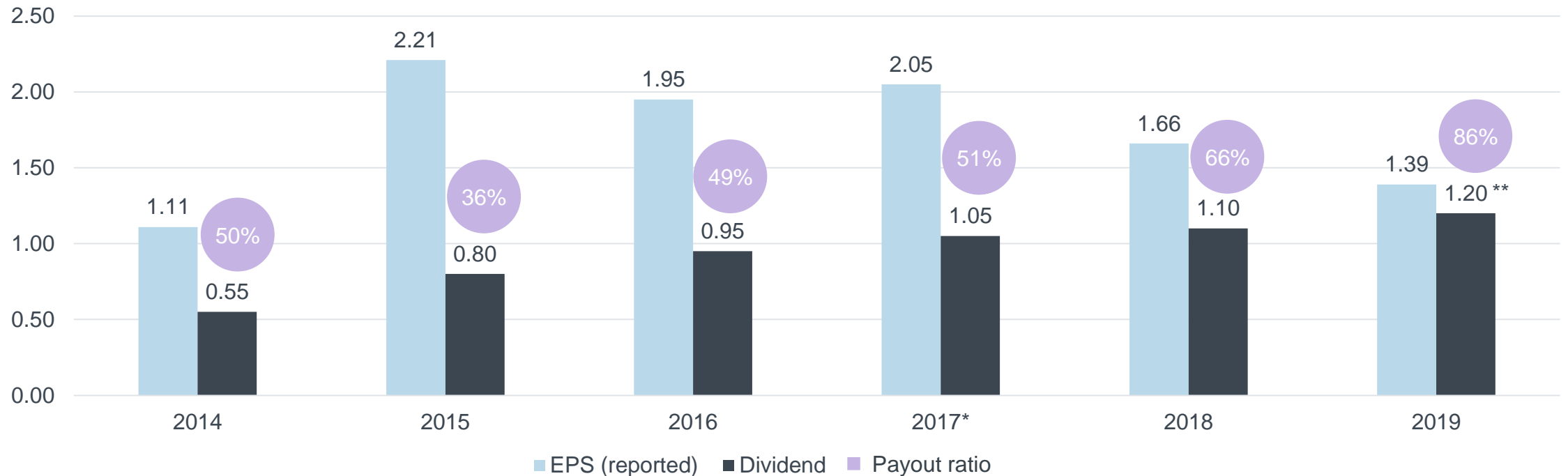
Target announced in September 2017, target to be reached in 3-5 years  
\*Comparable operating profit

# Dividend continues to increase\*\*

EUR 1.20 dividend per B share for 2019\*\*

Dividend to be paid in two EUR 0.60 instalments\*\*

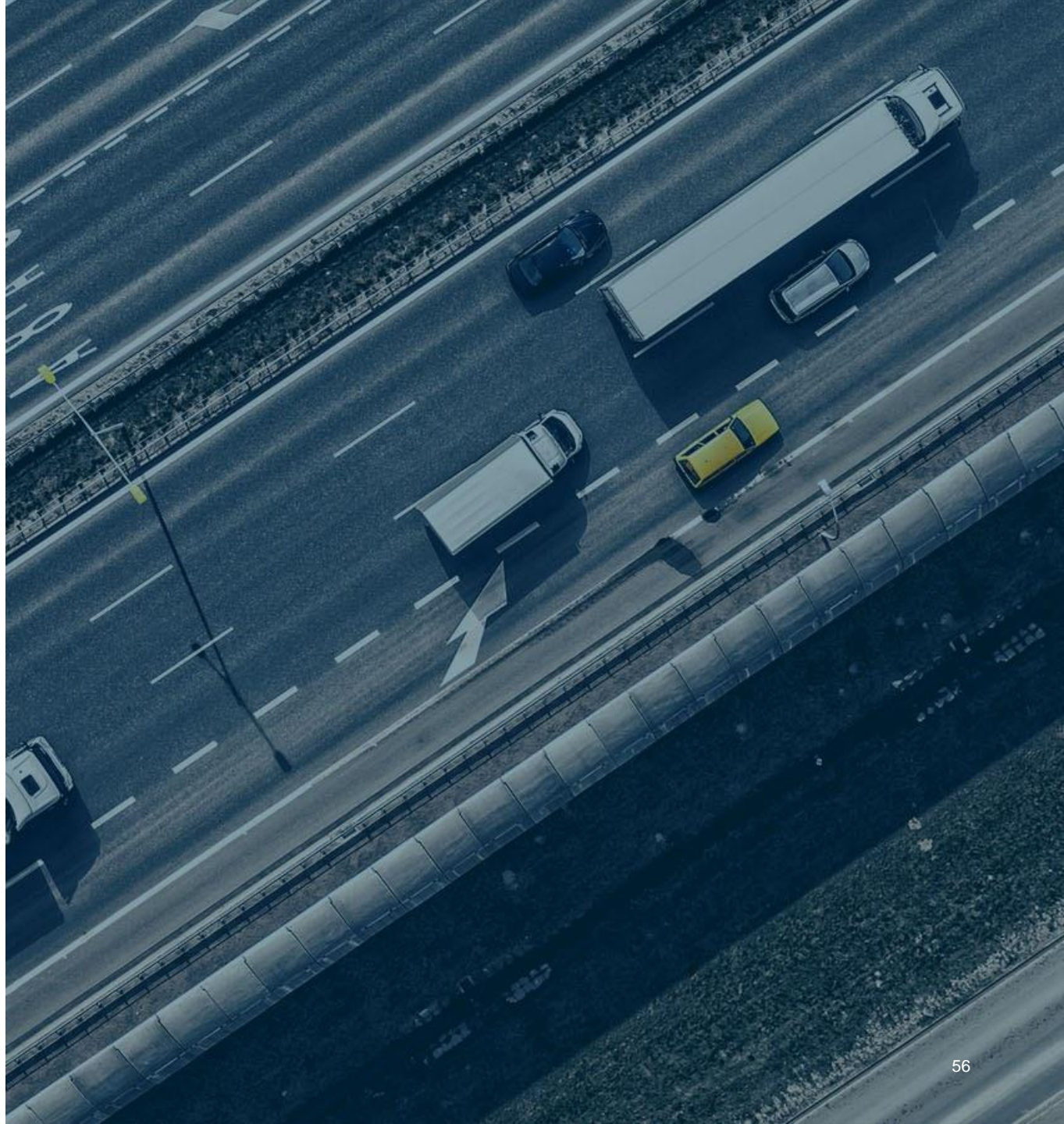
Calculated from EPS excl. items affecting comparability, payout ratio for 2019 is 55%





# Appendix

1. Largest shareholders and financials
2. Sustainability
3. Kalmar
4. Hiab
5. MacGregor

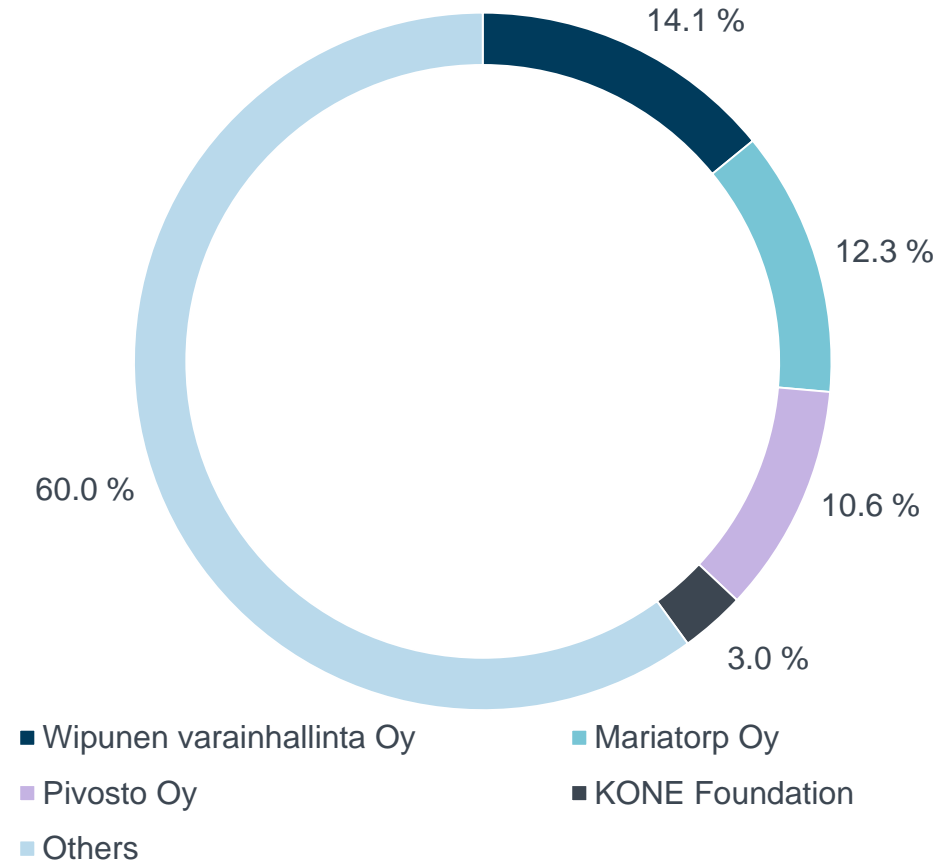


# Largest shareholders

## 31 January 2020

		% of shares	% of votes
1.	Wipunen varainhallinta Oy	14.1	23.7
2.	Mariatorp Oy	12.3	22.9
3.	Pivosto Oy	10.6	22.2
4.	KONE Foundation	3.0	5.5
5.	Ilmarinen Mutual Pension Insurance Company	2.2	1.0
6.	Varma Mutual Pension Insurance Company	1.8	0.8
7.	The State Pension Fund	1.2	0.5
8.	Elo Mutual Pension Insurance Company	1.0	0.4
9.	Mandatum Life Insurance Company Ltd.	0.8	0.3
10.	Herlin Heikki Juho Kustaa	0.6	0.3
<b>Nominee registered and non-Finnish holders</b>		<b>26.75</b>	
<b>Total number of shareholders</b>		<b>24,646</b>	

% of shares



Wipunen varainhallinta Oy is a company controlled by Ilkka Herlin, Mariatorp Oy a company controlled by Niklas Herlin's estate and Pivosto Oy a company controlled by Ilona Herlin.



# Examples of our wide equipment offering



Reachstacker



Straddle carrier



Loader crane



Truck-mounted forklift



Terminal tractor



Container handler



Hooklift, Skiploader



Taillift



Forklift truck



Automatic stacking crane



Recycling and forestry cranes



Cranes



Marine self-unloaders



Hatch covers,  
container lashings



Offshore load handling



Deck machinery



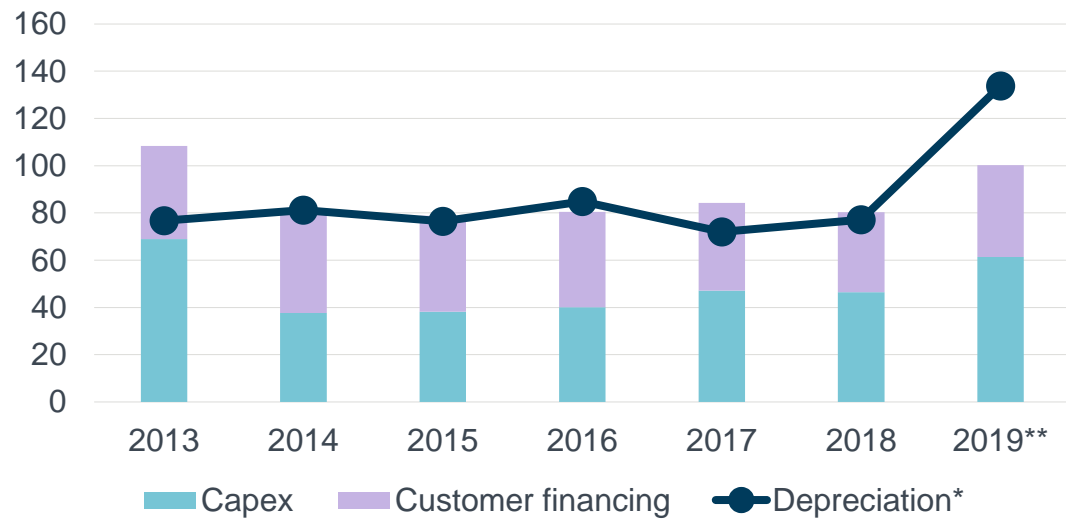
Mooring systems



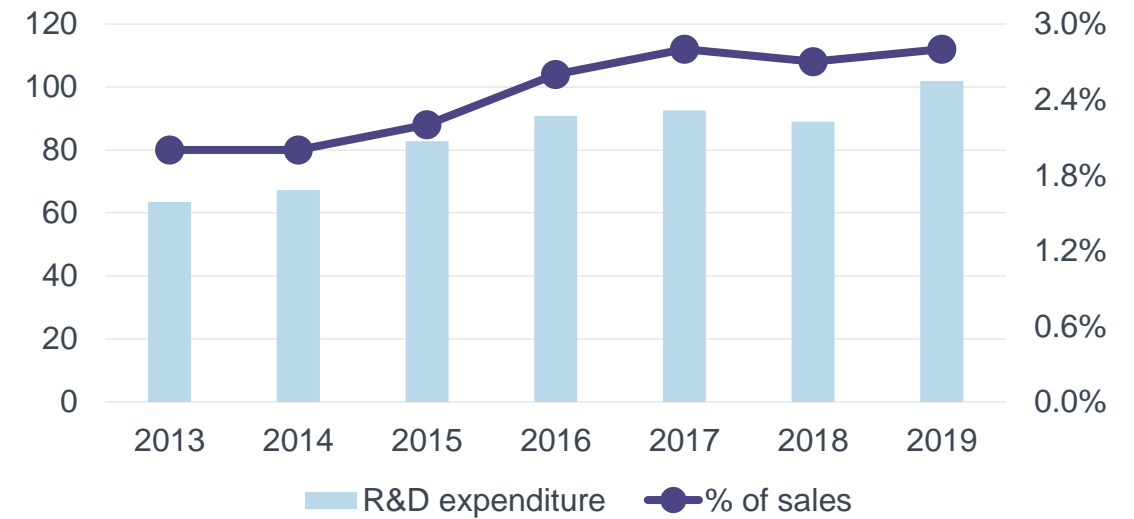


# Capex and R&D

## Capital expenditure



## Research and development



### Main capex investments:

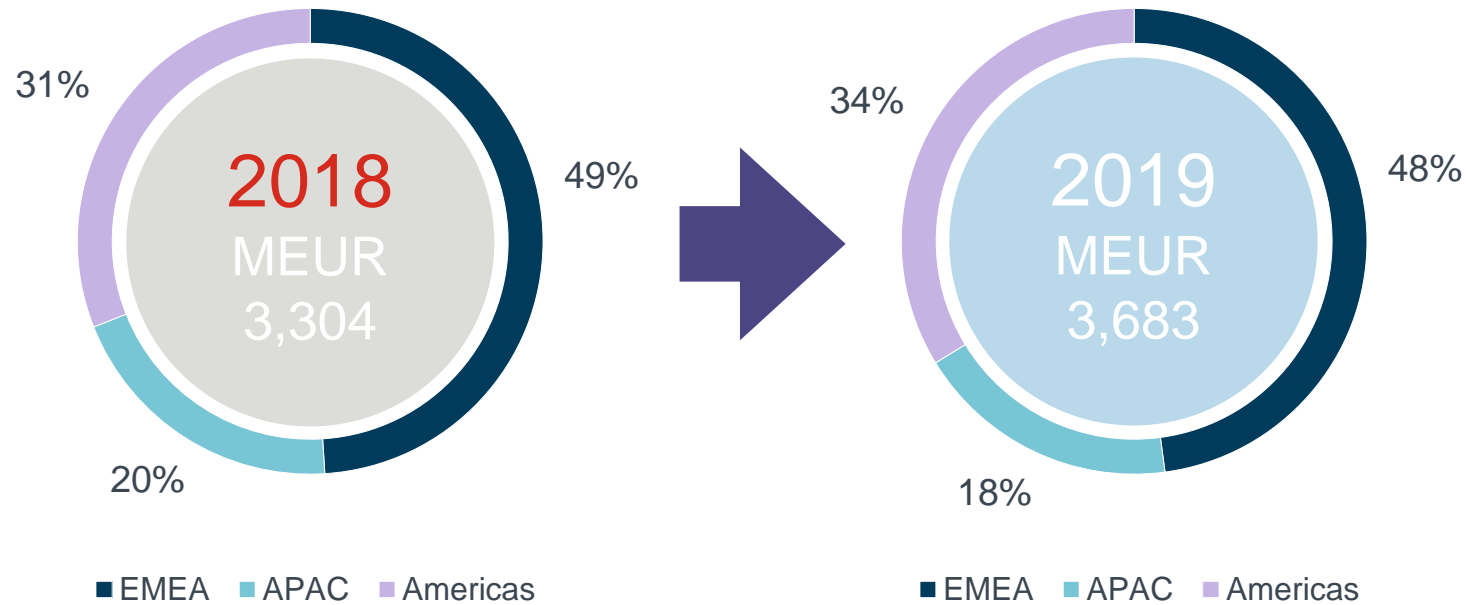
- Kalmar innovation centre in Ljungby, Sweden
- Investments in multi-assembly units in Kalmar and Hiab
- Intangible assets, such as global systems to improve efficiency in operational activities and support functions

### R&D investments focused on

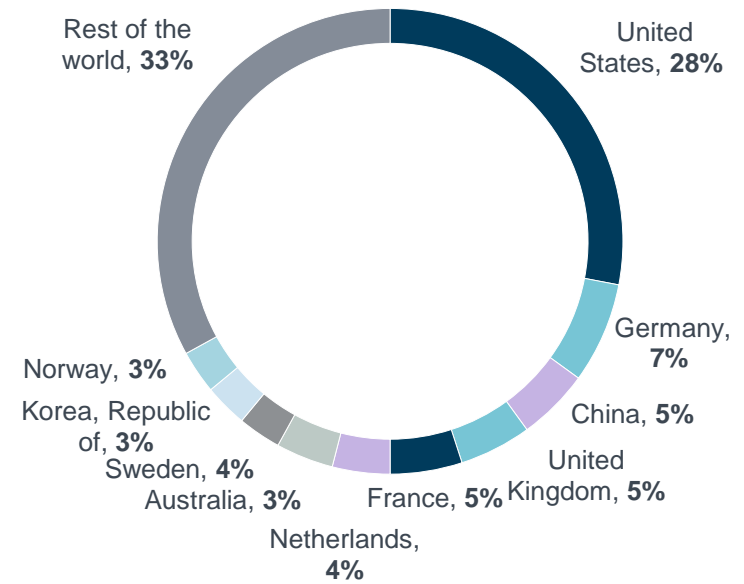
- Digitalisation
- Competitiveness, cost efficiency and eco-efficiency of products

\*) Including amortisations and impairments  
 \*\*) depreciation increased due to IFRS 16 implementation

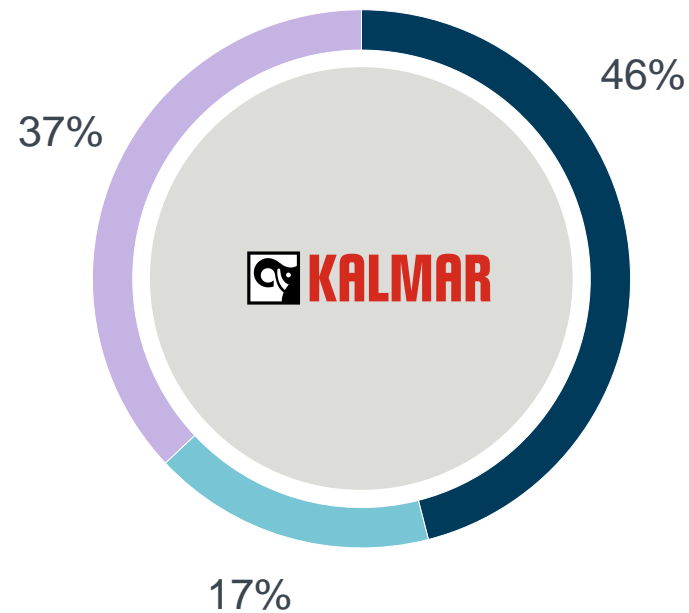
# Well diversified geographical sales mix



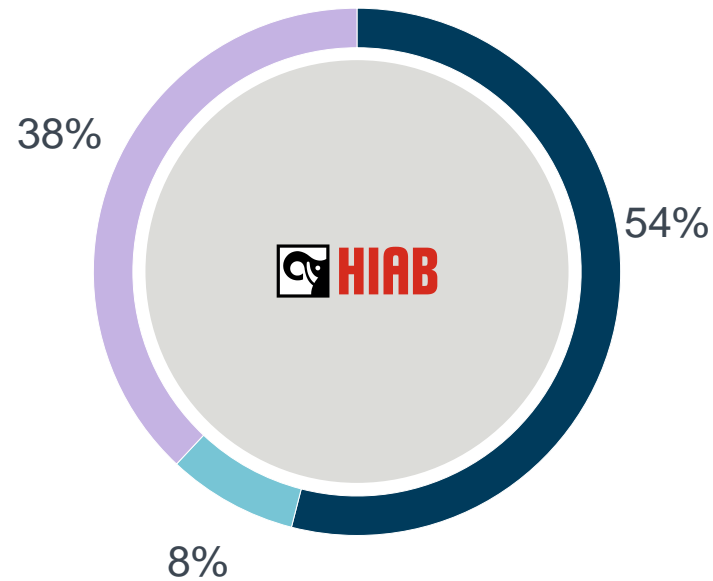
## Top-10 countries by customer location



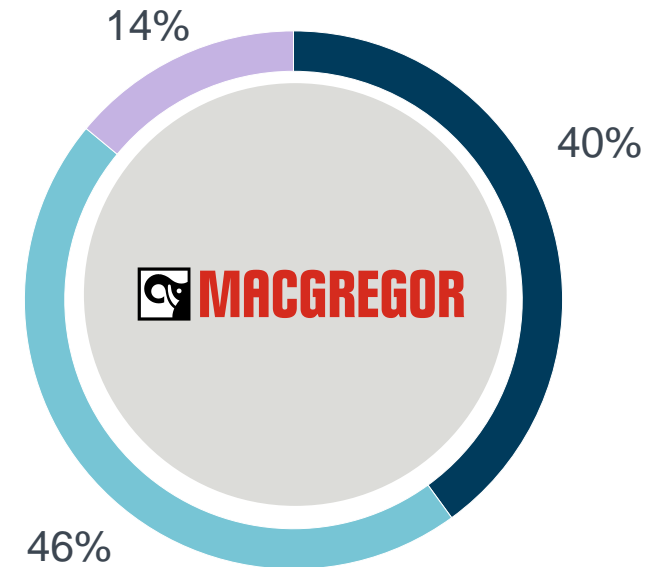
# Sales by geographical segment by business area 2019



■ EMEA ■ APAC ■ Americas



■ EMEA ■ APAC ■ Americas



■ EMEA ■ APAC ■ Americas



# Cargotec's R&D and assembly sites



## EMEA

- Arendal, Norway (MacGregor R&D)
- Argelato, Italy (Hiab/Effer)
- 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.)
- Örnsköldsvik, Sweden (MacGregor WS + WH + R&D)
- Hudiksvall, Sweden (Hiab R&D)
- Kaarina, Finland (MacGregor R&D)
- Minerbio, Italy (Hiab/Effer)
- Raisio, Finland (Hiab prod.)
- Statte, Italy (Hiab/Effer)
- Tampere, Finland (Kalmar WS + R&D)
- Ljungby, Sweden (Kalmar R&D)

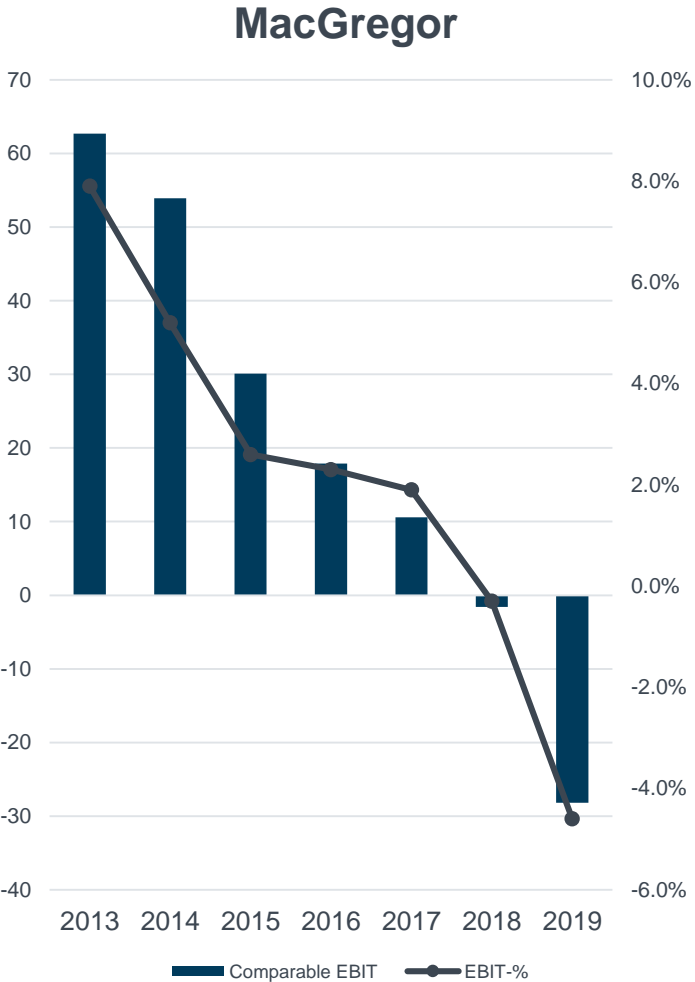
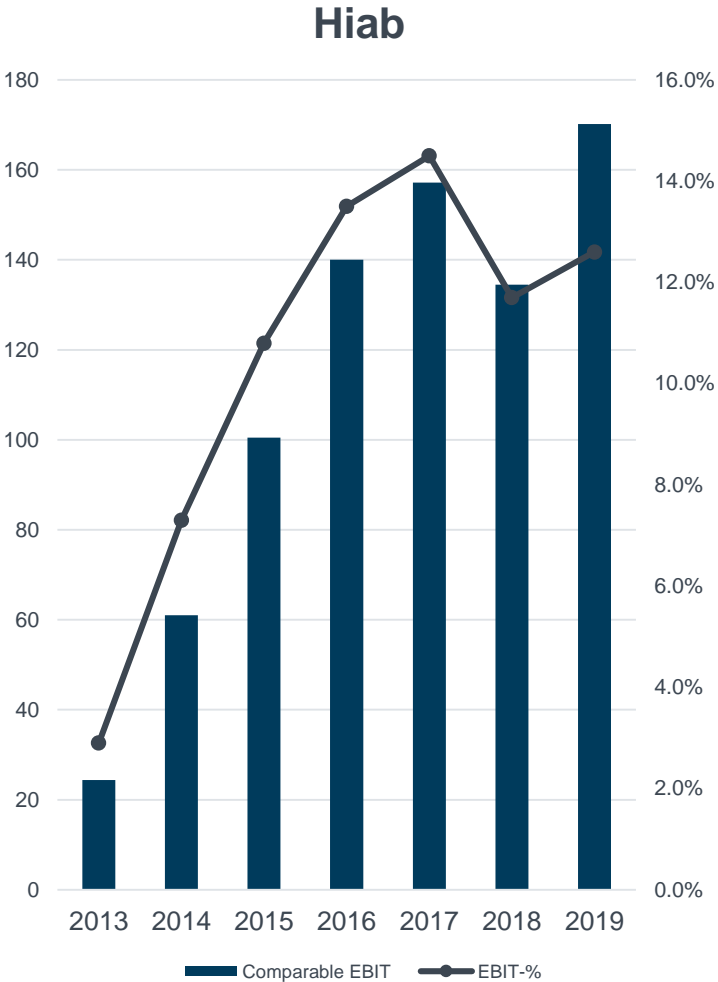
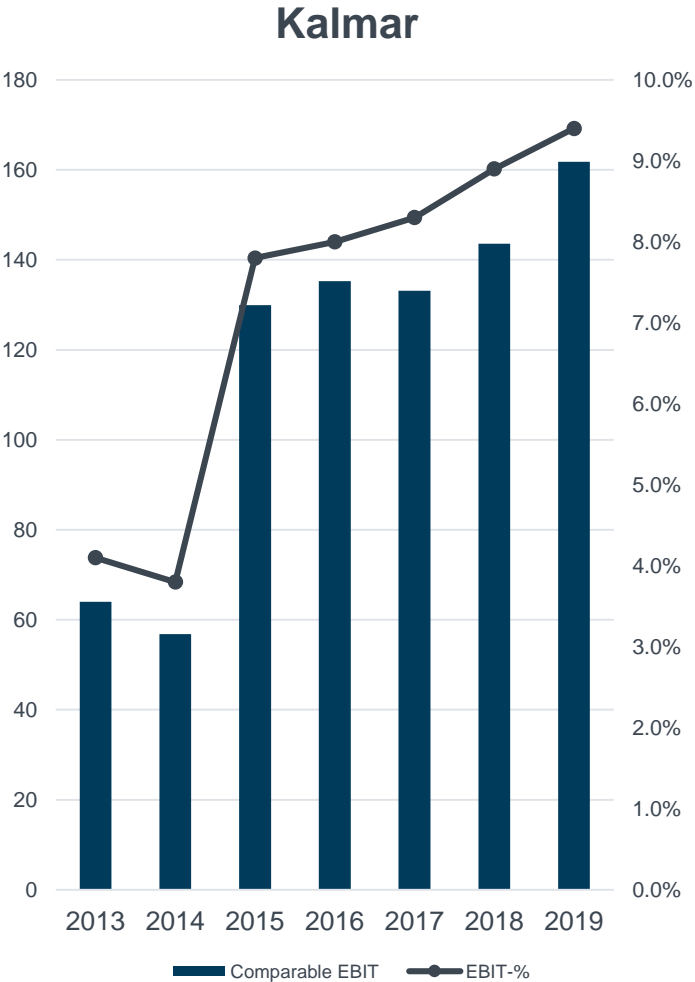
## APAC

- Chungbuk, South Korea (Hiab 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)

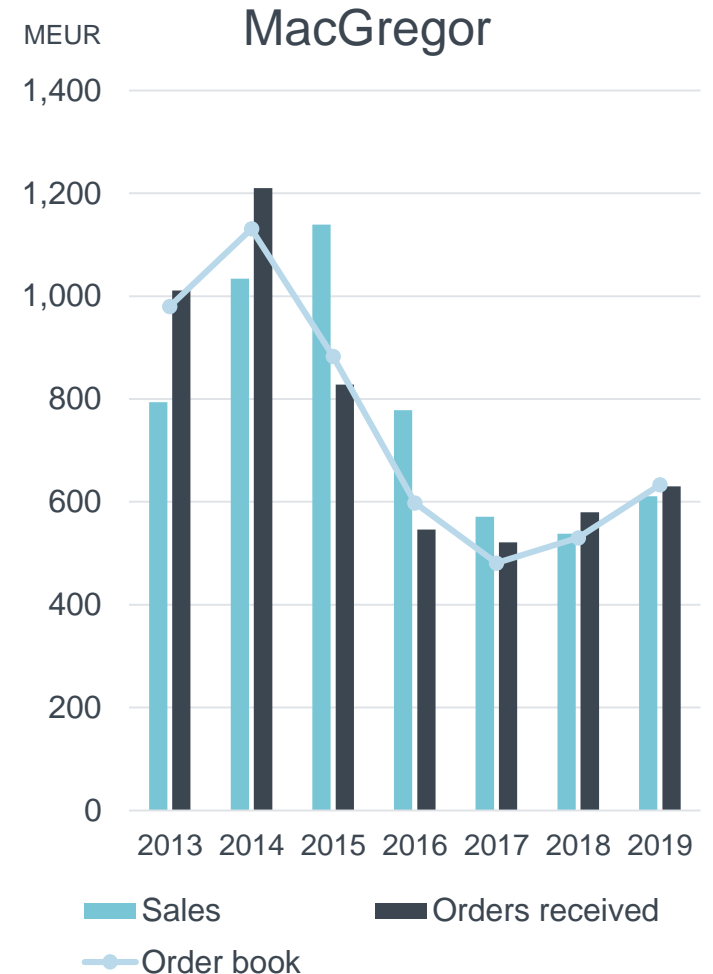
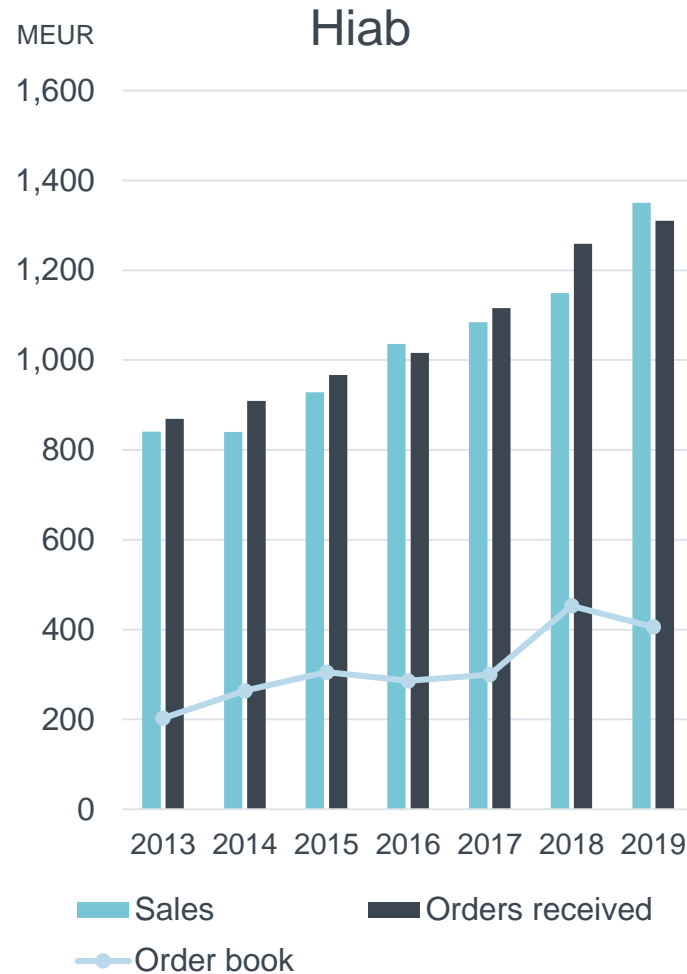
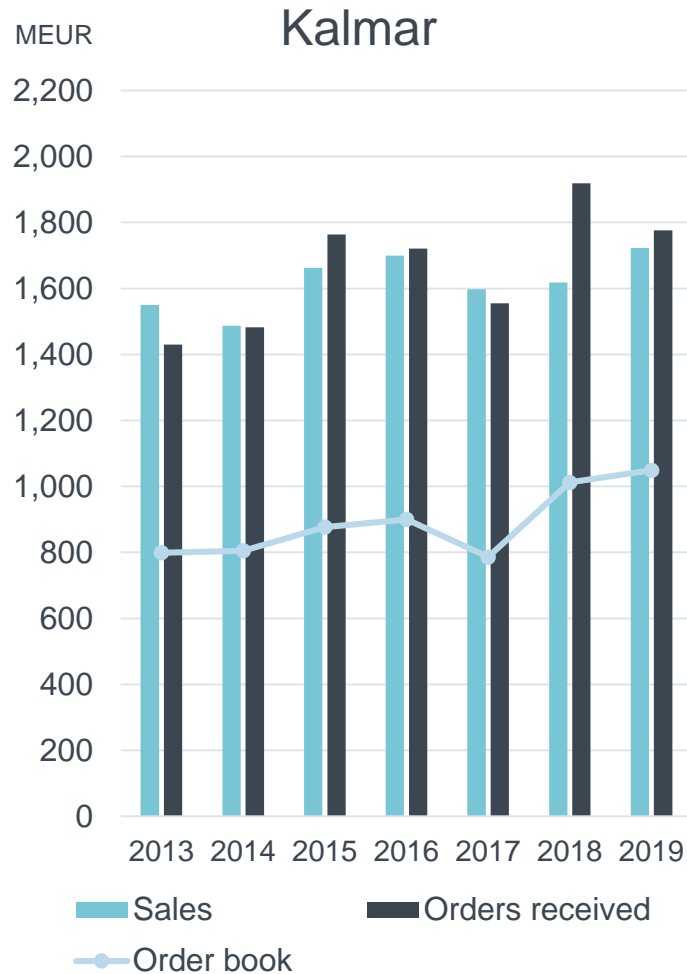
## Americas

- North America
  - Ottawa, Kansas (Kalmar prod.)
  - Oakland, California (Kalmar R&D)
  - Tallmadge, Ohio (Hiab prod.)
- South America
  - Santo Antonio da Patrulha, Brazil (Hiab prod.)

# Comparable operating profit development

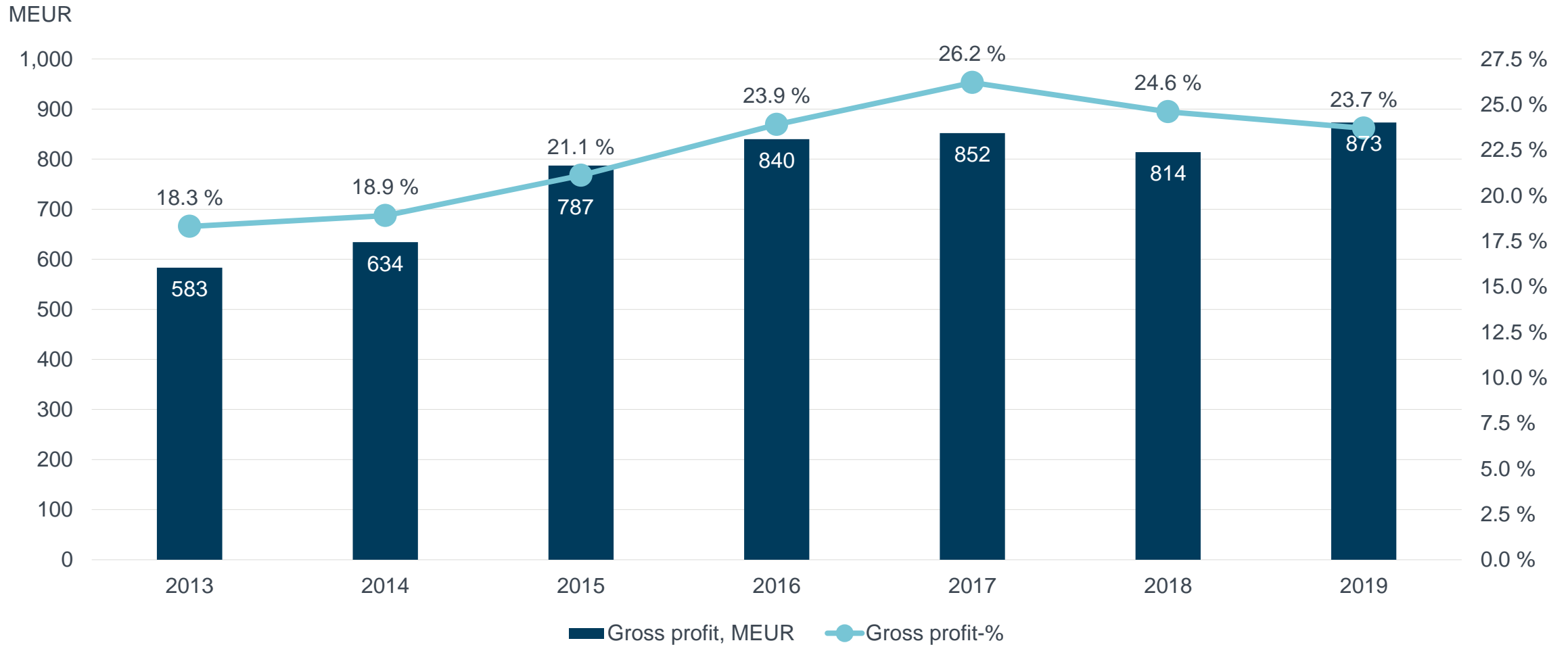


# Sales and orders received development

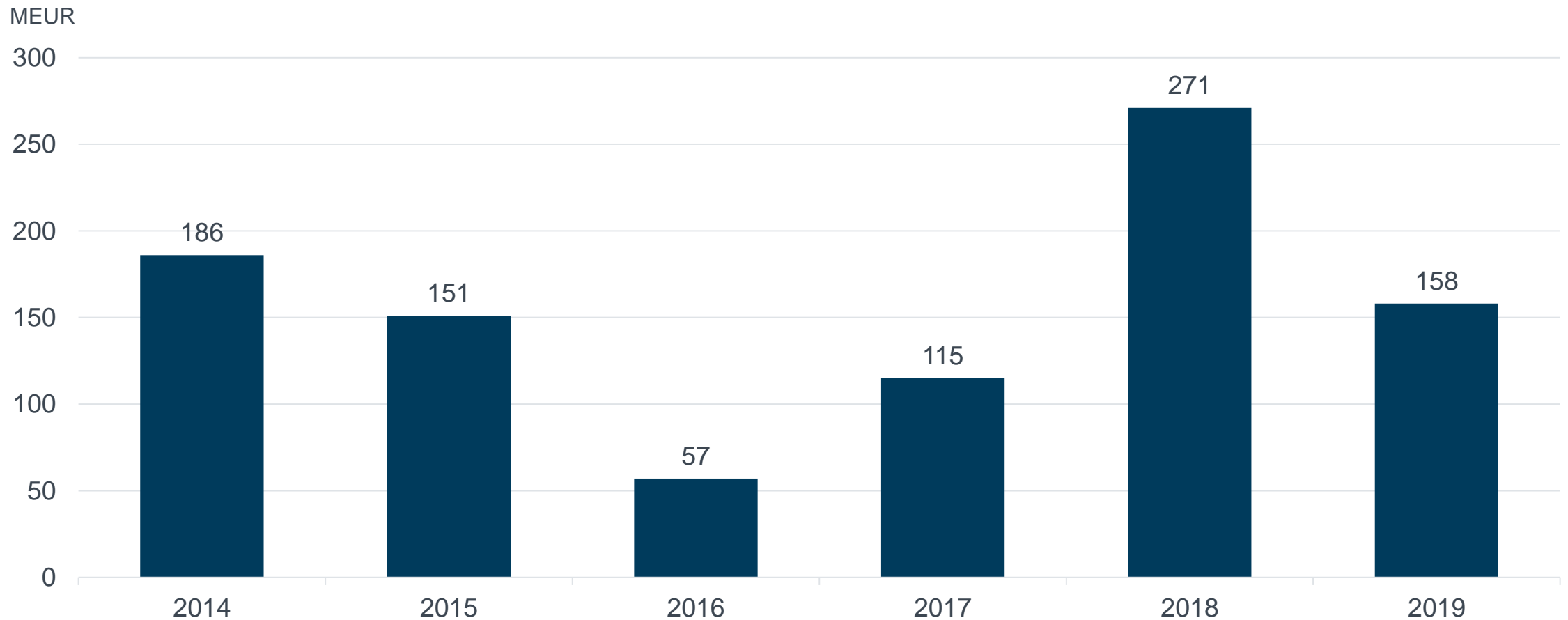




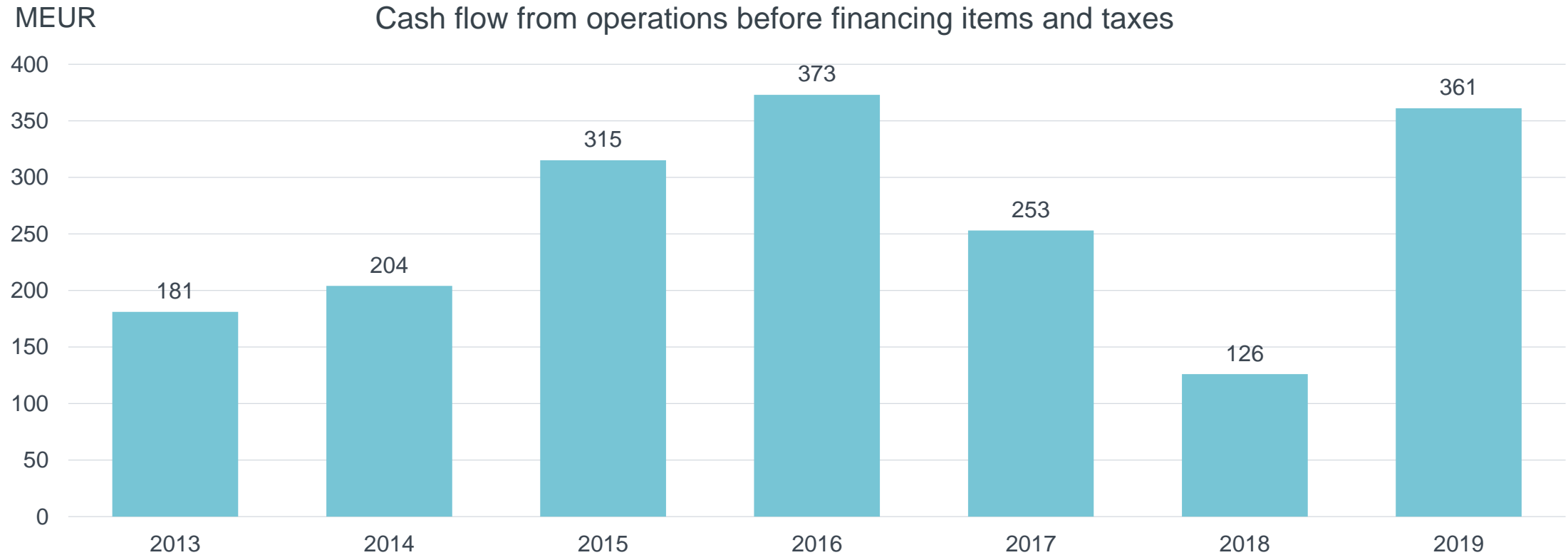
# Gross profit development



# Net working capital decreased due to higher advances received



# Cash flow from operations development





# Income statement Q4 2019

MEUR	Q4/19	Q4/18	2019	2018
<b>Sales</b>	<b>1,014.7</b>	<b>909.8</b>	<b>3,683.4</b>	<b>3,303.5</b>
Cost of goods sold	-775.1	-694.0	-2,810.3	-2,489.3
<b>Gross profit</b>	<b>239.6</b>	<b>215.8</b>	<b>873.1</b>	<b>814.2</b>
<i>Gross profit, %</i>	23.6%	23.7%	23.7%	24.6%
Other operating income	8.7	14.7	33.5	44.8
Selling and marketing expenses	-62.6	-61.2	-238.4	-234.4
Research and development expenses	-30.4	-24.2	-105.6	-94.7
Administration expenses	-76.1	-64.3	-269.3	-252.9
Restructuring costs	-53.5	-12.5	-80.1	-53.8
Other operating expenses	-10.5	-9.0	-33.8	-35.4
Costs and expenses	-224.3	-156.5	-693.7	-626.5
Share of associated companies' and joint ventures' net income	2.7	1.7	0.6	2.3
<b>Operating profit</b>	<b>18.0</b>	<b>60.9</b>	<b>180.0</b>	<b>190.0</b>
<i>Operating profit, %</i>	1.8%	6.7%	4.9%	5.8%
Financing income and expenses	-9.8	-8.7	-34.1	-28.9
<b>Income before taxes</b>	<b>8.2</b>	<b>52.2</b>	<b>145.9</b>	<b>161.1</b>
<i>Income before taxes, %</i>	0.8%	5.7%	4.0%	4.9%
Income taxes	-8.5	-18.1	-56.5	-53.1
<b>Net income for the period</b>	<b>-0.3</b>	<b>34.1</b>	<b>89.4</b>	<b>108.0</b>
<i>Net income for the period, %</i>	0.0%	3.8%	2.4%	3.3%

## Net income for the period attributable to:

Equity holders of the parent	-0.3	33.9	89.4	107.0
Non-controlling interest	0.0	0.2	0.0	1.1
<b>Total</b>	<b>-0.3</b>	<b>34.1</b>	<b>89.4</b>	<b>108.0</b>

## Earnings per share for profit attributable to the equity holders of the parent:

Earnings per share, EUR	-0.00	0.53	1.39	1.66
Diluted earnings per share, EUR	-0.00	0.52	1.39	1.65

# Balance sheet 31 December 2019

ASSETS, MEUR	31 Dec 2019	31 Dec 2018	EQUITY AND LIABILITIES, MEUR	31 Dec 2019	31 Dec 2018
<b>Non-current assets</b>			<b>Equity attributable to the equity holders of the parent</b>		
Goodwill	1,058.5	970.9	Share capital	64.3	64.3
Other intangible assets	296.1	278.6	Share premium account	98.0	98.0
Property, plant and equipment	489.7	308.7	Translation differences	-33.2	-44.2
Investments in associated companies and joint ventures	120.8	99.8	Fair value reserves	-9.1	-13.5
Share investments	0.3	0.3	Reserve for invested non-restricted equity	57.4	58.5
Loans receivable and other interest-bearing assets*	29.1	36.0	Retained earnings	1,247.1	1,262.5
Deferred tax assets	131.2	137.3	<b>Total equity attributable to the equity holders of the parent</b>	<b>1,424.5</b>	<b>1,425.6</b>
Other non-interest-bearing assets	10.3	9.5			
<b>Total non-current assets</b>	<b>2,136.0</b>	<b>1,841.1</b>	Non-controlling interest	2.8	3.0
<b>Current assets</b>			<b>Total equity</b>	<b>1,427.3</b>	<b>1,428.5</b>
Inventories	713.0	688.8	<b>Non-current liabilities</b>		
Loans receivable and other interest-bearing assets*	1.3	1.8	Interest-bearing liabilities*	953.3	717.1
Income tax receivables	24.1	56.0	Deferred tax liabilities	39.1	28.1
Derivative assets	8.5	17.4	Pension obligations	110.4	92.3
Accounts receivable and other non-interest-bearing assets	924.3	822.5	Provisions	7.0	10.7
Cash and cash equivalents*	420.2	256.3	Other non-interest-bearing liabilities	66.0	58.6
<b>Total current assets</b>	<b>2,091.4</b>	<b>1,842.8</b>	<b>Total non-current liabilities</b>	<b>1,175.8</b>	<b>906.8</b>
<b>Total assets</b>	<b>4,227.4</b>	<b>3,683.9</b>	<b>Current liabilities</b>		
			Current portion of interest-bearing liabilities*	233.0	168.4
			Other interest-bearing liabilities*	38.1	44.5
			Provisions	114.3	86.7
			Advances received*	306.3	190.3
			Income tax payables	21.1	39.6
			Derivative liabilities	11.8	5.8
			Accounts payable and other non-interest-bearing liabilities*	899.8	813.5
			<b>Total current liabilities</b>	<b>1,624.3</b>	<b>1,348.6</b>
			<b>Total equity and liabilities</b>	<b>4,227.4</b>	<b>3,683.9</b>

\*Included in interest-bearing net debt.

# Cash flow statement Q4 2019

MEUR	2019	2018			
<b>Net cash flow from operating activities</b>			<b>Net cash flow from investing activities</b>		
Net income for the financial year	89.4	108.0	Acquisitions of businesses, net of cash acquired	-109.5	-70.7
Depreciation, amortisation and impairment	133.8	77.2	Disposals of businesses, net of cash sold	0.3	-15.5
Financing items	34.1	28.9	Investments in associated companies and joint ventures	-	-0.5
Taxes	56.5	53.1	Investments in fixed assets	-68.5	-71.5
Change in receivables	-69.6	-54.8	Disposals of fixed assets	20.8	19.1
Change in payables	106.5	-49.6	Cash flow from investing activities, other items	6.2	1.8
Change in inventories	13.5	-54.3	<b>Net cash flow from investing activities</b>	<b>-150.6</b>	<b>-137.3</b>
Change in net working capital	50.4	-158.7			
Other adjustments	-3.2	17.3	<b>Net cash flow from financing activities</b>		
<b>Cash flow from operations before financing items and taxes</b>	<b>361.1</b>	<b>125.8</b>	Treasury shares acquired	-2.2	-9.4
Interest received	5.3	3.1	Repayments of lease liabilities	-45.5	-1.3
Interest paid	-29.4	-18.6	Proceeds from long-term borrowings	298.1	199.5
Dividends received	-	14.0	Repayments of long-term borrowings	-168.3	-83.7
Other financing items	14.5	-23.0	Proceeds from short-term borrowings	271.6	3.4
Income taxes paid	-48.1	-61.0	Repayments of short-term borrowings	-257.8	-2.6
<b>Net cash flow from operating activities</b>	<b>303.5</b>	<b>40.2</b>	Profit distribution	-71.0	-68.0
			<b>Net cash flow from financing activities</b>	<b>24.9</b>	<b>37.7</b>
			<b>Change in cash and cash equivalents</b>	<b>177.8</b>	<b>-59.3</b>
			Cash and cash equivalents, and bank overdrafts at the beginning of period	225.5	284.7
			Effect of exchange rate changes	6.6	0.1
			<b>Cash and cash equivalents, and bank overdrafts at the end of period</b>	<b>409.8</b>	<b>225.5</b>
			Bank overdrafts at the end of period	10.4	30.8
			<b>Cash and cash equivalents at the end of period</b>	<b>420.2</b>	<b>256.3</b>

# Sustainability



# Sustainability is a great business opportunity

**We serve** an industry, which produces the majority of emissions as well as GDP in the world

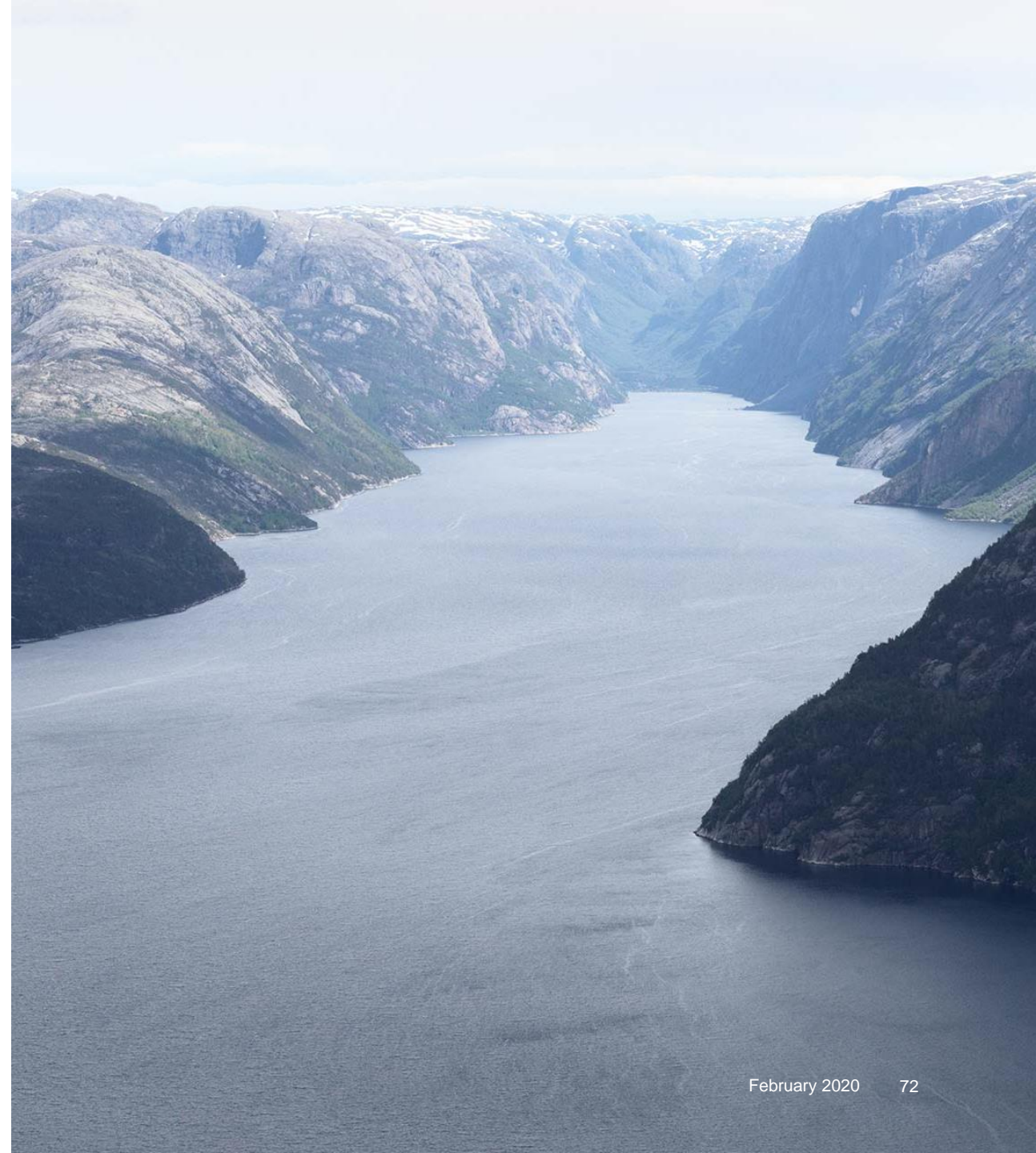
- Inefficient industry with potential to improve

**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







# 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



# Mitigating climate change with low carbon solutions for customers is a great opportunity for us

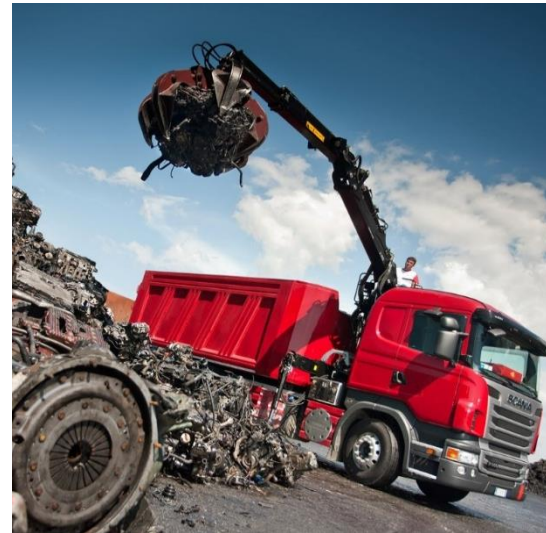
Offering for eco-efficiency product group sales account for 21% of the total revenue in 2019

Systems efficiency



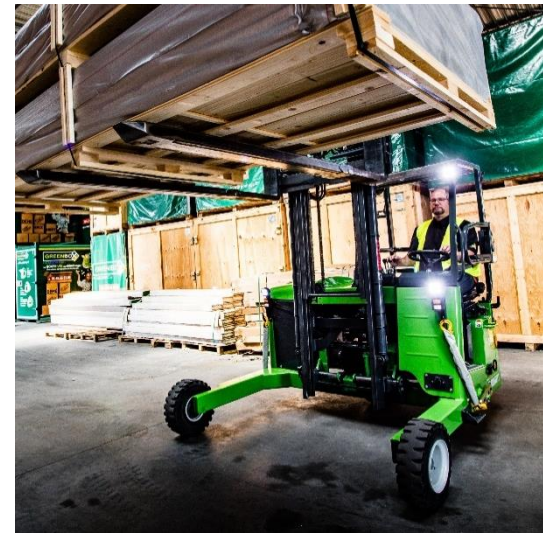
- Visibility to identify inefficient use of resources and fuel
- Software and design system

Efficiency for environmental industries



- Offering to support the operations in environmental industries
- Cargotec solutions for environmental industries

Emission efficiency



- Technology to enable fuel and emission efficient offering
- Products with features to decrease fuel usage and avoidance of maritime hydraulic oil emissions

Resource efficiency



- Service enabling the extended usage of products or new applications
- Product conversions and modernisations

# Key to more sustainable cargo handling business is solution development



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



**19 mil tonnes CO2e in shipping industry annually**

For moving empty containers



**~2.5 mil barrels (1.8 mil tonnes CO2e)** of fuel savings enabled by Cargotec port equipment solutions during past **6 to 10 years**

**~50 000 tonnes CO2e**

emissions from Cargotec sites annually





# Cargotec sustainability managed with clear policies, processes and KPIs on varying areas

- Cargotec signed the UN Global Compact in 2007 and we firmly believe that we are advancing especially the six UN Sustainable Development Goals
- We have a clear governance on sustainability issues with Board of Directors overview on the subject
- Climate solutions and safety remain the key sustainability focus areas
- We continue to focus on safety improvement programs to further decrease our current IIFR rate of 6.9
- Strategy formulation for managing climate-related risks and opportunities initiated with plan to have it defined and implemented by the end of 2020



**SUSTAINABLE  
DEVELOPMENT  
GOALS**

# Performance highlights 2019

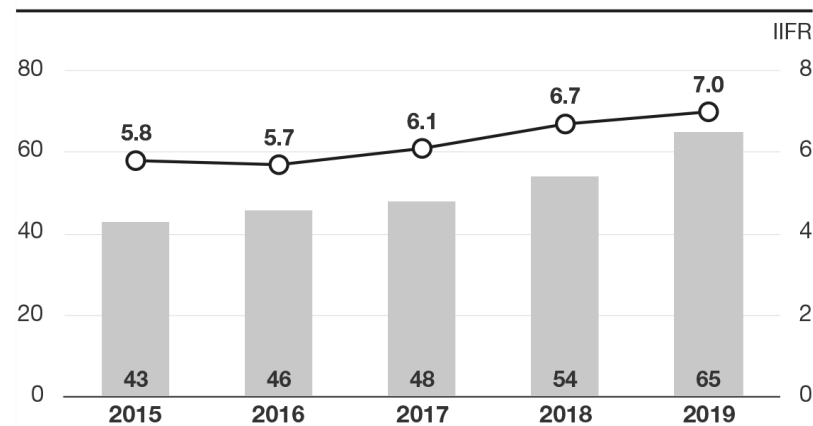
Code of Conduct panel and case investigation process in place

All new direct material suppliers have been audited against Cargotec Supplier Criteria

93 percent of the strategic suppliers were invited to the sustainability self-assessment tool process

89 percent of direct sourcing spend covered by Supplier Code of Conduct

## INDUSTRIAL INJURY FREQUENCY RATE\*



■ Number of lost time injuries  
● Cargotec IIFR\*\*

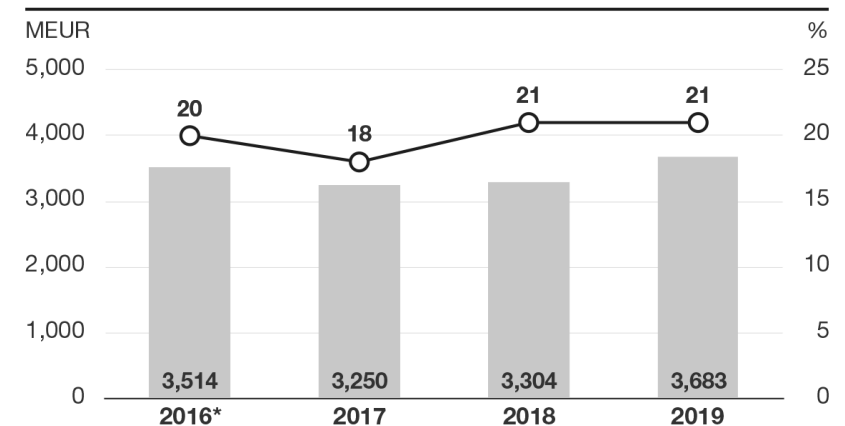
\* Cargotec assembly sites    \*\* Number of injuries per million hours worked

33% of our electricity use from certified renewable sources

Offering for eco-efficiency 21% of total sales

Strategy formulation for managing climate-related risks and opportunities initiated

## OFFERING FOR ECO-EFFICIENCY



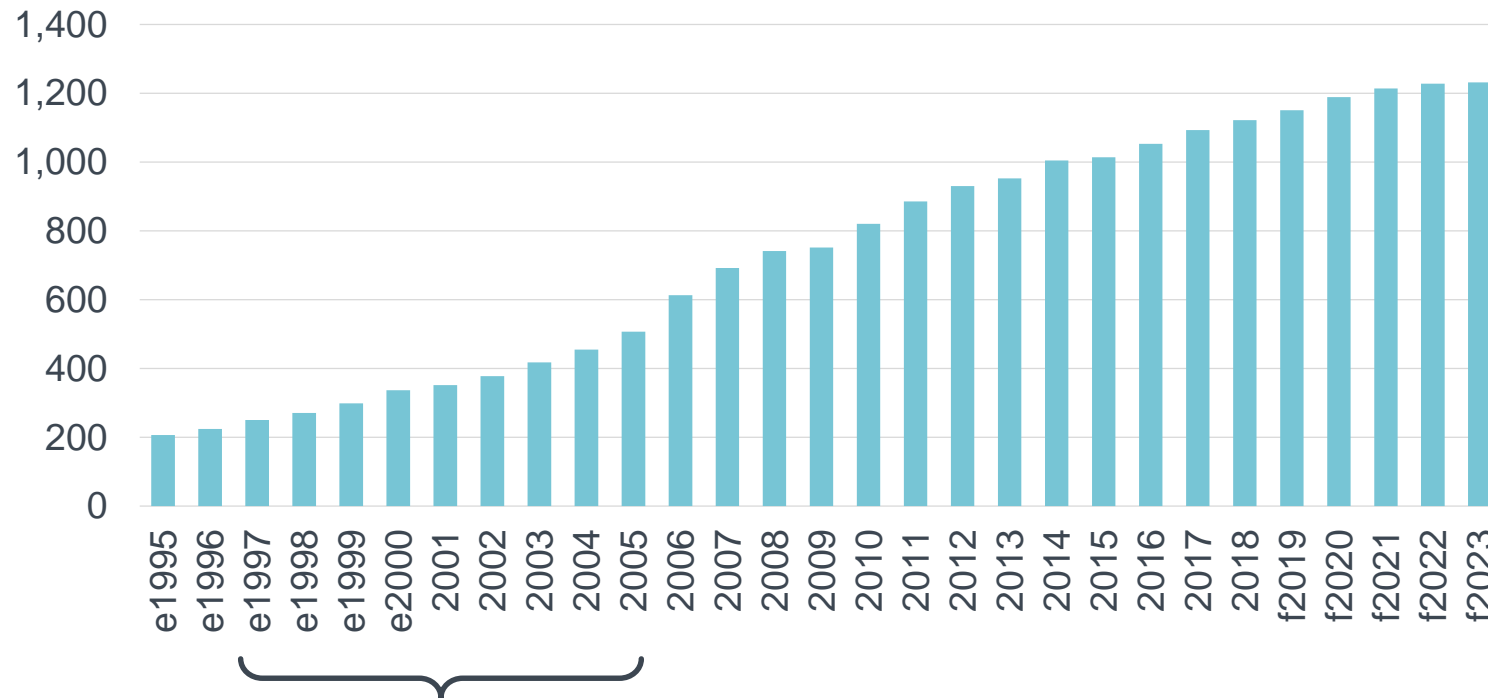
■ Total sales  
● Offering for eco-efficiency, % of sales

\* The 2016 share of sales is a company estimate and the figure has not been audited

# Kalmar appendix

# The current replacement market size for key terminal equipment is EUR 1 billion annually and the market is expected to double in the next decade

## Total Capacity MTEU



Replacement after lifetime of equipment

The replacement market will grow in coming years, as the container terminal capacity has expanded significantly during the last two decades.

### Average lifetime of type of equipment:

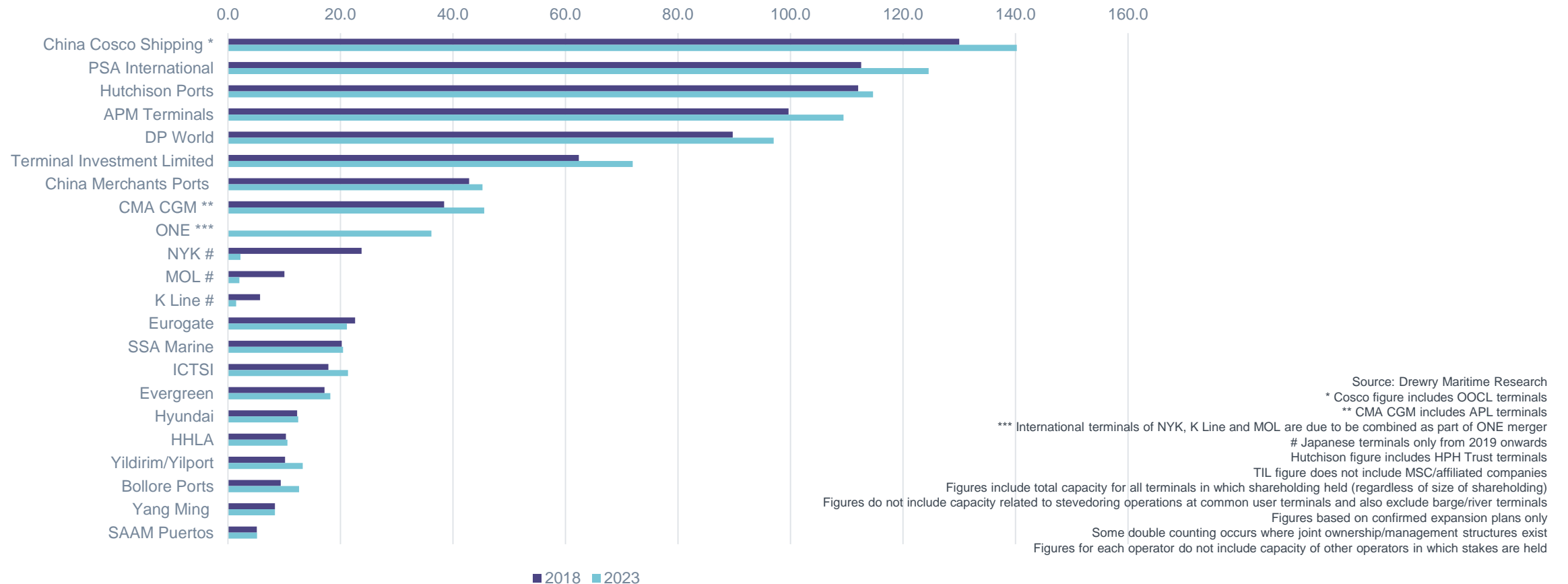
- STS - 25 yrs
- RTG -15 yrs
- SC - 8-10 yrs
- RS/ECH/TT – 8 yrs

Source: Drewry reports: Global Container Terminal Operators 2001-2016 Note: 1995-2000 capacity is estimation based on the assumption that the utilisation rate has been between 70-72% in that period. 2019-2023 forecast based on Drewry's Global container terminal operators report, published in Q4/2019

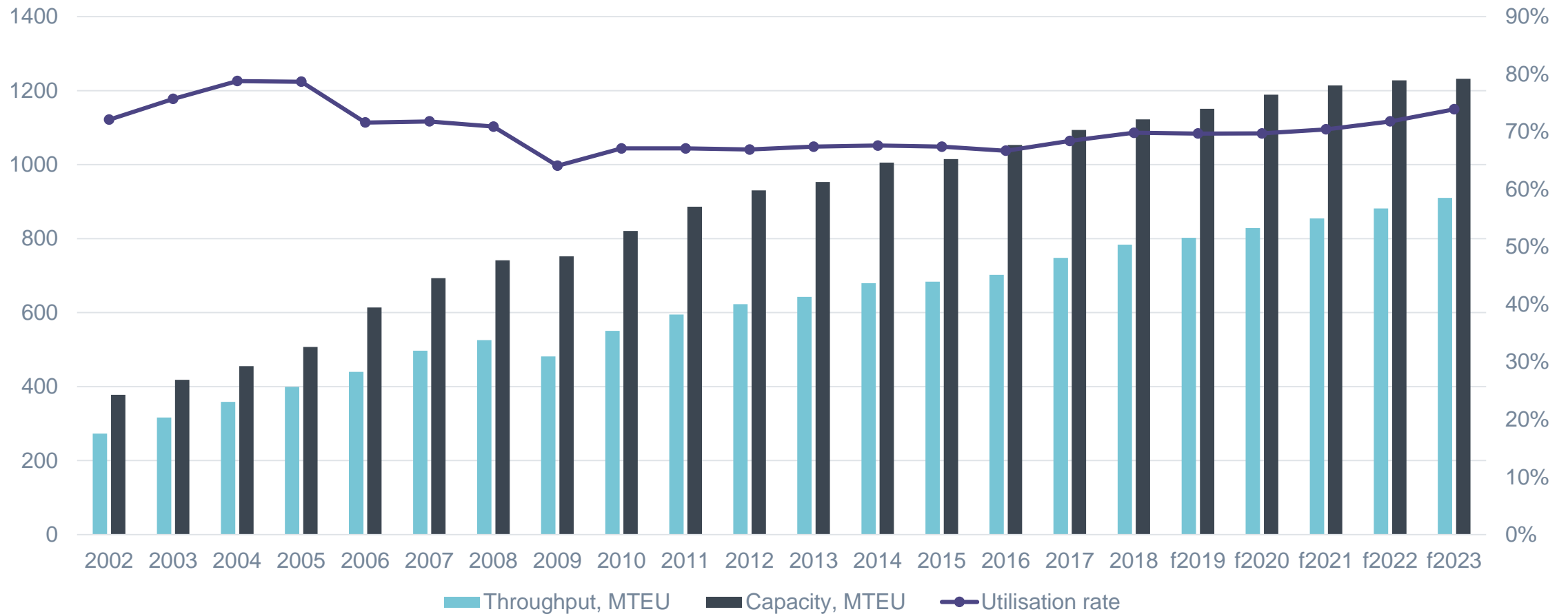


# Global container terminal operators – Most capacity expected to be added by Cosco

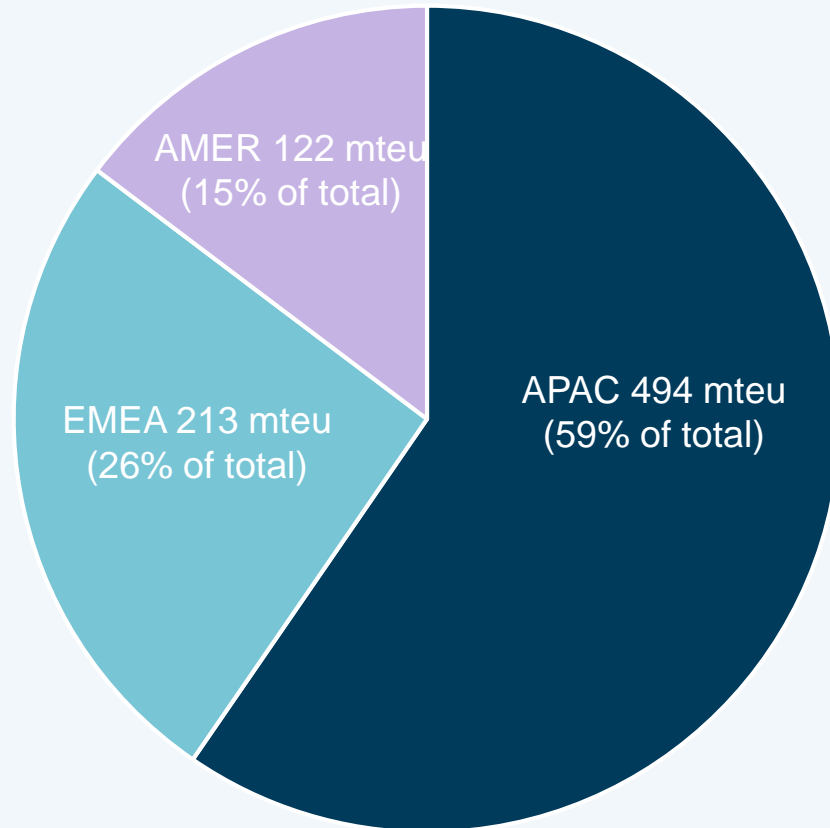
Global/international terminal operators' capacity development, 2018-2023 (MTEU)



# Global container throughput and capacity development



# 59% of global container throughput is expected to take place in APAC in 2020



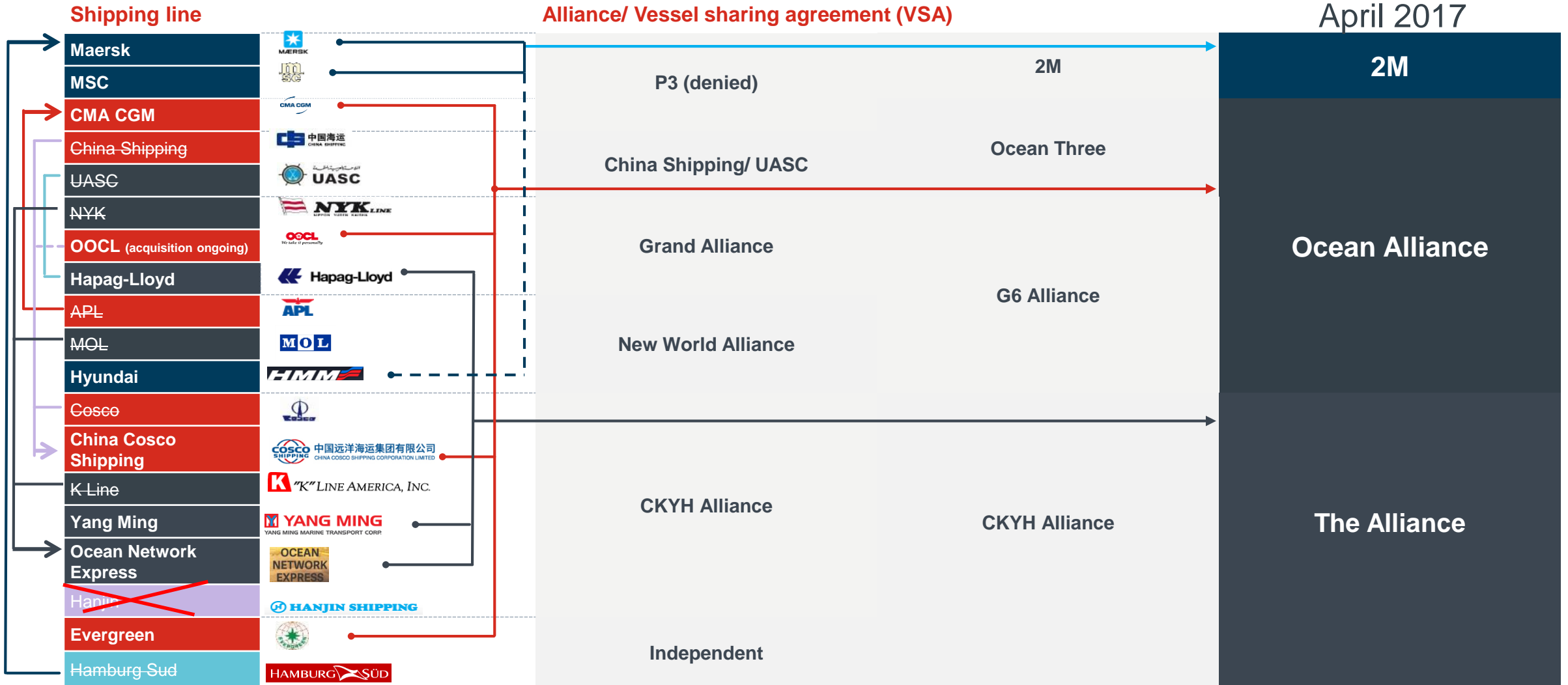
Global container throughput expected to grow 3.3% in 2020

- APAC +3.5% (+17 mteu)
- EMEA +2.3% (+6 mteu)
- AMER +3.3% (+4 mteu)

→ 63% of growth will come from APAC

Source: Drewry container forecaster Q4 2019

# Three alliances controlling about 80% of global container fleet capacity



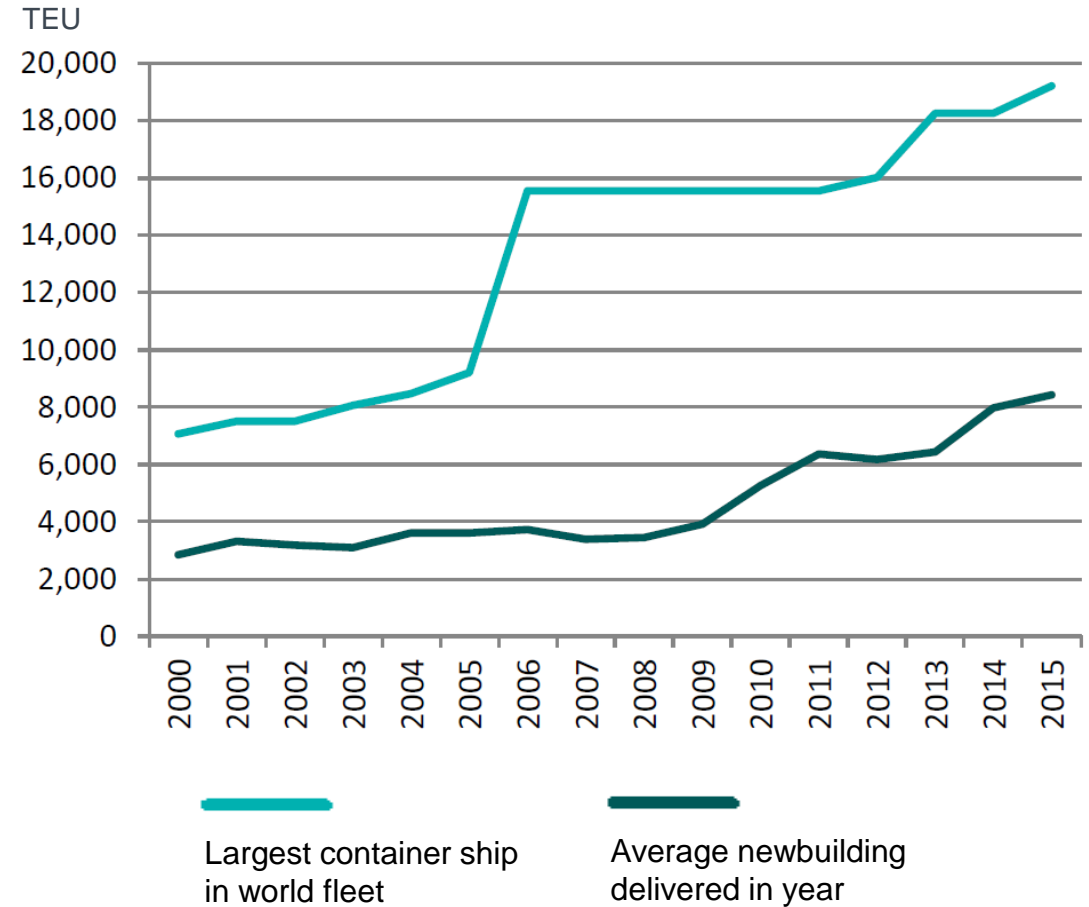
**Total: 17**  
(9 after further consolidations)

- The arrows indicate changes, confirmed or planned, through M&A or JV over the last 18 months. Hanjin bankrupt. Hyundai isn't currently officially part of any alliance, but formed a cooperative relationship with 2M.
- Ocean Network Express (ONE) launch April 2018.
- COSCO Shipping's planned acquisition of OOCL expected to be completed by the end of June
- Analyse excludes Zim, PIL and Wan Hai



# Ship sizes increasing dramatically

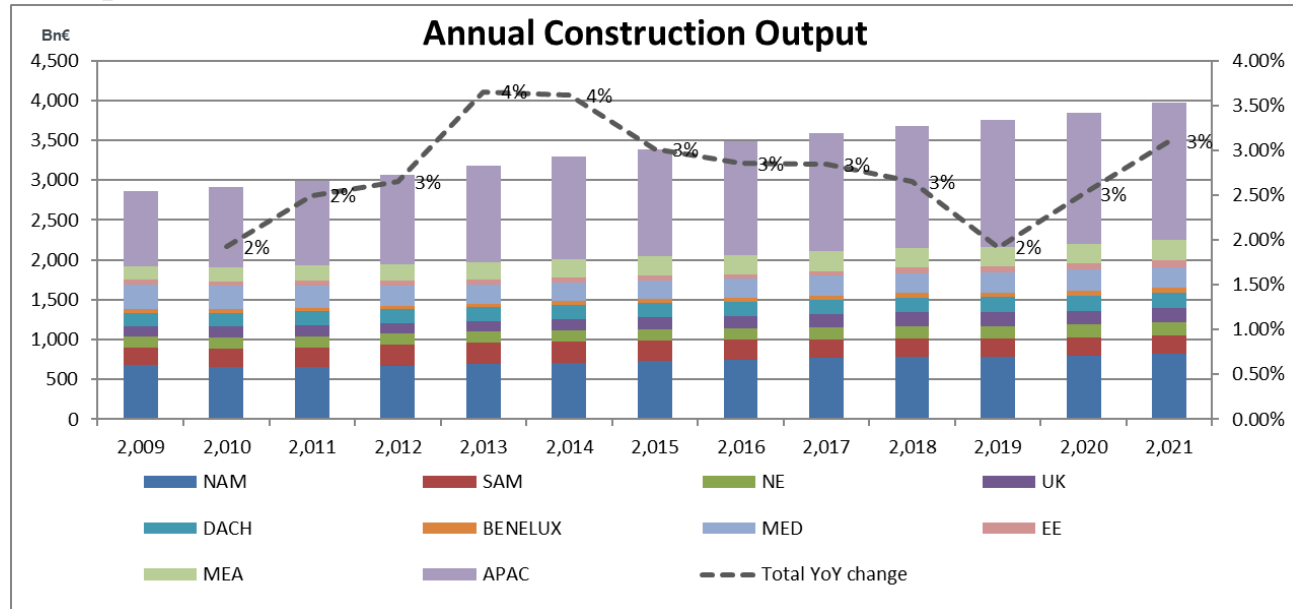
- The largest containership in the fleet has nearly tripled since 2000
- The average size of new builds doubles between 2009 and 2014



Source: Drewry November 2015

# Hiab appendix

# Construction output forecast



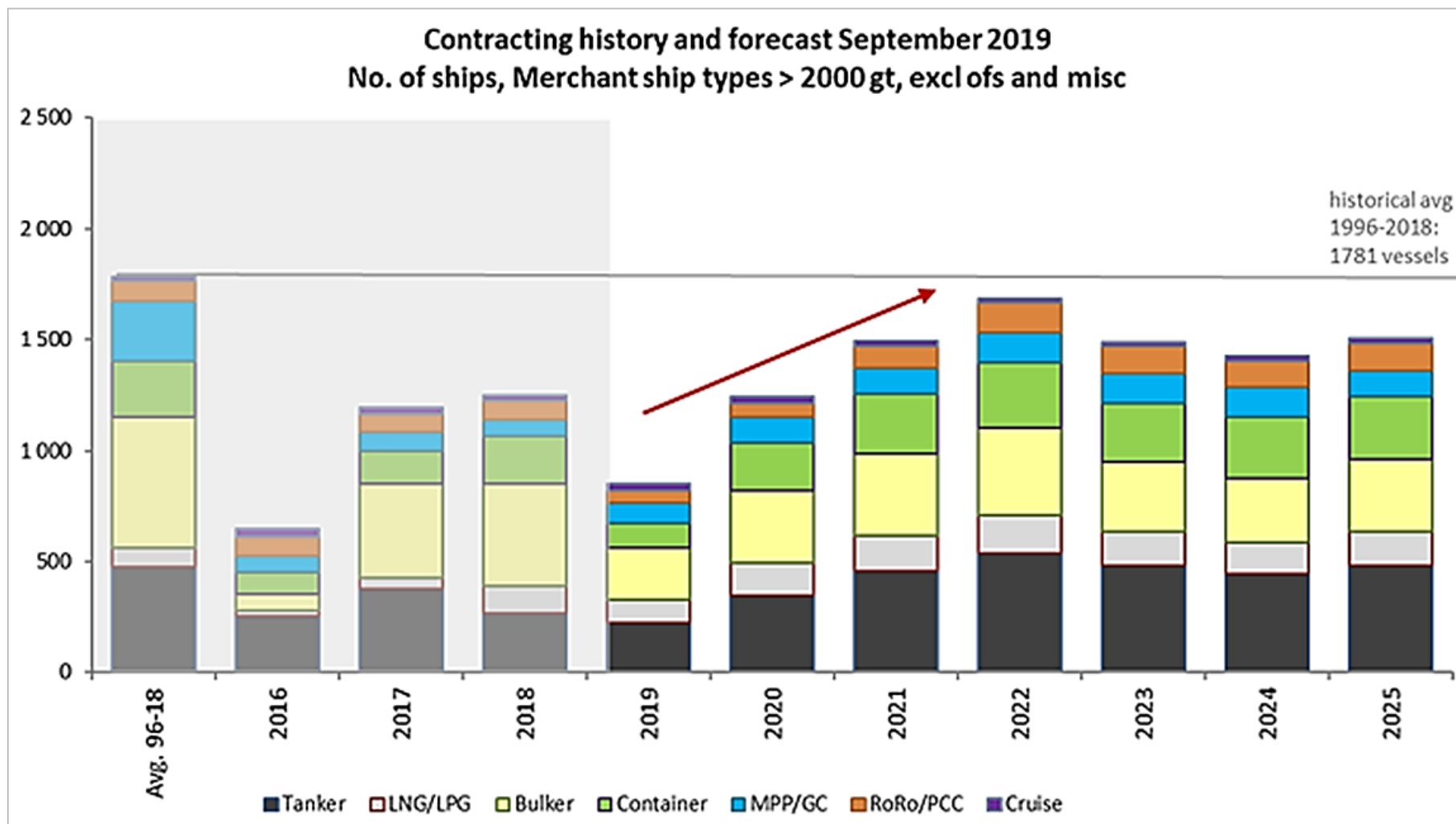
	Percentage point change vs last forecast					YoY changes				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
<b>NAM</b>	1.2%	-0.5%	-0.8%	-0.3%	-0.2%	2.6%	2.0%	-0.1%	2.2%	2.1%
<b>SAM</b>	0.3%	0.4%	-1.2%	-1.8%	-1.0%	-3.3%	-1.4%	-2.1%	0.9%	2.4%
<b>NE</b>	-0.2%	-0.3%	-1.6%	-0.1%	-0.1%	2.5%	5.1%	1.4%	1.9%	1.8%
<b>UK</b>	-0.7%	-0.7%	-0.2%	-1.3%	-0.3%	6.7%	0.1%	2.0%	0.4%	1.4%
<b>DACH</b>	-1.9%	0.5%	0.5%	-0.6%	-0.2%	1.0%	3.3%	2.7%	0.9%	1.1%
<b>BENELUX</b>	2.0%	1.2%	-0.8%	-0.6%	-0.1%	5.1%	6.3%	4.4%	0.9%	1.3%
<b>MED</b>	-0.4%	-0.9%	0.6%	-0.6%	-0.1%	2.9%	2.1%	2.9%	1.7%	2.0%
<b>EE</b>	0.1%	-1.3%	2.4%	-0.1%	-0.1%	4.7%	10.6%	6.7%	3.0%	2.9%
<b>MEA</b>	0.3%	-0.2%	0.0%	-0.2%	-0.2%	2.1%	-2.1%	-0.1%	2.7%	3.7%
<b>APAC</b>	0.0%	0.0%	-1.1%	-0.3%	0.3%	3.8%	4.1%	3.4%	3.6%	4.4%
<b>Total</b>	0.2%	-0.2%	-0.7%	-0.5%	0.0%	2.8%	2.7%	1.9%	2.5%	3.1%

# MacGregor appendix



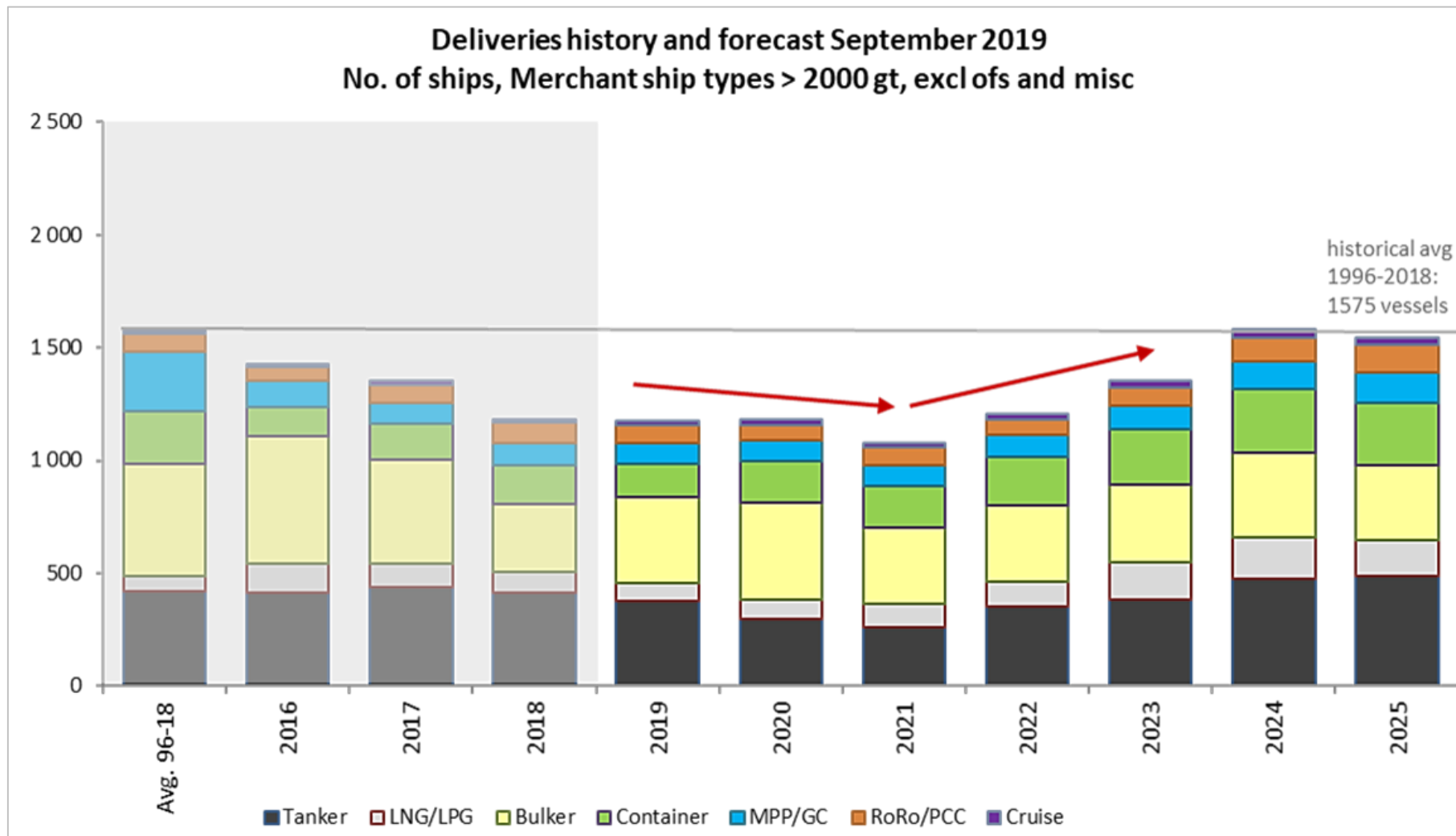
# Merchant ships: Contracting forecast by shiptype (no of ships)

Merchant ship types > 2000 gt excl offshore and misc, base case

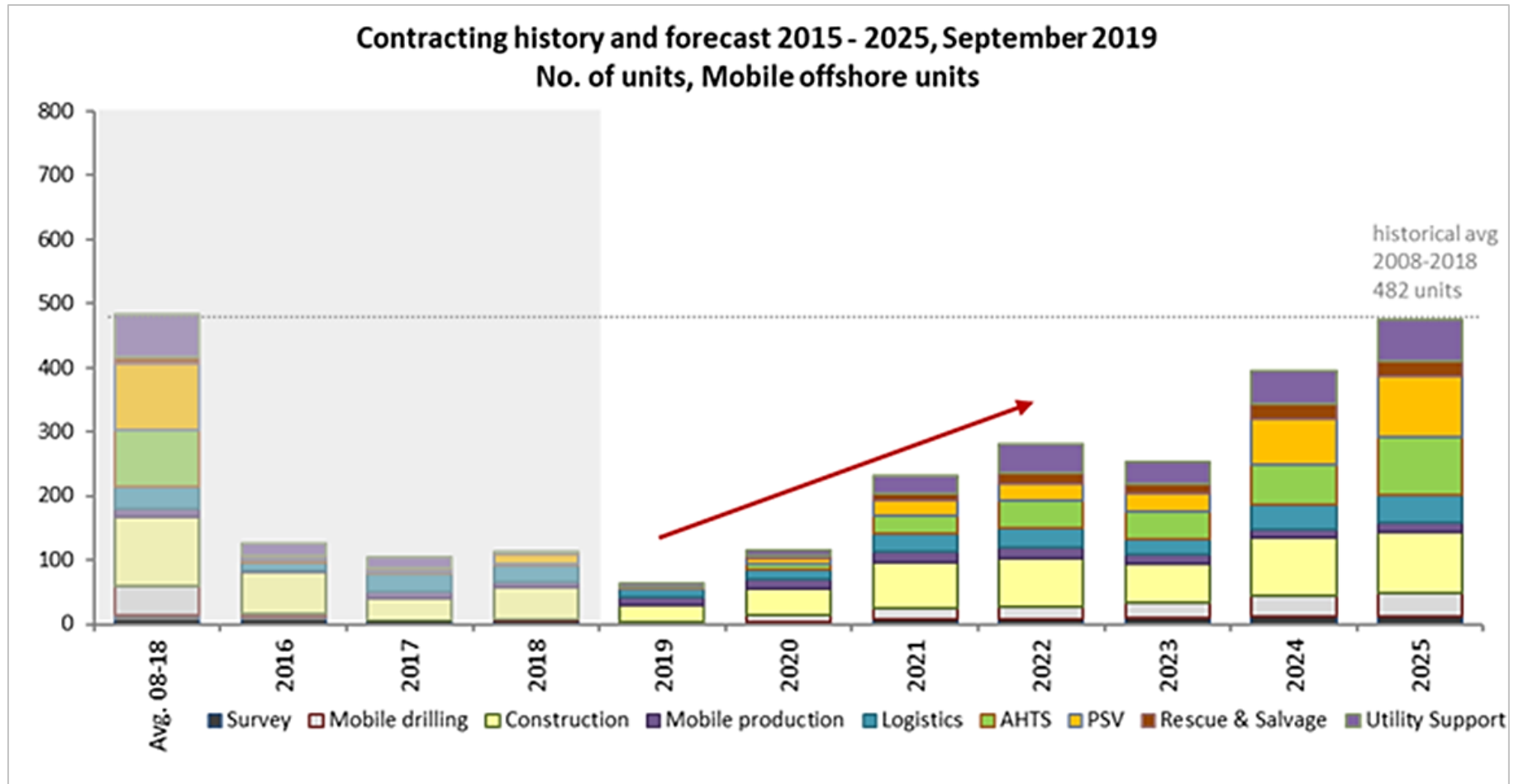


# Merchant ships: Deliveries forecast by shiptype (no of ships)

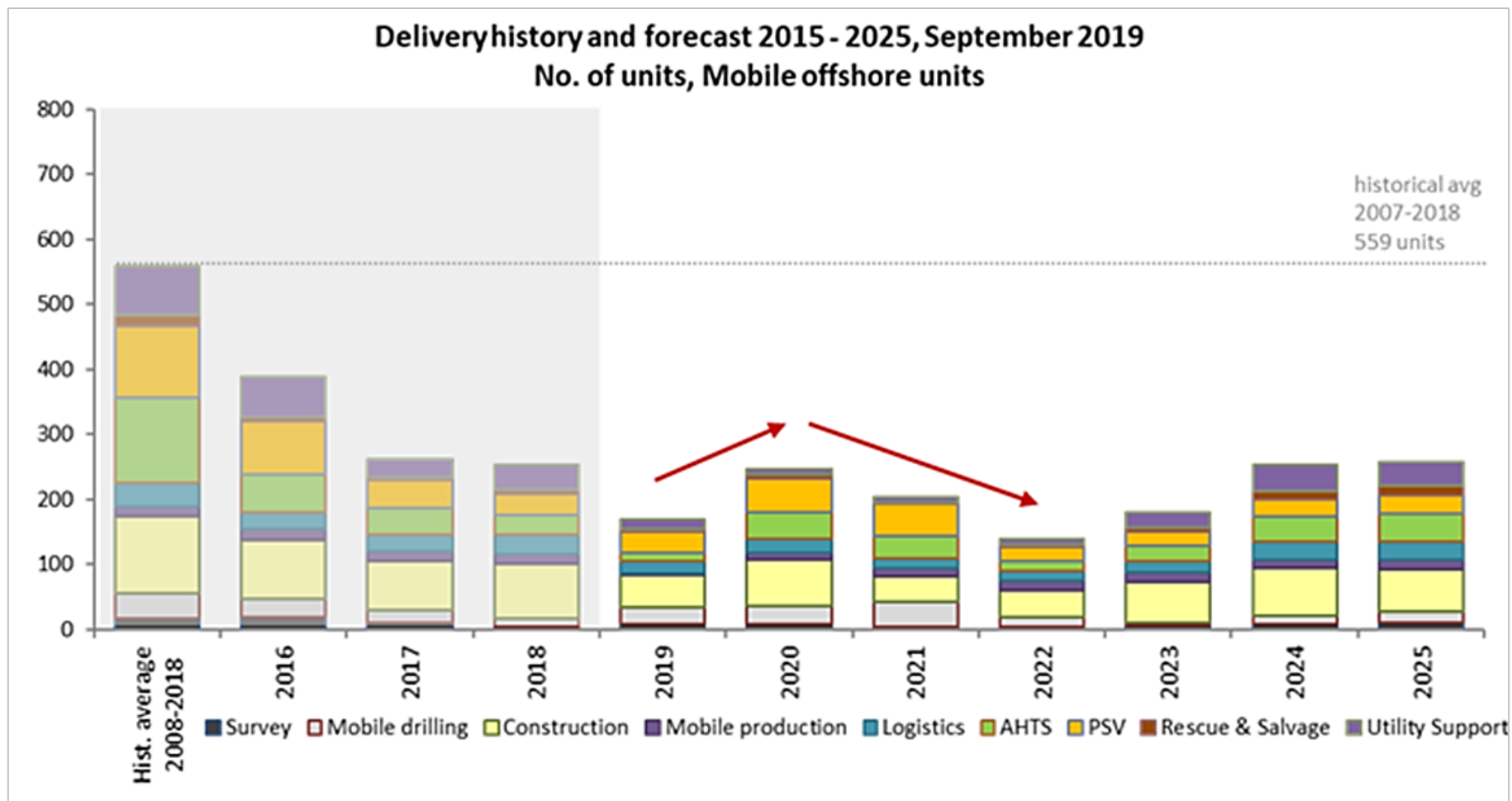
Merchant ship types > 2000 gt excl offshore and misc, base case



# Offshore mobile units: Contracting forecast by shiptype (number of units)



# Offshore mobile units: Deliveries forecast by shiptype (number of units)

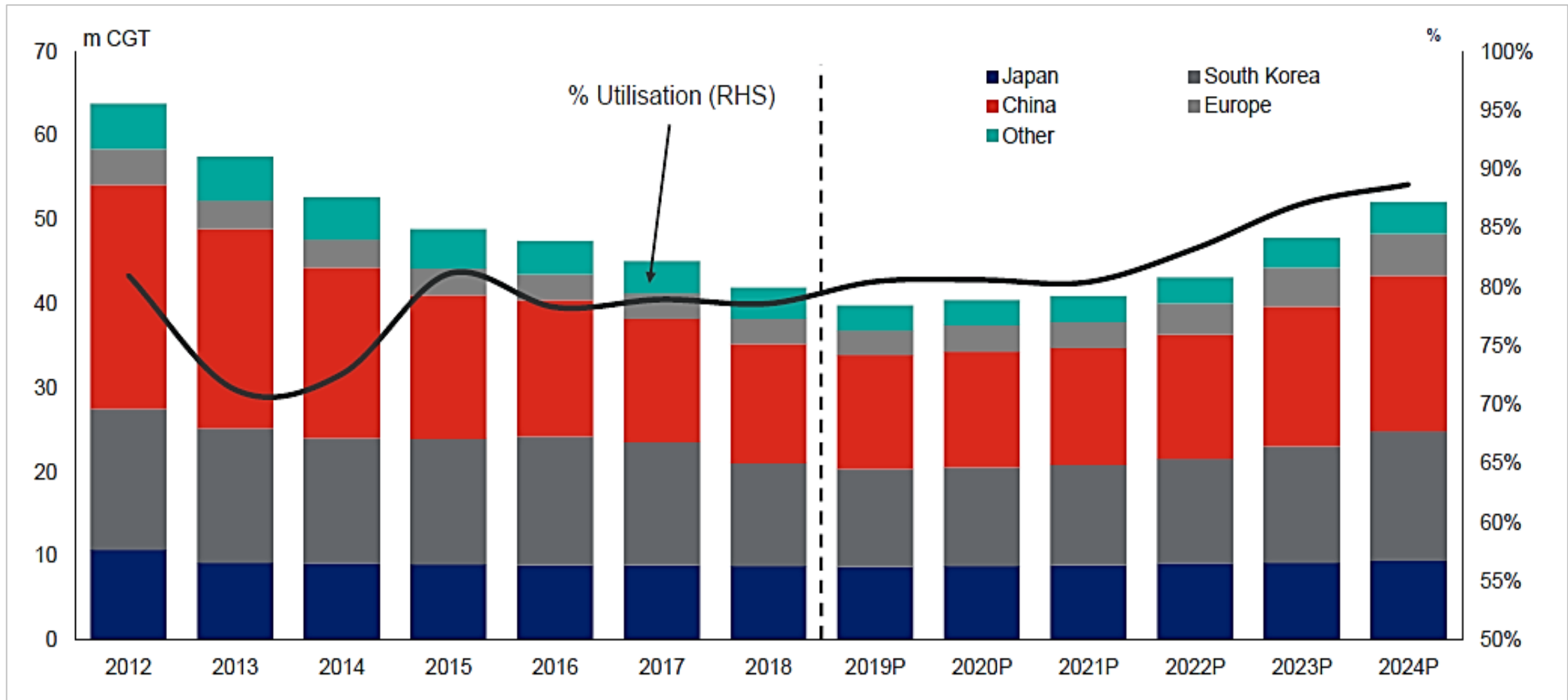




# Shipbuilding – contracting ships >2000 gt/dwt

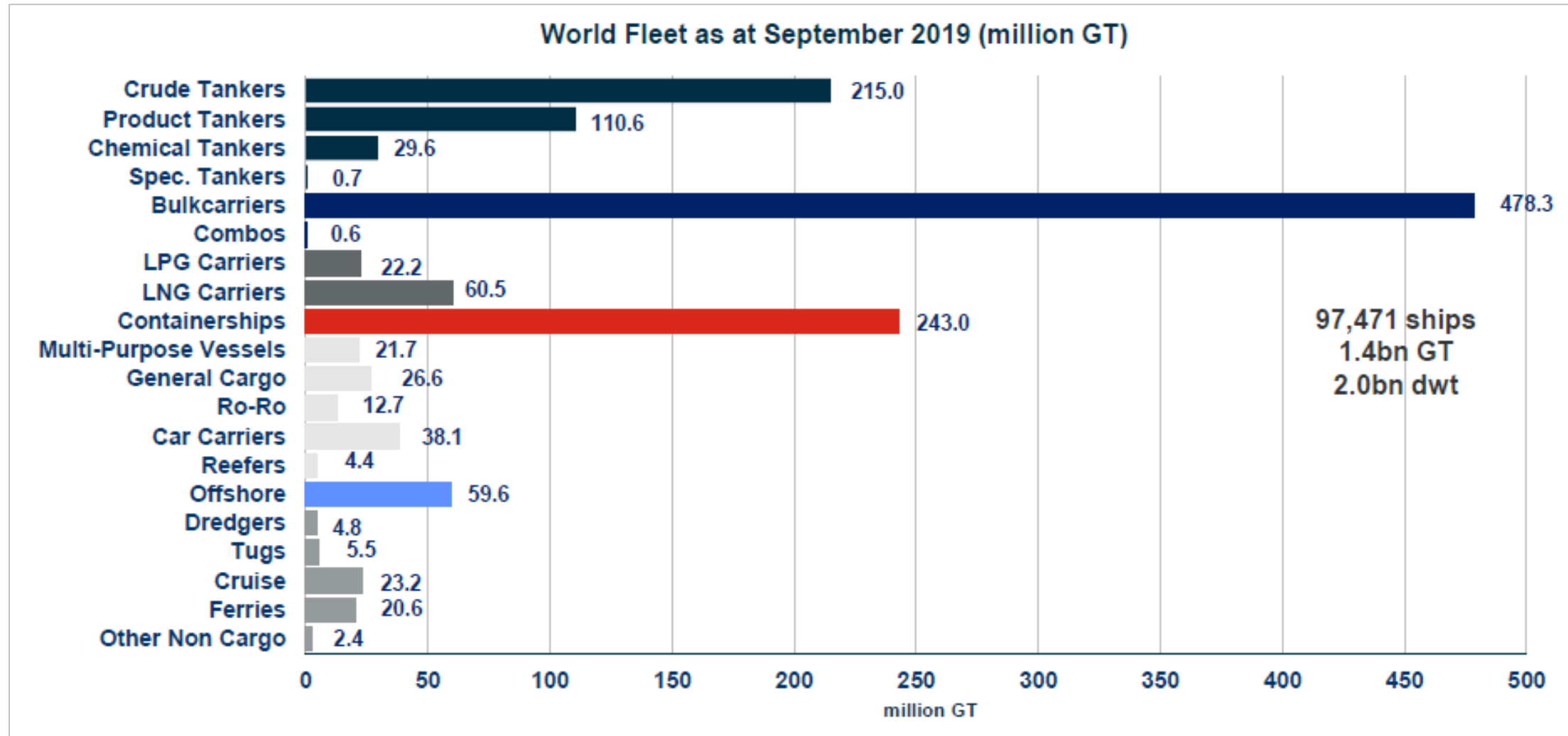
Global Contracting Activity (1st January 2020)												
	No.				\$bn				m. CGT			
	2017	2018	2019	%y-o-y*	2017	2018	2019	%y-o-y*	2017	2018	2019	%y-o-y*
<b>TOTAL (&gt;2,000 Dwt/GT**)</b>	<b>1,290</b>	<b>1,358</b>	<b>899</b>	<b>-34%</b>	<b>71.5</b>	<b>79.1</b>	<b>74.0</b>	<b>-7%</b>	<b>29.8</b>	<b>35.0</b>	<b>25.7</b>	<b>-27%</b>
<b>Vessel Type</b>												
Bulkers	423	467	252	-46%	12.4	14.2	8.2	-42%	9.1	9.7	5.2	-46%
Tankers	381	270	215	-20%	15.4	12.3	10.3	-16%	8.6	6.4	5.2	-18%
Containerships	154	216	97	-55%	6.1	11.2	6.5	-42%	4.0	6.2	3.4	-46%
Gas Carriers	48	126	118	-6%	4.3	15.3	14.1	-8%	1.8	6.8	5.7	-16%
Offshore	47	62	33	-47%	8.5	5.2	8.2	56%	0.8	1.1	1.1	0%
Others	237	217	184	-15%	24.9	20.9	26.7	27%	5.4	4.8	5.1	5%
<b>Builder Country/Region</b>												
China	611	526	370	-30%	20.0	20.8	20.2	-3%	12.2	10.6	8.5	-19%
South Korea	204	292	215	-26%	18.0	27.8	22.5	-19%	7.9	13.4	9.6	-28%
Japan	218	389	190	-51%	6.2	12.4	6.3	-49%	3.6	7.3	3.5	-53%
Europe	106	99	87	-12%	23.3	16.5	23.6	43%	4.1	2.9	3.5	22%
Other	151	52	37	-29%	4.1	1.7	1.4	-17%	2.0	0.8	0.5	-33%

# Shipbuilding capacity and utilisation scenario



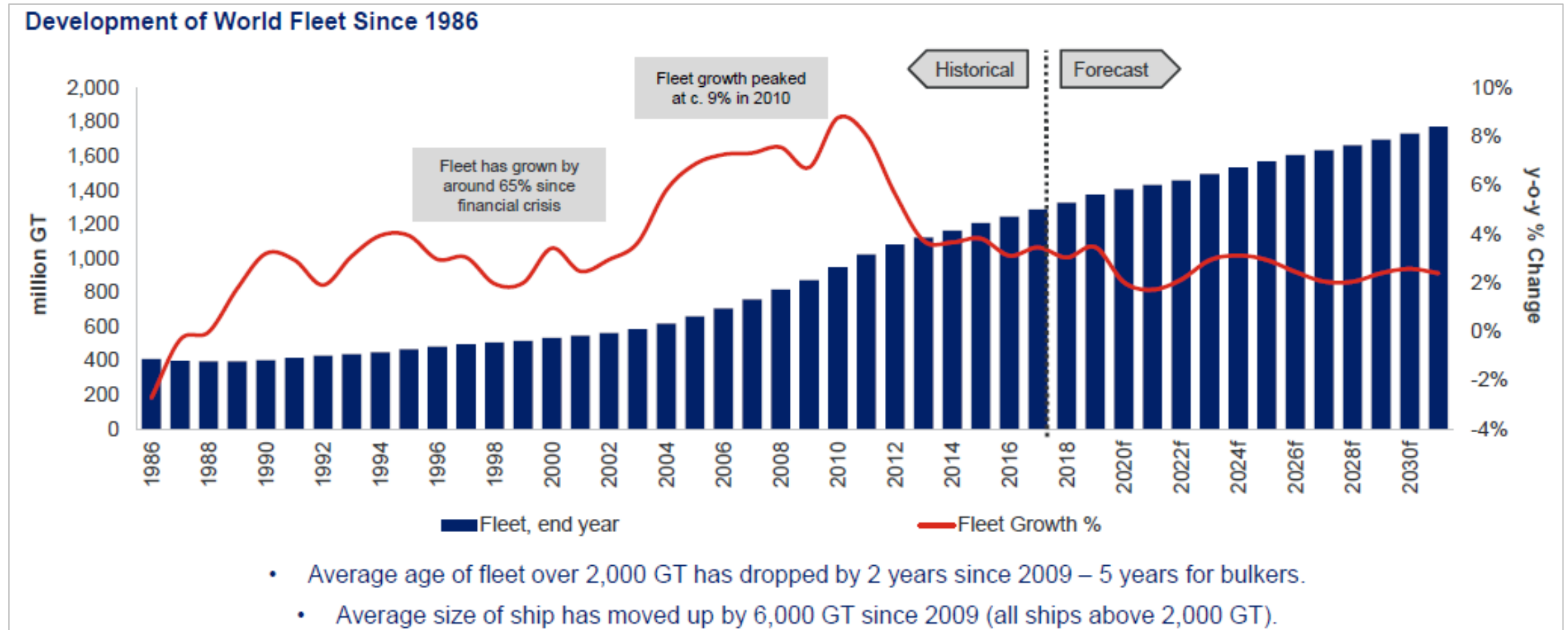
# Shipping – The world fleet

World fleet comprises currently roughly 97,000 ships



# World fleet development since 1986

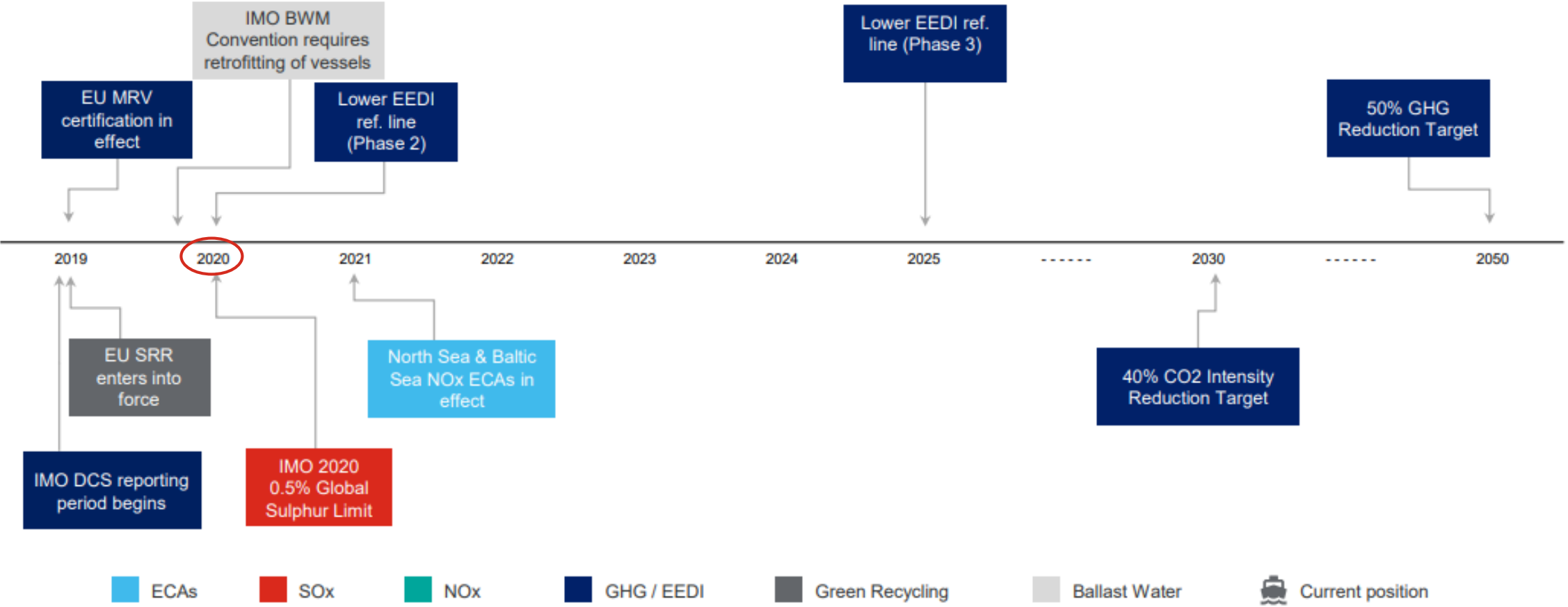
World fleet continues to grow - ships getting younger and bigger





# Environmental regulation continues to accelerate

Shipping decarbonisation high on the agenda



# Blue Growth, aquaculture and offshore wind energy offer us new interesting growth opportunities



Seaborne  
logistics

Traditional  
Core



Marine bio-  
technology

New  
Growth



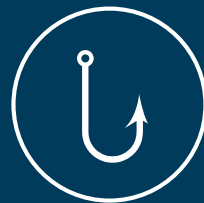
Marine and  
seabed mining

New  
Growth



Tourism

New  
Growth



Fishing

New  
Growth



Aquaculture

New  
Growth



Offshore  
oil and gas

Traditional  
Core



Offshore  
wind energy

New  
Growth



Ocean  
renewable  
energy

New  
Growth

# Disclaimer

Although forward-looking statements contained in this presentation are based upon what management of the company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. These statements are not guarantees of future performance and undue reliance should not be placed on them. The company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws.

All the discussion topics presented during the session and in the attached material are still in the planning phase. The final impact on the personnel, for example on the duties of the existing employees, will be specified only after the legal requirements of each affected function/ country have been fulfilled in full, including possible informing and/or negotiation obligations in each function / country.

