

CEO Mika Vehviläinen  
20 March 2018

# Annual General Meeting 2018

# Cargotec's Extended Executive Board



**Mika Vehviläinen**  
CEO



**Mikko Puolakka**  
EVP, CFO



**Antti Kaunonen**  
President, Kalmar



**Roland Sundén**  
President, Hiab



**Michel van  
Roozendaal**  
President, MacGregor



**Mikael Laine**  
SVP, Strategy



**Mikko Pelkonen**  
SVP, Human Resources



**Outi Aaltonen**  
SVP, General Counsel



**Stephen Foster**  
SVP, Audit & Assurance



**Leena Lie**  
SVP, Communications



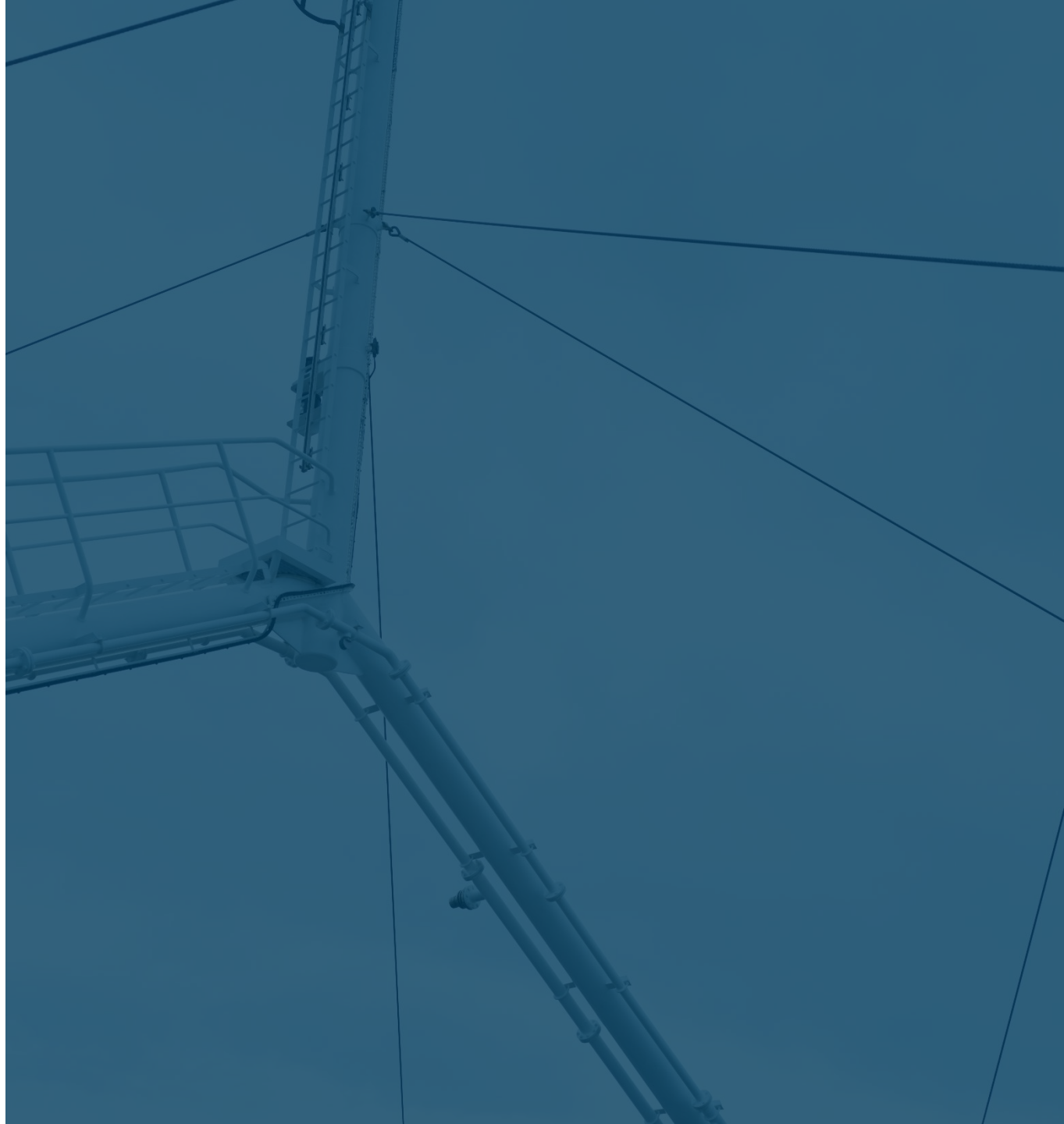
**Soili Mäkinen**  
CIO



# Agenda

1. Financial review 2017
2. Strategic development
3. Sustainability as a competitive advantage for Cargotec
4. Dividend and outlook for 2018

# Financial review 2017

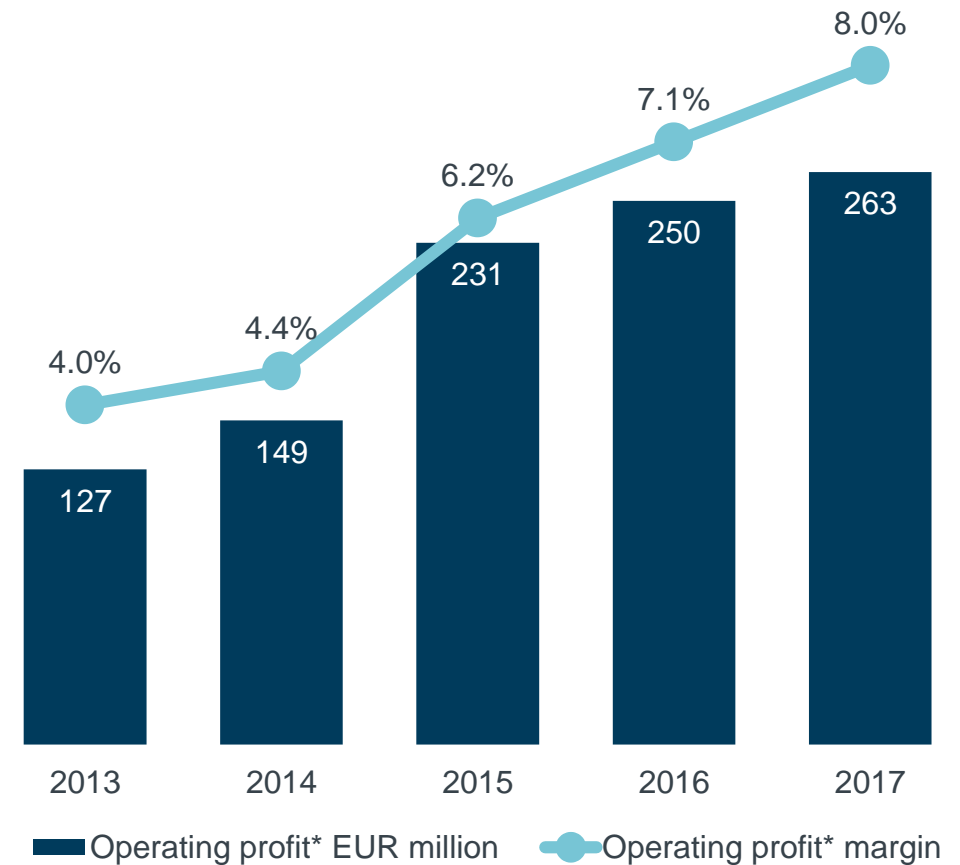


# Year 2017 at Cargotec – Record high operating profit\*

## Profitability improvement continued

- Strong year for Hiab – sales increased by 5% and operating profit\* by 12%
- Kalmar’s sales declined, but operating profit\* improved slightly
- MacGregor’s orders received increased from the comparison period during the second half of 2017

## Progress in M&A



\* Excluding restructuring costs

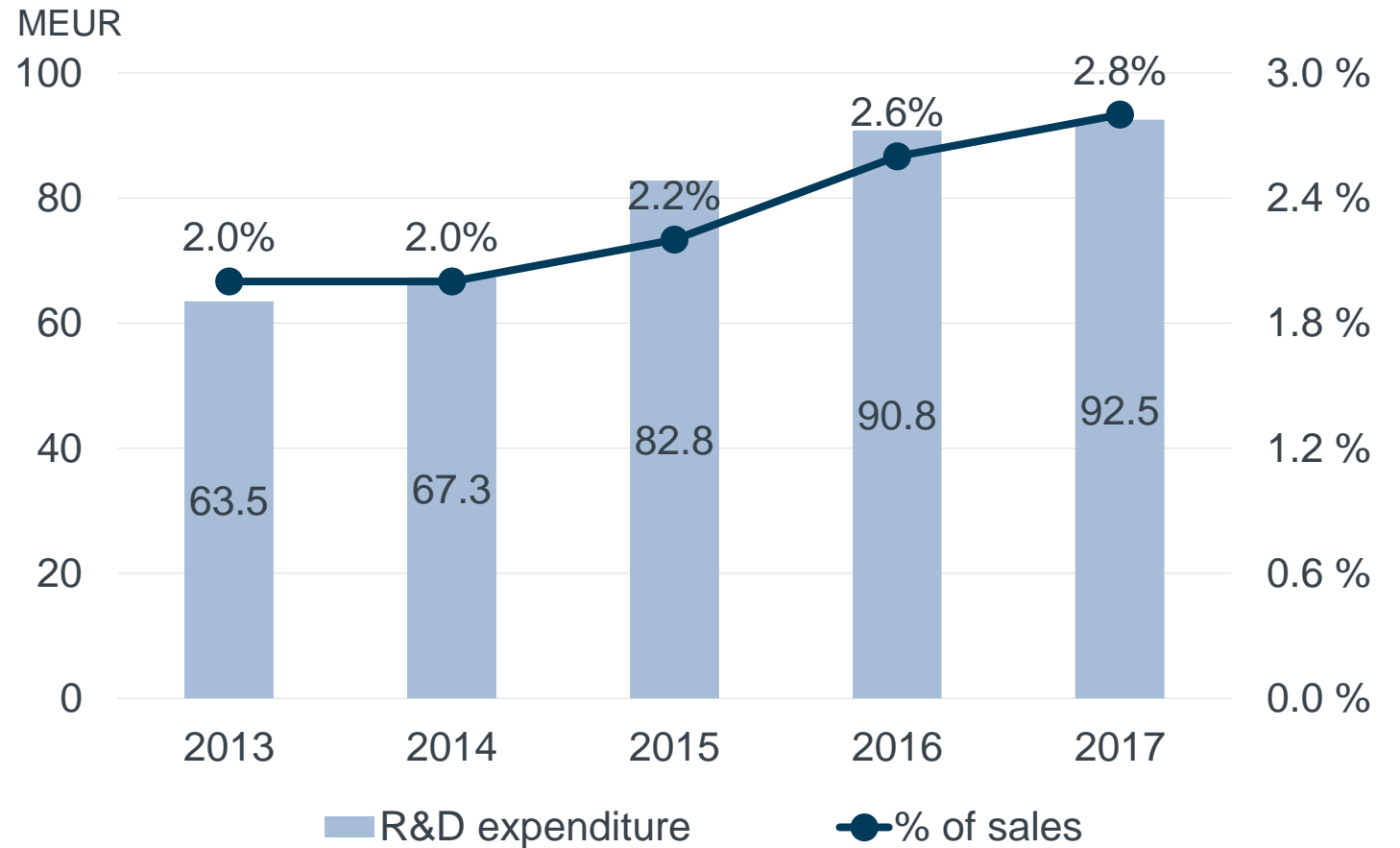


# Investments in research and development

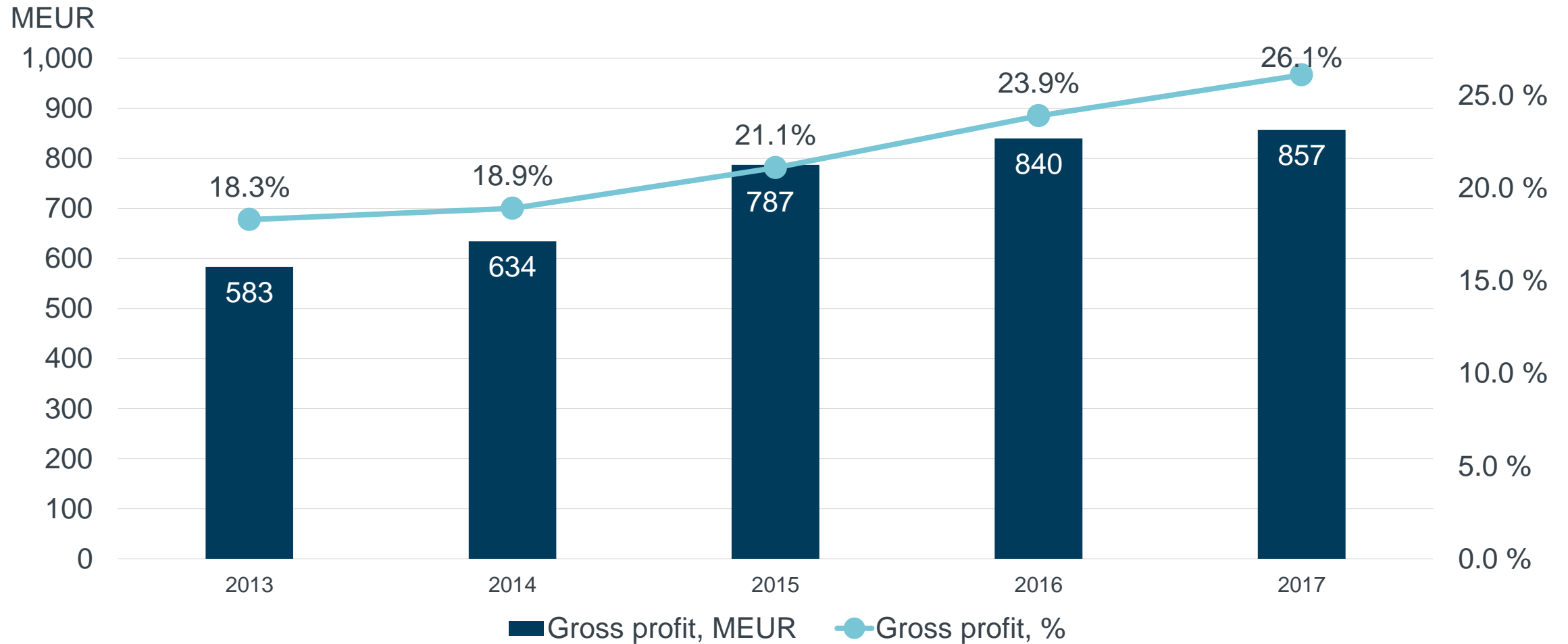
R&D investments have increased by 46% from year 2013

In 2017, R&D investments focused on

- Digitalisation
- Competitiveness and cost efficiency of products



# Gross profit continued to improve in 2017



# Kalmar – Profitability improved

Orders received declined 10%

- Decline especially in automation and projects

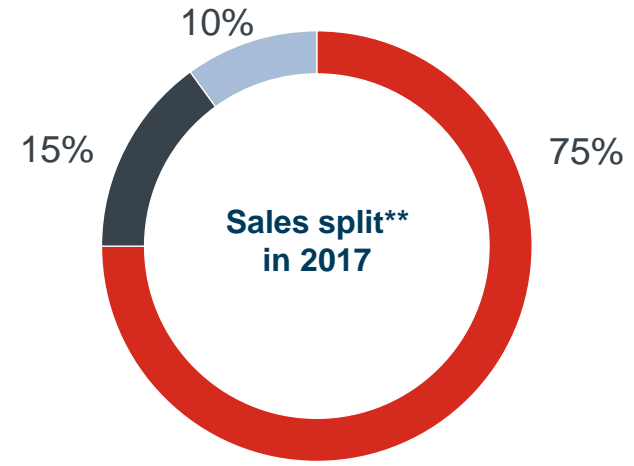
Operating profit\* margin improved to 8.4 percent

Market outlook is positive

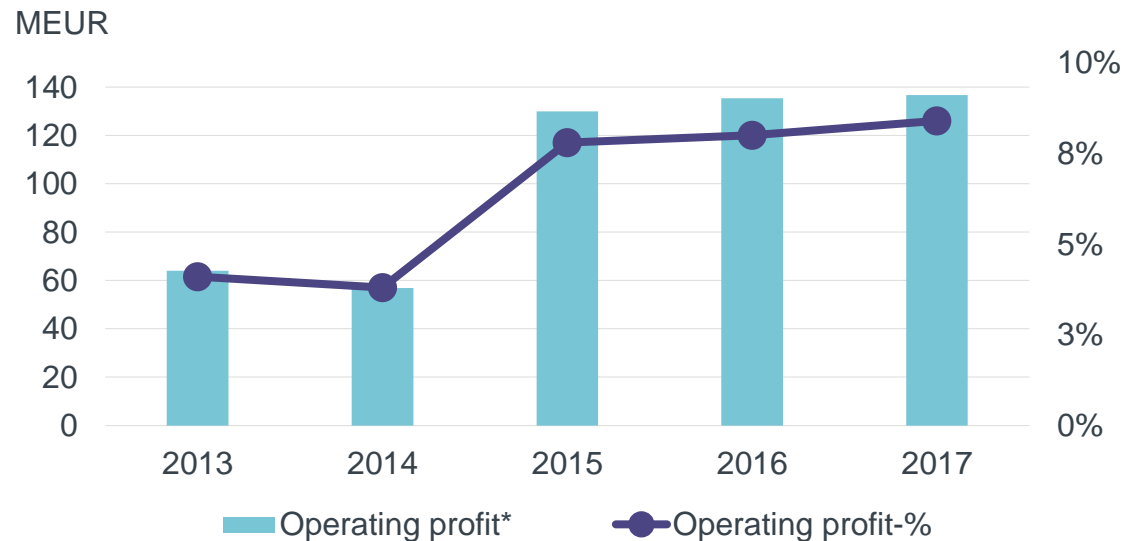
- 6% growth in number of containers handled at ports

Automation solutions proceeded but as smaller subprojects

Service business developed well



■ Equipment and services ■ Automation and projects ■ Software



\* Excluding restructuring costs

\*\* Figures rounded to nearest 5%



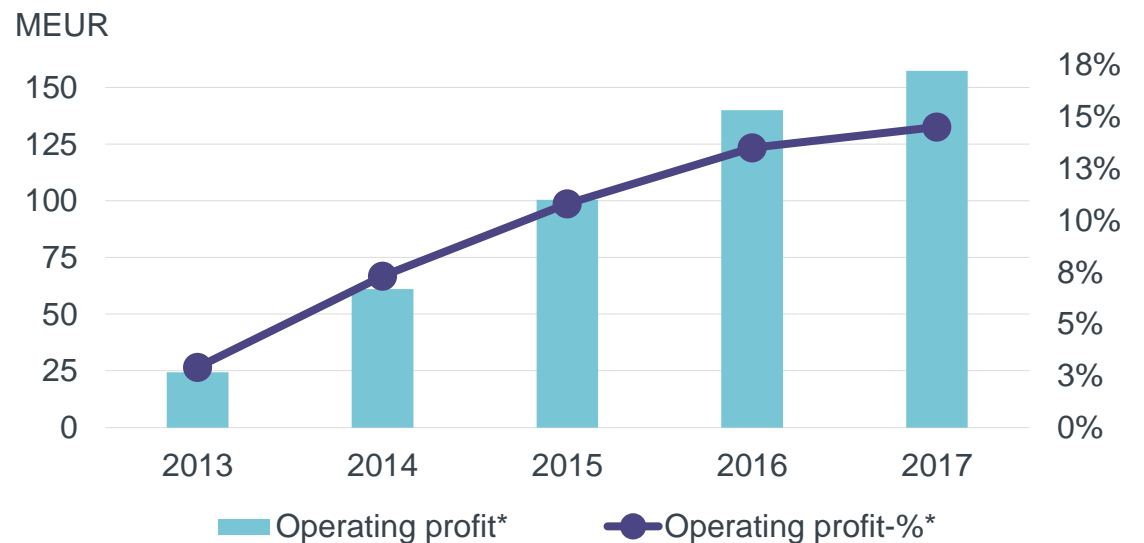
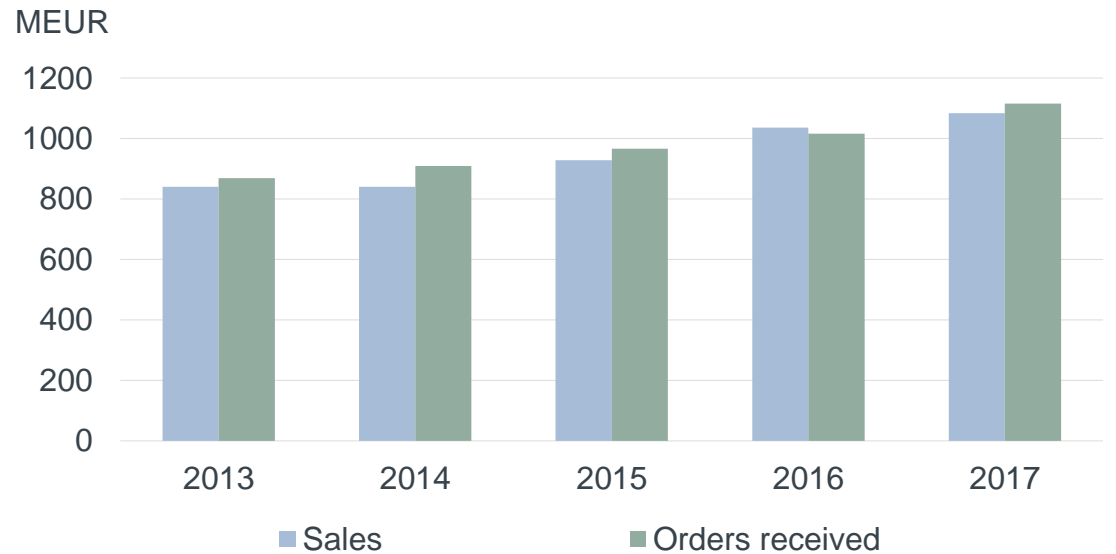
# Hiab – Record year

Orders received increased by 10%

- Growth in all geographical areas

Sales growth continued and operating profit\* rose to a new record

Construction activity continued to be strong in United States and accelerated in Europe



\*) Excluding restructuring costs

# MacGregor – Orders received improved in the second half of the year

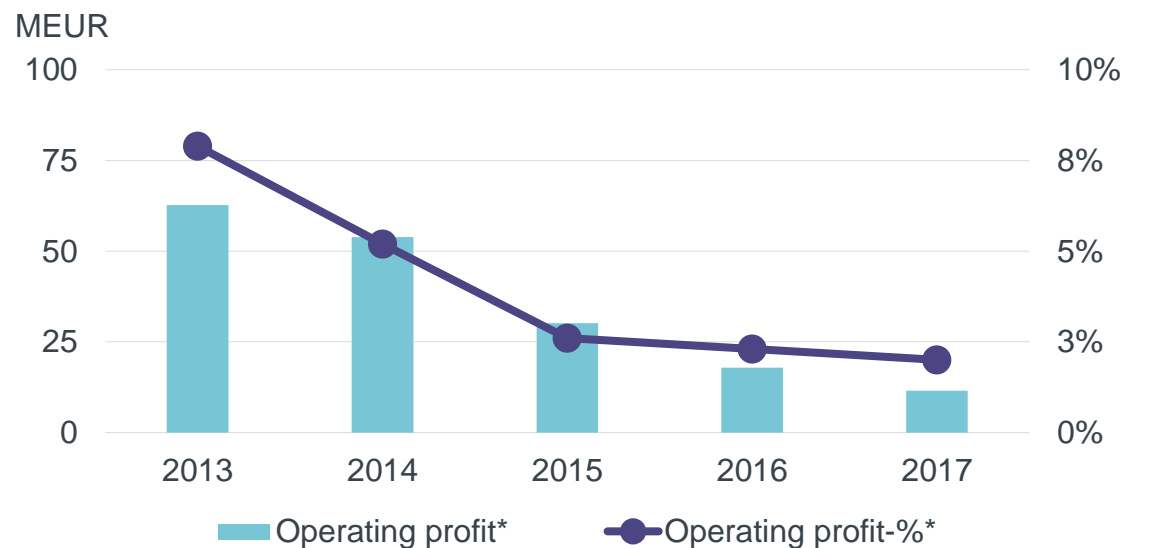
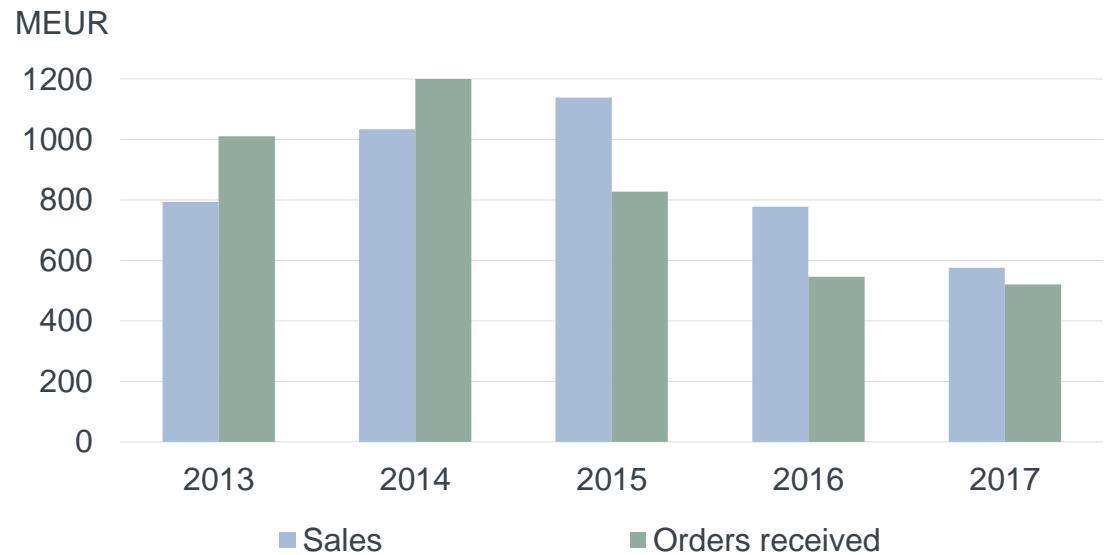
Orders received declined 5%

- In H2/17 orders received increased by 18%

Despite the decrease in sales we managed to keep operating profit\* positive

Market situation is still challenging

- Demand in merchant sector is recovering
- Offshore sector still quiet

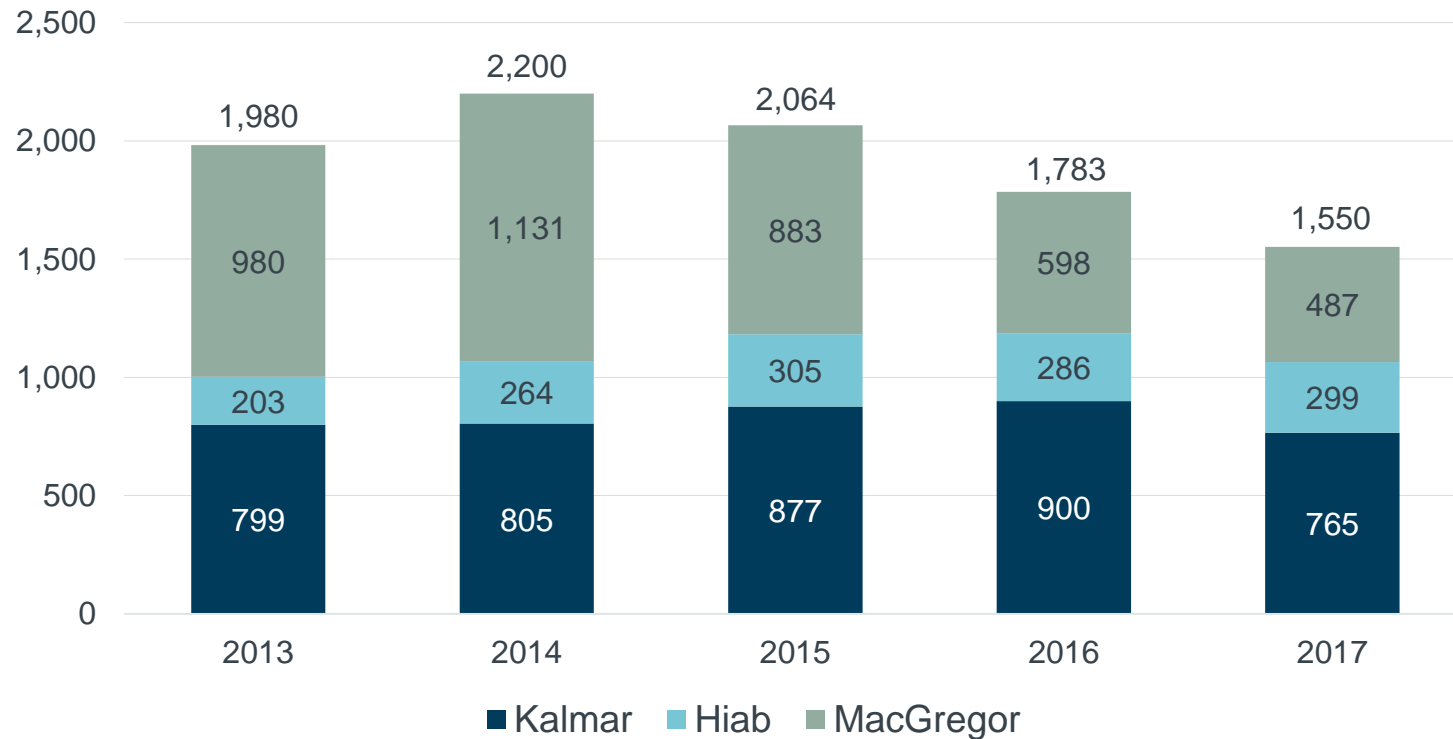


\*) Excluding restructuring costs

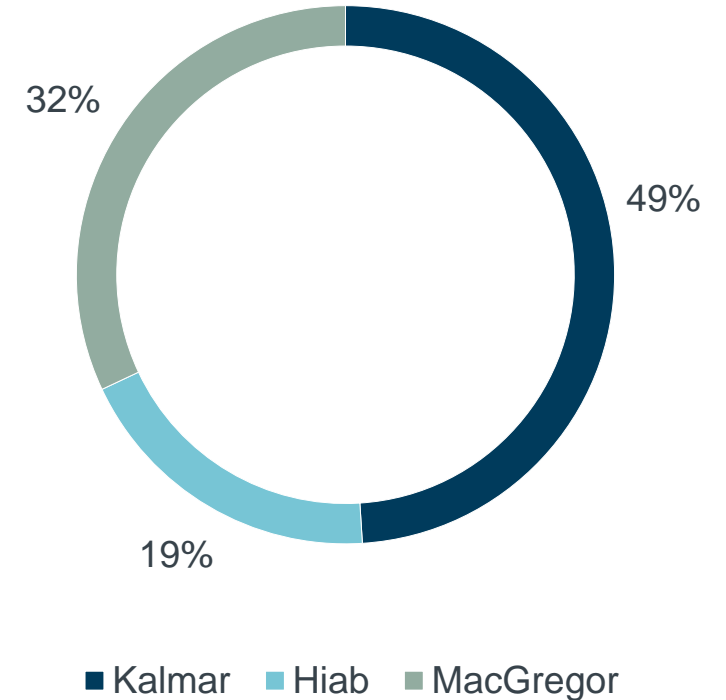
# Order book declined in Kalmar and MacGregor

## Order book

MEUR

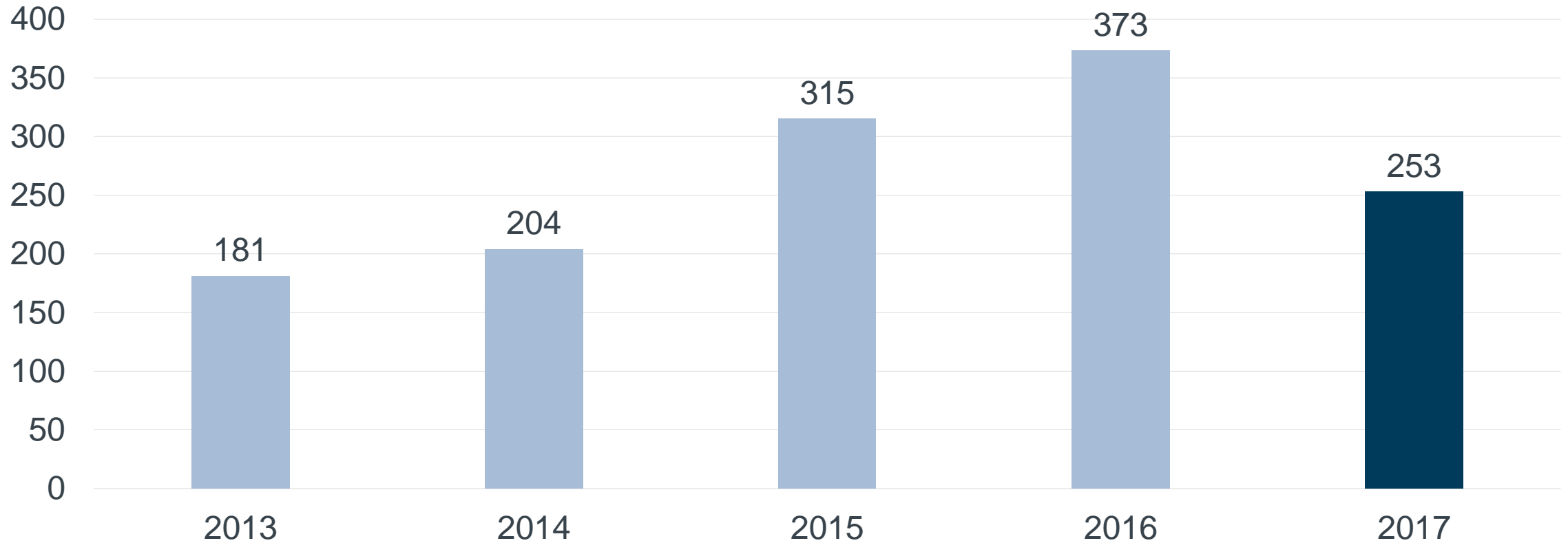


## Order book by reporting segment, 2017 year-end

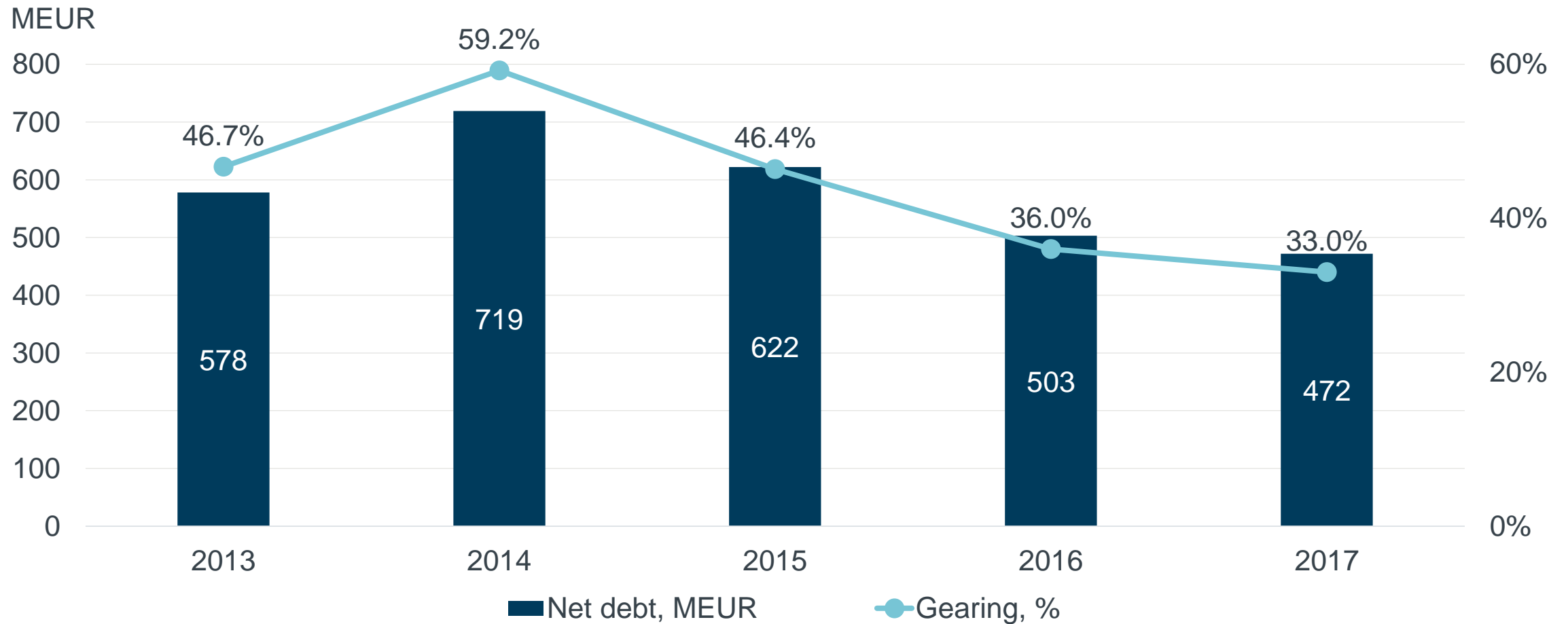


# Cash flow from operations

MEUR



# Strong balance sheet enabling further M&A



# Progress in M&A in 2017

## RAPP MARINE GROUP

Strengthen MacGregor's offering for the fishery and research vessel segment

Sales

**EUR 40 million**

in 2017

Around 30% of sales from services

## ARGOS

Hiab entrance to Brazilian loader crane market

Sales

**EUR 6 million**

in 2017

## INVER PORT SOLUTIONS

Broaden Kalmar's existing service capabilities throughout Australia

Sales

**EUR 5 million**

in 2017



# Acquisition of TTS marine and offshore business

## Strategic rationale

Service growth potential

Strengthening MacGregor's position also in China

Based on preliminary estimates, potential cost synergies are estimated to be around EUR 30-35 million on annual level

## Overview of the acquired businesses

Employs 900 people

Sales approximately EUR 211 million in 2017

Services 26% of revenues

## Acquisition

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

Enterprise value EUR 87 million

The acquisition is subject to regulatory approvals from competition authorities

# Strategic development



# 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**

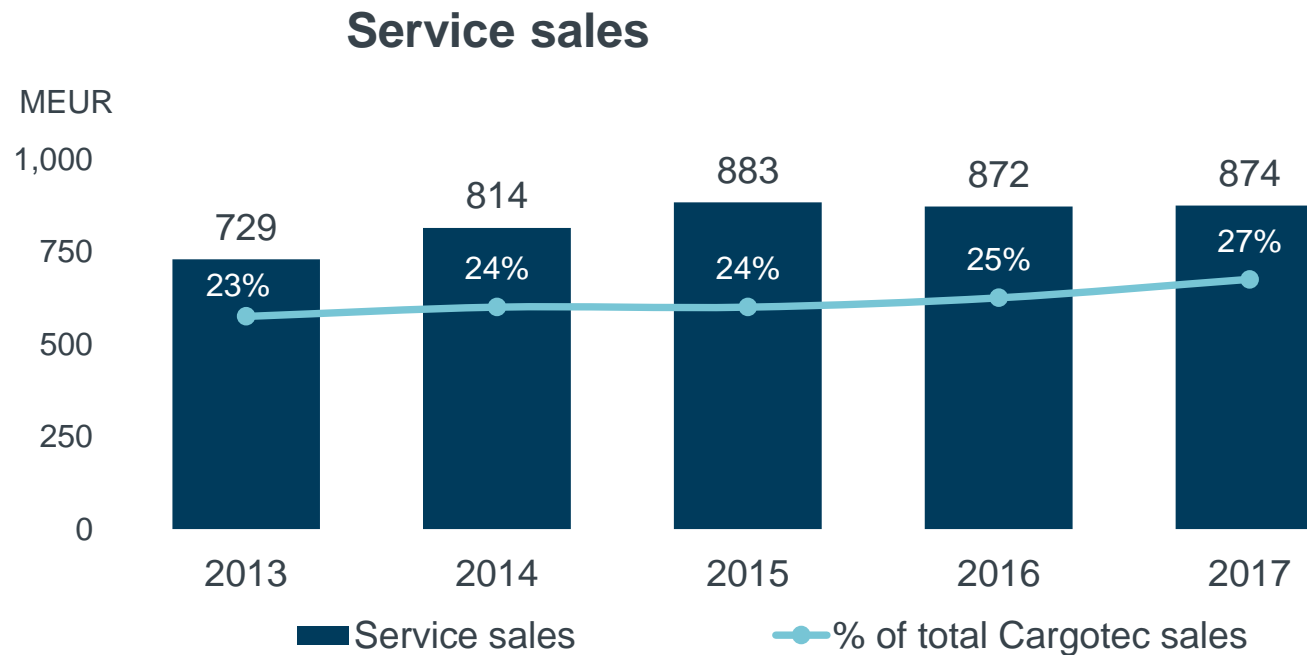
Digitalisation

Services

World-class leadership

# Service business

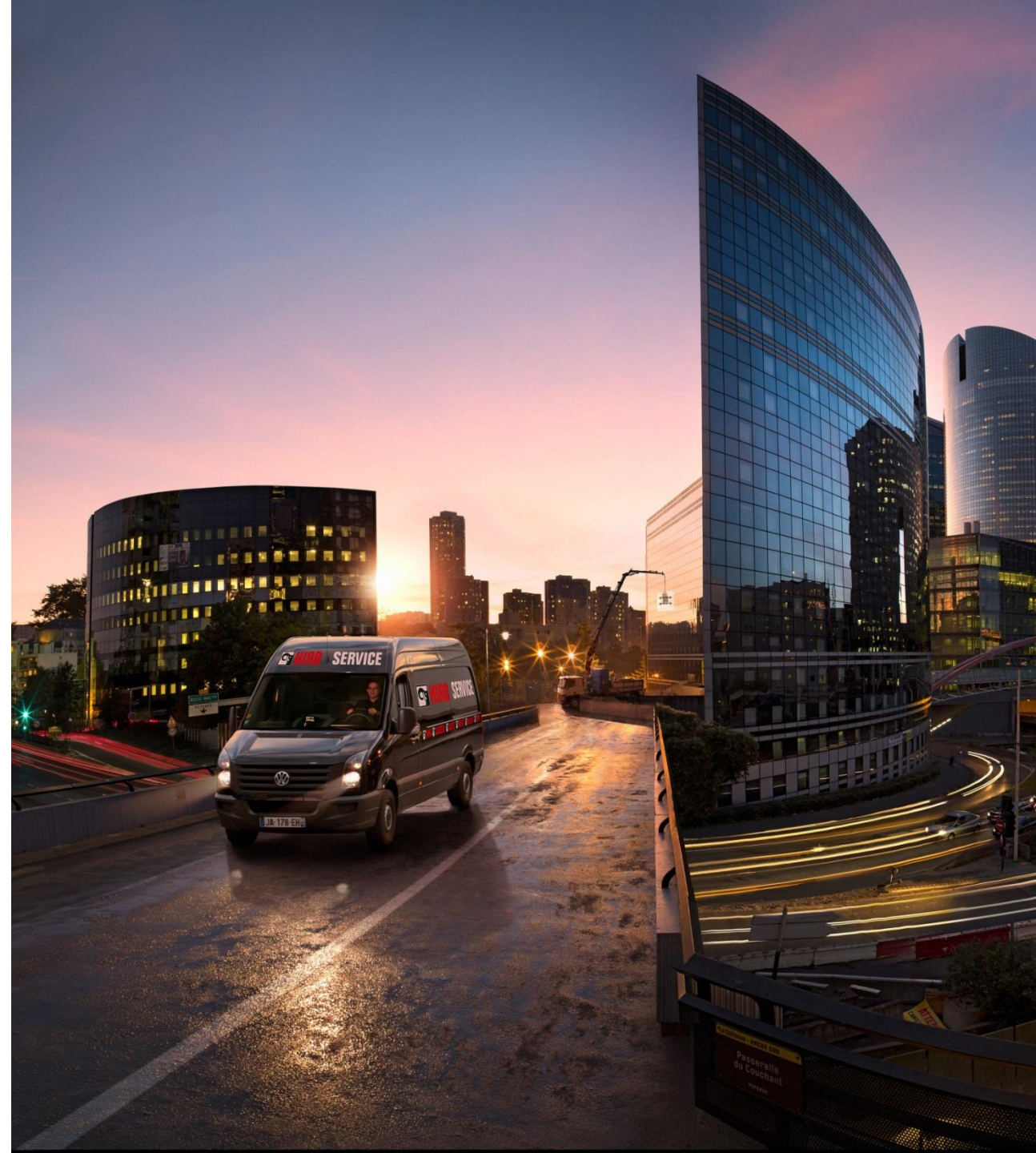
- New service concepts supported the development at Hiab
- Development in Kalmar good in most areas
- Growth in MacGregor's merchant sector





# New service concepts and focus on developing services

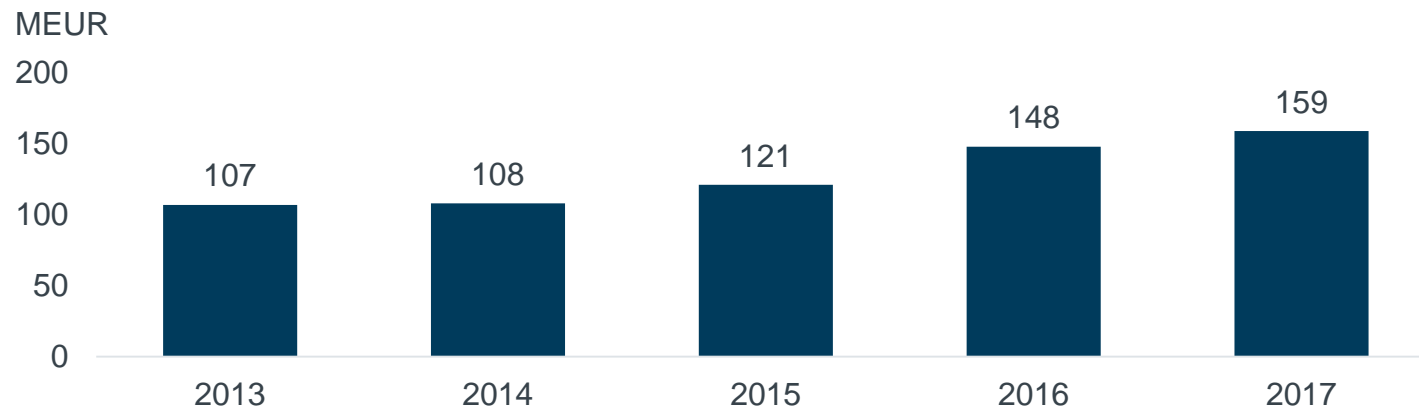
- Kalmar MyParts webshop
- Kalmar renewed its service organisation
- Hiab expanded its service offering
  - ProCare service contracts
  - Expansion and development of Hiab spareparts webshop
- MacGregor is optimising the container transportation abilities of Mediterranean Shipping Company



# Digitalisation

- Commercialisation of XVELA cloud-based collaboration platform
- Target is to have all new equipment connected by the end of 2018
- Software sales grew
- Digital solutions support the eco-efficiency of the industry

**Software sales**





# Examples of our digital solutions

- Kalmar InSight
  - Real time analysis of the productivity of port terminals
- Hiab HiConnect
  - Service solution to improve the productivity of Hiab equipment
- MacGregor Virtual Reality training unit



# Leadership

- Target to have a uniform, performance-driven leadership culture
- Leadership development enables change execution in the whole company
- We measure leaders' actions and productivity on a regular basis
- 86% of the personnel responded to the job satisfaction survey
  - Leadership index went up to 71 (68) percent
  - Team climate index climbed to 76 (70) percent





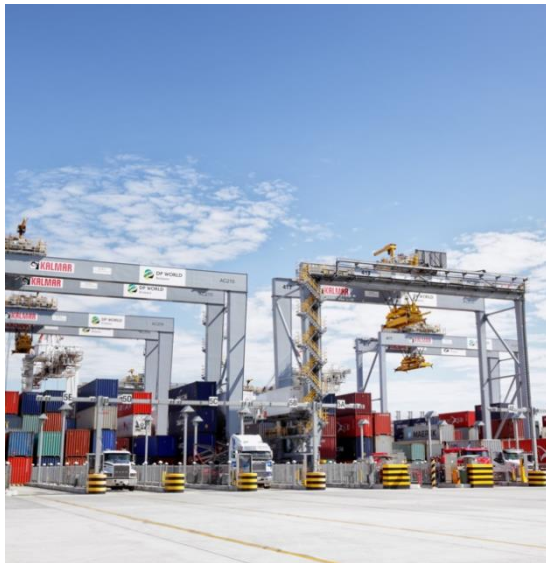


# Sustainability as a competitive advantage for Cargotec

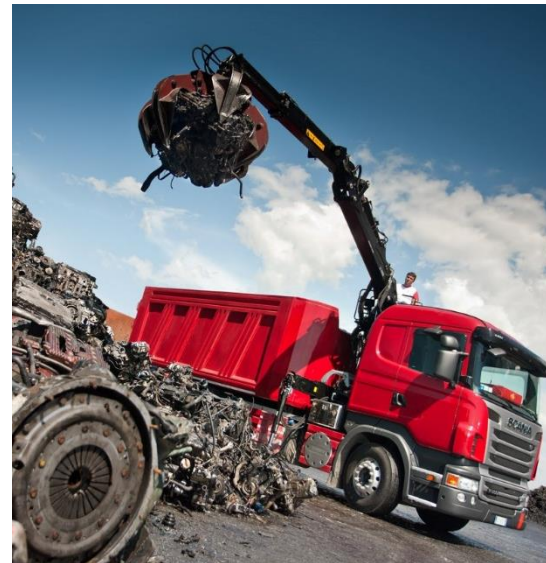
# Eco-efficient solutions are promoting our competitiveness

**Sales accounted for around 19% of the total revenue in 2017:**  
Significant share of our R&D investments is directed to clean technologies and digitalisation

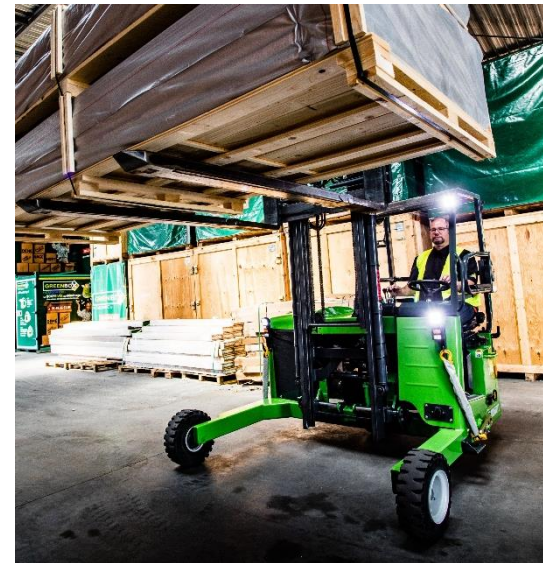
Systems  
efficiency



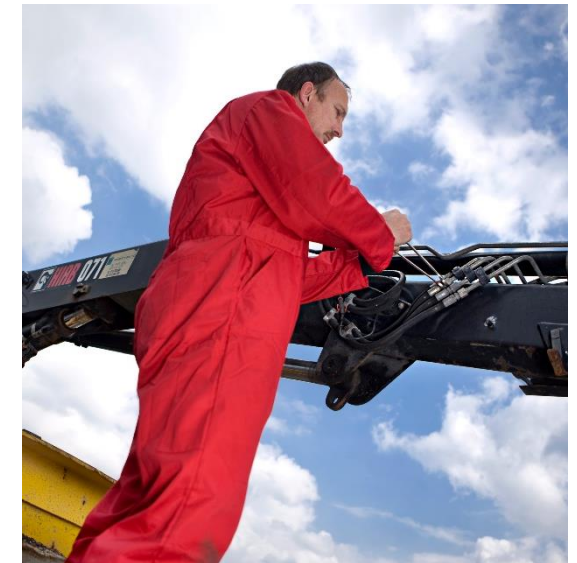
Efficiency for  
environmental industries



Emission  
efficiency



Resources  
efficiency



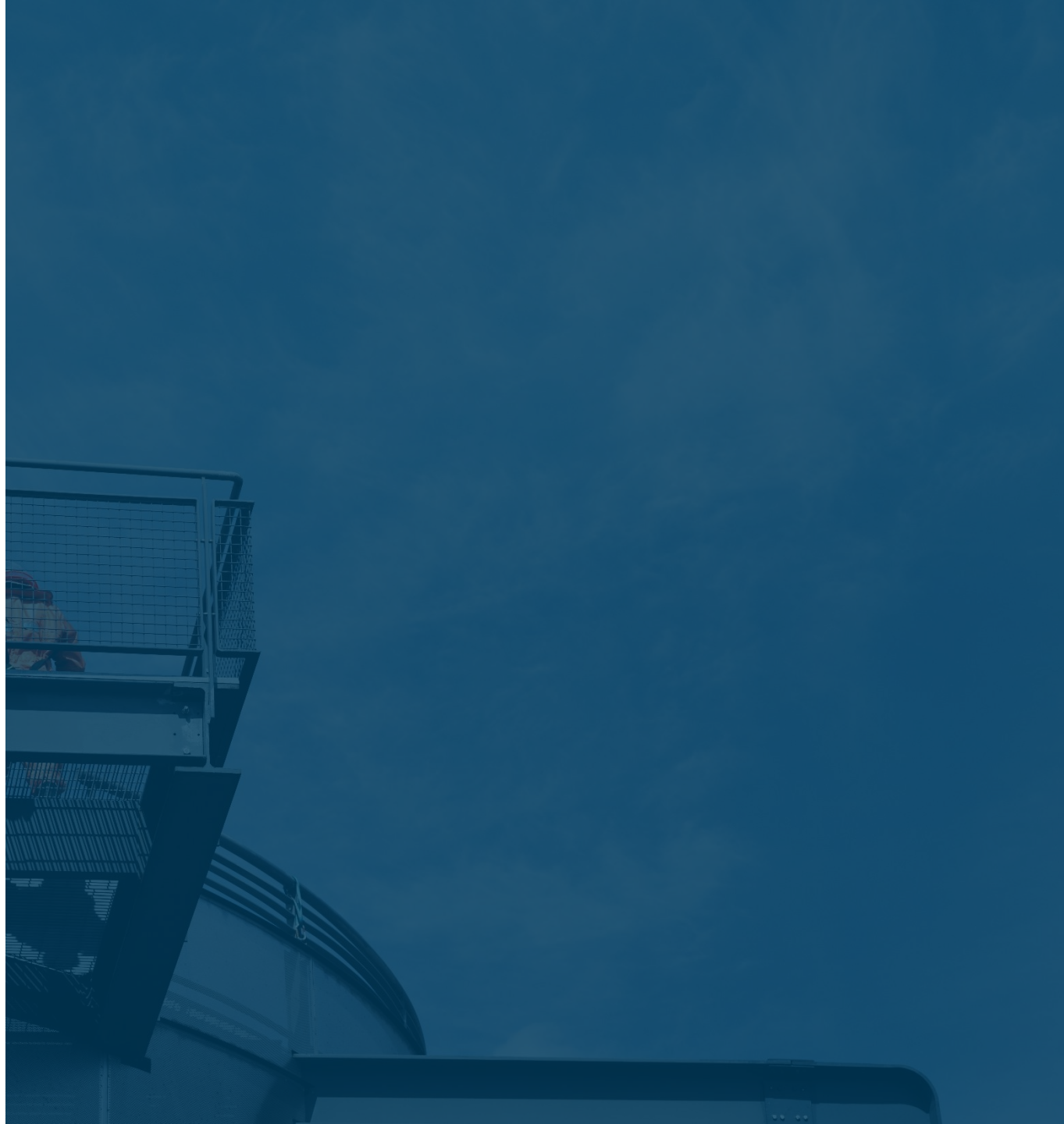
# Cornerstones of sustainable operations at Cargotec

- Minimizing customers' environmental impact
- Employees' well-being, safety and equal treatment
- Ethical and transparent operational processes





# Dividend and outlook for year 2018





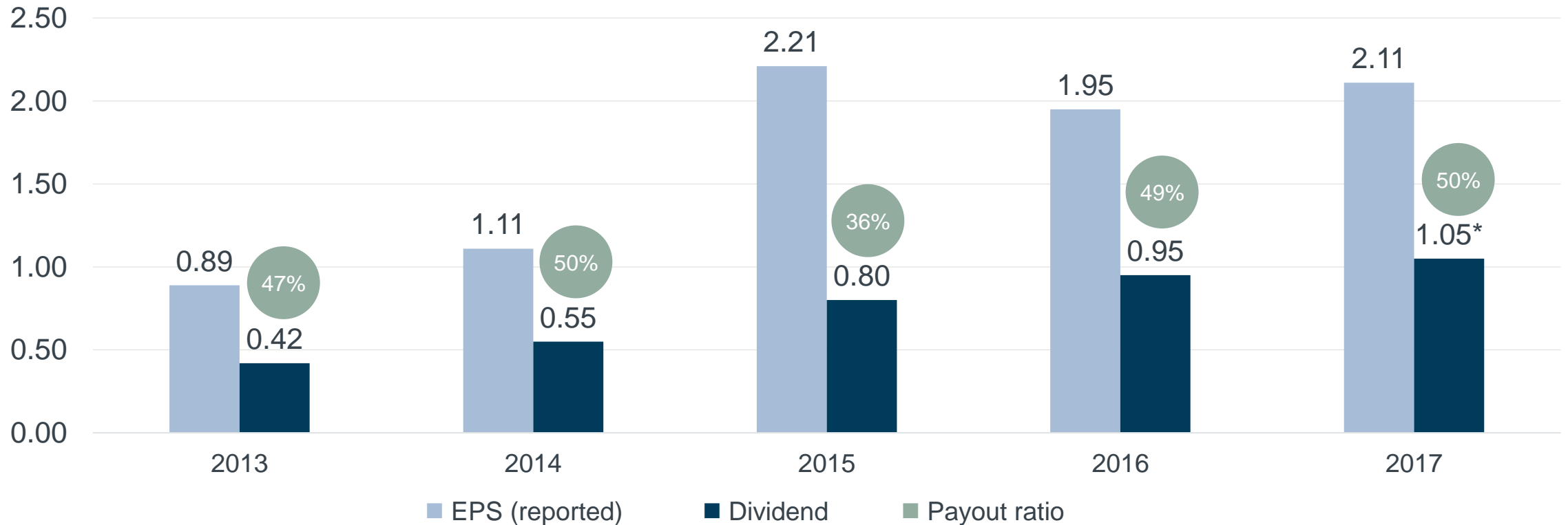
# Key figures 2017

	2017	2016	Change
Orders received, MEUR	3,190	3,283	-3%
Order book, MEUR	1,550	1,783	-13%
Sales, MEUR	3,280	3,514	-7%
Operating profit, MEUR	226.7	197.7	+15%
Operating profit, %	6.9%	5.6%	+1.3 %-points
Restructuring costs, MEUR	36.5	52.5	-31%
Operating profit*, MEUR	263.2	250.2	+5%
Operating profit*, %	8.0%	7.1%	+0.9 %-points
Net income, MEUR	136.3	125.3	+9%
Earnings per share, EUR	2.11	1.95	+8%
Equity per share	22.10	21.65	+2%
Return on capital employed (ROCE), %	9.8%	8.8%	+1.0 %-points
Total equity / total assets, %	41.5%	39.1%	+2.4 %-points

# Dividend and EPS

**Board proposes EUR 1.05 dividend per B share for 2017**

Dividend to be paid in two instalments (EUR 0.53 and 0.52)



\*Board proposal

# Outlook for 2018

Operating profit excluding restructuring costs for 2018 is expected to improve from 2017 (EUR 263.2 million).

As a result of the adoption of the IFRS 15 standard effective from January 1, 2018, Cargotec's revenue recognition for certain products and customer contracts will change in 2018.

The IFRS 15 restated figures for 2017 will be published in March 2018 the latest. The change in accounting principles is not expected to have a material impact on annual operating profit.

**Thank you**

