

Oddo Environment Forum, June 2018

# 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%**

**Kalmar**

Sales: **EUR 1,598 million**  
 EBIT: **8.3%** (EUR 133.1 million)

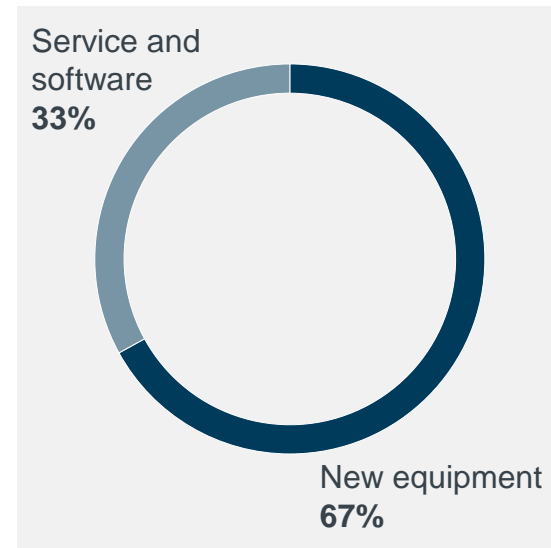
**Hiab**

Sales: **EUR 1,084 million**  
 EBIT: **14.5%** (EUR 157.2 million)

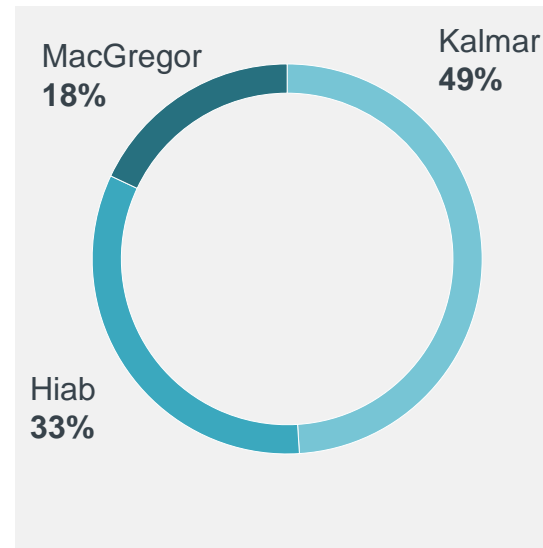
**MacGregor**

Sales: **EUR 571 million**  
 EBIT: **1.9%** (EUR 10.6 million)

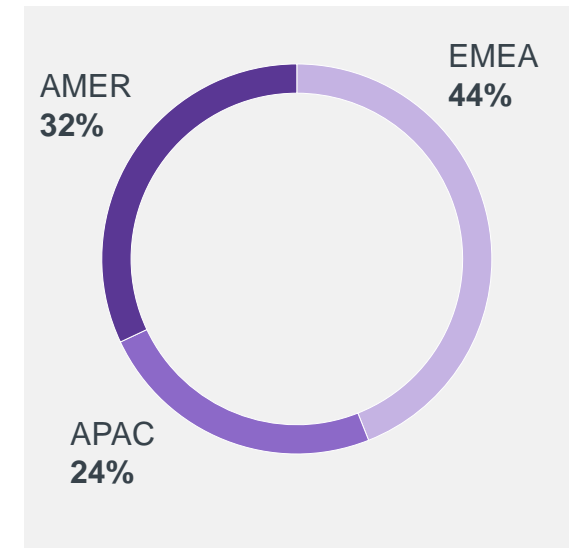
**Sales split: new equipment vs service and software**



**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



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

Figures: 2017  
 EBIT % excluding restructuring costs

# 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

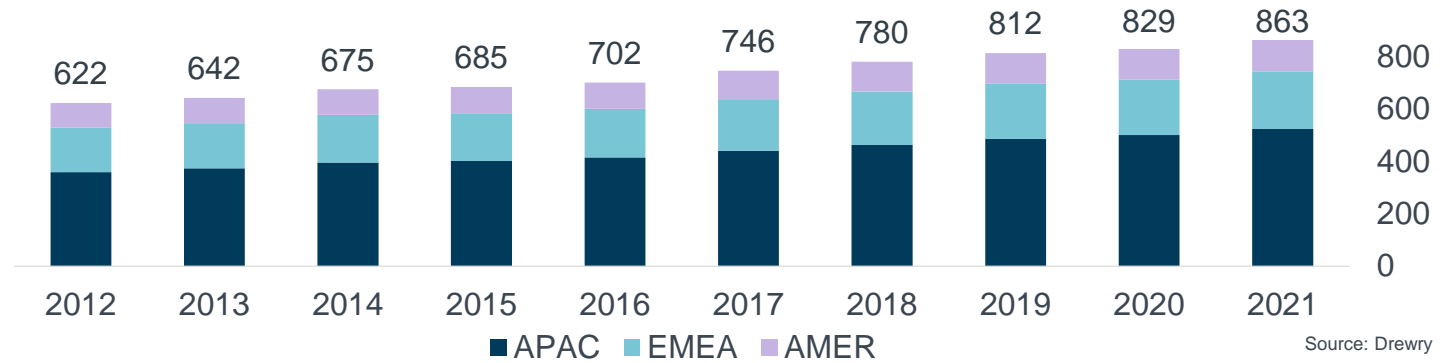
## Market position

- #1 or #2 in all major segments

# Growth drivers

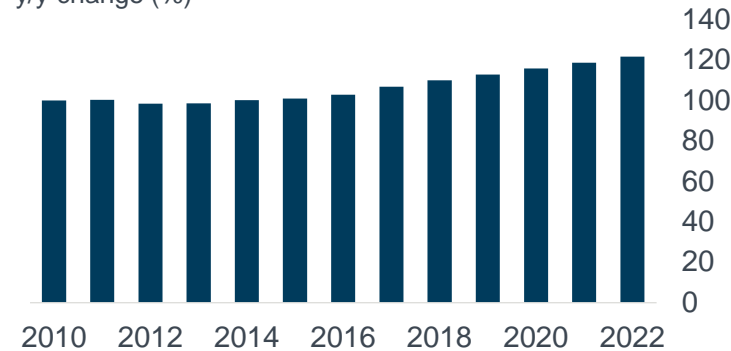
Key driver for Kalmar

Global container throughput (MTEU)

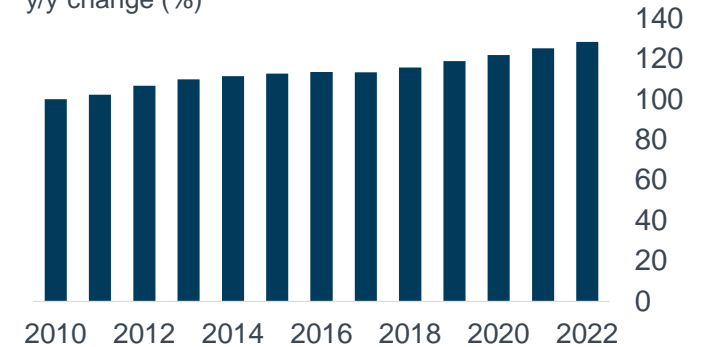


Key driver for Hiab

EMEA construction output  
y/y change (%)



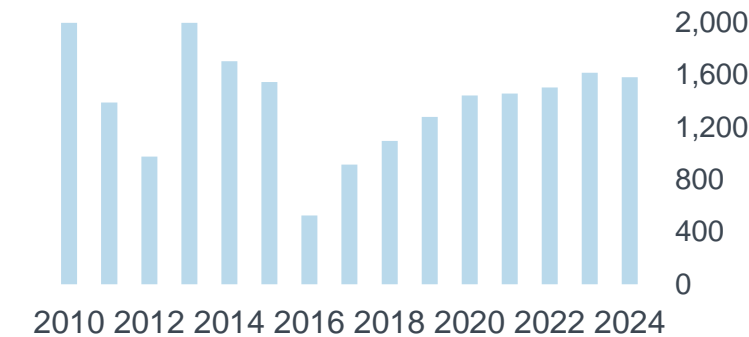
EMEA construction output  
y/y change (%)



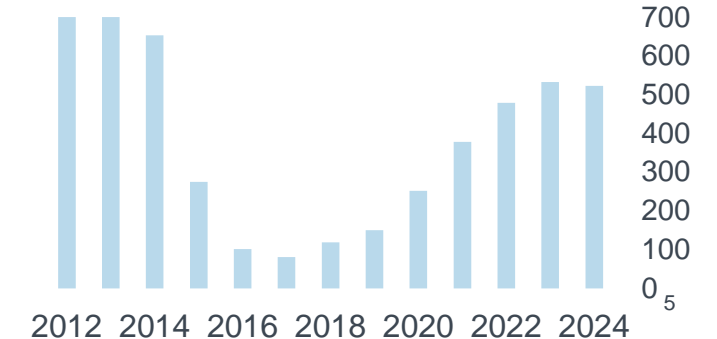
Source: Oxford Economics

Key driver for MacGregor

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)



# 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**

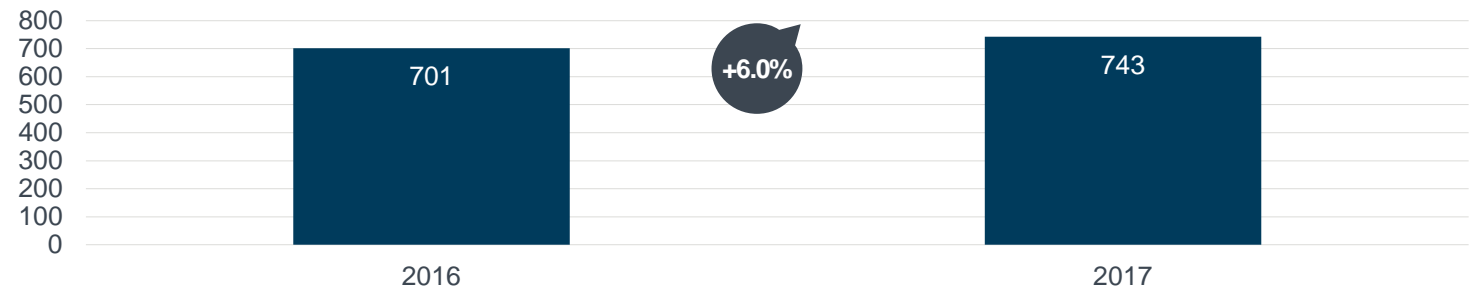
- Good development continued in Europe, US demand stayed on strong level

**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**

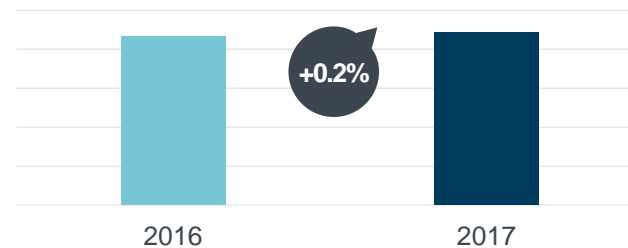
Source: Drewry



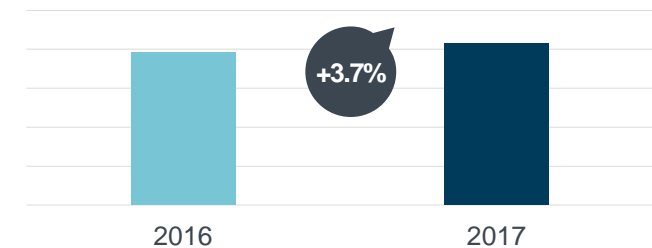
**Construction output – Key driver for Hiab**

Source: Oxford Economics

United States



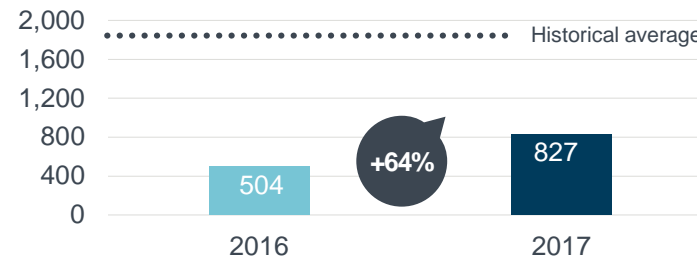
Europe



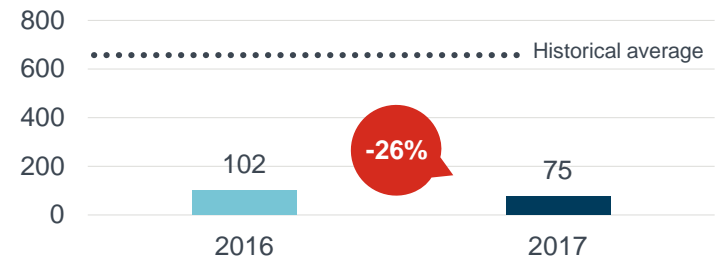
**Long term contracting – Key driver for MacGregor**

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

Merchant ships > 2,000 gt (excl. ofs & misc)



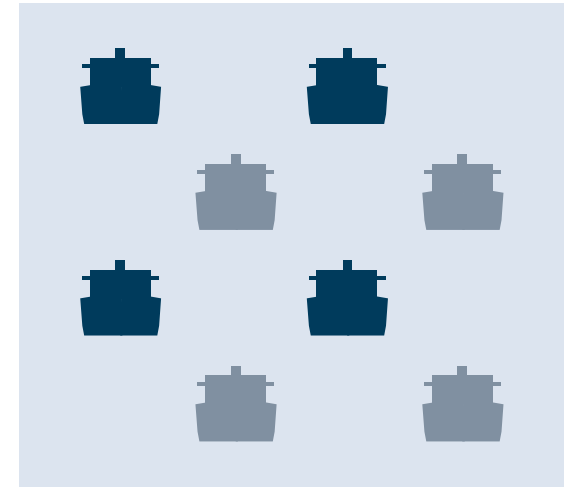
Mobile offshore units





Cargotec has operations in more than **100 countries**

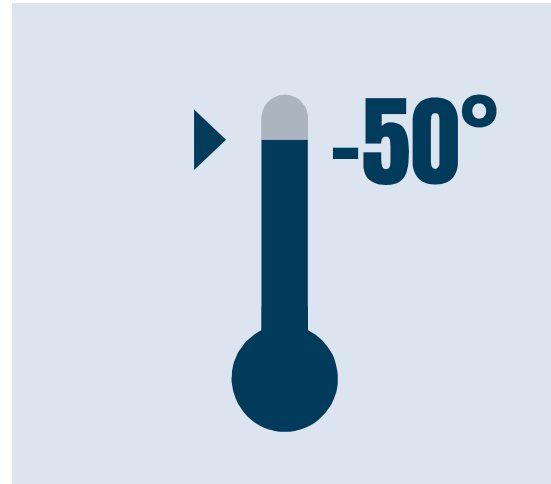
Every year, over **700 million** container moves are being made globally in ports. Every fourth of them is handled by a Kalmar solution.



Every other ship in the world carries **MacGregor** equipment



Kalmar history started over **100 years** ago.



Equipment designed for arctic conditions can operate in **-50° 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



# Sustainability is a great business opportunity

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

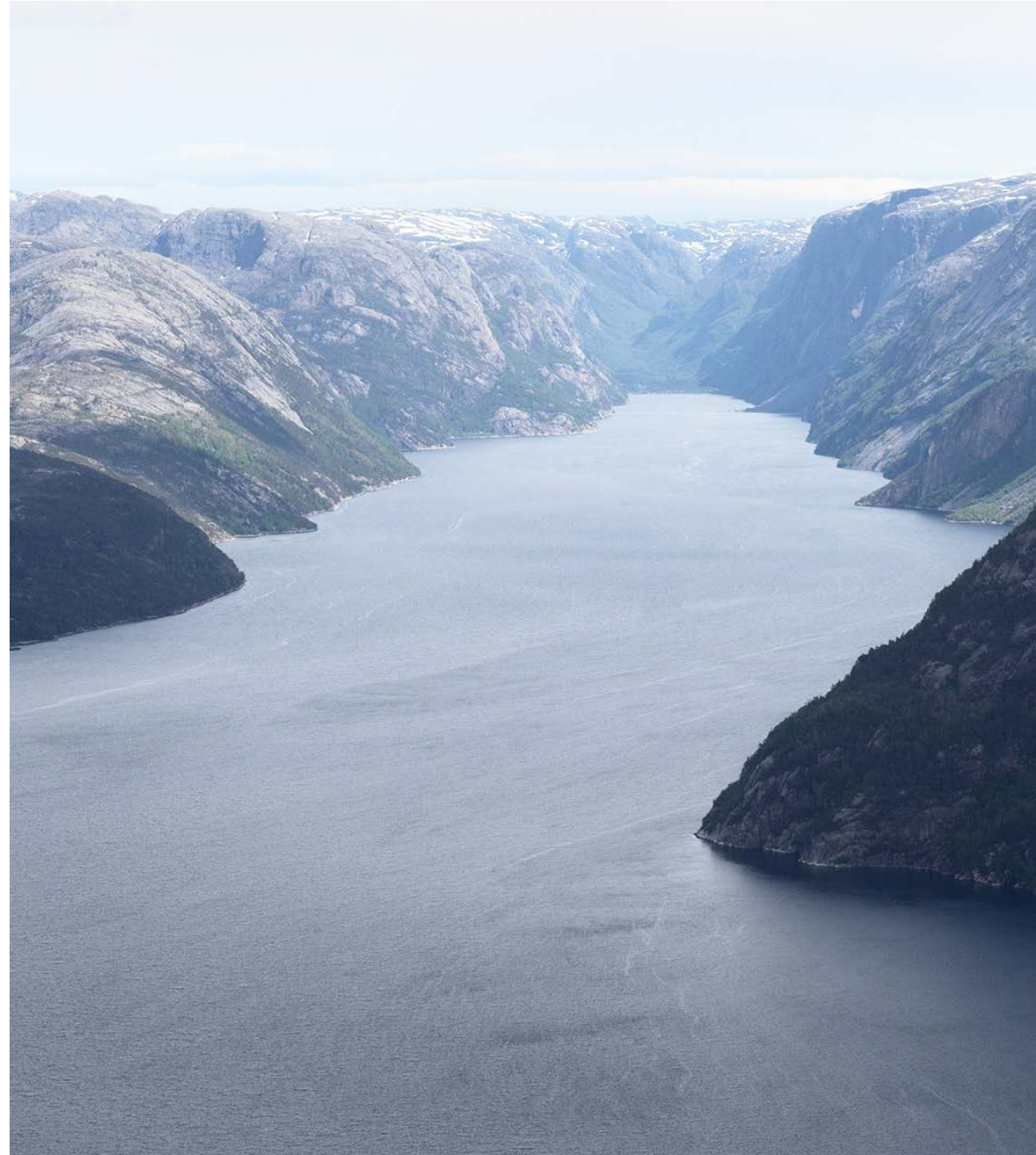
- Inefficient industry with potential to improve

**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



# 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.

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**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 CO<sub>2</sub> emissions.

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**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.

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**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

Analytics for better operational decision making

Capture all billable events for accurate and timely billing

Automate & improve truck turn times

Optimise container yard moves, save cost and reduce moves

Optimise vessel load and discharge across cranes

Optimise rail load and discharge processes

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

Optimise vehicle routing and costs

Track vessel operational performance and environmental compliance

Optimise vessel stowage planning

Source: McKinsey

# 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

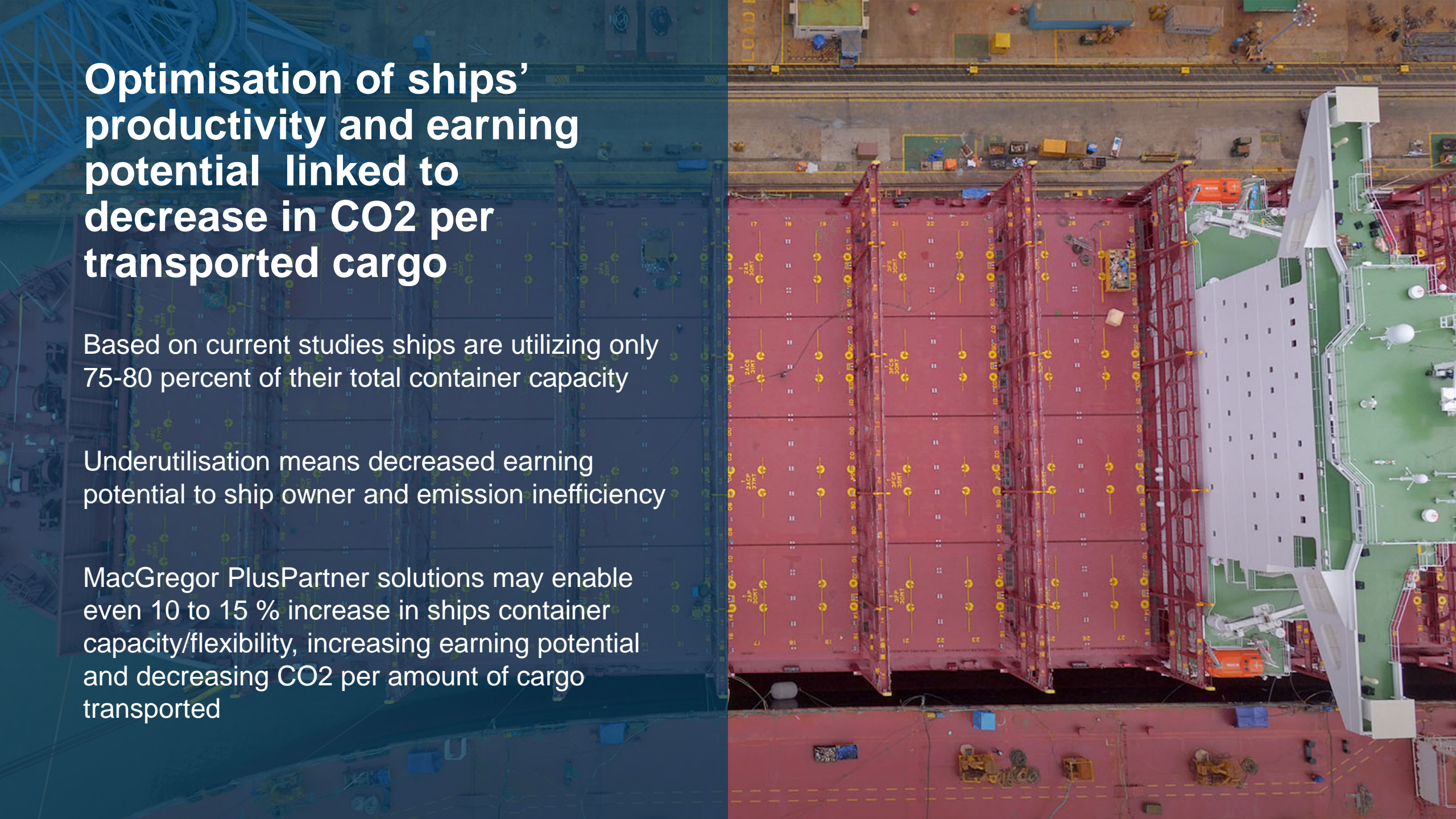
## Automation creates significant cost savings\*

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



\* Change when manual terminal converted into an automated operation



An aerial photograph of a ship's deck, showing a grid of red metal structures and yellow markings. The left side of the image is overlaid with a semi-transparent blue rectangle containing white text. The text discusses ship productivity, CO2 emissions, and container capacity optimization. The background shows various deck equipment, including cranes and containers, and a white superstructure on the right side.

# 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



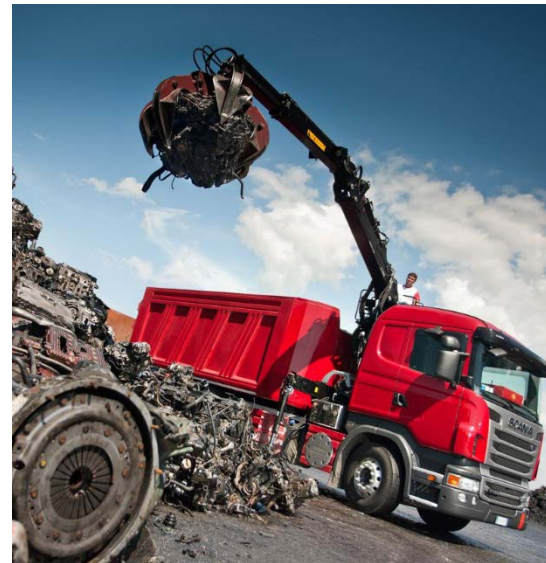
# Offering for eco-efficiency as our competitive advantage

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

Systems efficiency



Efficiency for environmental industries



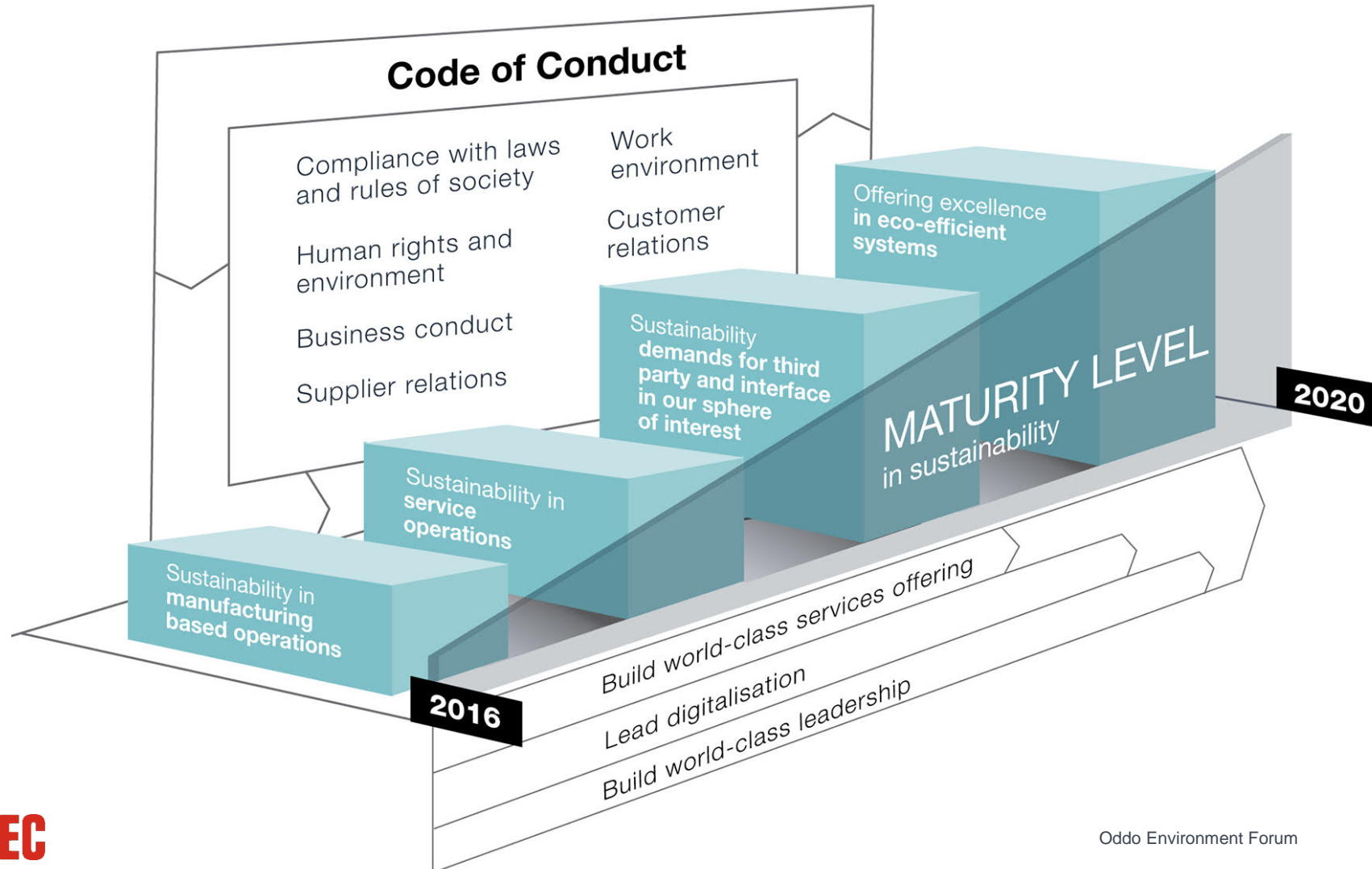
Emission efficiency



Resources efficiency



# 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**



# 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

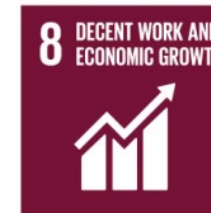
Management oversight – monthly Code of Conduct panel

- ENVIRONMENT
  - Offering for eco-efficiency
  - Solar energy-driven inland port test field
  - 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

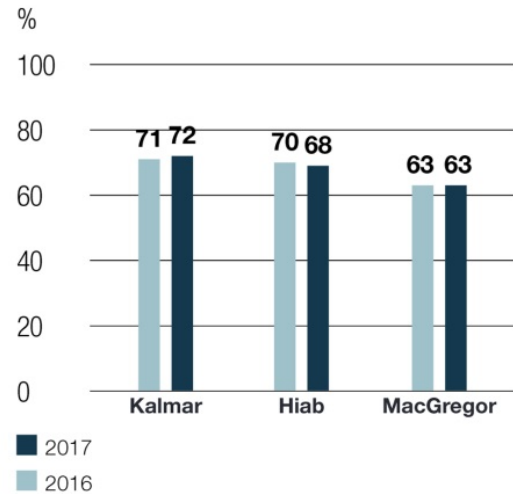
- ANTI-CORRUPTION
  - Third party risk assessments and due diligence
  - Targeted actions such as supplier anti-corruption letters and training
  - TRACE International membership

# Performance highlights 2017

82% of employees conducted the code of conduct e-learning tool

Permanent Code of Conduct panel and case investigation process

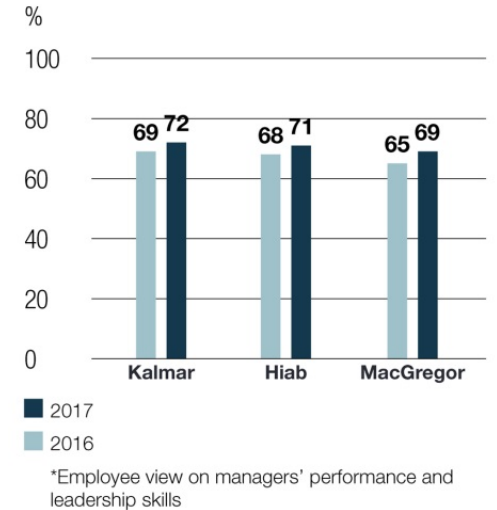
## EMPLOYEE ENGAGEMENT INDEX



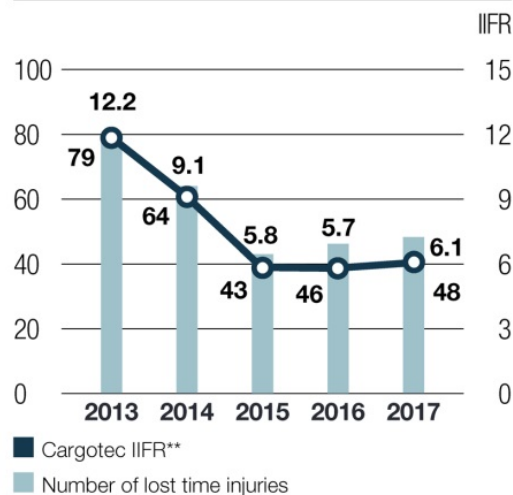
Supplier code of conduct sent to all strategic suppliers

Offering for eco-efficiency 18% of total sales

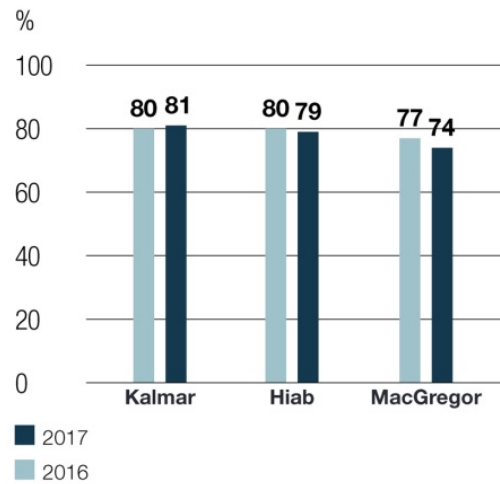
## LEADERSHIP INDEX\*



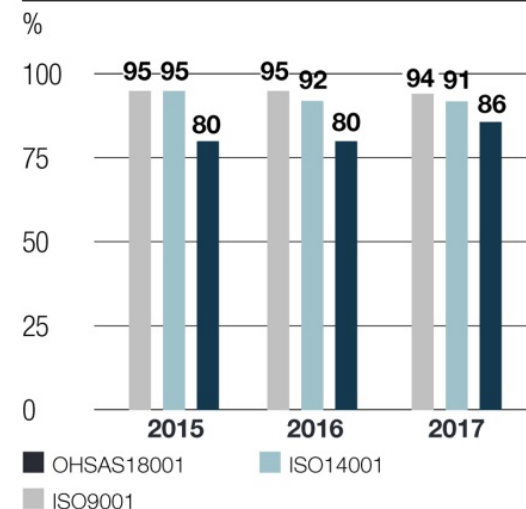
## INDUSTRIAL INJURY FREQUENCY RATE\*



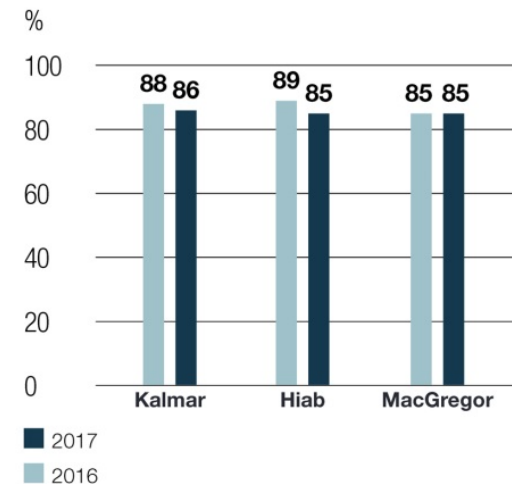
## SOCIAL RESPONSIBILITY INDEX\*



## CERTIFICATION COVERAGE\*



## COMPASS\* COMPLETION RATE



\*IIFR and number of injuries cover Cargotec production sites

\*\*Number of injuries per million hours worked

\*Share of certified sites' sales volume of the total sales volume  
Odo Environment Forum

\*\*Number of injuries per million hours worked

# 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



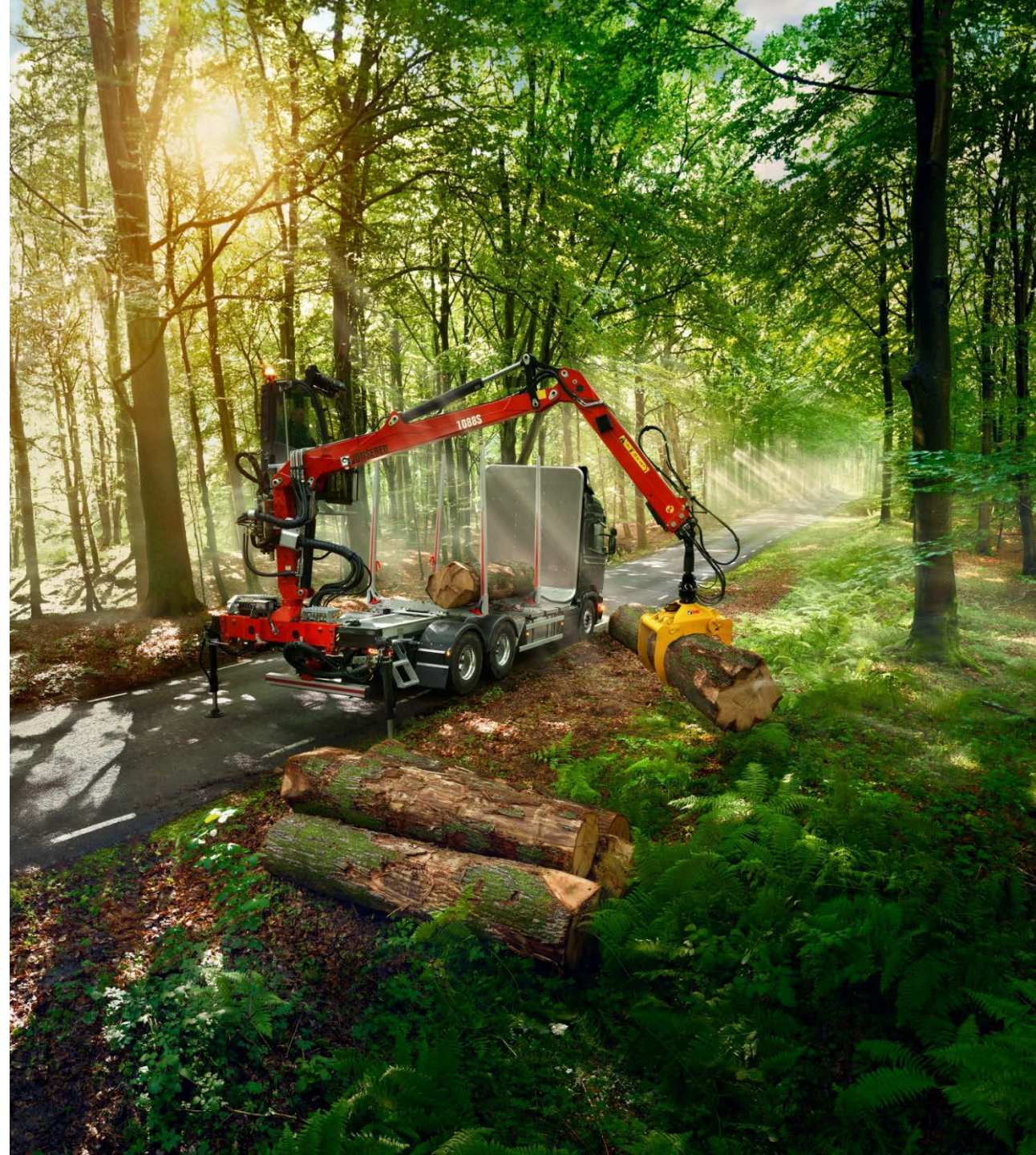


# Sustainability supporting future business possibilities

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.)