





## Q3 2014 Boston road show

President and CEO Mika Vehviläinen

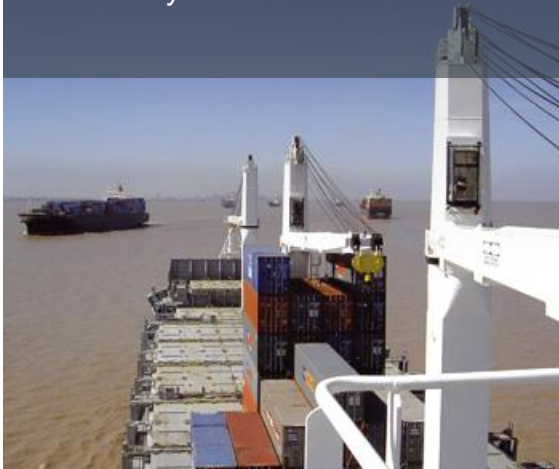
# Cargotec in brief



# Cargotec's business areas

## MacGregor

- MacGregor offers integrated cargo flow solutions for maritime transportation and offshore industries
- Global company with facilities near ports worldwide
- Wide offering for ships, ports and terminals and offshore industry



## Kalmar

- Kalmar offers the widest range of cargo handling solutions and services to ports, terminals, distribution centres and heavy industry
- Industry forerunner in terminal automation and in energy efficient container handling



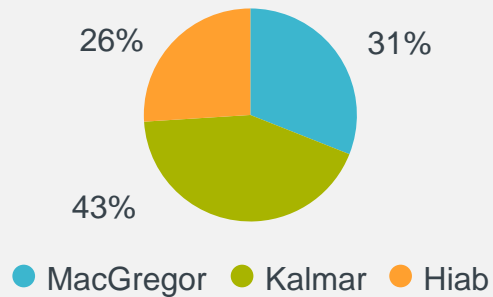
## Hiab

- Hiab is the global market leading brand in on-road load handling solutions
- Load handling solutions are used in various sectors of on land transport and delivery, including construction, distribution, forestry, warehousing, waste and recycling, and defence

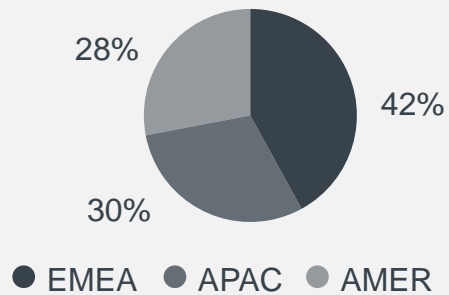


# Cargotec's business basics

**Cargotec sales split in 1-9/2013**

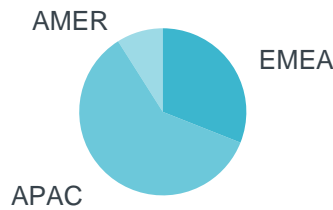


**Cargotec geographical split of sales in 1-9/2014**

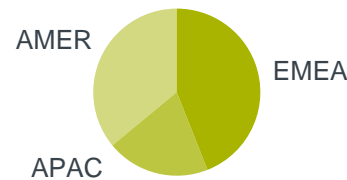


**Geographical split of sales in 1-9/2014**

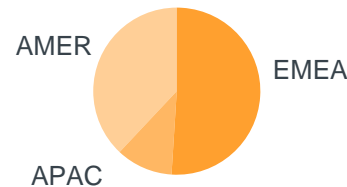
## MacGregor



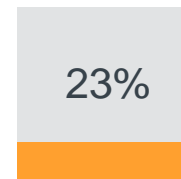
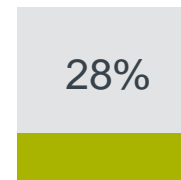
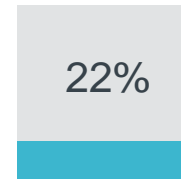
## Kalmar



## Hiab



**Services share of sales in 1-9/2014**



**Order to delivery lead time**

**12-24**  
months

**6-9**  
months

**2-4**  
months

# Key drivers for the business areas

## MacGregor

- Merchant ship building
- Development of global energy demand and oil price, which have a direct impact on exploration and production (E&P) spending and investment in the oil industry
- Oil drilling moving to new locations
  - Deep sea environments and subsea installations drive demand for premium products
- Ship dry dockings, repairs and modernisations
- Preventive maintenance and on-call service needs

## Kalmar

- Gross domestic product (GDP) growth is the main driver behind activities in ports and terminals and in the industrial sector
- Container traffic is an important driver for around 70 percent of Kalmar's business operations
  - Drewry Shipping Consultants estimates that global container throughput will grow by around five percent per year
  - Growth in Asia-Pacific is expected to be double that of the rest of the world
- Capacity utilisation drives services
- Bigger ships drive crane refurbishment
- Preventive maintenance and outsourcing needs

## Hiab

- Hiab's business fluctuates based on truck sales and construction activity. Sentiments in the distribution, warehousing and forest businesses also affect Hiab
- Residential houses, associated roof constructions and other construction elements are increasingly built elsewhere and transported to their location
  - In mature markets, this creates a need for Hiab products, especially for high capacity equipment
  - In emerging markets, the trend involves a move away from small transportation packages
- Crane utilisation and increased remote diagnostics drive services

# Key competitors

## MacGregor



SHIP'S EQUIPMENT CENTRE GRONINGEN B.V.



ROBERT ROCK OMAH



Rolls-Royce



LIEBHERR

## Kalmar



KONECRANES®  
Lifting Businesses™



LIEBHERR

ABB

## Hiab



Manufacturer of truck mounted forklifts

# Cargotec's must wins 2013–2014

- Converting Hiab's high business potential into profitability
- Creating solid platform for growth through successful integration of acquisitions in MacGregor
- Safeguarding competitiveness in mobile equipment in Kalmar
- Driving services offering development and growth in MacGregor and Kalmar
- Driving growth in automation in Kalmar





# Cargotec's must wins 2014–2015

- Driving Hiab to best in class profitability and capital return
- Driving MacGregor profitability over the cycle through better effectiveness
- Safeguarding competitiveness in mobile equipment in Kalmar
- Driving services offering development and growth in MacGregor and Kalmar
- Driving growth in automation in Kalmar



# Enabling better performance



Building world class business platforms



Performance culture



Better control, predictability and capital returns



Embracing digitalisation

# Cargotec financial targets for 2016

Operating profit margin  
(EBIT)

**>8%**

Return on capital  
employed  
(ROCE pre-tax)

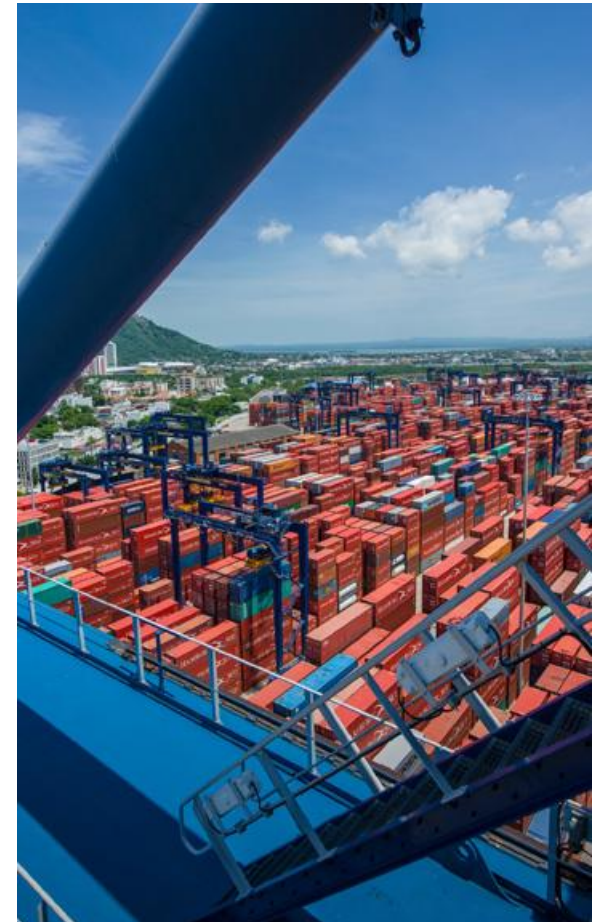
**>13%**

Gearing

**<50%**

Dividend

**30-  
50%**  
of earnings per share

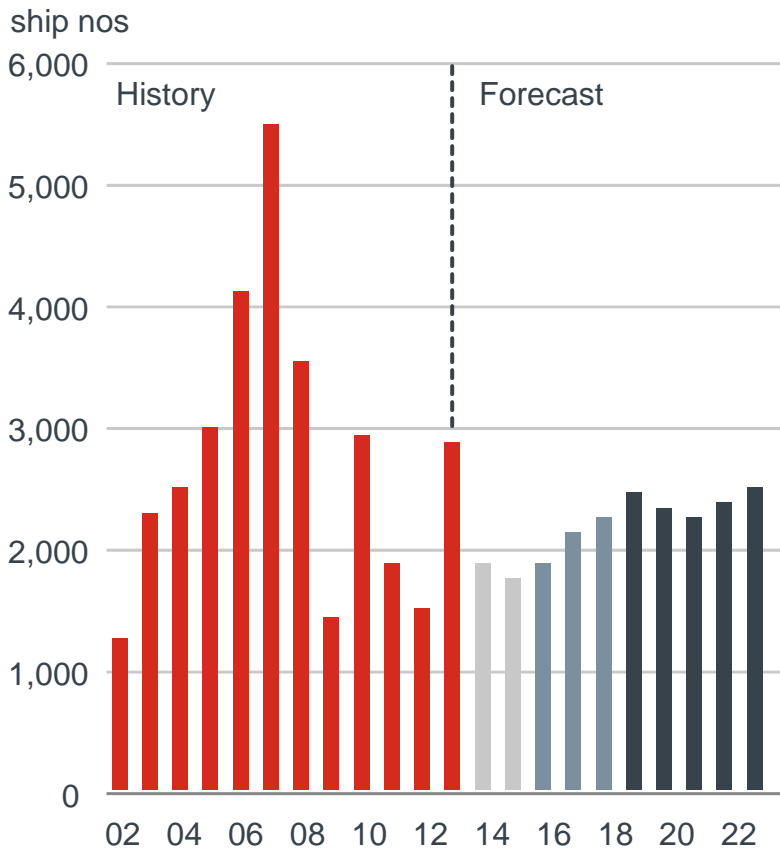


# MacGregor

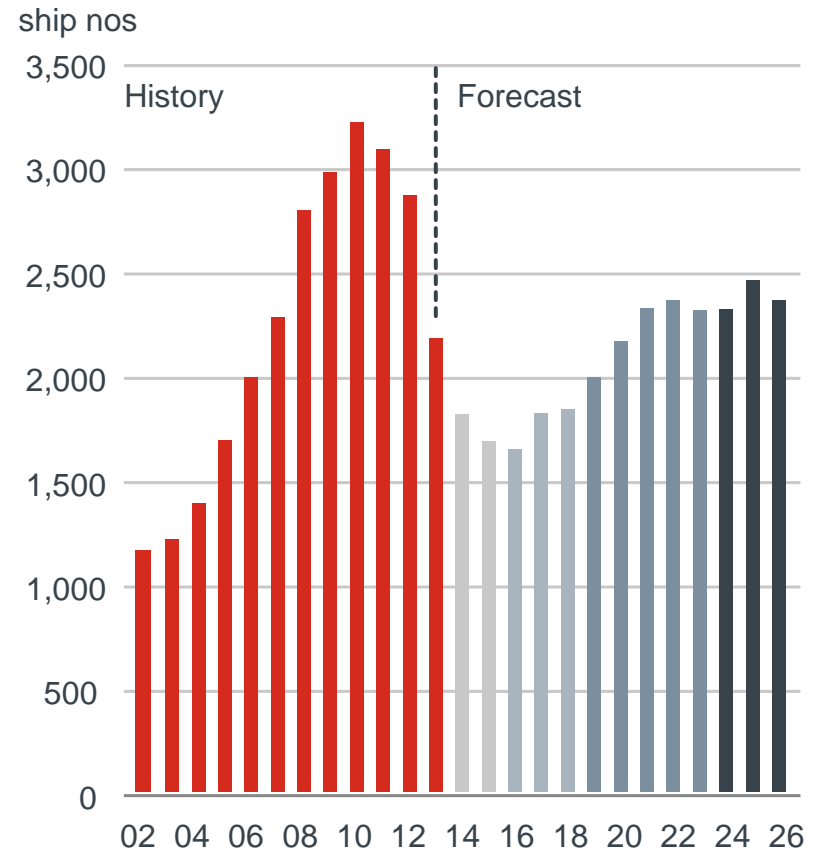


# Contracting forecast reflects imbalance in the merchant ship market

## Long-term contracting 2002–2023



## World fleet additions 2002–2026



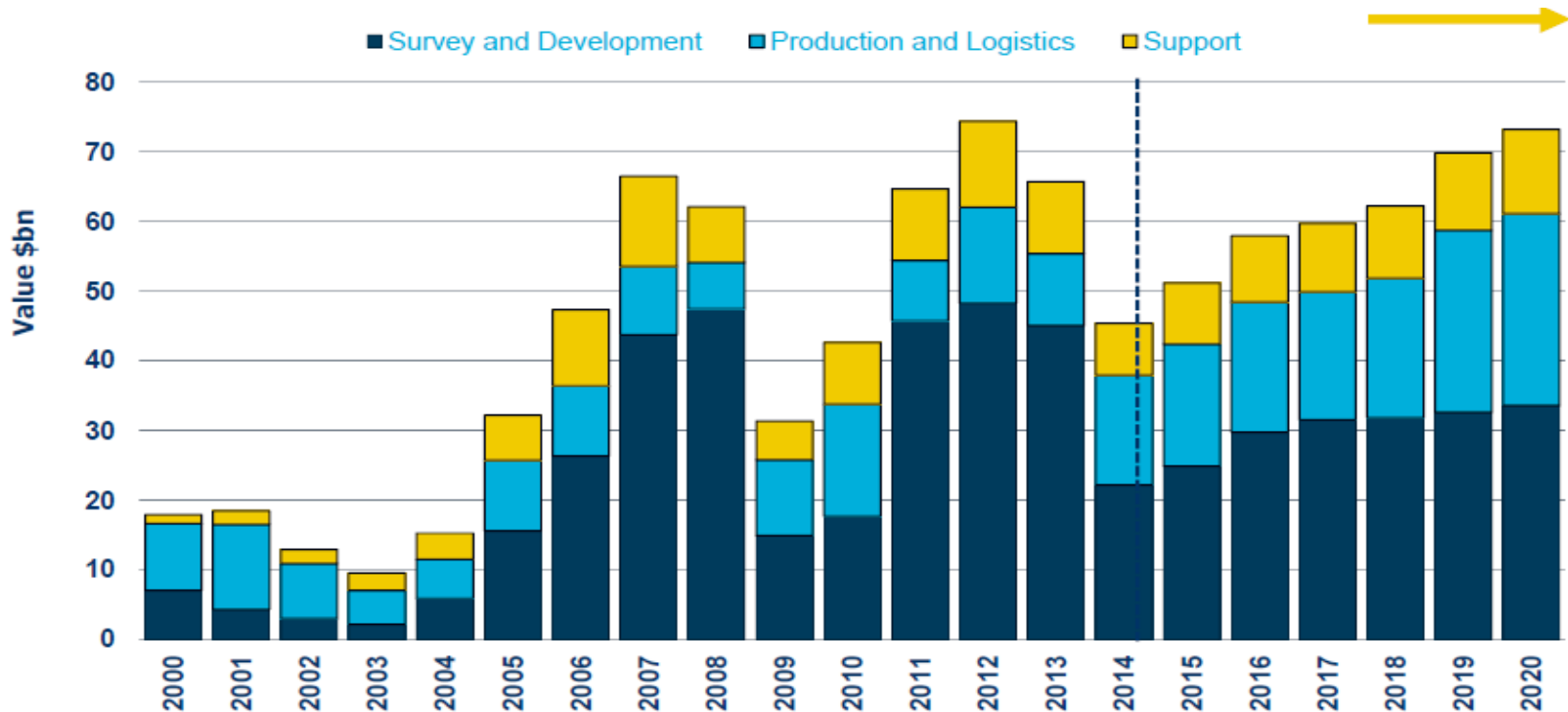
Source: Clarkson Newbuilding Market Forecast, September 2014

# Deep-sea production requires bigger, versatile and more complicated offshore vessels

Contracting in US\$ billion

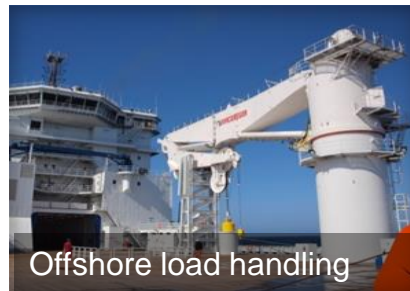
Total mobile offshore contracting

Long-term  
forecast average  
\$62 billion



Source: Clarkson February 2014

# Strong positions in merchant ship and offshore markets



# Financial impact of synergies seen in order intake and material cost reduction

Orders 2014



■ Acquisitions      ■ Synergies  
■ Legacy MacGregor

Sales 2014



■ Acquisitions      ■ Synergies  
■ Legacy MacGregor



# Key actions to drive profitability in MacGregor

## Service

- Right capabilities and systems
- Service footprint
- Excellence in spare parts availability

Grow services to 30% of sales

## Sales

- Increase sales by cross-selling & defining sales models
- Increase solution selling

Cross-selling 100 MEUR +

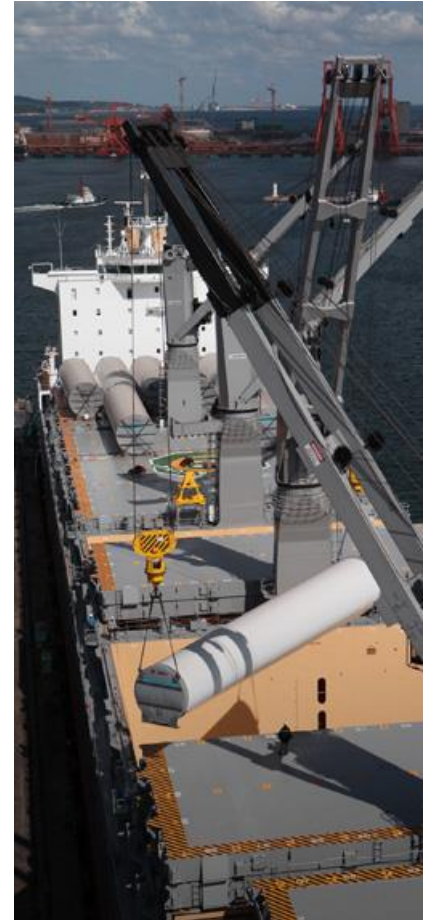
## Effectiveness

- Leveraging technology and R&D
- Design to value

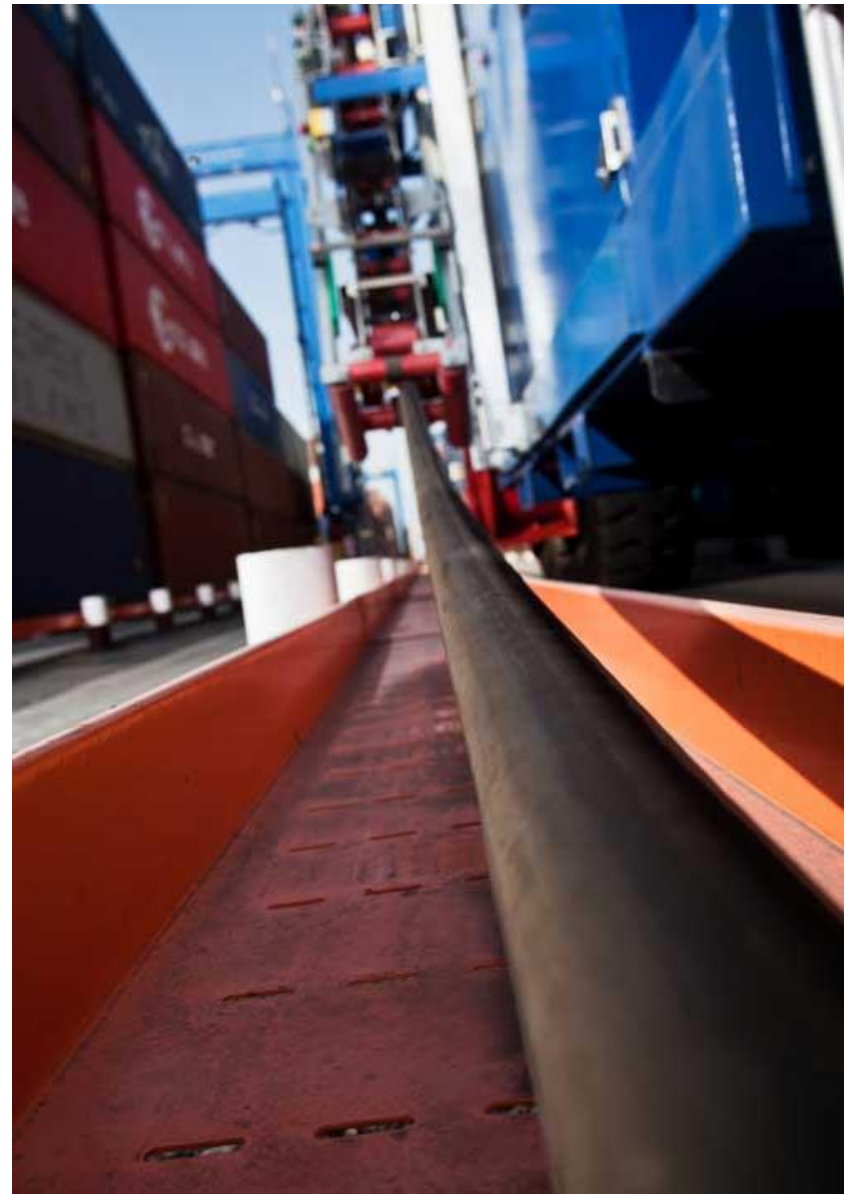
2% product margin improvement

# MacGregor mid-term outlook

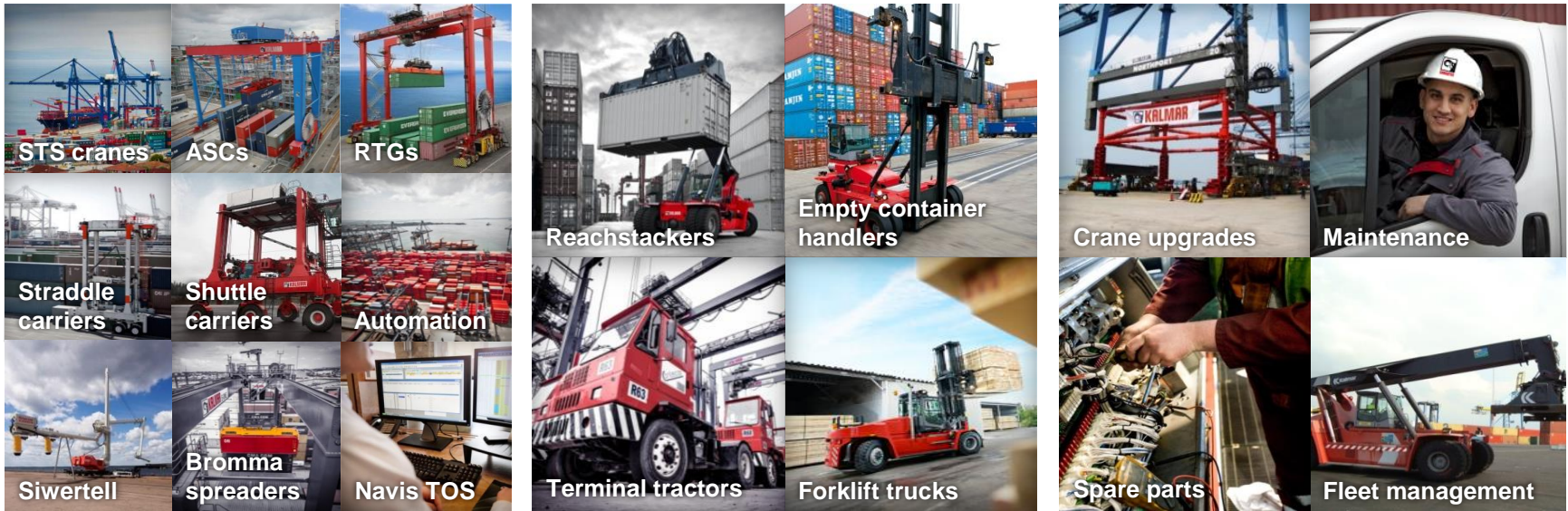
- Moderate growth for merchant, offshore outlook remains positive
- Margin impacted by low volumes, competitive environment, one-time costs and delivery mix
- Integration and synergies on target
- Building platform for growth
- Key improvement actions started, impact visible 2016 onwards



**Kalmar**



# Kalmar business mix has changed



Terminal projects

30% ↘

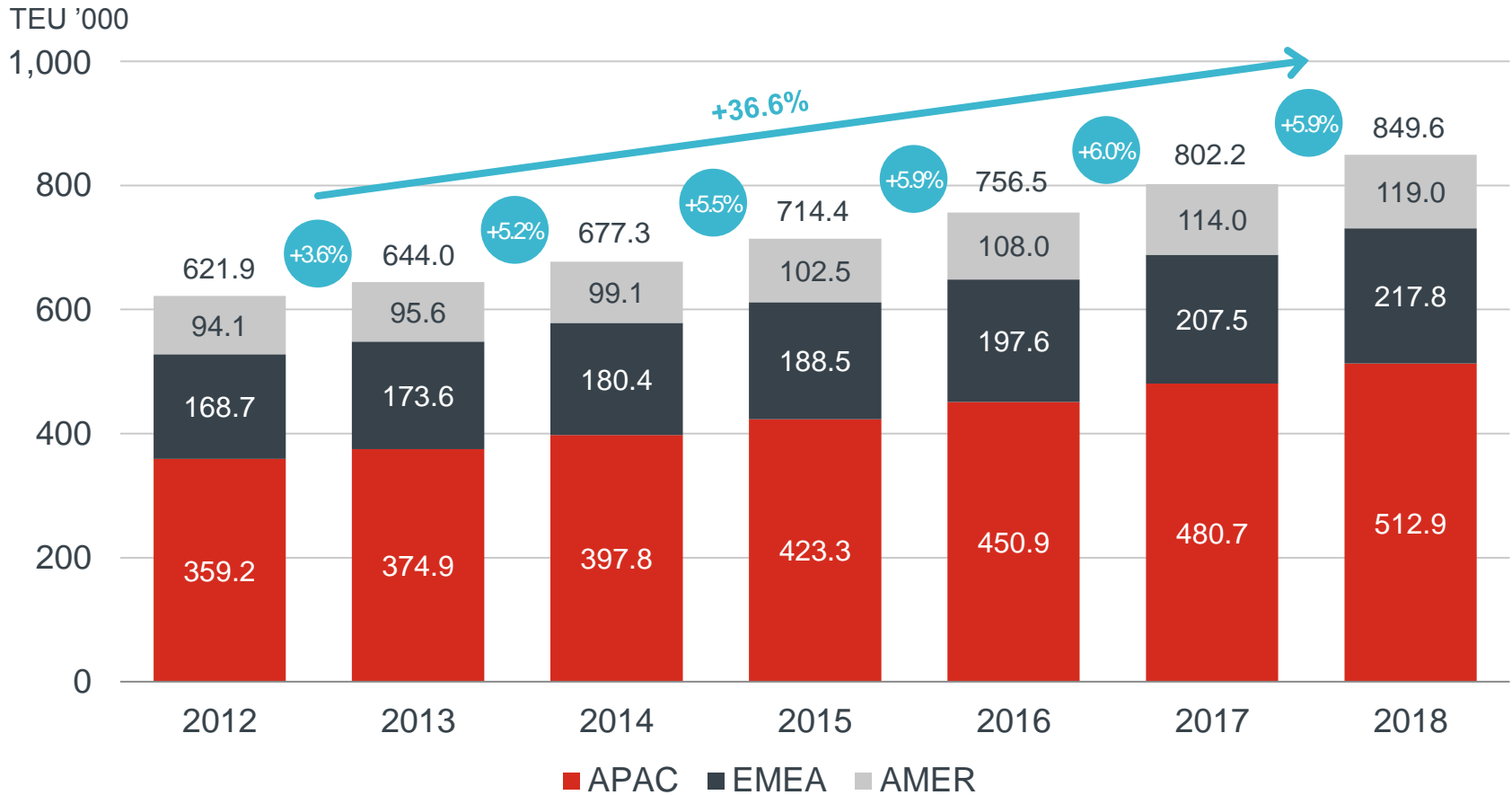
Equipment

42% ↗

Services

28% ↗

# Container throughput forecast illustrates that Kalmar is in a growth business



Source: Drewry: Container forecaster Q3 2014, Base case, October 2014

# Securing competitiveness of mobile equipment

- New products meeting customer requirements also in emerging markets
  - Energy efficiency improvements
  - Environmentally friendly products
  - Safety enhancements and easier to maintenance
- Profit improvement initiatives integrated
  - Design-to-cost
  - Sourcing
  - Improved pricing power
- Reduced total cost of ownership
- Differentiation against low-cost competition



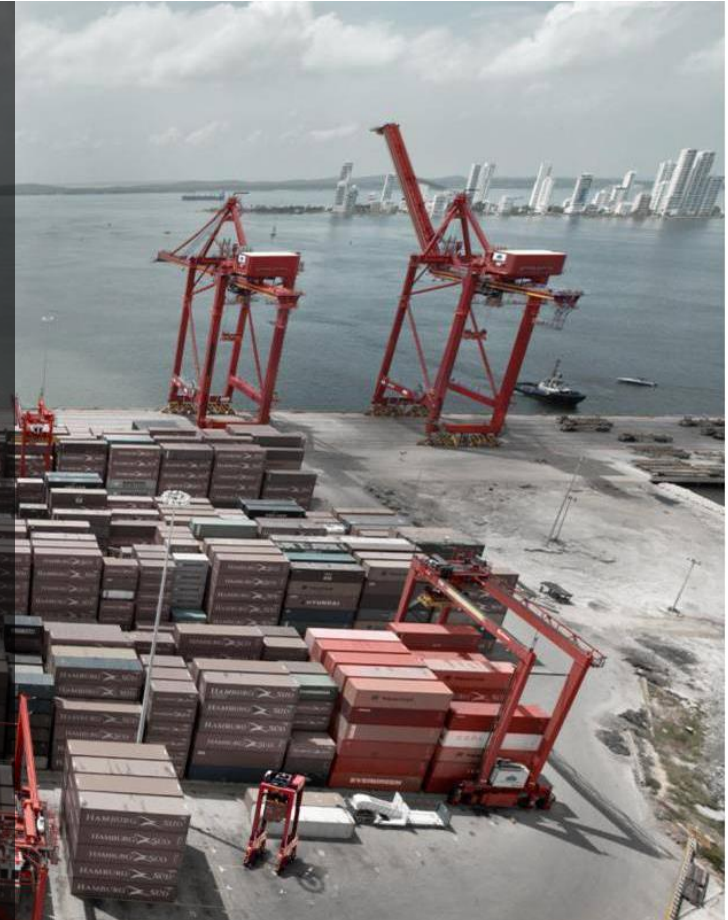
# Services development continues in all areas

- Kalmar Care contracts won in all regions
- Kalmar Care for automated terminals – work in progress
- Crane Upgrades growth delayed, but still anticipated
- Spare parts pricing and tool development will show results in 2015



# Kalmar has all the capabilities to respond to the increased demand for port automation

- Terminals are looking for different types of automation
  - Currently approx. 25 projects on-going or planned
  - Expected 20 more projects in coming five years
- Greenfield projects = New automated terminals, expansion of current automated terminals or conversions of existing manual operations
  - Currently approx. 25 projects on-going or planned
  - Expected 20 more projects in coming five years
- Brownfield projects = Automating existing manual operations
  - Development in early phase
  - Currently approx. 130 existing straddle carrier terminals, of which 10% with automation potential
  - Currently approx. 430 existing RTG terminals, of which 10–15% with automation potential

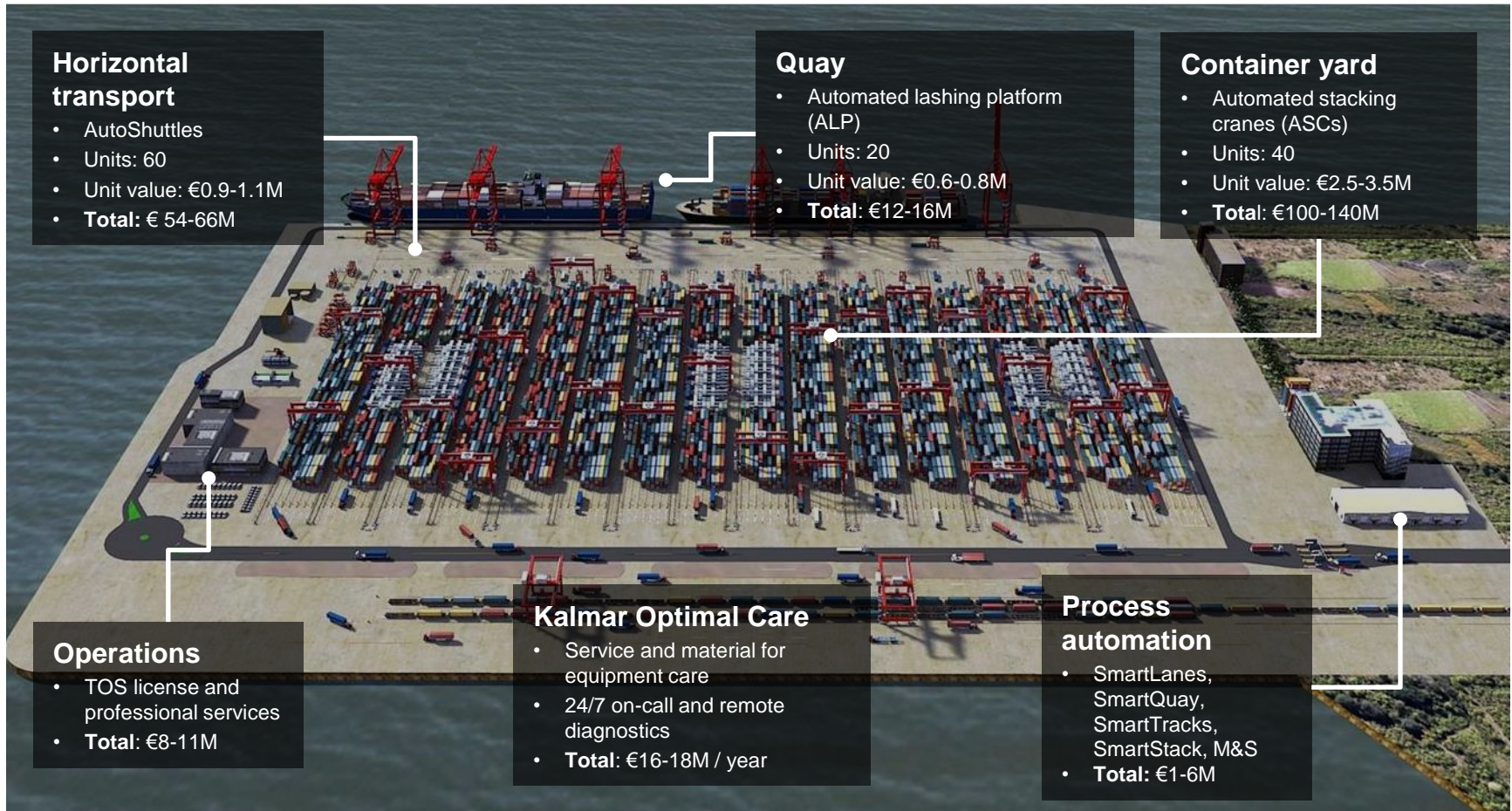




# Example of an automated terminal project

TERMINAL CAPACITY: 3 MILLION TEU / YEAR

TOTAL KALMAR SCOPE APPROX. EUR 190-260 MILLION

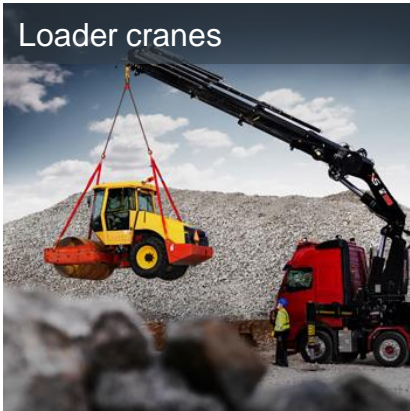


Hiab

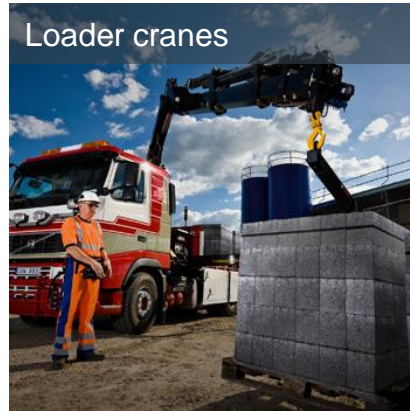


# Hiab offering

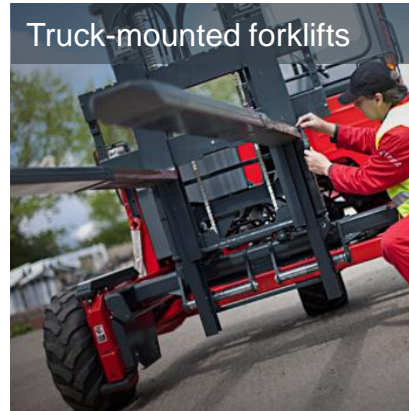
Loader cranes



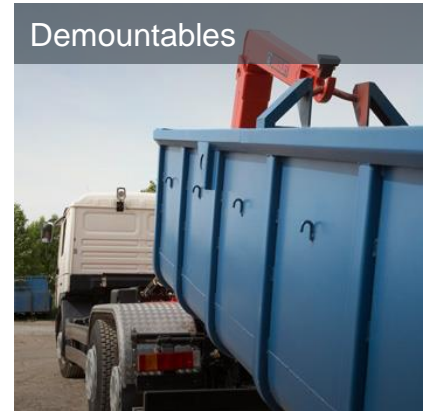
Loader cranes



Truck-mounted forklifts



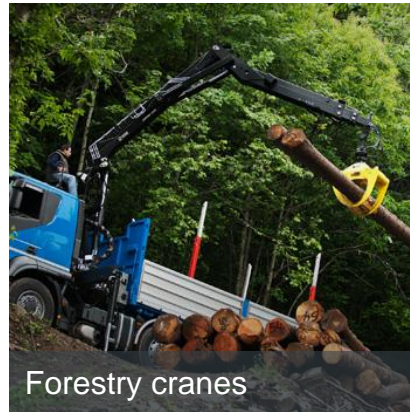
Demountables



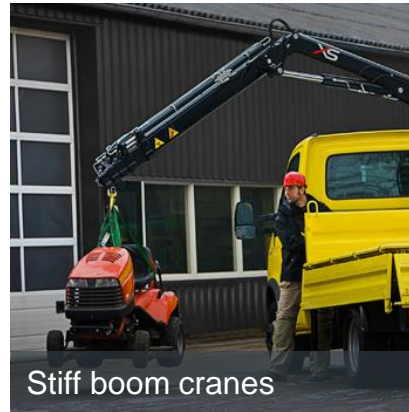
Tail lifts



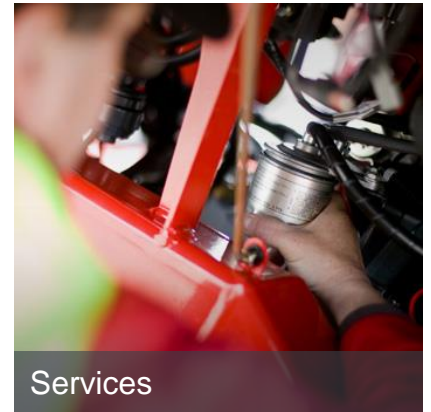
Forestry cranes



Stiff boom cranes

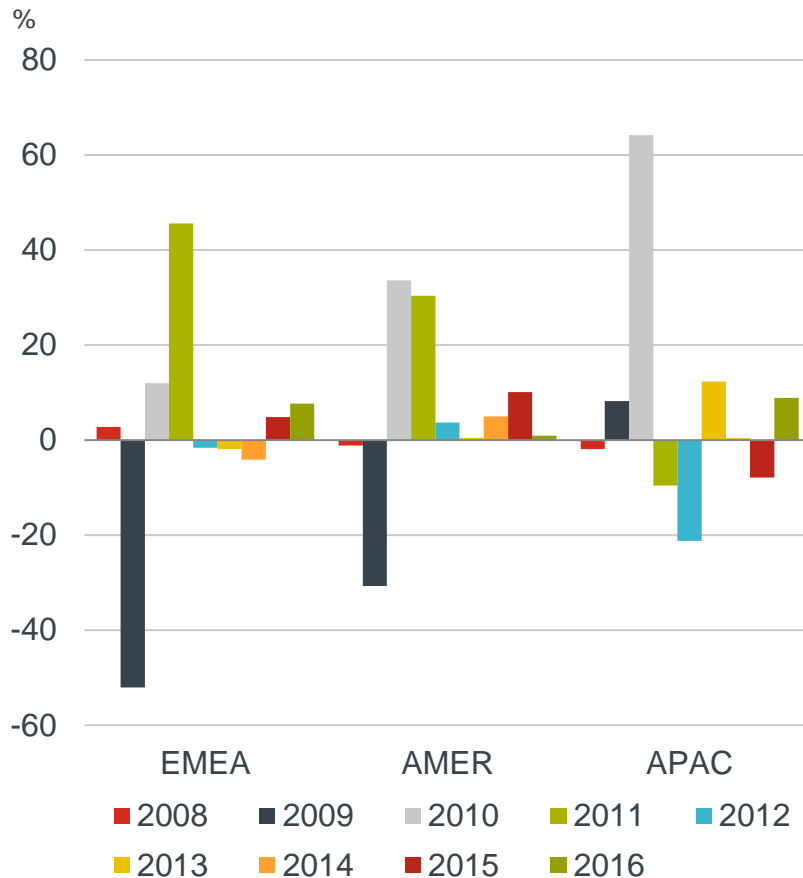


Services

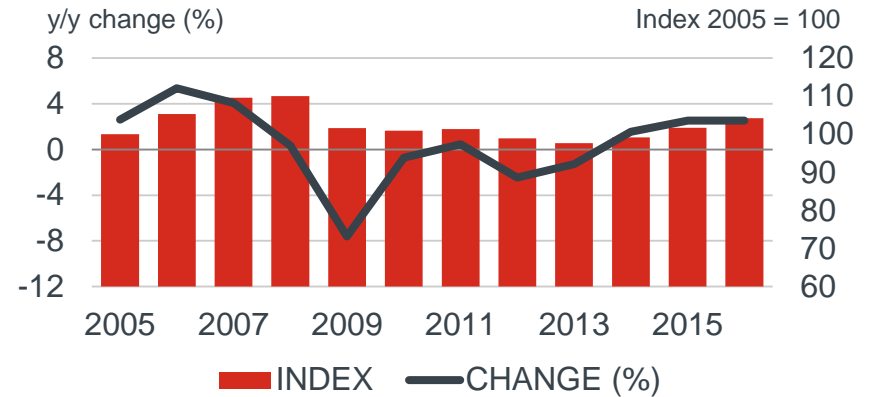


# Two-fold market environment for Hiab

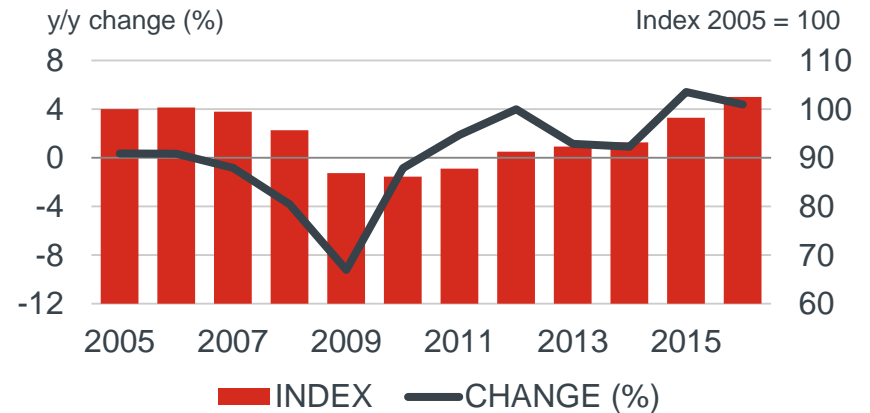
Truck sales growth GVW over 15 ton - regions



EMEA construction output



AMER construction output



Source: IHS Global Insight Q3/2014 forecast

# Route-to-market achievements

- Simplified organisation – less layers & lower cost
- Built key expertise around sales, services and dealer management
- New dealer operating standards
- Outsourced and divested dealerships and service workshops



# Achievements in gross margin and overheads improvements

- The aim was to achieve a run-rate improvement of EUR 40 million by the end of 2014. Hiab is well on track in delivering on this promise and is proceeding ahead of schedule
- Design-to-cost process contributes to gross margin for all products
- Continuous work to consolidate our supplier base to low cost countries
- Price realisation & discount management



# Building a sustainably profitable and growing business



# Three must win battles to reach targets in Hiab

## 1. Outperform competition in sales & services execution

- Dealer management
- Sales funnel management
- Parts availability

## 2. Develop customer driven, simplified and competitive product offering

- Customer insight
- Product portfolio upgrading
- Modularisation

## 3. Reduce value chain complexity, cost and cash conversion cycle

- Stargard up to full-scale
- Optimise the distribution network
- Working capital management





# January– September financials



# Highlights of Q3

- Orders grew 15% y-o-y and totalled EUR 829 (724) million
  - With fixed currencies orders grew 17%
- Sales grew 12% y-o-y to EUR 840 (752) million
  - With fixed currencies sales grew 14%
- Operating profit excluding restructuring costs was EUR 48.4 (35.4) million or 5.8 (4.7)% of sales
- Operating profit was EUR 45.8 (31.2) million
- Cash flow from operations increased to EUR 63.4 (38.2) million
- Reorganisation launched in MacGregor



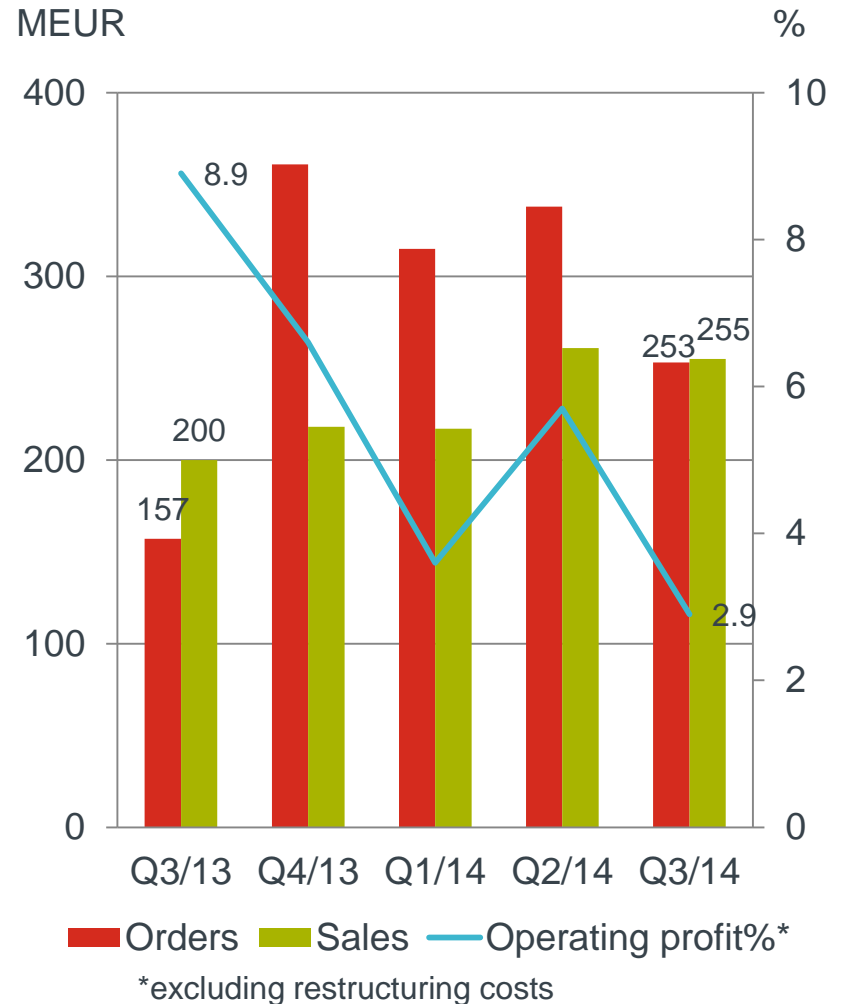
# January–September key figures

	Q3/14	Q3/13	Change	Q1-Q3/14	Q1-Q3/13	Change	2013
Orders received, MEUR	829	724	15%	2,685	2,348	14%	3,307
Order book, MEUR	2,327	2,048	14%	2,327	2,048	14%	1,980
Sales, MEUR	840	752	12%	2,395	2,267	6%	3,181
Operating profit, MEUR*	48.4	35.4	37%	77.8	87.9	-12%	126.5
Operating profit margin, %*	5.8	4.7		3.2	3.9		4.0
Cash flow from operations, MEUR	63.4	38.2		120.3	47.0		180.9
Interest-bearing net debt, MEUR	835	577		835	577		578
Earnings per share, EUR	0.43	0.31		0.48	0.77		0.89

\*excluding restructuring costs

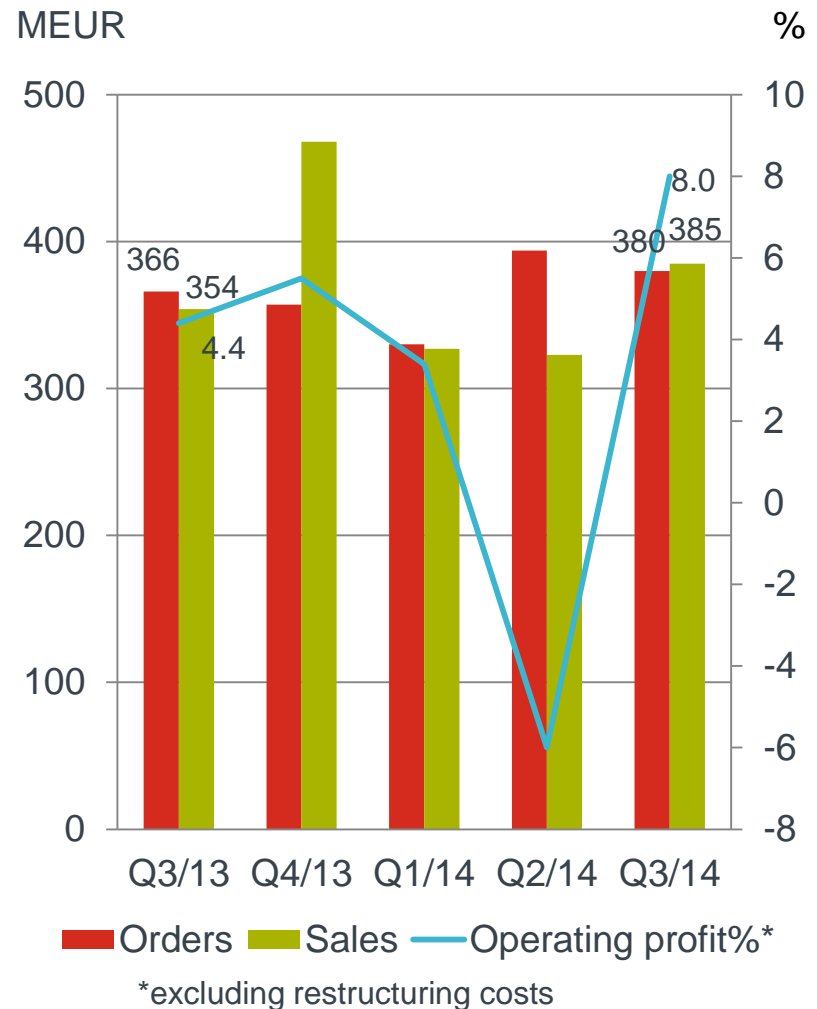
# MacGregor Q3 – lower than average profitability in certain deliveries

- Order intake grew 61% y-o-y to EUR 253 (157) million
  - Contribution of acquired businesses EUR 73 million
- Market for marine cargo handling equipment remained stable
- Offshore cargo handling equipment market remained stable. Uncertainty in market, but deep-sea production and related lifting equipment market is still expected to grow faster than the overall offshore market
- Demand for services was satisfactory
- Sales grew 28% y-o-y to EUR 255 (200) million
  - Contribution of acquired businesses EUR 61 million
- Profitability excluding restructuring costs was 2.9%
  - Clearly lower-than-average profitability in certain deliveries
  - PPA depreciation and amortisation EUR 2.7 million (approx. EUR 10 million annually)



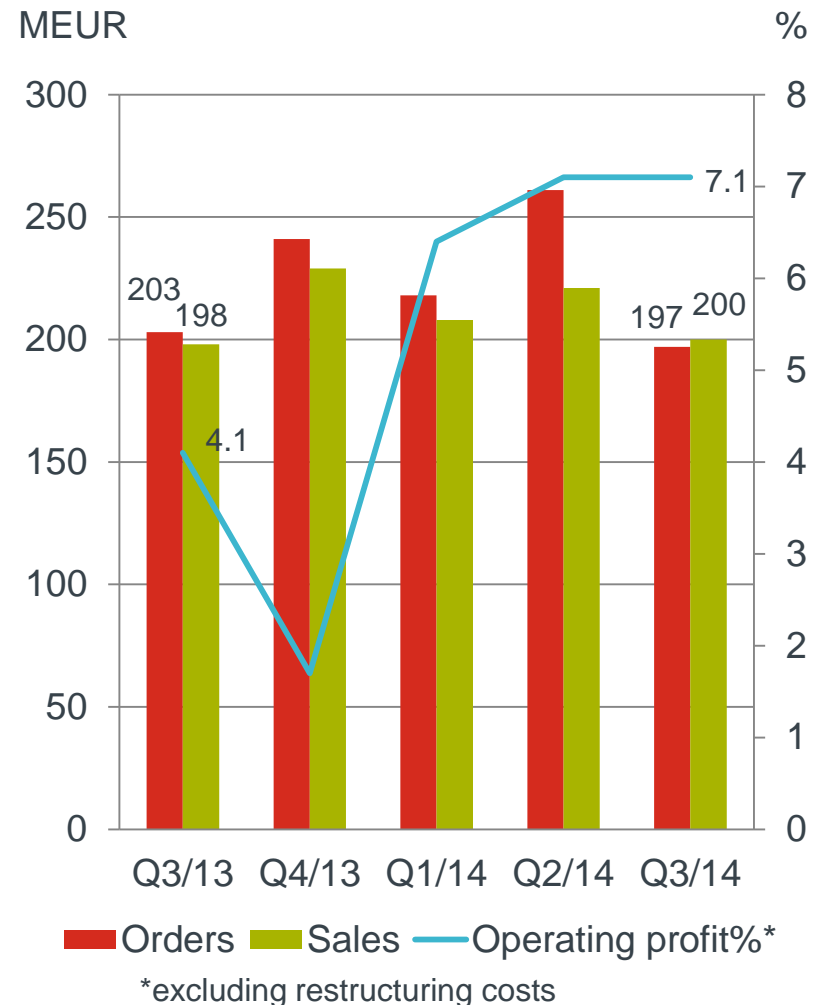
# Kalmar Q3 – clear progress in profit improvement

- Demand for mobile equipment and automation solutions remained stable, while demand for large port projects rose slightly
- Demand was healthy in Europe and North America, whereas it was satisfactory in Asia and South America
- Demand for services was healthy
- Order intake grew 4% y-o-y to EUR 380 (366) million
- Sales grew 9% y-o-y to EUR 385 (354) million
- Profitability excluding restructuring costs was 8.0%
  - Additional costs of EUR 3 million to finalise delivers of the projects sold in 2012 (Q3 2013: 9 MEUR)
- Profit improvement programme proceeding according to plan

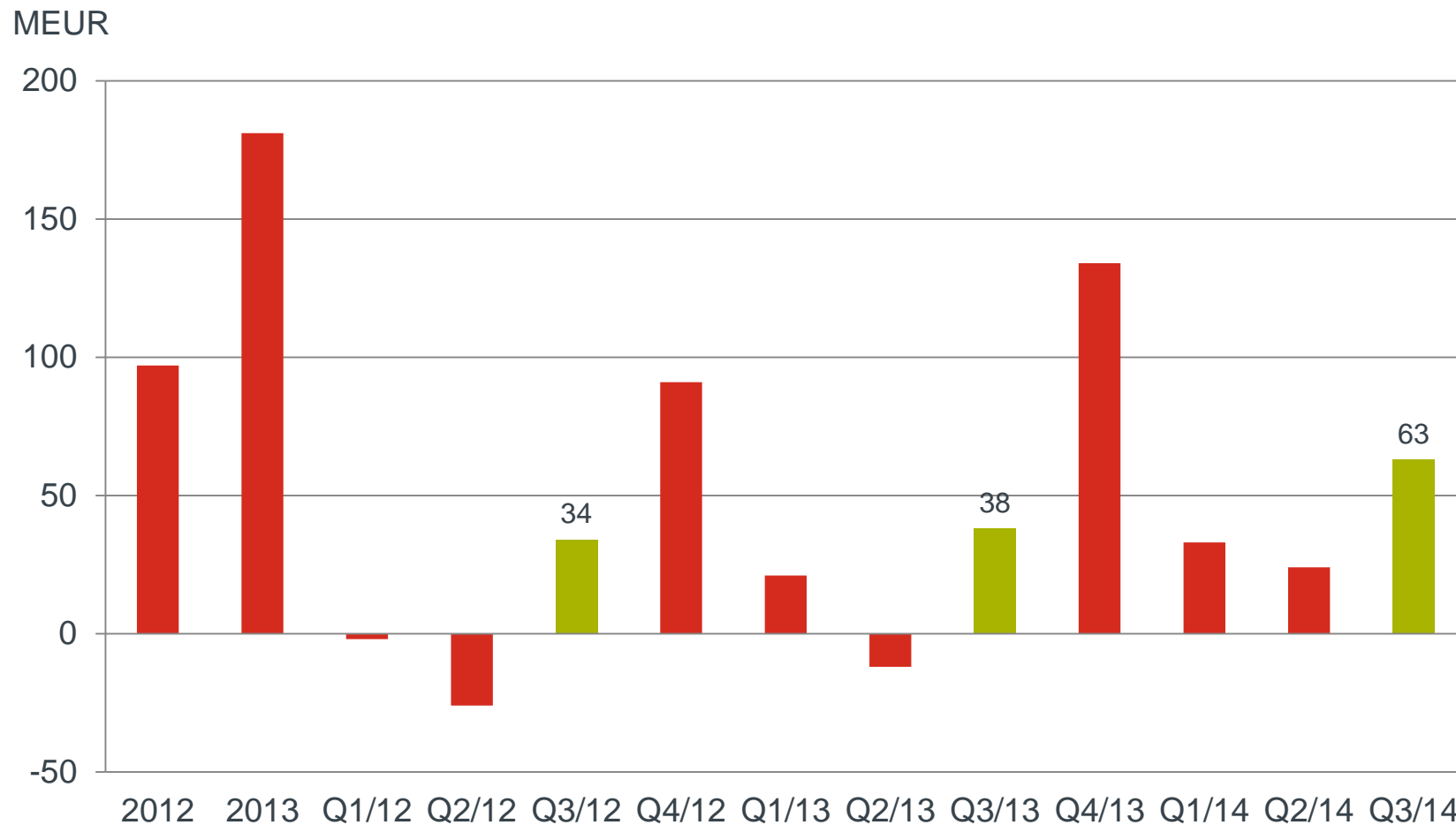


# Hiab Q3 – steady profitability

- Demand for load handling equipment has been two-fold throughout the year
  - Strong demand in USA while demand in Europe was satisfactory
- Demand for services was healthy
- Orders declined 3% y-o-y to EUR 197 (203) million
- Sales were at comparison period's level at EUR 200 (198) million
- Profitability excluding restructuring costs was 7.1%
- Profit improvement programme proceeding ahead of schedule

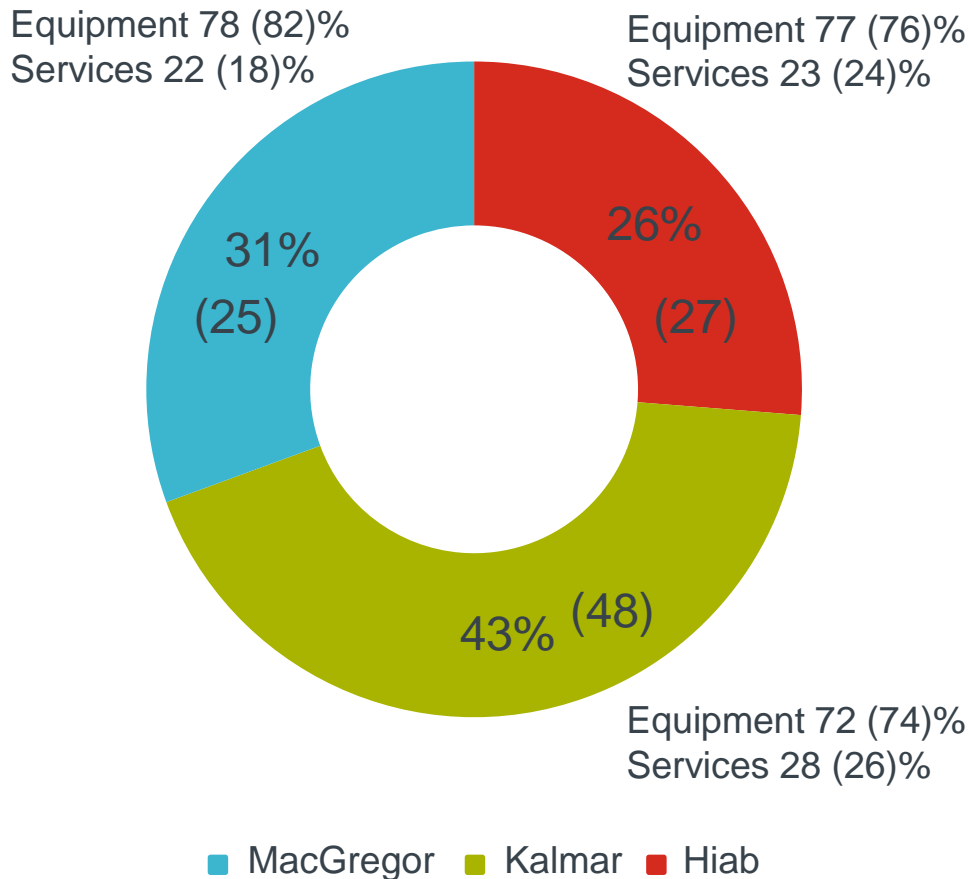


# Cash flow from operations strengthened

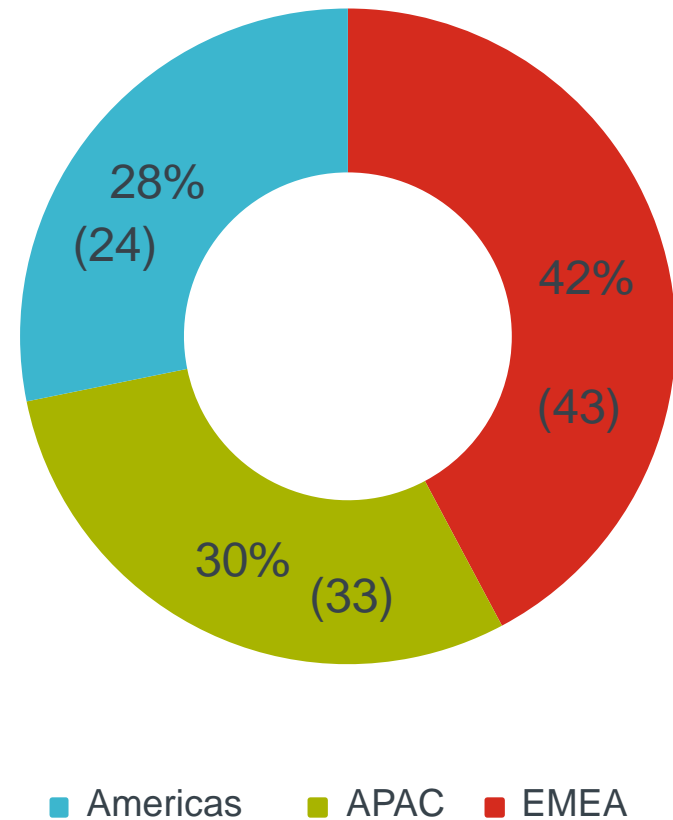


# Acquisitions increased MacGregor's share in portfolio

Sales by reporting segment 1-9/2014, %



Sales by geographical segment 1-9/2014, %





# Outlook unchanged

- Cargotec's 2014 sales are expected to grow from 2013.
- Operating profit excluding restructuring costs for 2014 is expected to improve from 2013.



