





## Q2 2014 Edinburgh road show

30 September 2014

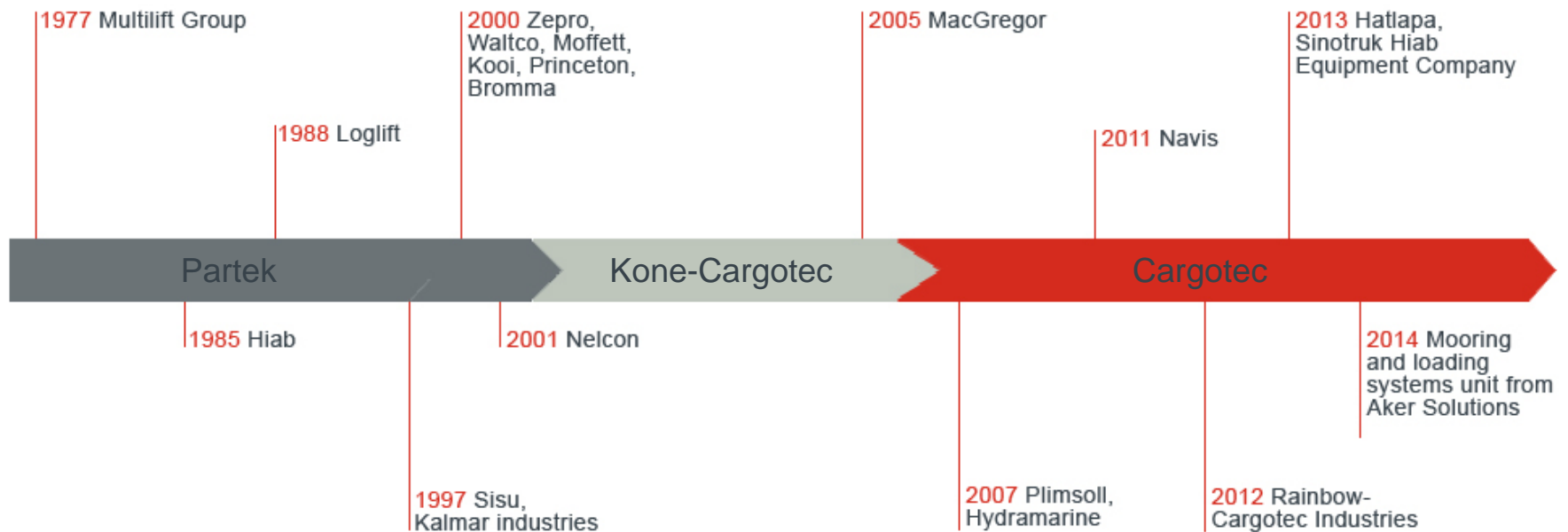
President and CEO Mika Vehviläinen

# Cargotec in brief



# Cargotec history

*Today's Cargotec is the result of a series of mergers and acquisitions between industry leaders in cargo and load handling business.*



# 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



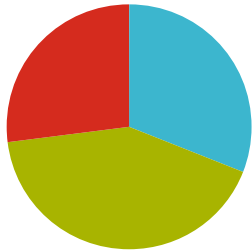
## Hiab

- 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



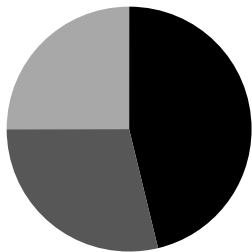
# Cargotec's business basics

Cargotec sales split in 1-6/2013



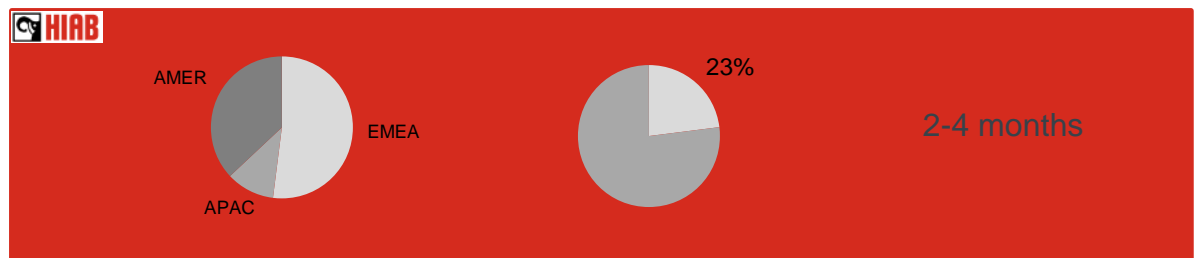
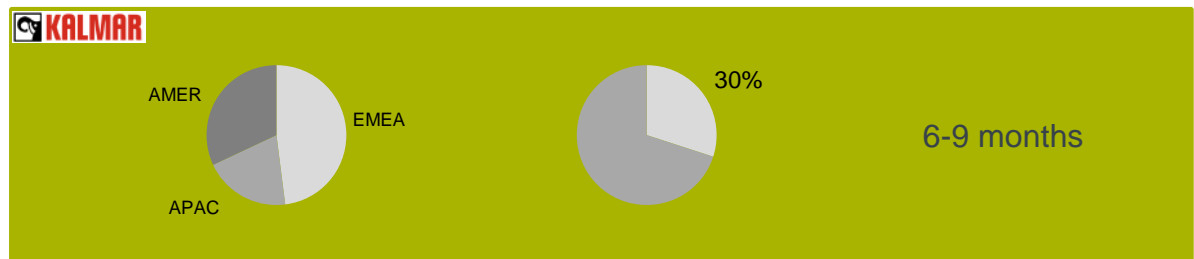
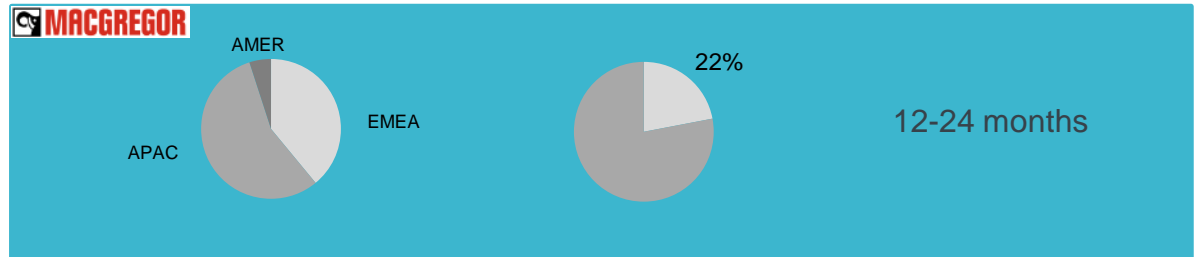
■ MacGregor ■ Kalmar ■ Hiab

Cargotec geographical split of sales in 1-6/2014



■ EMEA ■ APAC ■ AMER

Geographical split of sales in 1-6/2014



# 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



- Palfinger
- Fassi
- HMF
- Hyva
- Terberg Kinglifter

- ZPMC
- Konecranes
- Terex/Gottwald
- Sany
- Liebherr

- TTS
- SMS
- German Lashing
- SEC
- Mitsubishi HI
- IHI
- Navalimpianti
- NOV
- Rolls-Royce
- Huisman
- Liebherr



# Cargotec's must-win battles

- Turning Hiab's high business potential into profitability
- Building the MacGregor growth platform with the successful integration of acquisitions
- Ensuring Kalmar's competitiveness and profitability in mobile equipment
- Profitable future growth in services in Kalmar and MacGregor
- Building Kalmar as a sustainable leader in container handling automation



# Cargotec financial targets

## 2014

- Due to on-going turnaround activities focus in short-term profit improvement
- 40 MEUR run-rate improvement by end of 2014 on 2013 EBIT both in Kalmar and Hiab
- MacGregor's EBIT impacted by slow recovery in merchant ship market, delivery mix as well as M&A related integration costs

## Long-term financial targets

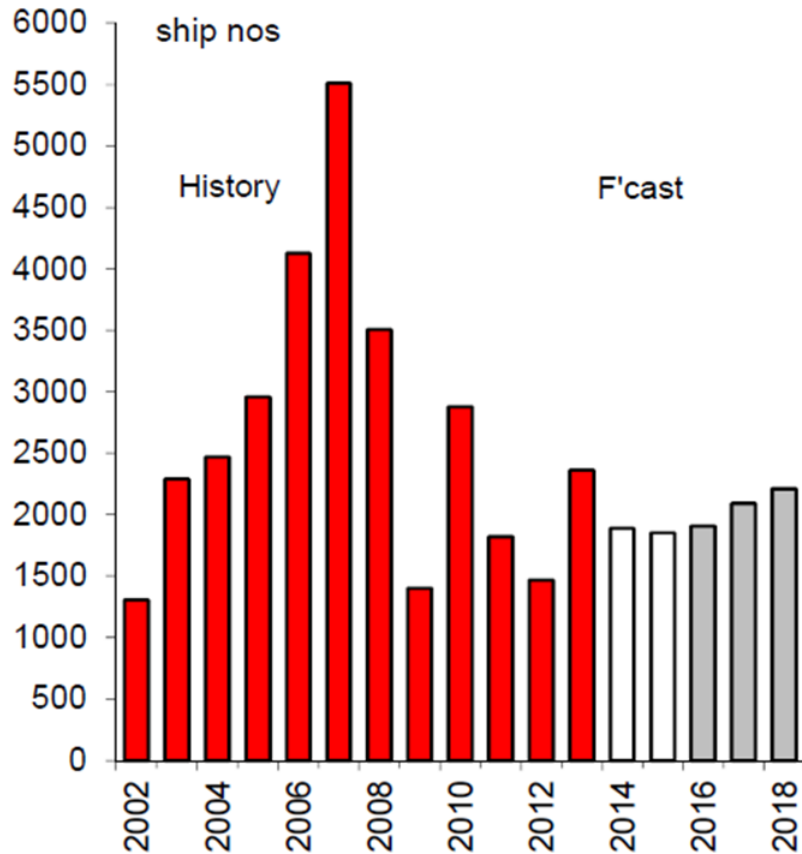
- Gearing below 50 percent
- Dividend 30–50 percent of earnings per share
- Cargotec will revert to longer term profitability and return targets during 2014

# MacGregor

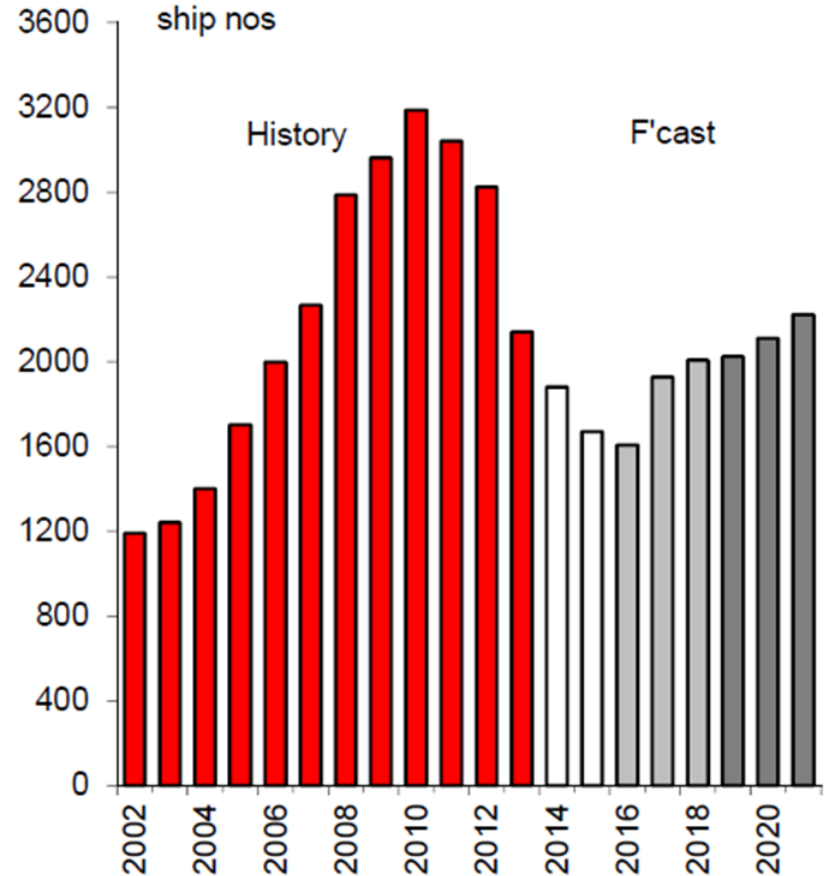


# Merchant ship contracting forecast

## Contracting 2002-2018



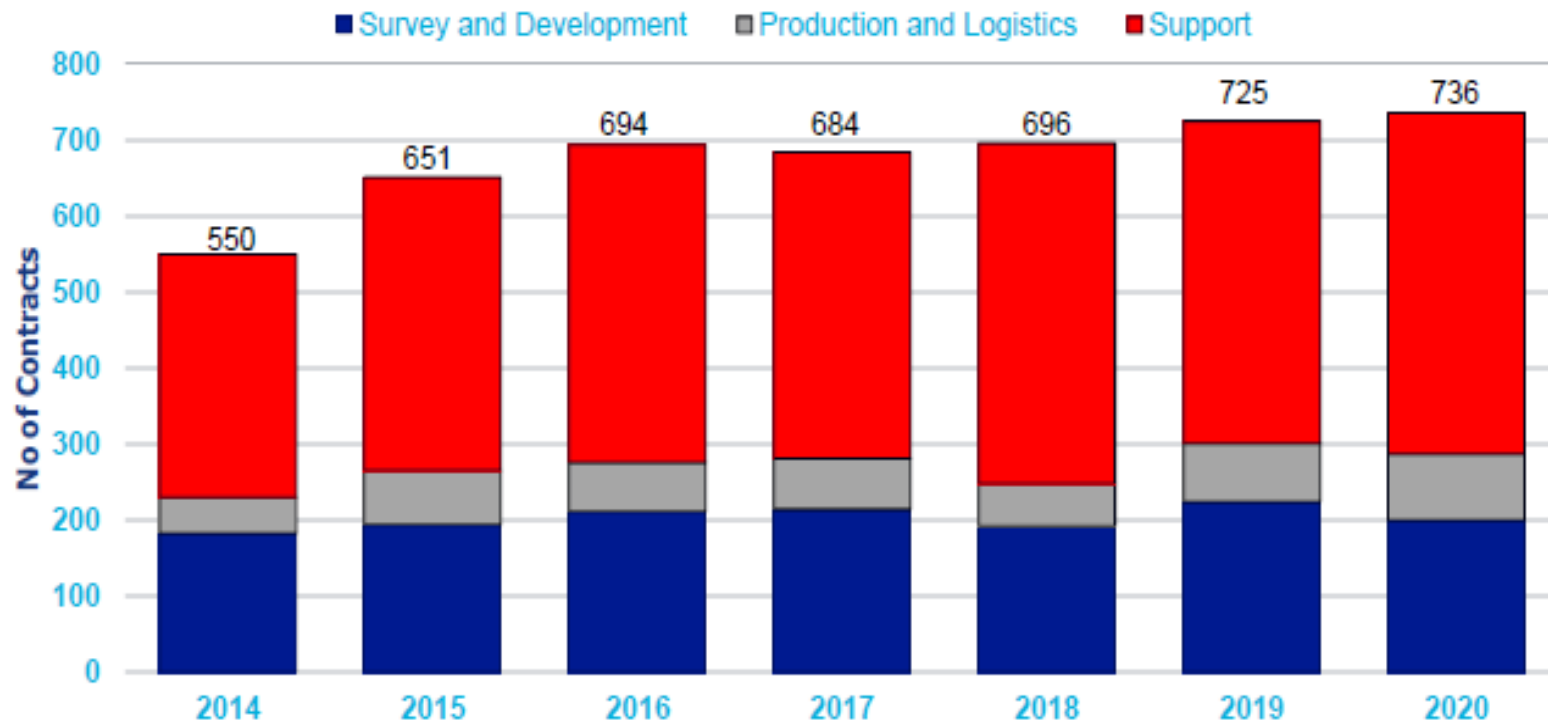
## Deliveries 2002-2021



Source: Clarkson Shipbuilding forecast, March 2014

# Offshore ship contracting forecast







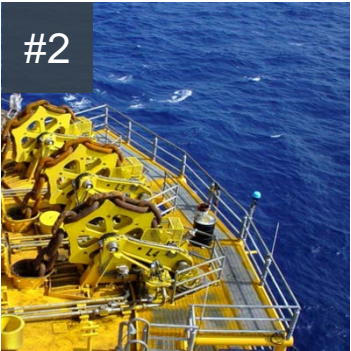

## Short Term Sentiment and Long Term Model Results



Source: Clarkson Offshore forecast, March 2014



# Strong market leadership positions

Merchant	#1		#1		#1		#1		
	Hatch covers	Container lashing	Cranes and selfunloaders	RoRo					
	Offshore	#2		#2		#2		#2	
		Offshore advanced load handling	Offshore winches	Mooring systems	Loading systems				

Services

RoRo=roll-on/roll-off

# Focus on integrated systems and solutions

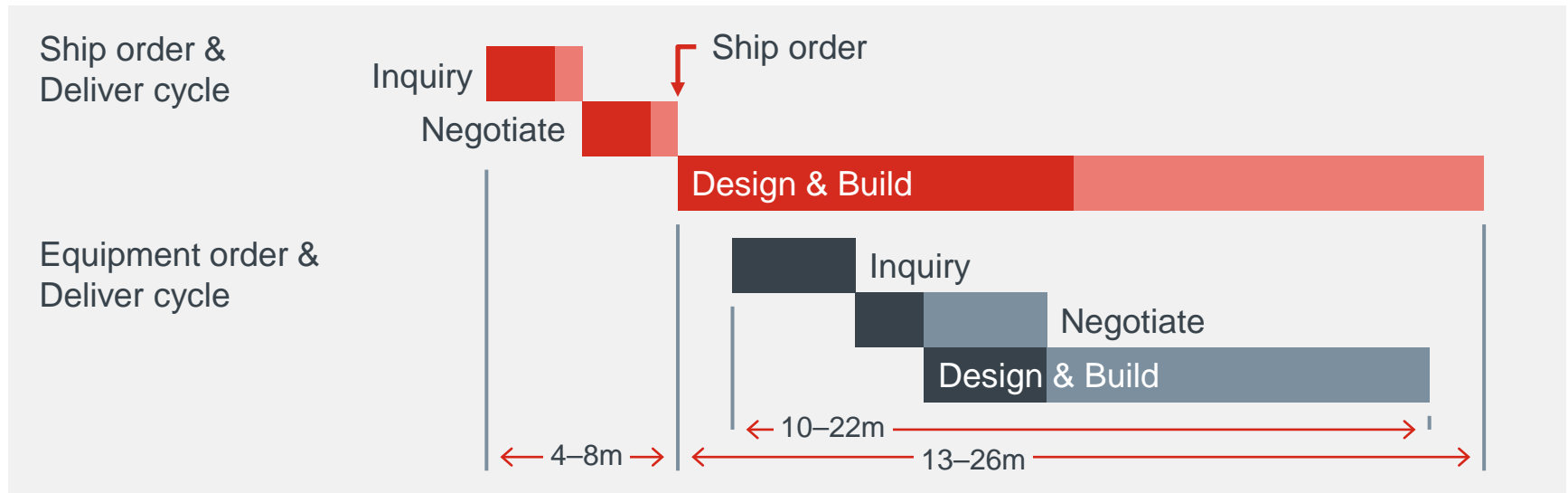
## Comprehensive product coverage

		Cranes	Hatch covers	RoRo equipment	Offshore cranes	Winches	Mooring systems	Service	
Merchant ships	Bulk carrier	X	X			X		X	Customers
	Container ship	X	X			X		X	
	General cargo ship	X	X	X		X		X	
	Naval ship	X	X			X		X	
	RoRo ship	X	X	X		X		X	
	Tanker	X				X		X	
	Trans-loader	X	X			X		X	
Offshore ships	OFS subsea		X	X	X	X	X	X	Customers
	OFS AHTS				X	X	X	X	
	OFS tug					X	X	X	
	New ship types								

RoRo=roll-on/roll-off, OFS=offshore, AHTS=anchor handling, towing, supply

# What to expect from MacGregor in 2014

- Focus on larger systems sales
  - With increasing order lumpiness
- Greater emphasis on service
- Managing the lag between ship orders and equipment sales
- Increasing order rates for merchant and offshore
- Capturing Hatlapa and MLS synergies
  - Procurement
  - Cross-selling with MacGregor



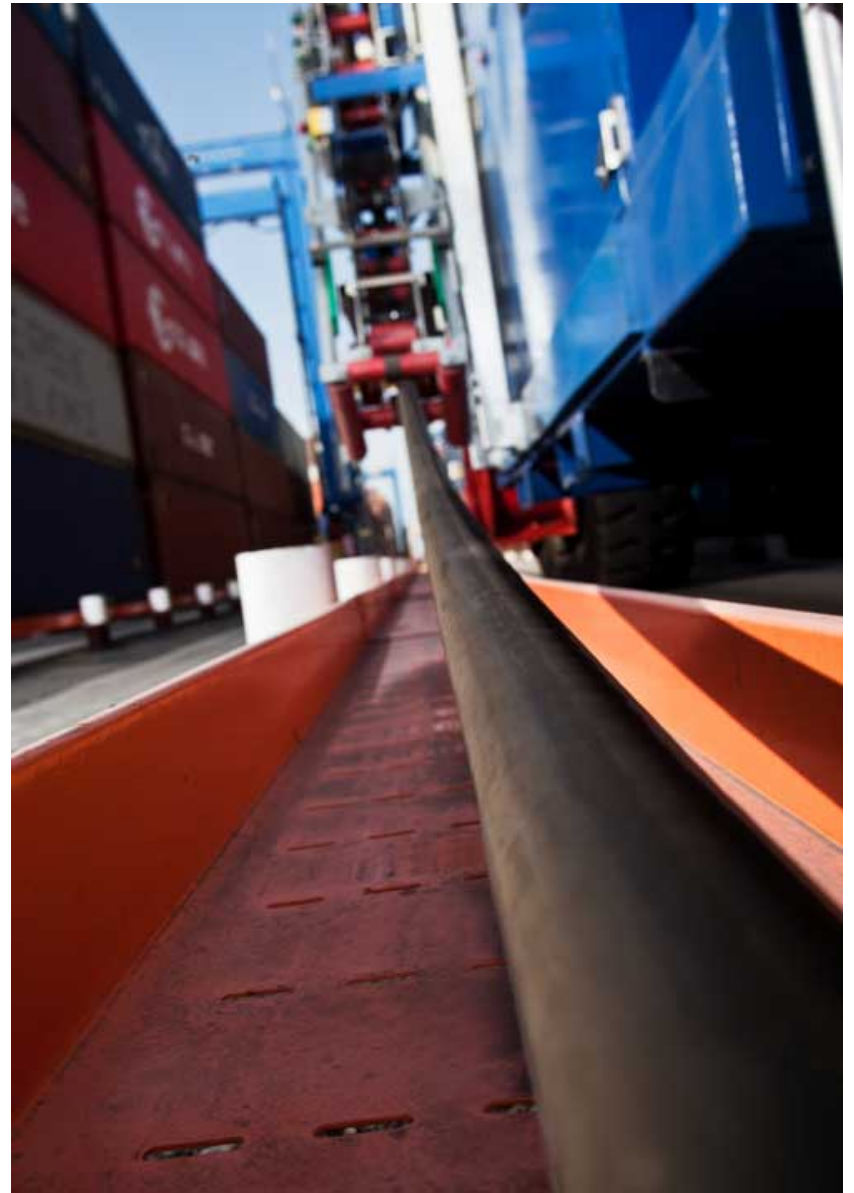


# Integration of acquisitions ongoing in MacGregor

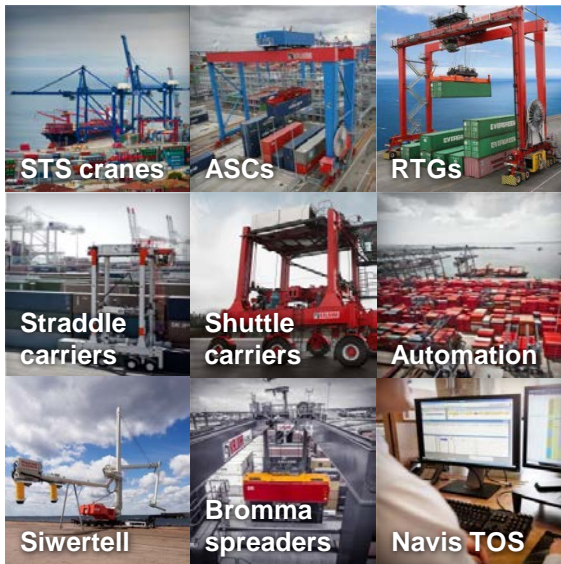
- Hatlapa consolidated in segment as of 1 Nov 2013 and MLS as of 1 Feb 2014
- MacGregor is seeking significant synergy gains that will improve profitability
  - The impact is dependent on the efficiency and speed of the integration
  - Synergy gains will be mainly be realised from new sales and efficiency improvement in supply chain
    - Due to long lead times in the business, the impact of new sales and supply chain synergies will become more visible in profitability from 2015
  - In 2014, MacGregor targets new orders for a total value exceeding EUR 50 million with the new combined offering



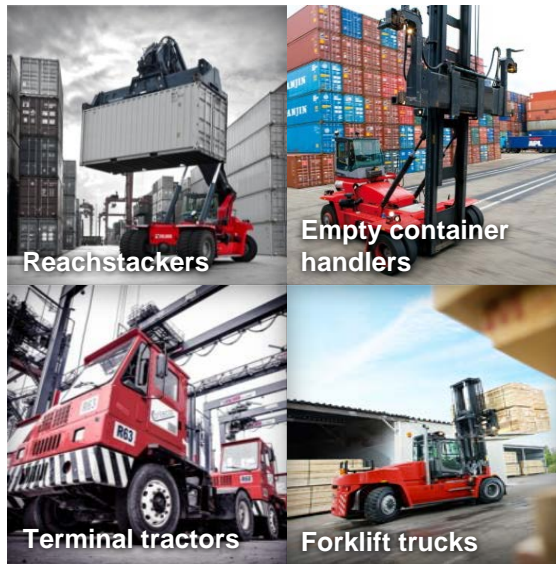
**Kalmar**



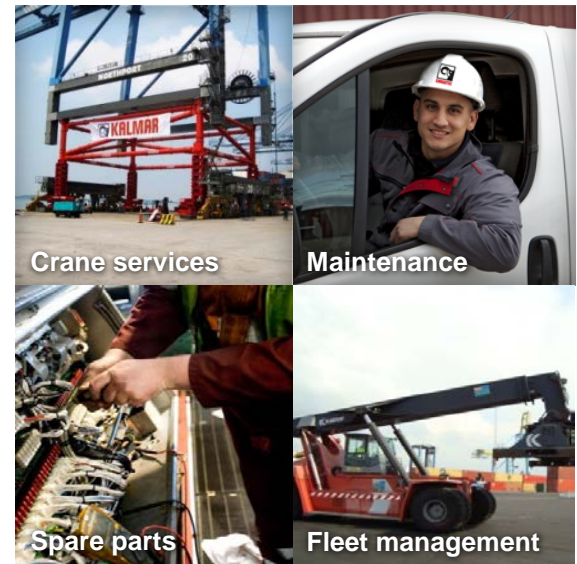
# Kalmar businesses and offering



Terminal projects 35%

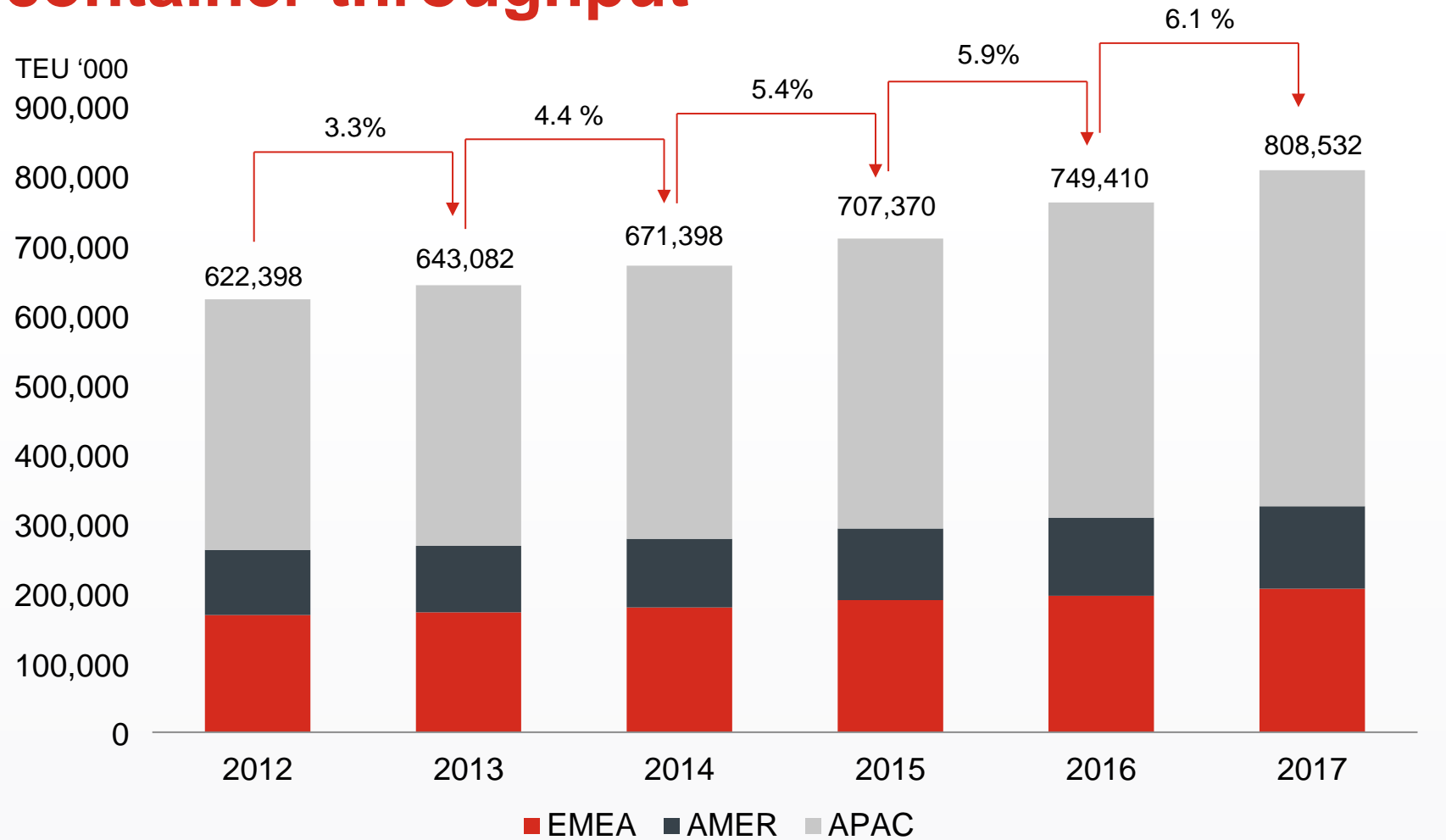


Equipment 40%



Services 25%

# Kalmar is in a growing business – global container throughput

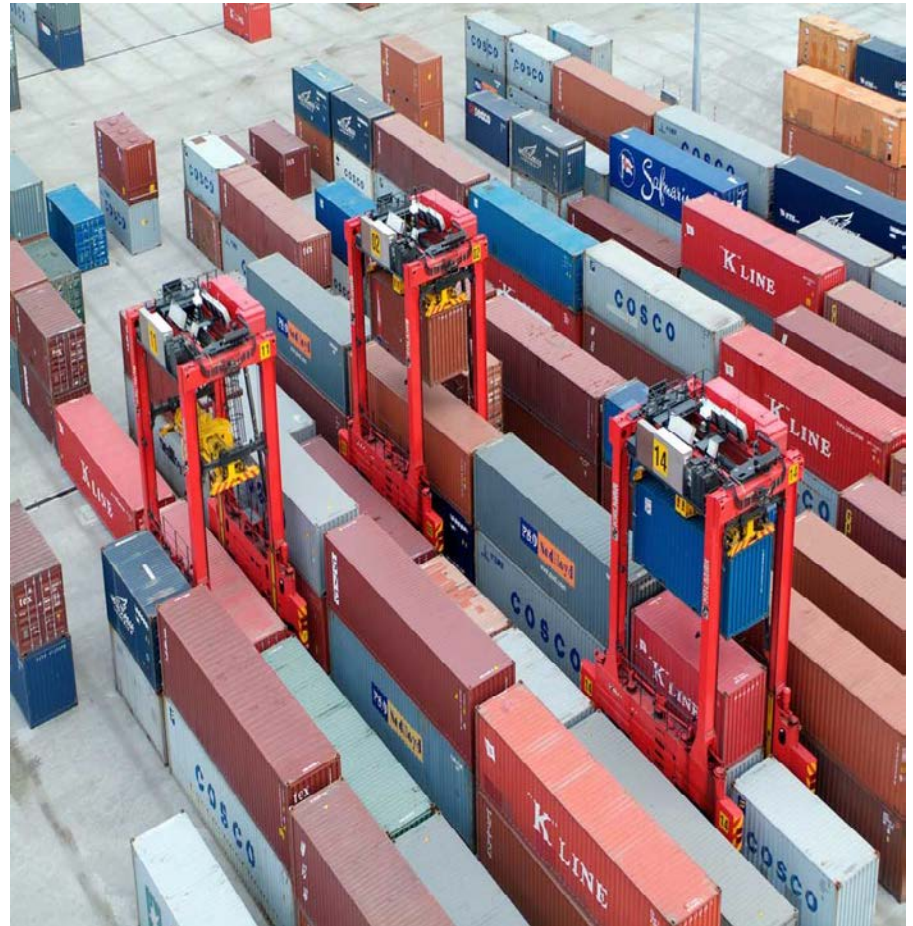


Source: Drewry May 2014



# Industry trends for Kalmar

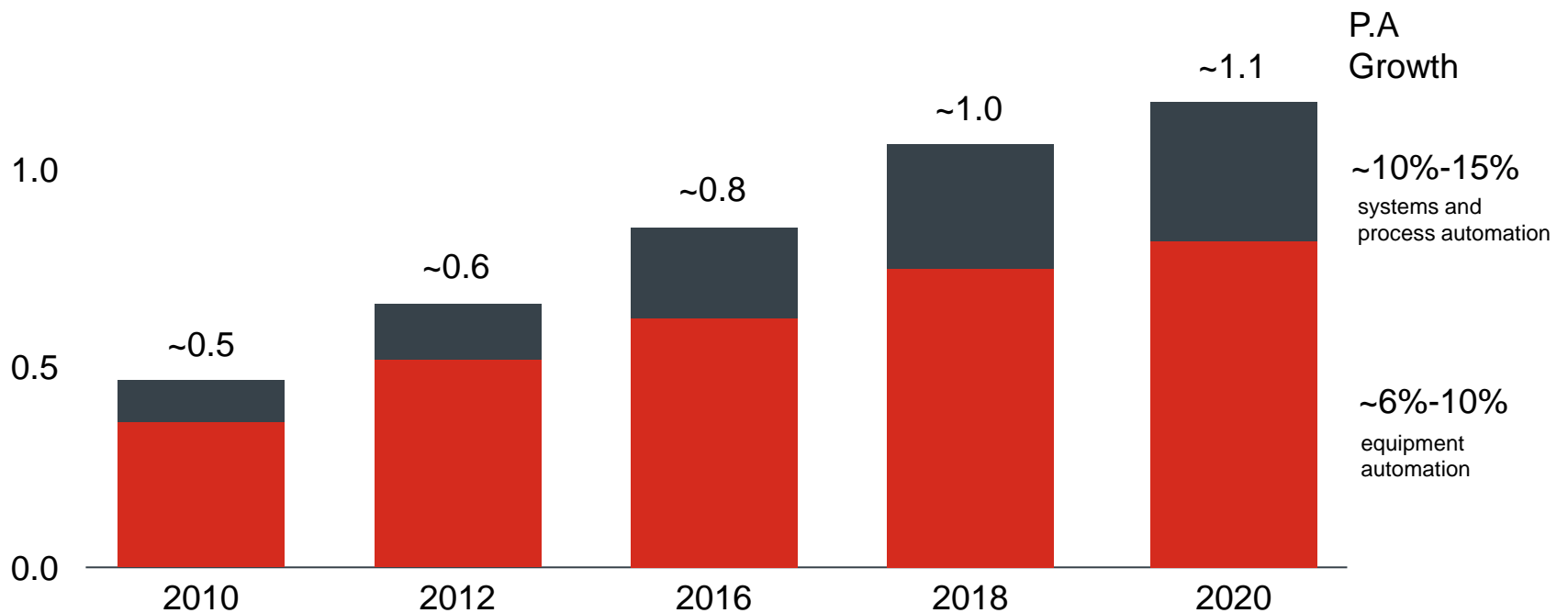
- Ships are getting bigger
- Availability and cost of labour
- Sustainability is port operations
- Safety
- Industry consolidation



# Strong future growth expected for automation solutions (TOS 200 MEUR excluded)

Global automation market  
(equipment, system and process)

€1.5B



Note: Equipment and system includes yard and horizontal equipment and related system; Process automation includes RFID, OCR, etc.  
Source: Drewry, PEMA, Company websites

# Kalmar has a leading position in port automation

- First fully automated straddle carrier terminal
- Strategic acquisitions
- Technology Centre in Tampere
- On-going mega terminal projects
- More than hundred SmartPort process automation deployments
- Navis market share in TOS about 20%

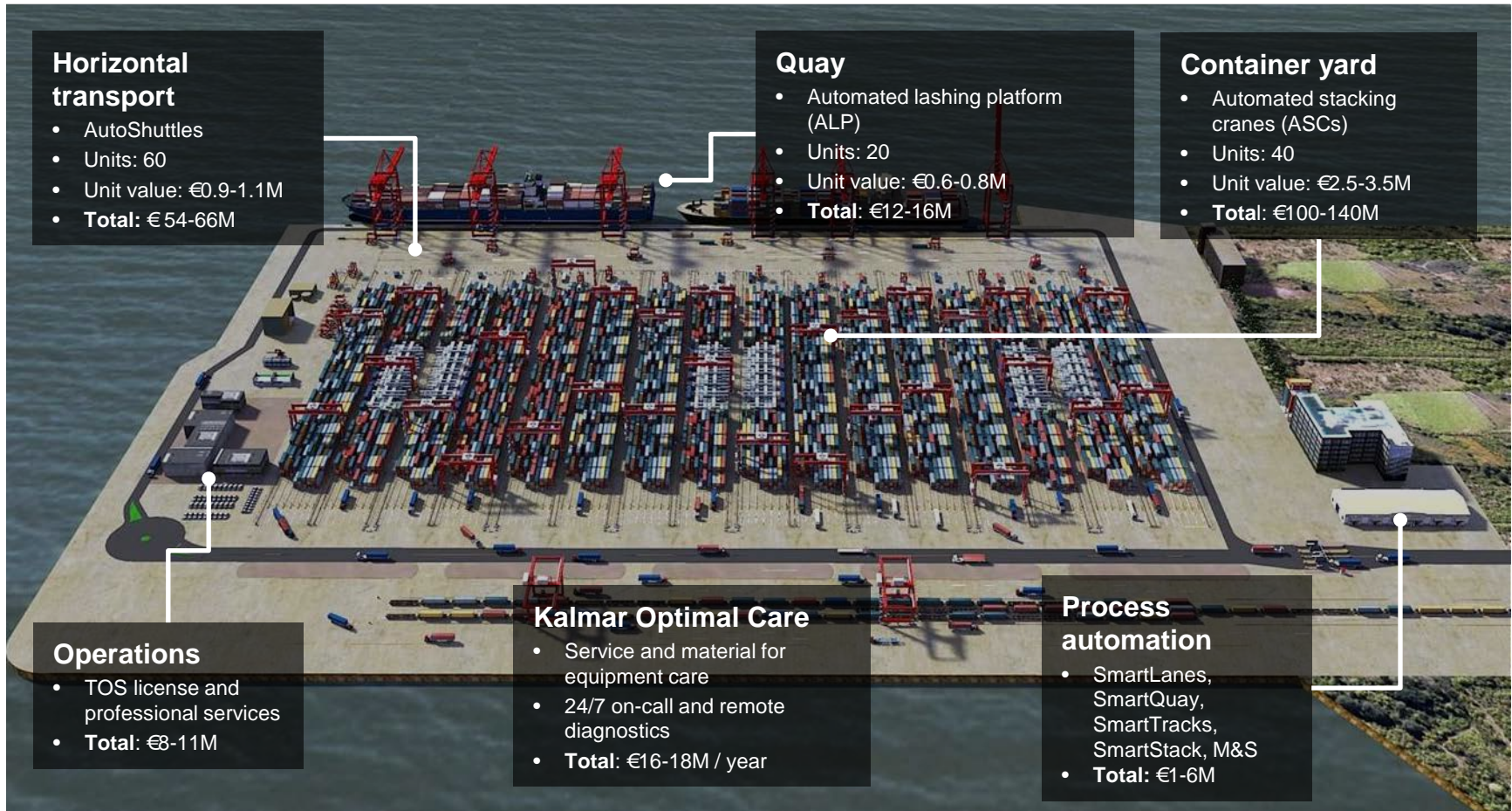




# Example of an automated terminal project

TERMINAL CAPACITY: 3 MILLION TEU / YEAR

TOTAL KALMAR SCOPE APPROX. EUR 190-260 MILLION



## Horizontal transport

- AutoShuttles
- Units: 60
- Unit value: €0.9-1.1M
- **Total: €54-66M**

## Quay

- Automated lashing platform (ALP)
- Units: 20
- Unit value: €0.6-0.8M
- **Total: €12-16M**

## Container yard

- Automated stacking cranes (ASCs)
- Units: 40
- Unit value: €2.5-3.5M
- **Total: €100-140M**

## Operations

- TOS license and professional services
- **Total: €8-11M**

## Kalmar Optimal Care

- Service and material for equipment care
- 24/7 on-call and remote diagnostics
- **Total: €16-18M / year**

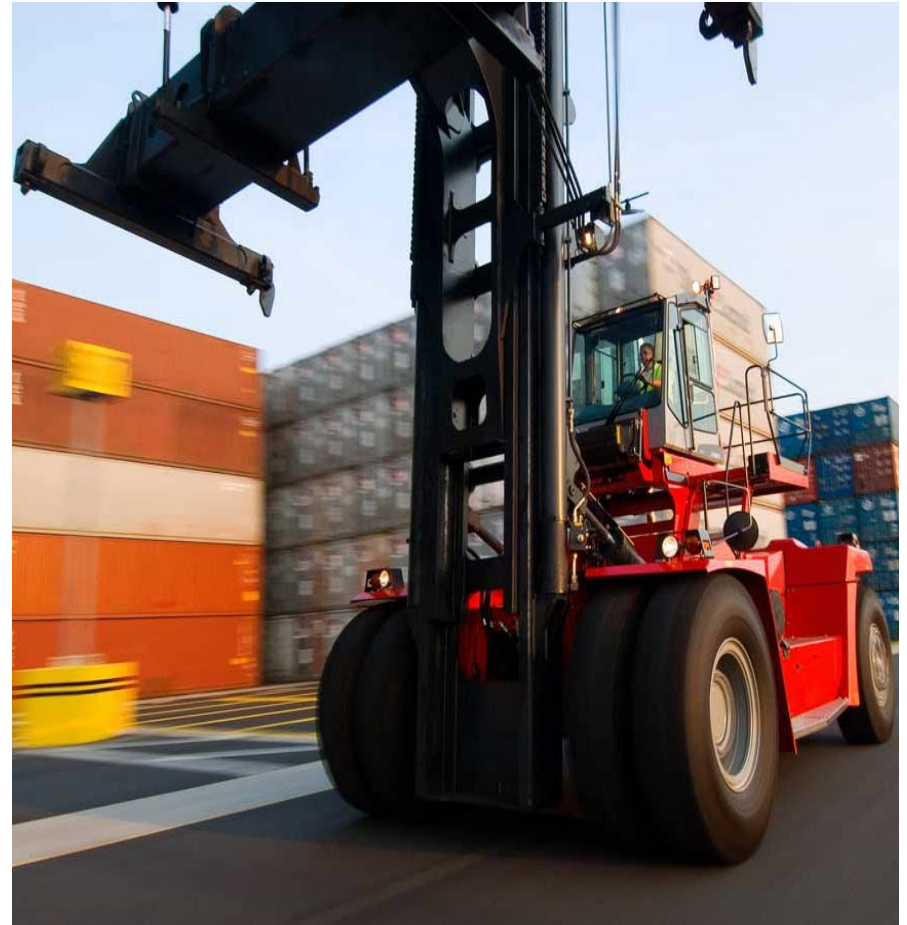
## Process automation

- SmartLanes, SmartQuay, SmartTracks, SmartStack, M&S
- **Total: €1-6M**



# Kalmar is well equipped to respond to the industry trends and grow profitably

- Good products as foundation
- Unique automation offering
- Strong focus on services
  - Modular services products
  - Crane refurbishment



# Hiab



# Hiab offering



Loader cranes



Forestry cranes



Truck-mounted forklifts



Demountables



Tail lifts



Stiff boom cranes

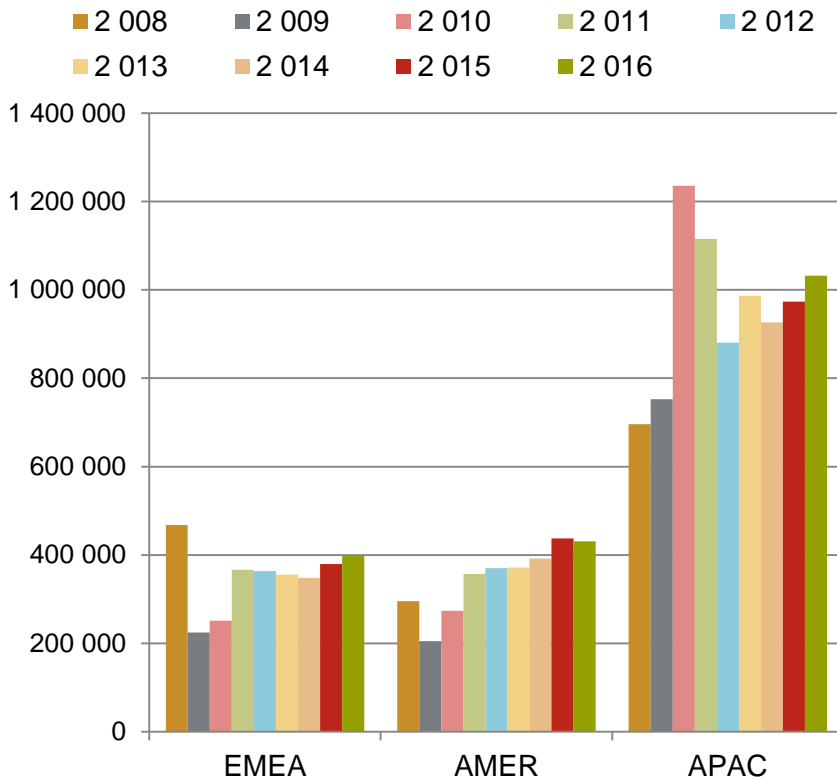


Services

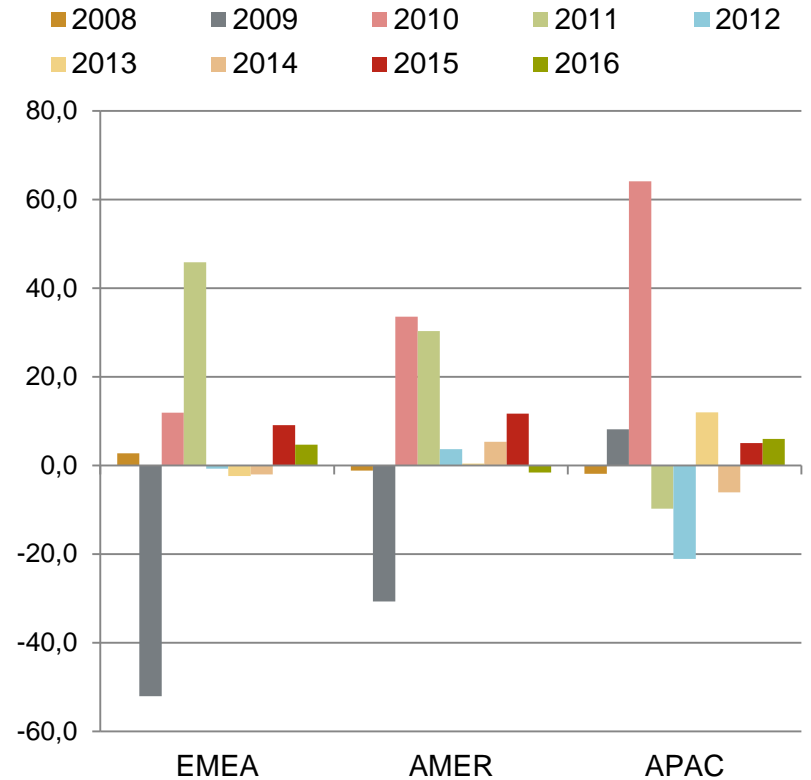


# Macro indicator trends

Truck sales GVW over 15 ton - regions

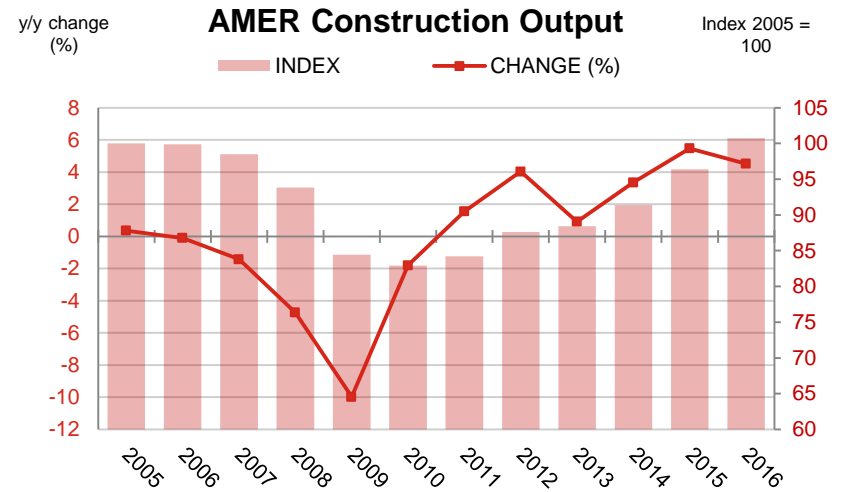
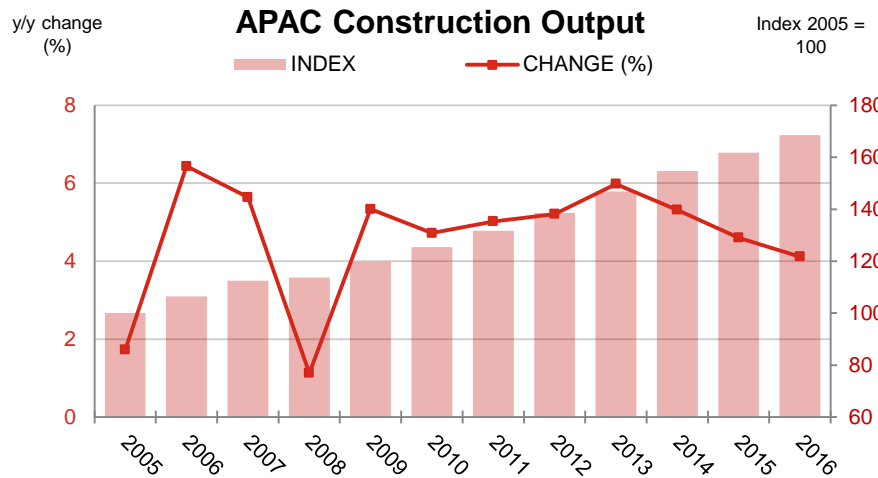
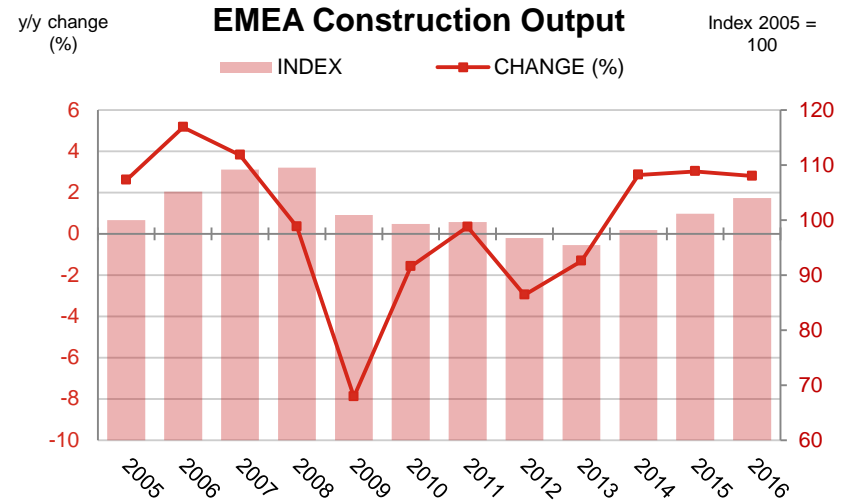
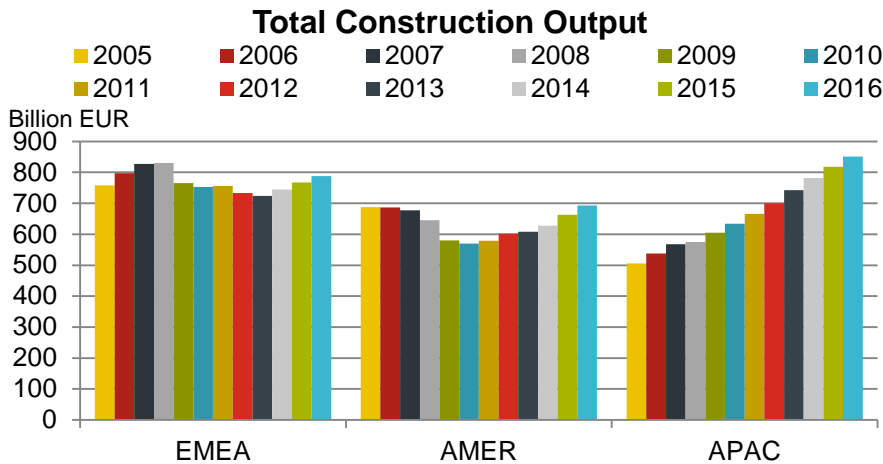


Sales growth GVW over 15 ton - regions



Source: IHS Global Insight Q2/2014 fcst

# Macro indicator trends

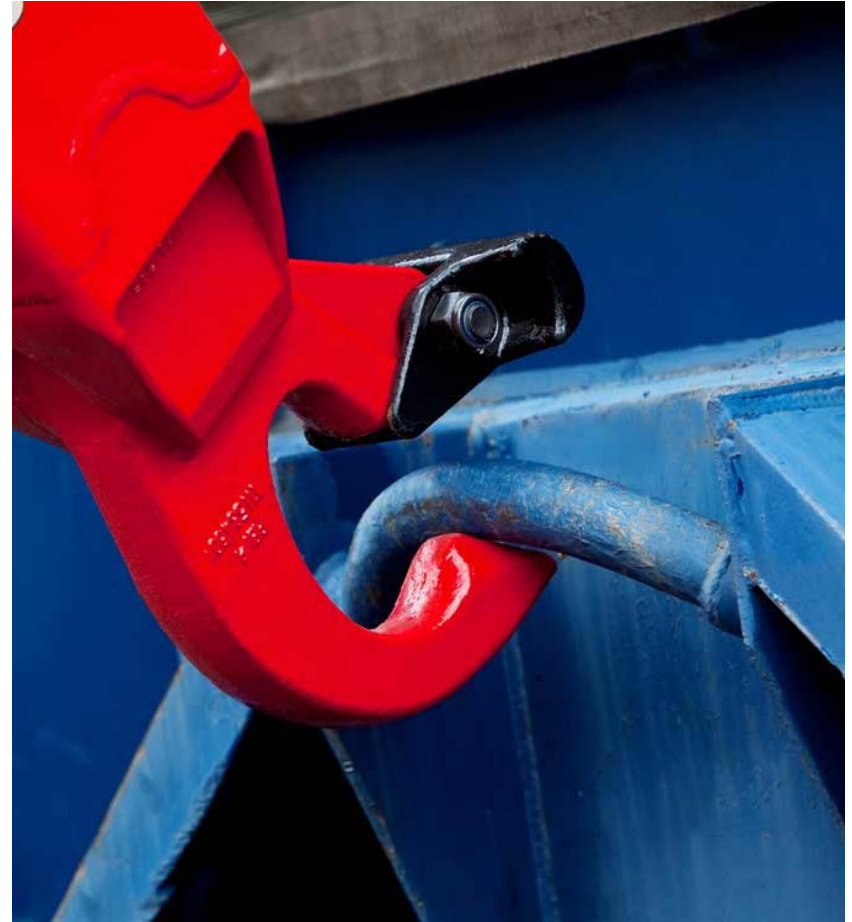


Source: Oxford Economics, Q2/2014



# Hiab strategic priorities 2014

- Deliver profitability improvement and cost reduction in all areas of Hiab
- Drive professional sales and price management and distribution footprint
- Drive design to cost and new product introductions
- Build cost control and performance culture



# Actions in 2013 in Markets

## 1. Route-to-market

- 40% of our distribution set-up will change
- Improvements in service network profitability

## 2. Organisation

- Reduction of complexity
- Centralisation of key support functions

## 3. Pricing

- Better price management and clear escalation model
- Improvement in spare parts pricing

## 4. Cost control

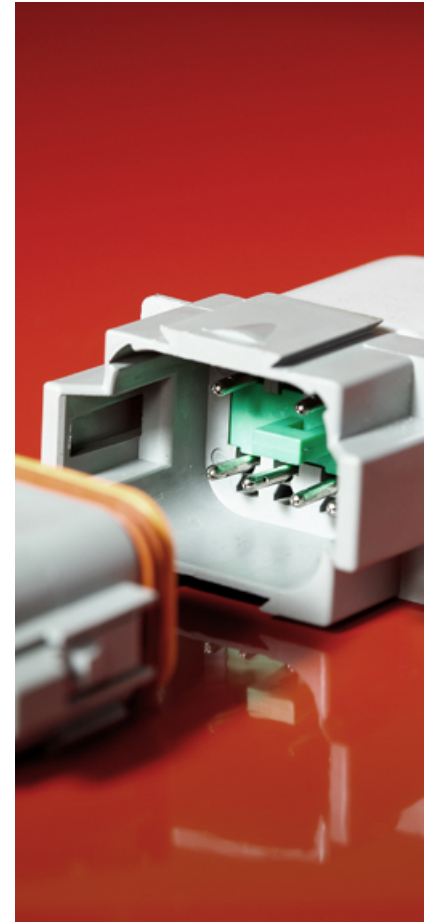
- Reduction of indirect and over head costs

## 5. Sales enablers

- Performance management
- Central dealer management

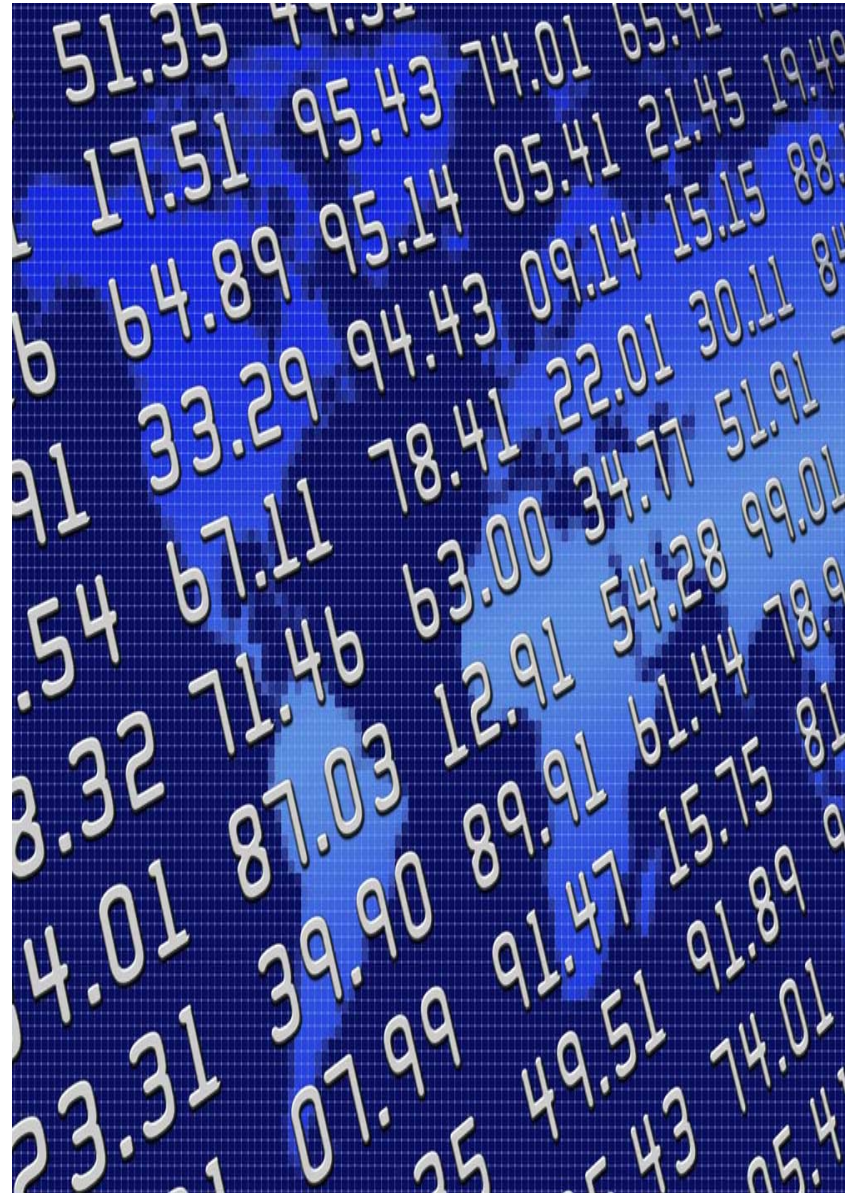
# Improving margins by reducing costs

- Design-to-cost process started in all product lines in 2013
  - Supplier consolidation
  - Changes in design
- No in-house component production
  - Outsourcing completed in Hudiksvall, Sweden and Dundalk, Ireland
- Global sourcing footprint moving from high cost to low cost countries
- Average material cost reduction of 5–10 percent
- Product portfolio streamlining
- Numerous new products





# January–June financials



# Highlights of Q2

- Orders grew 19% y-o-y and totalled EUR 993 (833) million
  - With fixed currencies orders grew 24%
- Sales declined 4% y-o-y to EUR 804 (836) million
  - With fixed currencies sales were flat
- Operating profit excluding restructuring costs was EUR 4.7 (37.5) million or 0.6 (4.5)% of sales
- Operating profit was EUR -6.0 (32.9) million
- Cash flow from operations increased to EUR 24.4 (-12.4) million
- Separate listing of MacGregor reverted

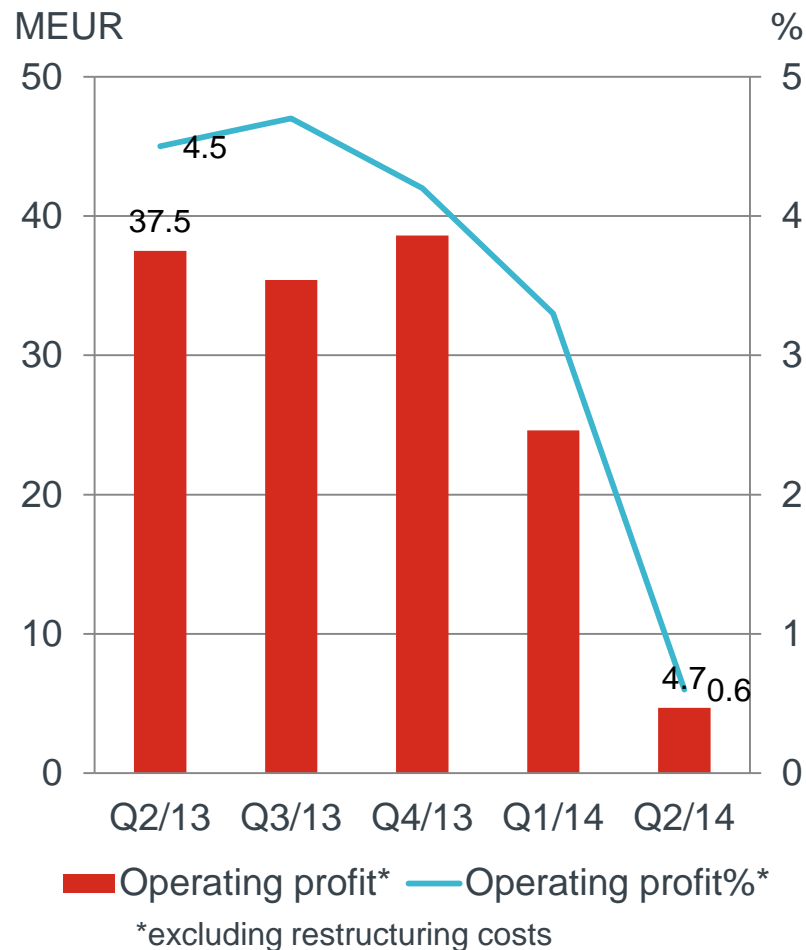
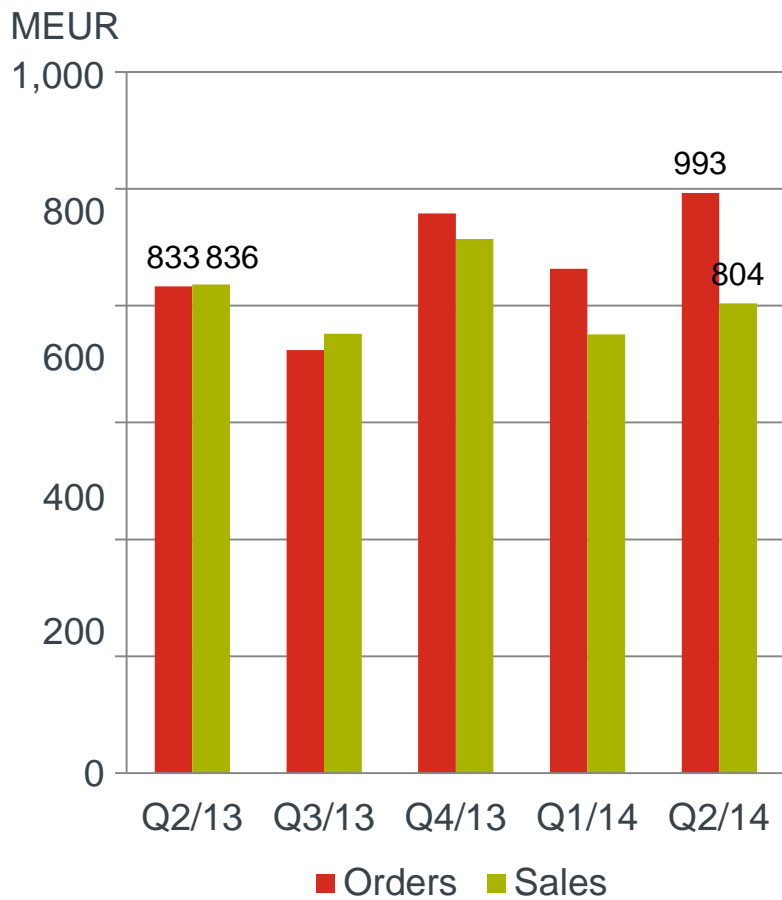


# January–June key figures

	Q2/14	Q2/13	Change	Q1-Q2/14	Q1-Q2/13	Change	2013
Orders received, MEUR	993	833	19%	1,856	1,624	14%	3,307
Order book, MEUR	2,285	2,147	6%	2,285	2,147	6%	1,980
Sales, MEUR	804	836	-4%	1,555	1,515	3%	3,181
Operating profit, MEUR*	4.7	37.5	-87%	29.3	52.5	-44%	126.5
Operating profit margin, %*	0.6	4.5		1.9	3.5		4.0
Cash flow from operations, MEUR	24.4	-12.4		56.9	8.8		180.9
Interest-bearing net debt, MEUR	847	567		847	567		578
Earnings per share, EUR	-0.15	0.36		0.05	0.46		0.89

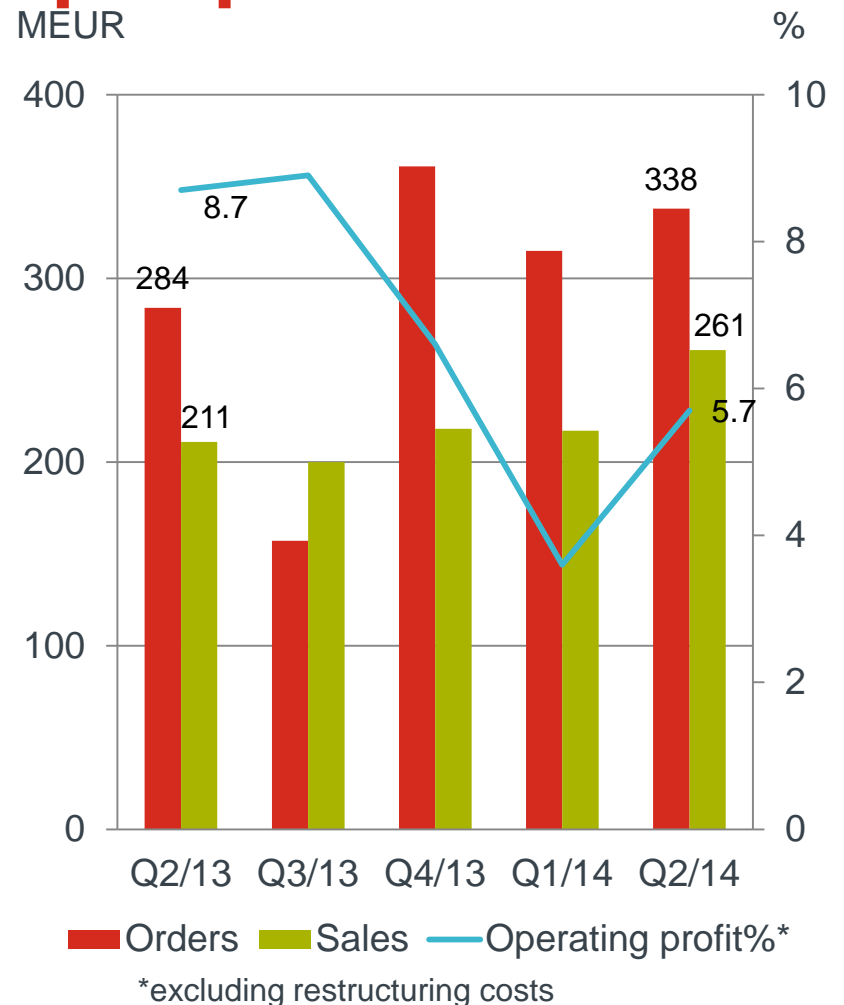
\*excluding restructuring costs

# Performance development



# MacGregor Q2 – healthy orders and profitability improved q-o-q

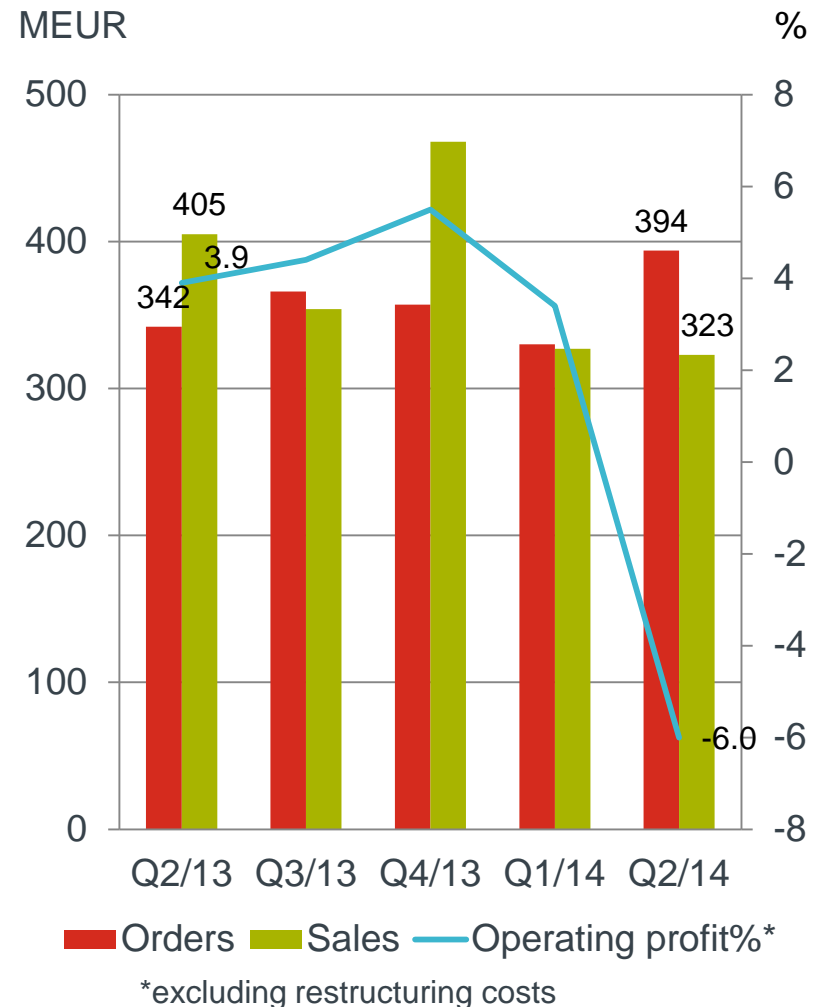
- Order intake grew 19% y-o-y to EUR 338 (284) million
  - Contribution of acquired businesses EUR 81 million
  
- Due to the recovery in new ship orders, market for marine cargo handling equipment for merchant ships was healthy, even if supply and demand are not yet in balance in shipping
  
- Offshore cargo handling market was brisk, supported by need for equipment meeting deep-sea requirements, although in the short-term, decision-making is impacted by the emphasis on return on capital
  
- Services showed some signs of recovery
  
- Sales grew 23% y-o-y to EUR 260 (211) million
  - Contribution of acquired businesses EUR 62 million
  
- Profitability 5.7% (excluding restructuring)
  - Low delivery volume for merchant ships in particular
  - PPA depreciation and amortisation EUR 2.4 million (approx. EUR 10 million annually)





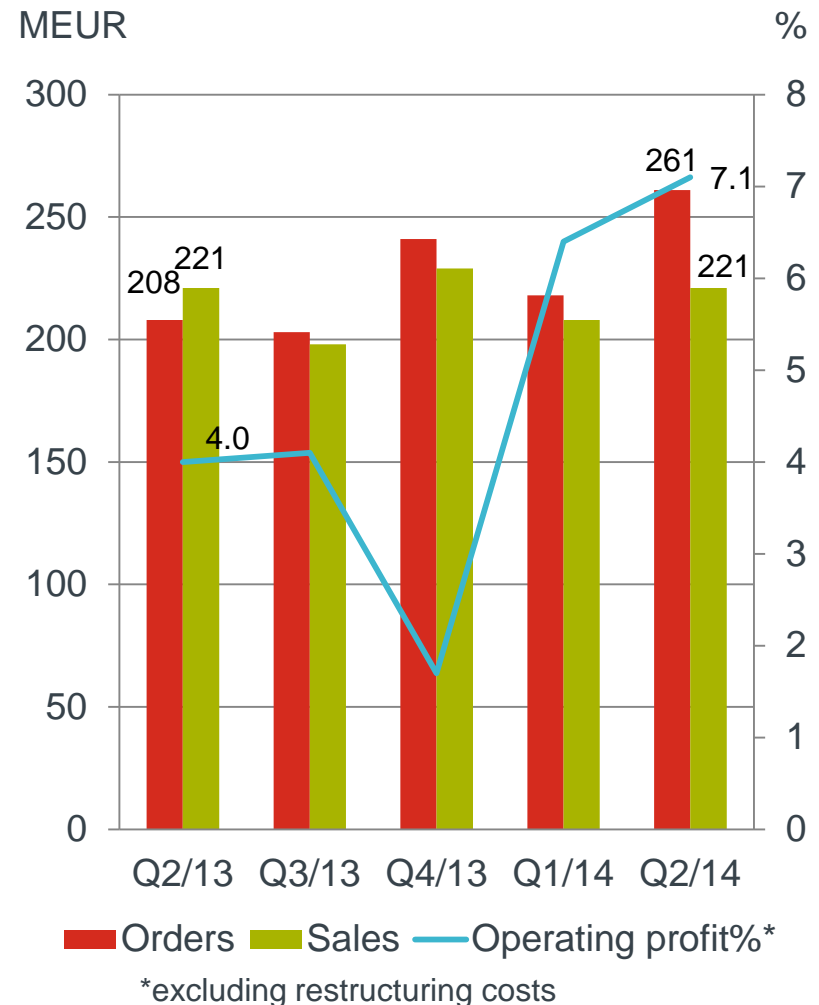
# Kalmar Q2 – strong orders in mobile equipment

- In general, demand for mobile equipment and automation solutions was healthy
- In Europe and the Americas, demand was healthy, while in Asia it remained satisfactory due to hesitancy among customers
- Demand for services was healthy
- Order intake grew 15% y-o-y to EUR 394 (342) million
- Sales declined 20% y-o-y to EUR 323 (405) million
- Profitability excluding restructuring costs was -6.0%
  - Additional costs of EUR 39 million mainly in one ship-to-shore crane project dating to 2012 (Q2 2013: 10 MEUR)
  - Profitability excluding restructuring costs and project overruns 6.0%
- Profit improvement programme proceeding according to plan

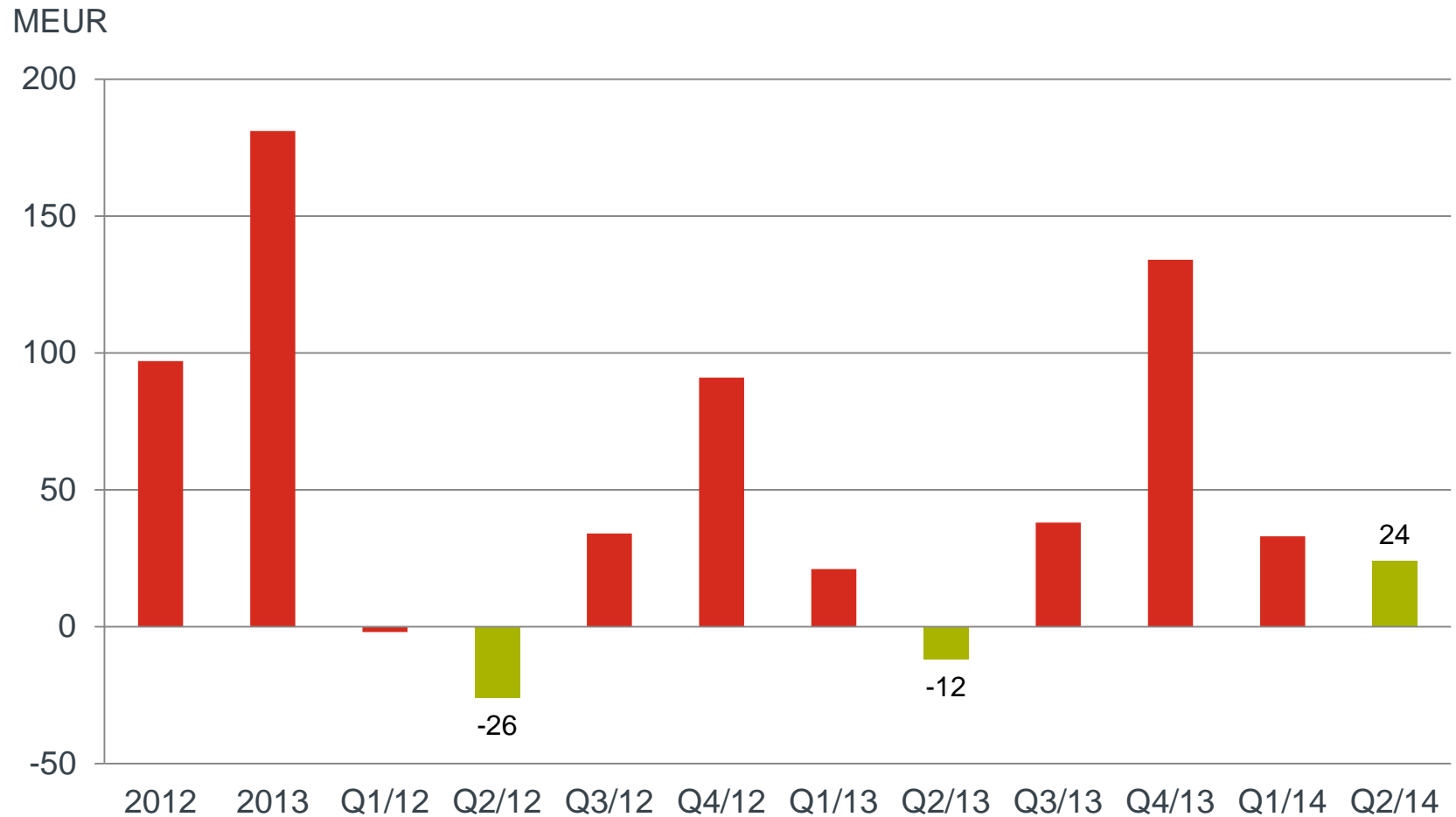


# Hiab Q2 – further improvement in profitability

- Demand for load handling equipment was stable. Demand was highest for truck-mounted forklifts and tail lifts
- Demand for services was healthy
- Orders grew 26% y-o-y to EUR 261 (208) million
- Sales were at comparison period's level at EUR 221 (221) million
- Profitability excluding restructuring costs was 7.1%
  - Main drivers for improvement pricing realisation, product cost reductions and lower operating expenses
- Profit improvement programme proceeding ahead of schedule



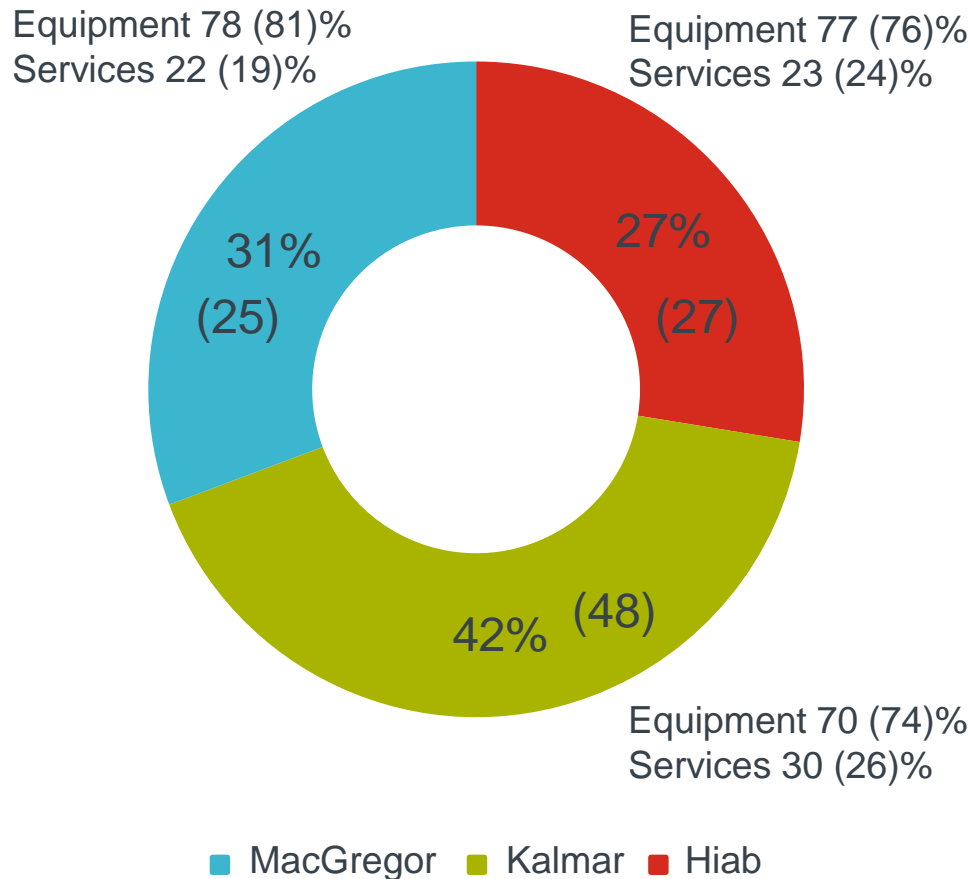
# Cash flow from operations strengthened



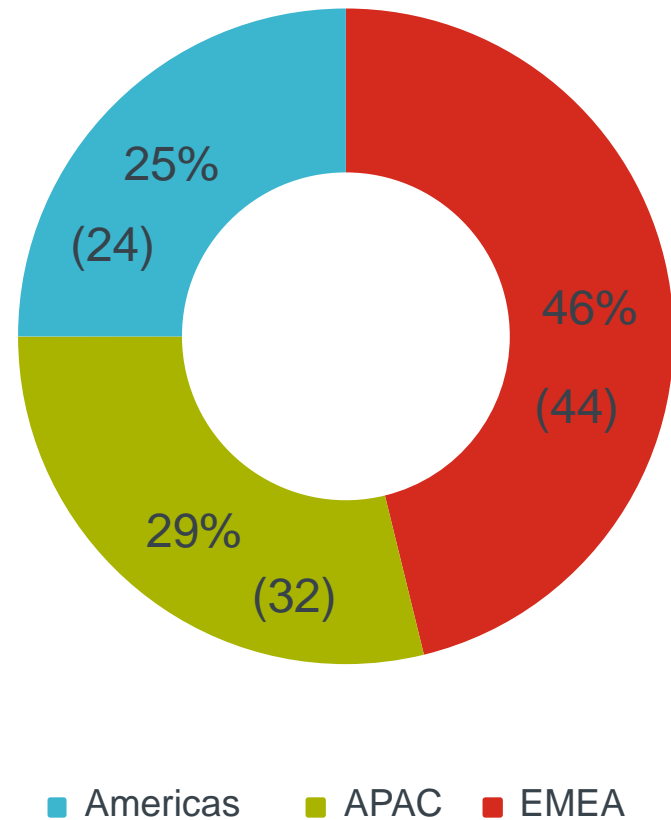


# Acquisitions increased MacGregor's share in portfolio

Sales by reporting segment 1-6/2014, %



Sales by geographical segment 1-6/2014, %



# 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.



