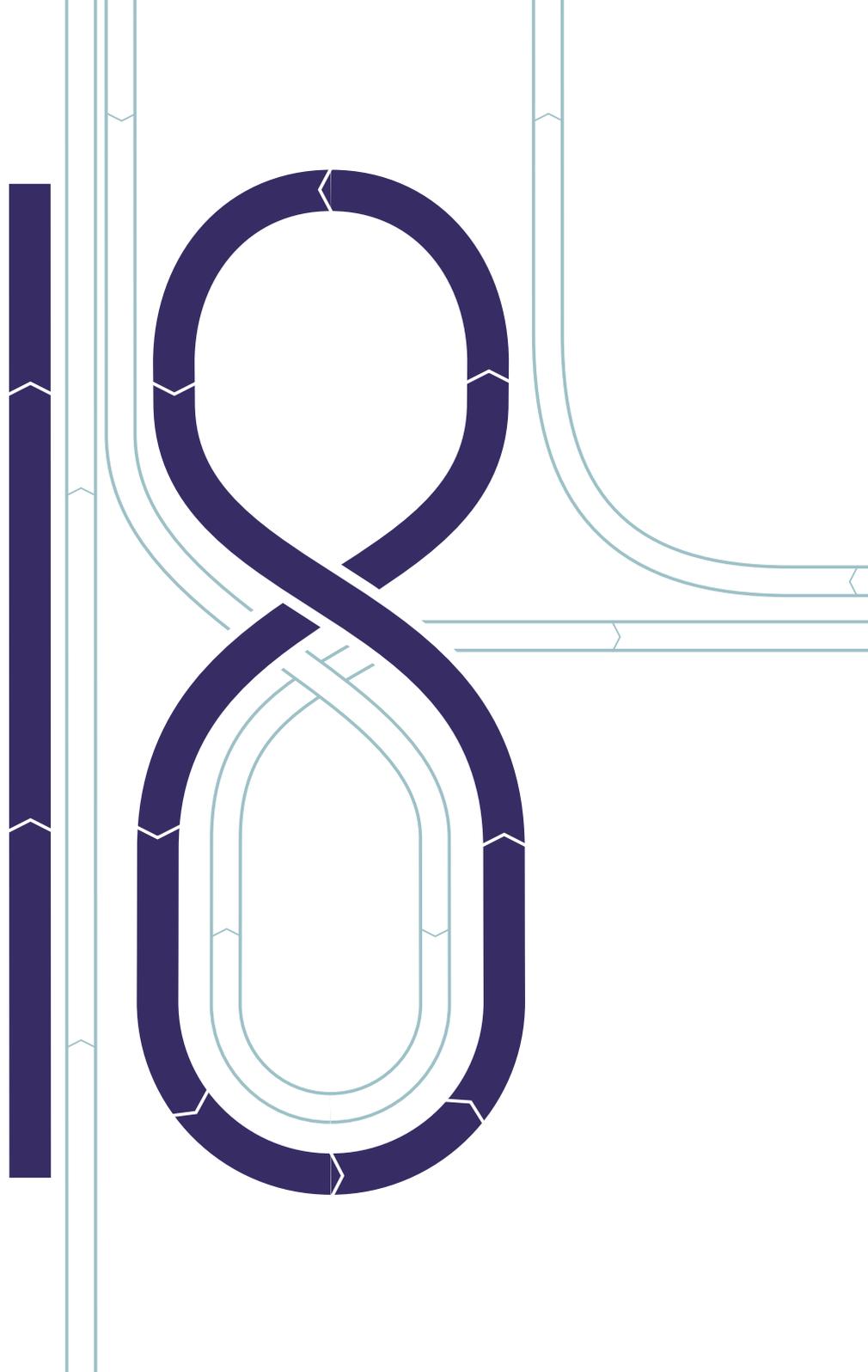




Annual Review

2018



CARGOTEC – SMARTER CARGO FLOW FOR A BETTER EVERYDAY

Cargotec is a leading provider of cargo and load handling solutions with the goal of becoming the leader in intelligent cargo handling. Our solutions and services make global trade smarter, better and more sustainable. As leading players in ports, on roads and at sea, our business areas Kalmar, Hiab and MacGregor can optimise global cargo flows and create sustainable customer value. We want to lead the industry transformation and turn cargo and load handling into an intelligent and sustainable business.

Cargotec supports UN sustainable development goals

Cargotec is a signatory of the UN Global Compact and we are committed to endorse its ten principles. Through our operations we also support the UN sustainable development programme and goals. We firmly believe that with our ambition of being the leader in intelligent cargo handling, we are particularly impacting the five goals marked below. For more information, please visit www.cargotec.com > Sustainability > Contributing to UN sustainable development goals.



**SUSTAINABLE
DEVELOPMENT
GOALS**



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2018 – A YEAR OF UPS AND DOWNS

Mika Vehviläinen

CEO, Cargotec

There are many positives to take away from 2018. We made good progress with service revenue, proceeded well with our automation orders at Kalmar, and Hiab's order intake was at a record high level. MacGregor fought against tough market conditions and, excluding restructuring costs, kept its business at a break-even level.

We made important acquisitions during the year. The Effer loader cranes business complements Hiab's portfolio and expands its heavy cranes segment. The acquisition of TTS Group's major businesses supports MacGregor's growth strategy and provides customer-focused solutions for the merchant shipping and offshore segments. We also completed the Rapp Marine business acquisition that will strengthen MacGregor's position within the fishery and research markets, and divested certain non-core assets from our portfolio.

To secure our future effectiveness and performance, we invested in systems and processes. The main activities included enhancements to customer relations management, field service tools, and SAP. We also allocated substantial resources to develop our digital capabilities and internal processes.

I am pleased with the progress we made with our leadership programmes in 2018. Altogether, 1,800 leaders have completed the programmes, and our yearly leadership scores are clearly improving. Leadership development is now an integrated part of our processes.

In terms of profitability, 2018 did not go as planned, and we were forced to lower our 2018 guidance in mid-December. This was mainly due to exceptional challenges in our supply chain and delivery. Our cost management also needs specific attention. We are already addressing these issues and will continue this work during 2019.

Our refined strategy focuses on customers, services and productivity

We announced our refined strategy at the end of 2018. During the next strategy period, 2019–2021, Cargotec aims to make a transition from a good to a great company. We will do this by focusing on four must-win battles: customer centricity, services, digitalisation and productivity.

Customer centricity will play a key role in driving our future offering. We will hold on to our strong products, quality and innovation offering, but they will not be enough. In the face of the ever-intensifying competition and changing customer needs, we need to focus more on the total customer lifecycle. To drive a successful solutions business, we need to understand our customers and their businesses much better than today.

Productivity enables investments in future capabilities and innovation. It makes it possible to maintain profitability even in uncertain market conditions. Going forward, productivity will constitute a strong part of our operational culture.

Services and digitalisation continue from the previous strategy period as part of our must-win battles. Alongside traditional services, digitally enabled forms of service will increase their share in our portfolio. Digitalisation is becoming an embedded part of business in almost everything we do.

Digitalisation also plays a key role in our independent software offering. Our terminal operating systems provider Navis, together with its collaborative platform XVELA, provides a unique opportunity to fuel organic and strategic software business growth in our existing and emerging businesses. Further investments in the digital and R&D hubs in Tampere, Finland, and Ljungby, Sweden, provide us with further advantages in digitalisation and software development.



Market cautiousness continued, progress in services

The demand for Kalmar's mobile equipment and services improved compared to the previous year. Customers consider their project and automation solutions carefully in relation to container throughput volumes, the utilisation rates of existing equipment base and the efficiency of automation technology. Instead of building new terminals, customers' investments were mostly targeted to smaller subprojects as well as improving the efficiency of existing terminals.

The construction activity remained at a good level in the United States and Europe, which supported demand for Hiab's load handling equipment. The demand for services improved from last year.

At MacGregor, the merchant ship contracting improved slightly during 2018 compared to the previous year, but remained at a low level. Contracting in the offshore sector improved slightly compared to 2017, but remained clearly below historical levels. In the merchant ship sector, the demand for MacGregor's services improved slightly.

An ethical and sustainable way of working gives a business advantage

At Cargotec, we firmly believe that a profitable and sustainable business requires ethical ways of working. Our customers, employees, the society at large and regulators all place increasing value on and pay ever more attention to the ethical, environmental and social aspects of conducting business. Our shareholders and owners, too, place high expectations on us in this respect. We answer that call by respecting human rights in everything we do, having zero tolerance for corruption, and denouncing unethical conduct.

We see sustainability as an opportunity to extend our competitive edge. With our products and solutions, our customers can save energy and work safer and more cost-efficiently. Kalmar's commitment to provide its full offering as electrically powered versions by 2021 illustrates what we are capable of in this area. Similar development is evident also at Hiab and MacGregor.

For many years, we have supported the UN Global Compact as a signatory member, and we took an extra step this year by actively participating in the creation of the Finnish Global Compact network.

I want to thank our shareholders and customers for their trust and our employees for their hard work and dedication.

STRATEGY IN ACTION



Kalmar and Navis announced that they will deliver the **world's first intermodal automation solution** for Qube's Moorebank Logistics Park in Sydney, Australia.



Kalmar organised the **Kalmar Co-Create idea creation challenge** at the TOC Europe exhibition in order to discover new, creative cargo handling solutions with customers and partners.



January

February

March

April

May

June

Q1

Q2



Cargotec **Business Services Centre (CBS) opened** in Sofia, Bulgaria. CBS provides global finance, human resources, and indirect procurement support services with the aim to improve our productivity according to our strategy.



MacGregor's **acquisition of the marine and offshore businesses of TTS Group** will strengthen its portfolio and market position, while the acquisition of **Rapp Marine business** strengthens MacGregor's position within the fishery and research markets.



Hiab opened a new **installation and competence centre** in Meppel, Netherlands.



Over 200 leaders participated in our **leadership programmes** in 2018.





MacGregor introduced a new **breakbulk cargo storage solution** to increase vessel utilisation rates and improve the customers' business performance.



Cargotec refined its strategy. Focus on digitalisation and services continues, new emphasis on customer centricity and productivity. Financial targets remain unchanged.



Kalmar opened a new **innovation centre** in Ljungby, Sweden, that focuses on digitalisation and development of mobile cargo handling equipment and related maintenance services.



Cargotec opened a new **Digital Solutions Hub** in Tampere, Finland.

July August September October November December

Q3

Q4



Hiab acquired the Effer loader cranes business from the CTE Group, complementing its loader cranes portfolio and expanding its range of heavy cranes in the 100+ tonne-metre segment.



Cargotec joined the global three-year Rainmaking maritime **startup accelerator programme**.



MacGregor and the China State Shipbuilding Corporation signed a Letter of Intent on **strategic cooperation**.



Scott Phillips started as the President of Hiab in October, following Roland Sundén in this position.



Kalmar agreed to provide maintenance and support for an **automated container handling solution** to Australia's first fully automated container terminal, owned by International Container Terminal Services, Inc, in Victoria.

CARGOTEC IN BRIEF

SALES, MEUR

3,304

OPERATING PROFIT, MEUR

190.0

SERVICES AND SOFTWARE, % OF SALES

33%

TOTAL PERSONNEL

11,987

Share
of total sales

49%

KALMAR

Kalmar offers cargo handling equipment and automated terminal solutions, software and services that are used in ports, terminals, distribution centres and various industries.

Number of personnel

5,737

Services and software,
share of Kalmar's sales

37%

Share
of total sales

35%

HIAB

Hiab is the global market leader in on-road load handling solutions with customers operating in the land transport and delivery industries.

Number of personnel

3,879

Services,
share of Hiab's sales

24%

Share
of total sales

16%

MACGREGOR

MacGregor is a world-leading provider of marine cargo and offshore load handling solutions, services and equipment.

Number of personnel

1,879

Services, share of
MacGregor's sales

39%



AMERICAS
(AMER)

SHARE OF SALES **31%**



NUMBER OF PERSONNEL **1,510**

ASSEMBLY/R&D

Brazil
United States

EUROPE, MIDDLE EAST AND AFRICA (EMEA)

SHARE OF SALES **49%**



NUMBER OF PERSONNEL **8,108**

ASSEMBLY/R&D

Finland	Norway
Germany	Poland
India	Spain
Ireland	Sweden
Italy	United Kingdom
Netherlands	

ASIA-PACIFIC
(APAC)

SHARE OF SALES **20%**



NUMBER OF PERSONNEL **2,369**

ASSEMBLY/R&D

China
Malaysia
South Korea
Singapore

KEY FIGURES



STRONG YEAR IN ORDERS RECEIVED, PROFIT BELOW OUR TARGET

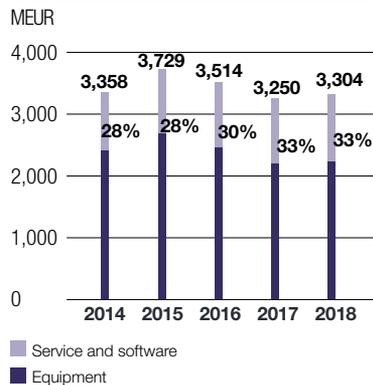
The year 2018 was twofold at Cargotec. Orders grew strongly in all our business areas, but we fell behind our target to improve our result from the previous year.

The operating profit excluding restructuring costs for 2018 decreased by six percent from the comparison period to EUR 243.8 million, representing 7.4 percent of sales. Sales increased by two percent to EUR 3,304

million. Sales grew in Kalmar and Hiab and declined in MacGregor. Service sales grew by three percent from the comparison period and totalled EUR 932 million, representing 28 percent of consolidated

sales. Software sales decreased by four percent and amounted to EUR 147 million. Service and software sales represented 33 percent of consolidated sales.

SALES

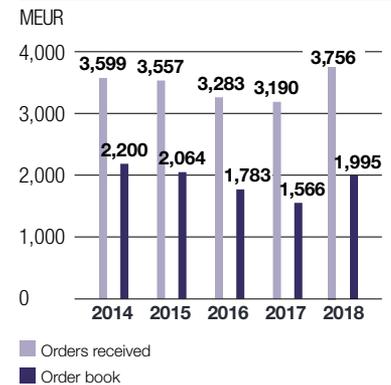


Year 2017 financial figures have been restated according to the new and amended IFRS accounting principles adopted on January 1, 2018.

OPERATING PROFIT* AND OPERATING PROFIT MARGIN*



ORDERS RECEIVED AND ORDER BOOK



Sustainability indicators

The Industrial Injury Frequency Rate (IIFR) for the assembly sites in 2018 was 6.7 (2017: 6.1), which was slightly higher than in previous years. We have identified the needed areas of improvement and continue our work to further develop our safety performance in 2019.

Cargotec's Offering for eco-efficiency concept consists of solutions that may enhance customers' sustainability with cleaner technologies, software solutions or services supporting circular economy. In 2018, 17 new products/solutions were added to the portfolio.

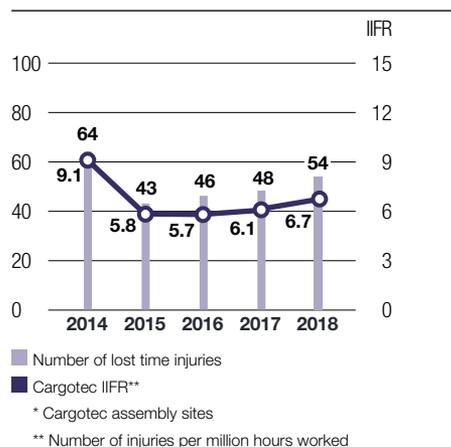
Board proposes an increase in dividend

The Board of Directors proposes to the Annual General Meeting to increase the dividend to 1.10 euros. This would be the fifth consecutive year in which our dividend has risen compared to the previous year.

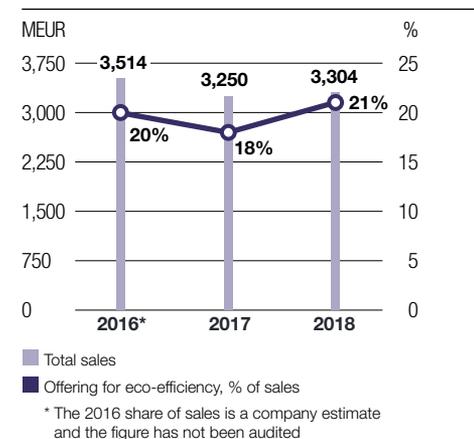
Earnings per share was EUR 1.66, which is 19 percent lower than in the previous year. The decline was mainly related to an impairment loss of EUR 30 million of the associated company Jiangsu Rainbow Heavy Industries, recognised in the second quarter of 2018.

Year 2017 financial figures have been restated according to the new and amended IFRS accounting principles adopted on January 1, 2018.

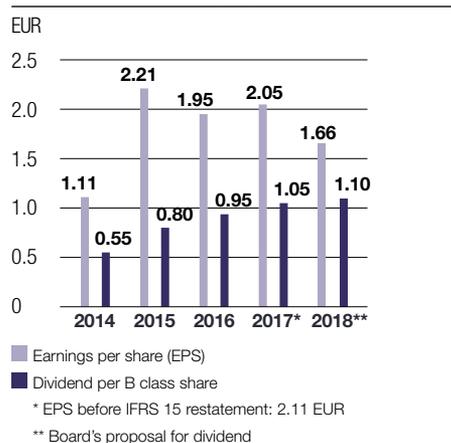
INDUSTRIAL INJURY FREQUENCY RATE*



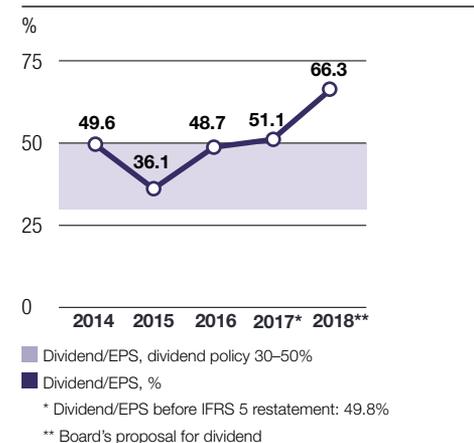
OFFERING FOR ECO-EFFICIENCY



EARNINGS PER SHARE (EPS) AND DIVIDEND



DIVIDEND/EPS, CLASS B SHARE



STRATEGY

MEGATRENDS DRIVE GROWTH

Long-term macroeconomic and societal development trends impact and change the world around us. Several concurrent megatrends support the successful implementation of our strategy, and we can adapt our business model to shift weights between them.



Urbanisation

In the coming decades, share of the world population living in cities will grow from the current 55 percent to almost 70 percent.

CUSTOMER NEED: Urbanisation requires further infrastructure and housing construction in cities, creating demand for efficient load handling. Growing city logistics need load handling and waste management equipment. In densely populated cities, load handling solutions must be quiet, safe and low in emission levels.

OUR ANSWER: Our load handling solutions are used in urban locations and surrounding areas. For example, the advanced design and electrification of Hiab's on-road offering makes it ideal for urban locations.



Population growth

World population today is 7.6 billion. It is estimated to reach 10 billion by 2056 (UN estimate).

CUSTOMER NEED: Population growth increases the demand for raw materials, energy and end products. To serve the needs of people and society, these goods need to be transported efficiently and sustainably.

OUR ANSWER: We provide a broad offering of efficient load and cargo handling solutions for maritime, ports, on-road transportation and various industries.

GDP per capita growth

Gross domestic growth per capita (GDP) is expected to grow roughly at a rate of 2 percent per year until 2025, indicating improving economic productivity and economic wealth.

CUSTOMER NEED: The increase in GDP per capita creates more consumption power for our growing population. This is the main driver for increased consumption and world trade, which in turn drives the need to transport goods and materials.

OUR ANSWER: With our advanced solutions, services and products, our business areas are present throughout the global cargo delivery chains and can answer to the growing transportation needs.



Energy demand

Global energy demand is estimated to grow at a rate of 1–2 percent per year for the next few decades.

CUSTOMER NEED: The growing energy demand creates a need to further explore, produce and transport energy from various sources, such as from offshore production. Energy mixes are changing with the focus increasingly on renewable energy production. More efficient and reliable equipment are required to help produce and transport energy.

OUR ANSWER: Our reliable products and efficient solutions, such as MacGregor offshore solutions, are required to support the production and transportation of energy, both in the form of traditional fossil fuels and renewable energy, such as offshore wind. Additionally, our solutions strive to fulfill the sustainability needs of our customers and the increasing regulatory requirements.

Digitalisation

The intensive development of digital solutions continues in all areas of society. In the coming decades, improved productivity and reduction of inefficiencies will largely be driven by digital development.

CUSTOMER NEED: Customers seek intelligent cargo handling solutions that optimise operations and reduce inefficiencies while improving productivity and safety.

OUR ANSWER: We provide industry shaping digital solutions in the areas of software, automation and intelligence. These solutions seek to solve inefficiencies in the global cargo flow, helping our customers succeed in their endeavours while reducing environmental impact.

Increasing concern for the environment

The scientific community and global population largely accept climate change as a fact. Demands to reduce the environmental burden of the growing world trade increase.

CUSTOMER NEED: Legislation and the public opinion as well as customers and their customers require ships, ports, terminals and surrounding cities to be quieter, safer, more energy-efficient and low in emissions.

OUR ANSWER: Our eco-efficiency portfolio includes digitalisation and automation solutions as well as electric and hybrid offerings that can reduce the environmental burden of our customers' operations. The demand for eco-efficient products and solutions is estimated to grow in the future, creating growth opportunities for us.

More about sustainability
in our operations from pages
22–27 and from the GRI index.

REFINED STRATEGY

Cargotec refined its strategy for 2019–2021. We continue to work towards our vision of “Becoming the global leader in intelligent cargo handling.” The refined strategy aims to secure our profitable growth by focusing on four must-win battles: customer centricity, services, digitalisation and productivity.

WE STRIVE TO BE THE LEADER IN INTELLIGENT CARGO HANDLING because we believe that the development of our operating environment and the aspirations of our customer industries offer us unique value creation opportunities. Cargo traffic and load handling are among the vital services that keep our global society up and running. Every day, millions of items, from raw materials to consumer products, are transported locally and between countries, creating demand for intelligent cargo and load handling solutions.

OUR THREE BUSINESS AREAS ARE IN A STRONG POSITION to capitalise on their established brands, long-term customer relationships, excellent equipment reputation and global service network. By combining our equipment, service, financing and software into intelligent offerings we help our customers outperform their competitors. For us, this creates significant opportunities for profitable growth.

” Significant opportunities for profitable growth.

KALMAR

Kalmar aims to become a service-driven solutions provider who guarantees availability and performance for its customers. As a market leader, Kalmar is able to shape the future of its industry. It drives the transformation of cargo and material handling through openness and collaboration as well as with innovative, digitally enabled and eco-efficient solutions.

HIAB

Hiab is committed to strengthening its market position by focusing on customer centricity. Its goal is to be the number one partner and load handling solution provider in all of its prioritised markets and segments. Hiab continues to pioneer the industry by taking advantage of the digital opportunities for improving its customers' efficiency and helping them manage the increased complexity of load handling.

MACGREGOR

MacGregor aims to be recognised as the leader in intelligent maritime cargo and load handling by becoming the preferred provider of lowest total cost solutions for shipbuilders, and the preferred partner for ship owners and operators through enabling highest lifecycle value.



SMARTER CARGO FLOW FOR A BETTER EVERYDAY

Must-win battles

Customer centricity

Digitalisation

Services

Productivity

Our way of working

Lead with purpose

Empower for performance

Collaborate to win

Leader in intelligent cargo handling



Intelligent flow of goods and cargo

At sea

MacGregor is a world-leading provider of marine cargo and offshore load handling solutions, services and equipment.

In ports and industries

Kalmar offers cargo handling equipment and automated terminal solutions, software and services that are used in ports, terminals, distribution centres and various industries.

On roads

Hiab is the global market leader in on-road load handling solutions with customers operating in the land transport and other delivery industries.



TARGETS AND OUTCOMES

Cargotec's refined strategy for 2019–2021 aims to secure profitable growth by focusing on four must-win battles: customer centricity and productivity as new focus areas and services and digitalisation as continuing ones from the previous strategy period. World-class leadership remains fundamentally important but is now an integrated part of Cargotec's processes.



Financial targets remain unchanged

- Grow faster than the market
- Operating profit margin 10 percent in 3–5 years*
- Service and software sales 40 percent of net sales, minimum EUR 1.5 billion in 3–5 years*
- Increasing dividend in the range of 30–50 percent of earnings per share (EPS), dividend to be paid twice a year
- 15 percent return on capital employed (ROCE) in 3–5 years*
- Gearing below 50 percent

* Targets announced in September 2017

Long term sustainability targets (by 2021)

1. Offering for eco-efficiency product group to achieve double sales growth compared to traditional products
2. Industrial Injury Frequency Rate (IIFR) 4

2018 outcomes

New must-win battle as of January 2019.

New must-win battle as of January 2019.

Service sales grew largely as planned. New service concepts piloted or introduced to market according to plans, but revenue generation did not meet expectations. Systematic safety trainings and target follow-up established for service operations.

Efforts in new digital customer offering proceeded according to plans with market launches and customer pilots throughout the year. Internal and customer process digitalisation proceeded with robotic process automation and machine learning solutions. Connectivity was enabled for prioritised product lines during 2018.

Leadership excellence activities, processes and measurements implemented according to plan. 1,800 leaders have participated in our leadership programmes by the end of 2018.

2019 targets

Enhance customer insight capabilities. Develop and drive adoption of customer relations management and field service tools. Engage teams and leaders in customer centricity and collaboration.

Review operating models and practices to empower frontline to act for customers, and to increase internal efficiency. Continue consolidation and implementation of shared services operations. Improve internal and external business processes by utilising digital solutions.

Continue to drive service sales. Enhance service offerings, earnings models and internal service processes by utilising digitalisation and connectivity. Improve service excellence and operations.

Expand digital customer offering to complement equipment and service business. Accelerate development of new data-driven business models. Utilise digital solutions to optimise internal and external processes. Drive connectivity in all new equipment.

Integrated into Cargotec's processes. For leadership development activities and targets, see the HR section on pages 18–21 of this review.

VALUE CREATION MODEL

Input

Competent personnel

At the end of 2018, Cargotec had 11,987 employees. We operate in over a hundred countries.

Financial capital

The balance sheet total amounted to EUR 3,684 million. Gearing was 43.8 percent.

Innovation and R&D

Cargotec's expenditure on R&D in 2018 was EUR 89.0 million, representing 2.7 percent of sales. We have R&D activities in the United States, India, and in several countries in Europe.

Collaboration

Cargotec collaborates with universities and other research institutions around the world. We cooperate with our customers to develop new and existing solutions to respond to their business needs. We seek opportunities with our partners to develop new technologies.

Natural resources

Cargotec's total energy consumption was 573.8 terajoule, which equals 159,401 MWh. Over 30 percent of our electricity consumption is being produced by renewable energy sources. Heating and vehicle fleet fuels amounted to 81,569 MWh. Electricity and district heat was 77,832 MWh. Water consumption was 88,900 cubic metres.

Business model

Smarter cargo flow for a better everyday

Must-win battles

Customer centricity

Digitalisation

Services

Productivity

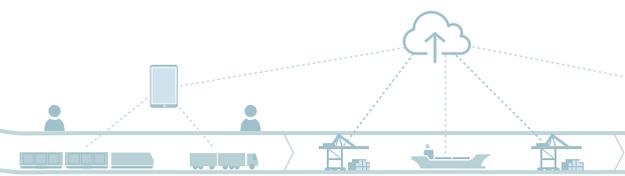
Our way of working

Lead with purpose

Empower for performance

Collaborate to win

Leader in intelligent cargo



Intelligent flow of goods and cargo

At sea

16%

MacGregor's share of sales

In ports and industries

49%

Kalmar's share of sales

Year 2017 financial figures have been restated according to the new and amended IFRS accounting principles adopted on January 1, 2018.



Output

Impact



handling



On roads

35%

Hiab's share of sales

Cargo flow

Cargotec's solutions, services, products and software keep things moving around the world. Every year, close to 800 million container moves are being made globally in ports, with every fourth of them being handled by a Kalmar solution. Every other ship in the world carries MacGregor equipment.

Service

Service sales constituted 28 percent of our total sales.

Digital solution development

In 2018 we created new solutions with customers in co-creation events and in our Emerging Business Accelerator programme. We continued our cooperation with our peers, universities and customers, and further increased our strategic digital competence through hiring and training.

Sustainability

Cargotec's eco-efficiency product group* sales during the reporting period was about 21 (2017: 18) percent of the total sales. GHG emissions amounted to 48,700 tCO₂e in 2018. As a by-product from our processes, 12,050 tonnes waste were produced in 2018.

Shareholders

The dividend proposal** for 2018 totalled EUR 70.7 million. Our earnings per share was EUR 1.66. The return on equity was 7.6 percent in 2018 and the return on capital employed was 8.0 percent.

Customers

Our products and solutions can help our customers to operate more efficiently and environmentally friendly. Cargotec's business areas regularly collect customer feedback. The 2018 Net Promoter Score (NPS) index at Kalmar was 24, and at Hiab it was 21 (total) and 31 (direct customers). The most recent overall MacGregor customer satisfaction index is from 2017, when it was 74 percent.***

Society, employees

Cargotec's income taxes in 2018 totalled EUR 53.1 million. Salaries and remunerations to employees totalled EUR 567 million. 1,800 leaders participated in group-wide leadership development programmes. In 2018, the Performance and Development Plan (PDP) completion rate was 92 percent, covering 7,100 employees globally. The work satisfaction index was 76 percent. The IIFR**** for our assembly sites was 6.7.

Environment

With our products and solutions, our customers can conduct their cargo handling operations more sustainably and safer. Kalmar's automation solutions enhance safety and efficiency at ports. Our GHG emissions at assembly sites increased by one percent. Over 78 percent of waste generated at assembly sites was recycled. We promote circular economy with retrofits production and other solutions that extend the life cycle of products. Our certified site sales volume share was 93 (ISO9001), 92 (ISO14001) and 88 (OHSAS18001) percent of the total 2018 sales volume.

* Cargotec's eco-efficiency offering features solutions that can enhance the sustainability of Cargotec's customers' operations by decreasing their operational emissions or extending product lifetimes.

** The 2018 dividends are based on Board of Directors' proposal. Actual dividends are confirmed in the Annual General Meeting 2019.

*** NPS measures customer loyalty and likelihood to recommend to others. The business area customer satisfaction data are not comparable to each other.

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

Year 2018

Company

Sustainability

Business areas

PERSONNEL

WORLD-CLASS LEADERSHIP SUPPORTS SUCCESS



Cargotec entered a new strategy period at the turn of the year. It is, therefore, timely to review how our human resources (HR) work has developed during the past strategy period. In 2015, Cargotec set a vision to become the market leader in intelligent cargo handling. To support this strategic pursuit in the most effective way possible, HR set in motion a systematic and ambitious process of building world-class, globally harmonised HR operations.

Making great leaders is in Cargotec's DNA

The value of any organisation is created at the interface between customers and employees. Employees are, therefore, fundamental to the value of all organisations, and only by putting employees first, can a company be truly successful. Leaders, in turn, are the interface between individual teams, team members and the rest of the organisation. It is people who transform strategy into reality, and to accomplish that task, they need skilled and inspiring leaders. For this reason, World-Class Leadership is a key priority in our work. Our leadership approach boils down to three themes: Lead with purpose, Empower for performance, and Collaborate to win. These themes are applied throughout the whole organisation and across national boundaries.

Our framework for World-Class Leadership focuses on both leadership behaviour and the outcome of that behaviour, performance climate. Performance climate, in turn, correlates strongly with the output of the team. The behaviours of our leaders and the

climates created are measured regularly, once or twice a year, to allow leaders to have a realistic view of the effectiveness of their team and the value they add as a leader. Our goal is to have over 60 percent of our teams exceeding the high-performing climate threshold.

To build our World-Class Leadership, group-wide leadership development programmes, LEAD and GROW, were launched in 2016 and 2017. Since then, approximately 1,800 persons have participated in these programmes, including most of our current leaders. The common programmes continue on a smaller scale, but going forward, the main emphasis will be on evolving and applying our support portfolio for leaders and teams as we want to accelerate the transformation of our leadership. Making changes in one's leadership behaviour is not easy, and training programmes are ever only a beginning of a transformation journey.

Using our framework, we have collected relevant data for three years, and we now have a clear picture of the kinds of leaders and teams that bring the best business results. Our data shows that, on average, the measurable behaviours of our leaders account for 66 percent of the effectiveness of their teams. When we introduced the framework, 39 percent of our teams had high-performing climates. At the moment we are well above the 50 percent level. In addition, we have improved the effectiveness of our recruitment and assessment process: almost 60 percent of the recruited new

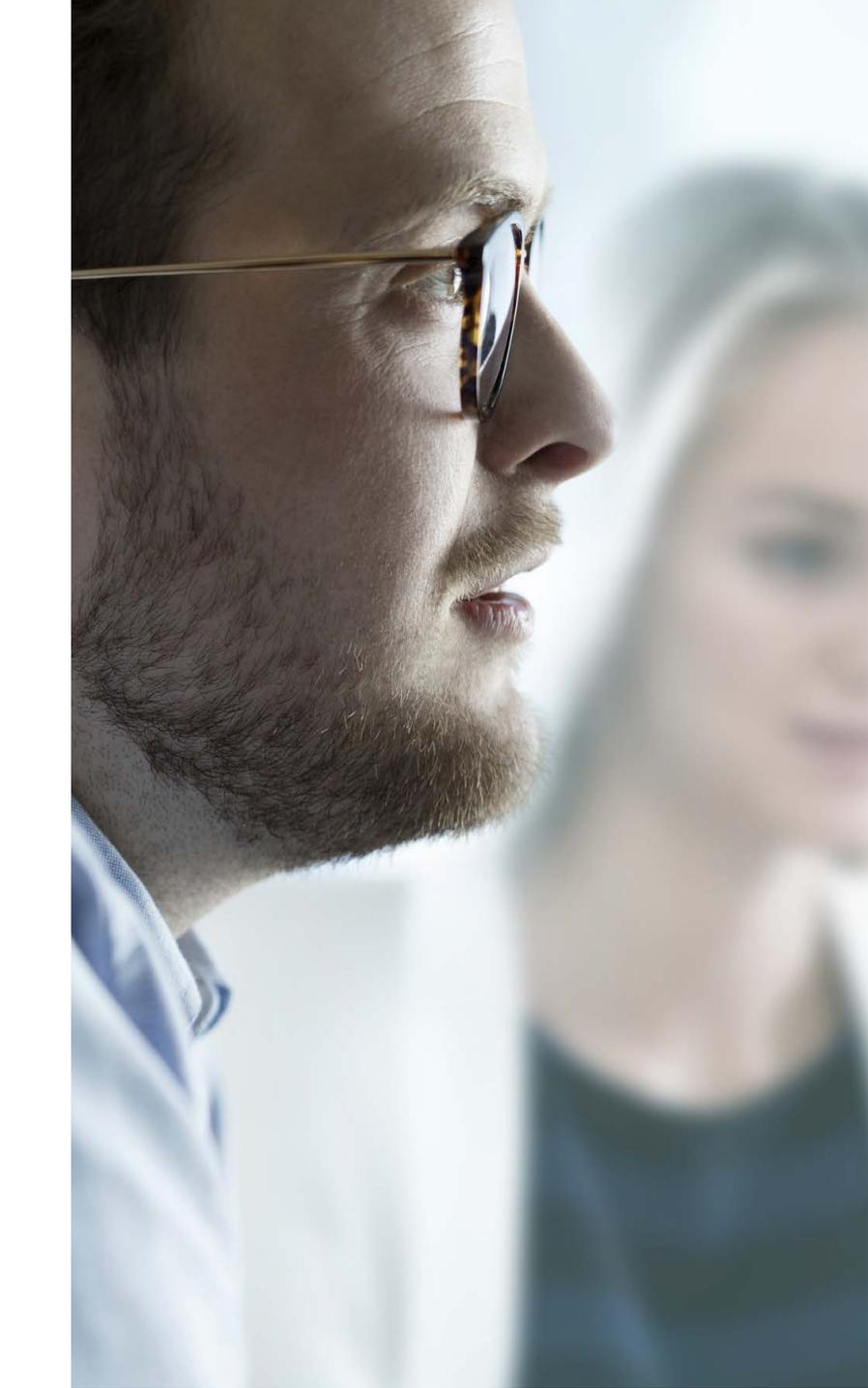


Year 2018

Company

Sustainability

Business areas



leaders are creating a high-performing climate. Our fact-based approach to talent management pays off but we are not yet satisfied with the results. We are set to continue our systematic efforts, and this unique data will help us in reaching our goals. It allows us to offer fact-based perspectives to our leaders and motivates them to make subtle improvements that drive performance.

As an important part of World-Class Leadership, we have put a lot of effort into succession planning. We have defined positions that are critical for our strategic success, and identified one or several suitable and interested successors for these positions. Armed with our leadership and system insight, the quality of our succession-related decisions has greatly improved, and we feel that our business is resting on a solid, sustainable foundation.

Performance management connects strategy to individual actions

To transform strategy into reality, strategic targets must be connected to individual performance plans and targets set for employees. To accomplish this, performance management processes have been among the focus areas in developing our HR work in recent years.

Our performance management is based on the Performance and Development Plan (PDP) concept and process. Using PDP, our line managers annually set and review personal targets with each team member, making sure that individual tasks and targets are linked to the company strategy. In 2018, the on-time PDP completion rate was 92 percent and digitalised PDP process covered 7,100 employees globally.

In addition to annual PDP discussions, we increasingly encourage a continuous dialogue within teams to discuss their performance, roles and work climate. This allows annual targets to be divided into shorter-term targets, and the progress towards them can be discussed in a flexible way. In 2018, we worked on designing the information systems needed for continuous performance management. The rollout of these systems will take place in 2019.

Company-wide incentive frameworks implemented

In 2017, we designed new global sales and production incentive frameworks to ensure that all our incentive programmes are relevant and aligned with our strategy and markets. In 2018, we worked on the implementation of these frameworks in our

business areas. Business-area-specific definitions were made for the time frames and business KPIs used to assess performance. These variations are necessary to take into consideration the different products and the production and sales cycles of our business areas.

In accordance with the must-win battles of the new strategy period, our sales incentive framework increasingly encourages customer centricity in sales work. The framework is built on the assumption that our sales persons not only offer customers products or services, but comprehensive solutions designed to answer our customers' needs.

All our incentive programmes reinforce our high-performing culture and the pay-for-performance philosophy. Our incentive programmes covered 7,300 employees in 2018.

Cargotec HR business platform ensures effective global operations and equal treatment of employees

Our common functional architecture, systems and tools, now near completion, form a solid basis for our HR work. Among them, the core enabler is ZONE, our online information system that we brought into use in 2014. ZONE collects all personnel information in a single interface and makes it possible to use harmonised HR policies, processes and tools across all our business areas and operating countries. ZONE is also the main platform for planning and analysing personnel-related activities, such as the performance management process, development needs, both external and internal recruitment, as well as salary and incentives. It ensures a fair and equal treatment of our employees globally.

An important tool included in the common HR platform is Compass, our annual employee engagement survey. Employee engagement refers to the strength of the mental and emotional connection employees feel toward the work they do, their teams, and the organisation as a whole. Through Compass, all our employees are encouraged to share their thoughts on a wide range of topics, from work-life balance, wellbeing and social responsibility to leadership and performance climate. Based on Compass results, managers organise feedback sessions and plan actions with their teams. The whole team monitors the progress of the agreed actions throughout the year.

The Compass 2018 survey had a participation rate of 85 percent (2017: 86). Employee engagement has slightly declined to 67 percent (2017: 69). However, we see continuous improvement in our leadership indices. The leadership behaviours index is up at 73 percent (2017: 71) and the climate index shows an increase as well, being now at 77 percent (2017: 76). Our expectation is that, with the new strategy being assimilated and leadership indices on the rise, the engagement will follow.

Cargotec Business Services (CBS), operating out of Sofia, Bulgaria, was launched in 2017. Serving HR, Finance and Indirect Procurement functions, CBS works to harmonise global processes across functions, business units and regions. Implementation has proceeded according to plan, and by the end of 2018, CBS was live in six countries, covering 25 percent of our total headcount. New, streamlined processes and tools have been defined to serve the businesses in an efficient and timely manner.

According to the current road map, all significant operating countries will be included in CBS by the end of 2020. Once the implementation is complete, CBS will be a strategic enabler for us, establishing one common way of delivering all business support services.

Development work continues in the new strategy period

As we have now defined and implemented common World-Class Leadership and performance management processes, we will next focus on developing our workforce and capability transformation and mergers and acquisitions (M&A) integration capabilities. With workforce and capability transformation, we mean the processes and tools to ensure that we have the right resources and capabilities in the right places for efficient strategy implementation. Strong M&A integration capabilities will help us to efficiently carry out people integration processes.

Much has been achieved in building a strong HR framework to support Cargotec's strategic transformation, but we keep up our pursuit for continuous improvement in the new strategy period.





Tone Wiese Mannsåker,
Manager, Project Support,
AOS Division, MacGregor.
Project support team
leader.

LEAD WITH PURPOSE

Leader's view

"Compass is a priority for me, and I have worked consistently with my Compass results over several years. The constant changes in and around my team have reflected in my Compass results where job security, engagement and drive and direction and strategy have been areas in need for improvement.

Together with my team, we have decided that our main focus is to increase engagement and drive. To do that, we have put special effort in creating an environment that is favourable for work satisfaction to keep our motivation high and help us deliver the best solutions for our customers. The GROW training gave me tools to further develop my leadership skills to help my team reach its targets."

EMPOWER FOR PERFORMANCE

Team member's view

"As a junior member of the team, I support the other members in all areas of Hiab's legal matters. From the beginning, I have felt comfortable working on this team. We communicate well, support one another and have fun together.

We are, of course, all responsible for creating a positive and effective work climate, but I believe that good leadership is of particular importance in this regard. We are fortunate to have a manager who leads by example, is easy to approach, takes everybody's needs, interests and development wishes into consideration, and always remembers to thank his team members for good performance."

COLLABORATE TO WIN

Customer's view

"As an international terminal operator, we work with Kalmar on many levels and have multiple touch points into their organisation. Of course, there are variations in the approaches across this spectrum, but overall the vibe at Kalmar is positive and they offer us flexible cooperation.

This is easy when things go as planned. However, the true essence of an individual's motivation and the team's performance comes out when we face hurdles. Over the years, I have seen a growing effort from the Kalmar team to step up in these cases, to be bold in taking either commercial or contractual risks with us in order to overcome the challenges. The true vibe of partnership with your supplier is revealed here. Kalmar has shown this, and has been open to receiving feedback for improvement."



Elina Haapasalmi, Legal
Counsel on Hiab's Legal
team. She joined Hiab 18
months ago as a legal
trainee and after her
traineeship continued to
work at the Legal team.



Robert Yuksel Yildirim,
President & CEO of Yildirim
Group of Companies, Chairman
of Yilport Holding Inc.

Yilport Holding Inc. consolidates the container terminal and port operations of Yildirim Group under one roof. It is acclaimed as the 12th biggest international container terminal operator in the world by Drewry's 2018 ranking.

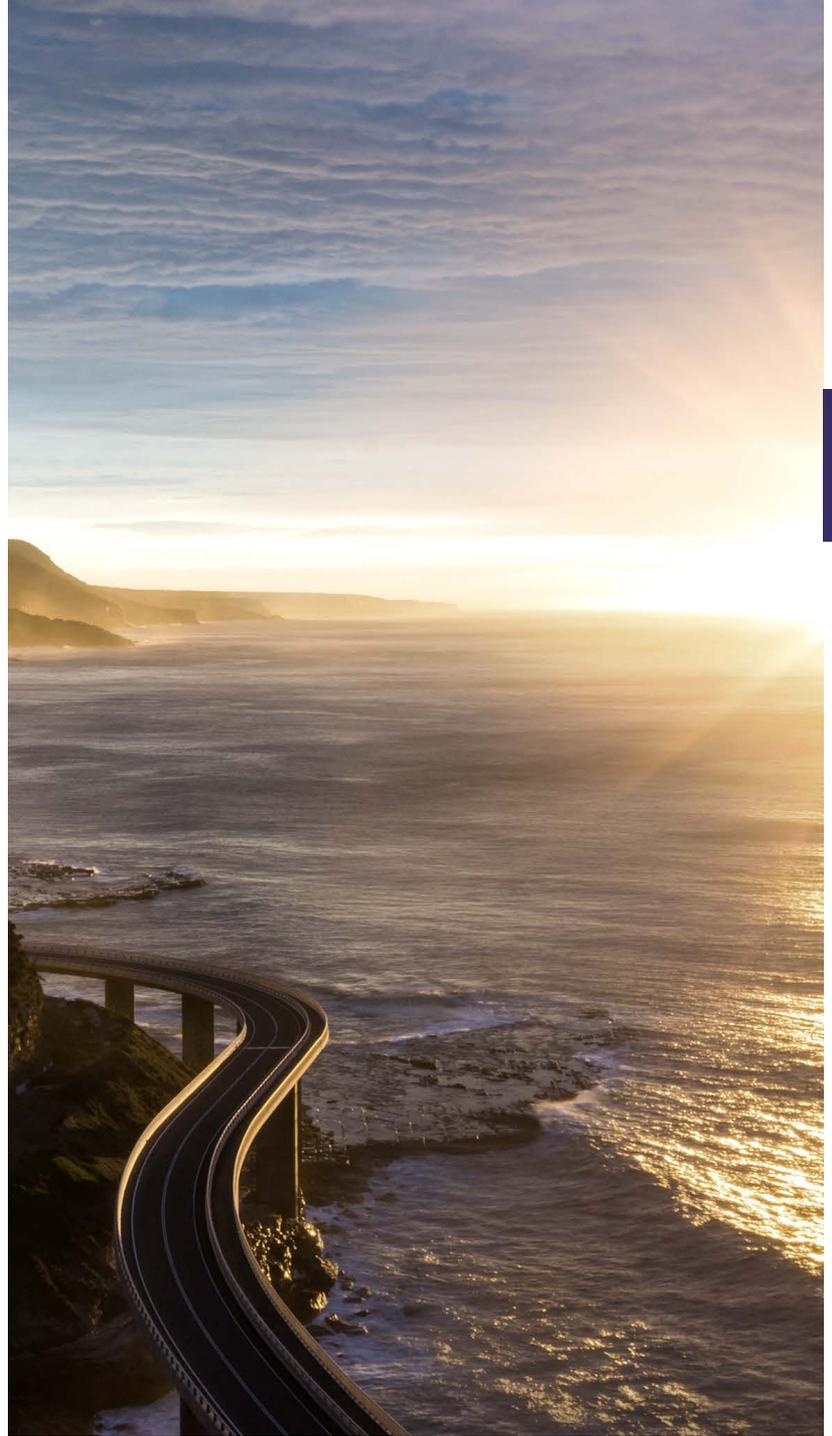
SUSTAINABILITY

SUSTAINABILITY AS A COMPETITIVE ADVANTAGE

Cargotec is connected to industries that produce the majority of world GDP (Gross Domestic Product). These industries also produce most of the global emissions.

To support an economically, environmentally and socially sustainable development, companies need to renew their operations, innovate new business models and collaborate more with each other. The needed changes will be challenging; however, we as a company see great opportunities to help companies move towards greater sustainability, and adapt our own operations to meet the United Nations sustainable development goals (SDGs).

The latest Intergovernmental Panel on Climate Change (IPCC) report highlighted the need to decrease CO₂ emissions at an unforeseen pace. The IPCC report is deeply linked to the UN SDGs through climate action, industry growth and innovation. We at Cargotec have developed our strategy to support both of these actions by focusing on digitalisation and productivity, and by advocating for a more-with-less approach both internally and in our customers' operations.



Year 2018

Company

Sustainability

Business areas

2018 sustainability targets

- IIFR* 4.0 in assembly sites
- 100 percent of Swedish and Finnish sites to use all their electricity from renewable energy sources
- Conduct a renewed human rights risk assessment on Cargotec operations
- 100 percent of strategic suppliers 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

* Number of injuries per million hours worked

2019 sustainability targets

- IIFR 5.0 in assembly (IIFR 4.0. by 2021 in all operations)
- 40 percent of electricity will be renewable (50 percent by 2021)
- Global chemical risk management project launched (ready by 2021)
- Re-audit 50 percent of suppliers that failed in the 2018 sustainability self-assessment questionnaire
- Renewed human rights risk assessment implemented in M&A cases

Digitalisation plays a key role in decreasing emissions in the maritime and transportation industries. It will also be a major enabler for a wider social change towards a more circular economy. In the future, data sharing, common platforms and collaboration will act as key drivers in achieving these targets and connecting industries.

By focusing on the electrification of traditional diesel-driven equipment, we help support a more sustainable logistics industry. Cargotec's offering for eco-efficiency portfolio supports our economic growth and sets an industry example on sustainability standards.

In 2018, we continued to expand our offering for eco-efficiency portfolio. With 17 products added during the year, the portfolio consists of solutions that enhance our customers' sustainability with either cleaner technologies, software solutions, or services that support circular economy. Each solution within the eco-efficiency offering has had to pass stringent criteria before being added to the portfolio. The sales of the eco-efficient offering amounted to 21 percent of our total sales in 2018. Read more at cargotec.com > Sustainability > Offering for eco-efficiency.

Operational sustainability work highlights in 2018

During the year, we achieved our climate target of powering 100 percent of our assembly sites, service sites and offices in Finland and Sweden with renewable electricity. Following this achievement, over 30 percent of our electricity is now

generated from renewable sources. The target was part of a bigger internal climate change mitigation process, which will continue in the coming years.

In our sourcing functions, we continued upgrading our supplier sustainability management programme. All our strategic suppliers have now been invited to adopt the sustainability self-assessment tool, which focuses on screening human rights and other sustainability risks in our supply chain. In addition, we proceeded with our supplier code of conduct process, which aims to mitigate any risks for breaching international human rights. Suppliers within the process now cover 80 percent of our direct sourcing spend.

During the year, we carried out an analysis of the most important operational aspects related to human rights risks and measures to mitigate those risks. We identified the main risks related to human rights violations in our supply chain and in activities concerning mergers and acquisitions (M&A). Managing human rights risks in the supply chain is now included in our sourcing sustainability programme. In terms of M&A-related human rights risks, we conducted a review and updated the process of screening possible risks in each M&A case more straightforward.

During the period, we achieved a satisfactory environmental reporting quality at all Cargotec sites. We were able to publish more environment-related data about our operations, and our health and safety report was published externally for the first time. The widening of the reporting scope had a clear impact on the final

OUR SUSTAINABILITY WORK



In our Supply chain

Supply chain management

A comprehensive sustainability self-assessment tool has been provided to all our strategic suppliers.

Supplier criteria, monitoring and audits emphasise labour management practices, human rights and safety.

In our Own operation

Mergers and acquisitions (M&A)

A comprehensive due diligence process including environmental, social and governmental aspects, is adapted in all M&A and integration cases.

Social responsibility

Yearly employee engagement surveys measure employee work commitment.

Human rights risk gap analysis performed and the action plan to mitigate those risks has been launched.

Clear non-discrimination and recruitment policies as well as HR processes are in use.

Comprehensive safety programme throughout the organisation.

R&D

Continuous R&D provides new environmentally friendly solutions which expand our eco-efficiency portfolio.

Facilities and environment

Efficient facility management with renewable energy programme and targets in place.

Constant environmental risk mitigation assessments.

Environmental certificates and management systems in use.

Compliance

Comprehensive anti-corruption compliance programme. Third-party risk assessment in use to mitigate violations.

Through our Solutions

Software

Our software offering can increase visibility, identify potential inefficiencies and help plan holistic improvements to increase the efficiency of resources used in cargo handling.

Service

Our service solutions can extend product life-time and enhance the efficiency of operations, supporting circular economy principles.

Products

Our hybrid, electric and energy efficient cargo handling solutions can enhance fuel efficiency.



figures. More information about these can be found in the separate Global Reporting Initiative (GRI) index on our website: cargotec.com > Sustainability.

The Industrial Injury Frequency Rate (IIFR) for Cargotec assembly sites was 6.7. We were able to bring the rate down at many of our assembly sites, with about 22 percent of them achieving IIFR zero levels. The service site IIFR is now reported for the first time, with the current rate being 9.5. We continue our efforts to further improve health and safety in all our operations.

To increase the visibility of and communication about our sustainable business operations, we participated in several sustainable investment conferences in 2018. As a global leader in intelligent cargo and load handling, we have put a lot of effort into our #SmarterBetterTogether concept, with which we want to boost an industry-wide discussion around three important challenges that we want to solve: reducing inefficiencies, improving eco-efficiency and improving safety throughout the cargo flow.

Sustainability governance

Sustainability is on the agenda of the Cargotec Board of Directors, and the Board reviews sustainability at least on an annual basis. During the strategy round, the Board also reviewed sustainability megatrends as well as related business and corporate responsibility actions. The Extended Executive Board conducts bi-annual sustainability reviews and approves corporate level sustainability targets. Cargotec's Senior Vice President, Communications is responsible for sustainability issues within the Extended Executive Board.

To ensure that targets match business area operations, the management teams of Kalmar, Hiab and MacGregor hold a sustainability review at least bi-annually for their respective business areas, reviewing and approving possible adjustment needs of the corporate level sustainability targets.

Operationally, sustainability is managed at both the corporate and business area level across organisational boundaries. The key responsible organisations are units working with strategy, quality, R&D, sourcing, QEHS (quality, environment, health and safety), corporate audit, HR and legal.

The corporate level sustainability targets are proposed, reported on and monitored by Cargotec's Corporate Sustainability function, and each business area has its own function responsible for coordinating its sustainability work.

The business areas and the Corporate Sustainability function jointly implement and monitor the sustainability targets in both shared and separate processes. In general, the results and anomalies are reported to the Extended Executive Board. In addition, certain sustainability perspectives, when relevant, are presented separately as part of other projects. Sustainability issues are always addressed separately as and when needed.

The Cargotec Sustainability Council aligns and agrees on actions taken on the corporate and business area level regarding the development, implementation and follow-up of sustainability targets and policies. The Sustainability Council consists of the Corporate Sustainability function (SVP Communications and Director Sustainability) and the corporate strategy and business area management team members responsible for sustainability issues.

Policies, management approach and grievance mechanisms

The main goals and principles of our sustainability work are defined by Cargotec's Code of Conduct and other related policies. The Code of Conduct defines our way of working. It describes the basic principles of ethical integrity together with our Anti-Corruption Policy, which categorically prohibits transgression of any kind in our actions. Cargotec Code of Conduct can be reviewed at www.cargotec.com.



Our social responsibility principles are defined in more detail in our Employment Policy and in other related HR policies. The implementation of HR policies is monitored primarily through our human resource information system ZONE, which has been in use globally since January 2015. ZONE offers good visibility of our workforce, enabling us to assess the implementation rate of certain HR policies and processes. To ensure that our social responsibility principles are understood everywhere at Cargotec, the Code of Conduct review is also included in Cargotec's Performance and Development Plan discussions.

Cargotec's EHS (environment, health and safety) policy determines our principles regarding environmental and safety management. The EHS policy is included in our integrated management systems, including processes described in the EHS and Quality management standards ISO9001, ISO14001 and OHSAS18001. The coverage of externally certificated systems at Cargotec's assembly sites based on volume are as follows: ISO9001: 93 percent ISO14001: 92 percent and OHSAS18001: 88 percent. The EHS policy is also integrated into the R&D processes in each business area to ensure that the environmental, health and safety aspects are taken into account in product development at a reasonable level within each individual product type.

Cargotec's supply chain management consists of Cargotec Sourcing Council, which includes Cargotec's CEO, business area presidents and sourcing heads. In its annual meetings the council reviews sourcing development including sustainability. Each of the three business areas have supply management teams that report directly to the business area in order to better support the needs of the business. Teams collaborate closely in, for example, supplier development and sustainability areas, to gain synergies across the entire corporation.

The supplier criteria applied on both the corporate and business area level aim to ensure that our suppliers conduct their business in compliance with international

human rights and environmental laws. In the supplier assessment checklist, 20 percent of the questions are related to issues regarding the environment, labor, ethics and compliance, or health and safety. All new suppliers are audited against this supplier criteria prior to acceptance. Additionally, new suppliers receive the sustainability self-assessment tool.

Cargotec's economic responsibility principles are prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Grievance mechanisms are reported to the Ethics and compliance team either directly or through the Speak-up line. The number of cases reported during 2018 was in the same range as in 2017. The grievance mechanism is managed by the Ethics and compliance function.

During 2018, 55 cases of potential misconduct were reported to the Ethics and compliance team. All reported cases were referred to the monthly Code of Conduct panel of the Extended Executive Board, which is chaired by the VP Ethics and Compliance. The Code of Conduct panel decides upon case closure, remediation and disciplinary action. During the year 43 cases were closed and improvement actions were initiated. Some cases resulted in disciplinary actions such as warnings, dismissals and termination of third party relationships. 17 cases reported during 2018 concerned HR issues seven (7) cases related to health and safety issues, two (2) reported cases related to information security, and 29 cases were related to unethical business conduct such as fraud, corruption or policy violations (impacts on society). There were no case reports related to suspected human rights violations, nor were there reports about environmental grievances. The Code of Conduct cases were reported to the Board of Director's (BoD) Audit and Risk Management Committee on a quarterly basis, and the VP Ethics and Compliance provided an annual update to the full BoD.





As part of the investigation process, the Ethics and Compliance team agrees with relevant management team members on remedial actions, such as improved policies, training or disciplinary actions. The final decision on disciplinary actions is made by the Code of Conduct panel.

30 percent of the electricity used by Cargotec is generated from renewable energy sources.

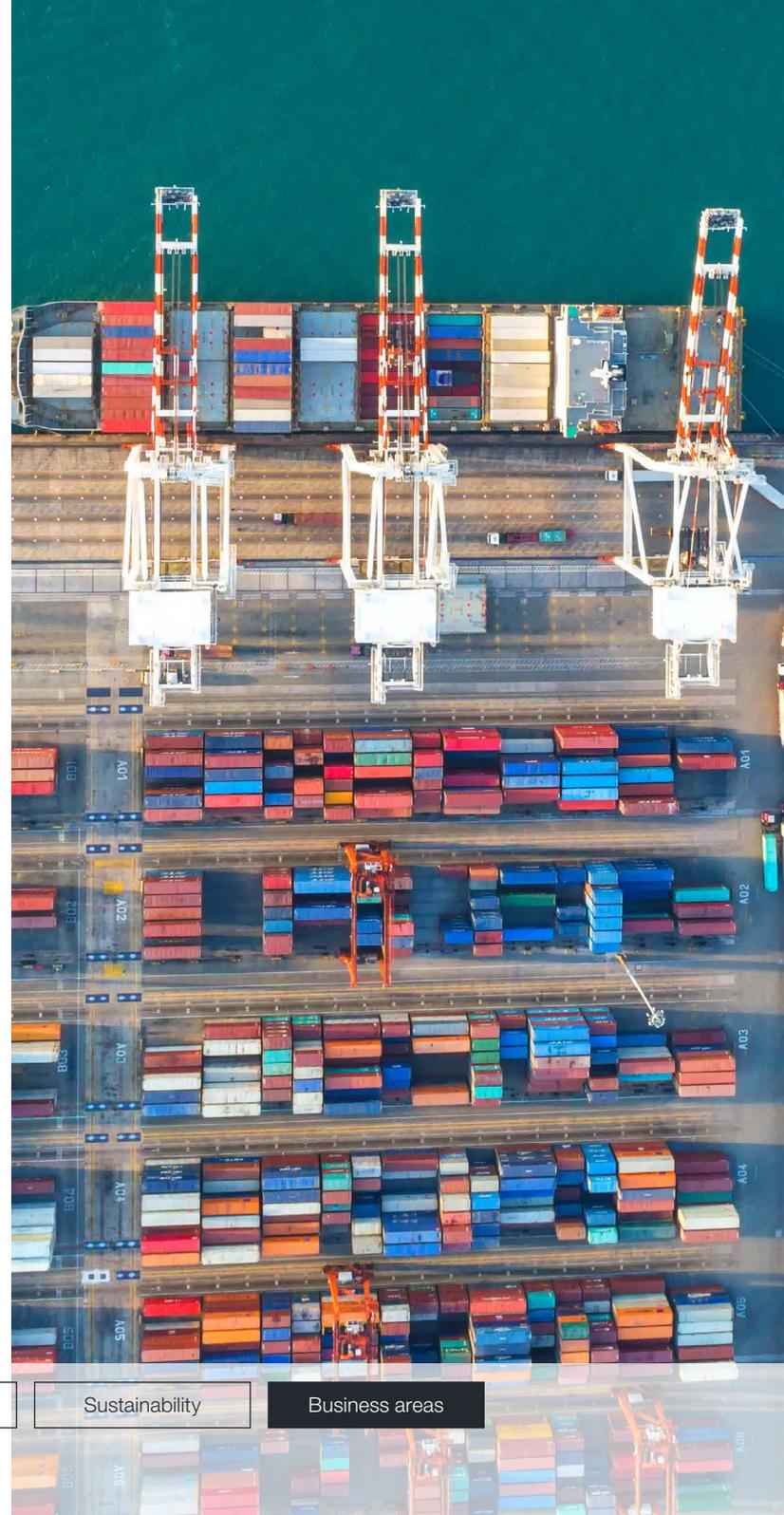
100 percent of assembly sites, service sites and offices in Finland and Sweden are powered by renewable electricity.

KALMAR

SHAPING THE INDUSTRY WITH OPENNESS AND ECO-EFFICIENCY

The year 2018 was positive for Kalmar. Order volumes increased and customers showed increasing interest in automation projects. We also made strong progress in promoting openness and eco-efficiency in our industry.

We believe in the successful development of the cargo handling industry through cooperation and sharing of ideas with our customers and partners, instead of each of us focusing on our own interests. In 2018, we initiated a dialogue on the key challenges and opportunities in our sector. In our own operations, we promoted transparency by, for example, developing our Kalmar Key automation platform – the only port industry platform that uses open interfaces – as well as by piloting the open XVELA collaborative stowage solution and by introducing our Kalmar Co-Create concept.



Year 2018

Company

Sustainability

Business areas

Kalmar in brief

Kalmar offers cargo handling solutions and services for ports, terminals, distribution centres and the heavy industry. Our vision is to be the preferred partner of our customers. Our mission is to help our customers to improve their productivity.

Offering

Kalmar's product range includes ship-to-shore cranes, rubber-tired gantry cranes, straddle and shuttle carriers, reachstackers, empty container handlers, terminal tractors, forklift trucks and automated guided vehicles. Kalmar's offering also covers maintenance contracts, technical support, spare parts, training and crane upgrades. The Kalmar Terminal Logistics System, Navis terminal operating systems, the XVELA collaborative stowage solution and Bromma container crane spreaders are also part of the Kalmar business area.

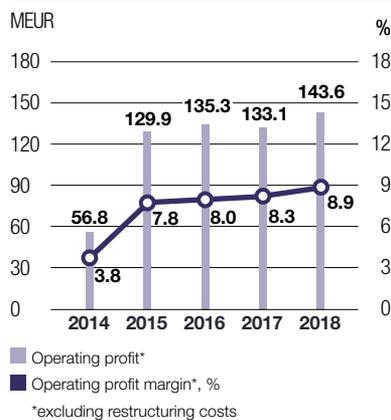
Sustainability

Our solutions and services help customers reduce fuel consumption and emissions, optimise cargo flows, cut costs and improve operational safety, equipment availability and lifetime. We are committed to have our full offering available as electrically powered versions by 2021. We drive a high-performing safety culture.

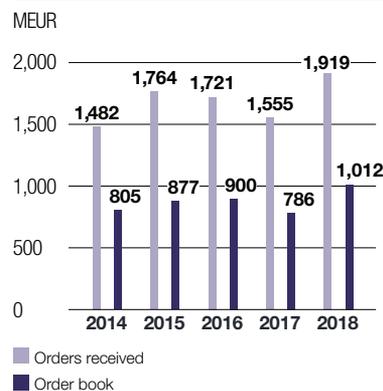
Customers

Our customers are ports and terminals globally as well as distribution centres and heavy industry mainly in Europe and in the United States. We collaborate closely with our customers, and our customer satisfaction level is good with the Net Promoter Score (NPS) at 24. NPS measures customer loyalty and likelihood to recommend to others.

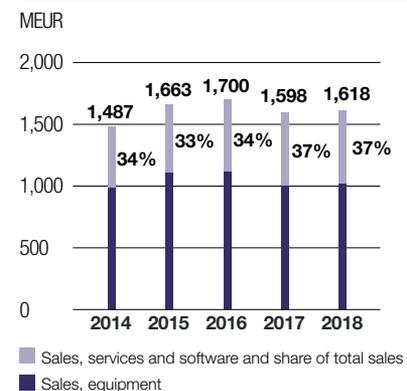
OPERATING PROFIT*



ORDERS RECEIVED AND ORDER BOOK



SALES



Year 2017 financial figures have been restated according to the new and amended IFRS accounting principles adopted on January 1, 2018.



We commit to emission reductions: our full offering will be available as electrically powered versions by 2021.



Over the past few years, we have systematically enhanced the eco-efficiency of our products so that our customers can reduce their environmental impact. In May, we announced our commitment to reduce cargo handling emissions by making our full offering available as electrically powered versions by 2021.

The importance of maintenance and service business is growing

Our Kalmar Cloud service increases the amount of data available from the equipment. At the end of 2018, almost 7,000 machines were connected to this service. We strive to further develop solutions that use operational data from the equipment, data analytics and diagnostics in order to provide intelligent maintenance solutions for all sectors. In 2018, we also revised our organisation to further increase the benefits provided by our maintenance and service business to our customers.

Growth in orders received, higher number of automation projects

The market remained calm in the first months of 2018 but picked up during the year, as a number of our long-term preparatory projects turned into orders. We secured five strategically important orders for automation projects around the world. In addition to extensive mega

projects, the range of automation projects was further diversified as customers were considering automation for smaller, existing port terminals and intermodal terminals where cargo is transferred from ships to inland transport.

Despite the fact that the world political situation caused uncertainty among customers, our order book still increased significantly. Our customers were particularly interested in smaller cargo handling equipment (mobile equipment).

Orders for Navis terminal operating systems developed favourably, and the piloting of XVELA collaborative stowage solutions with customers continued. Bromma, which manufactures container crane spreaders, performed well. Also the demand for Kalmar's straddle carriers remained strong, further consolidating our position as the market leader in this field. Our service business grew in line with our expectations.

Eco-efficiency as the key in solutions development

In April, we introduced Kalmar FastCharge AGV (Automated Guided Vehicle) whose power system is based on the latest lithium-ion battery technology. The fully electric power transmission is emissions-free at source.

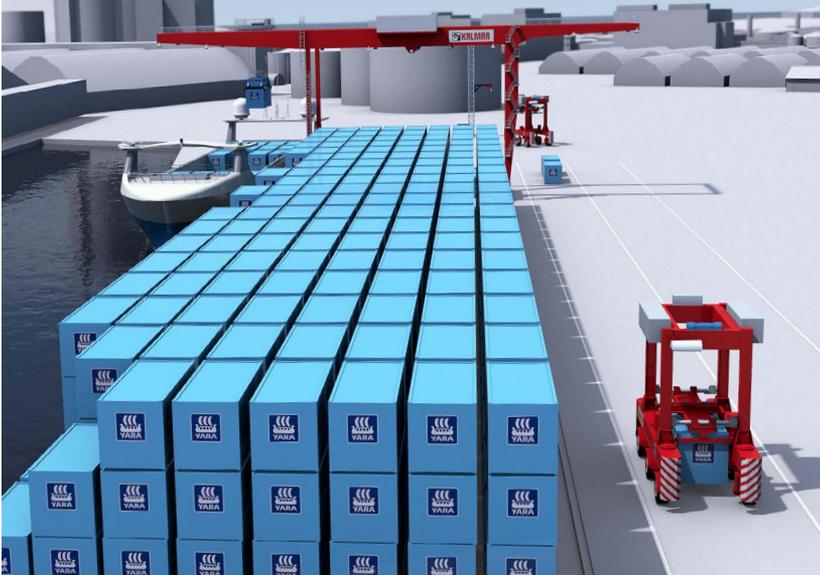
In June, we introduced our first solution to our new eco-efficient Kalmar Eco Range product range. The Kalmar Eco reachstacker significantly reduces fuel costs and consumption as well as CO₂ emissions. This will help our customers to achieve both current and future emissions limits.

We also launched our new-generation straddle and shuttle carriers with advanced electric systems and headlights for improved reliability, efficiency, driving comfort and safety.

Focus on our core businesses

In 2018, we sold the Kalmar Rough Terrain Center, a manufacturer of material handling equipment for rough terrain use. The transaction is in line with our strategy, according to which we will concentrate on container ports, heavy industry and distribution segments. We also signed an agreement with JCE Invest AB to establish a joint venture focusing on the handling of dry bulk cargo. In the future, the new Bruks Siwertell Group will own Siwertell AB, previously part of Kalmar, and BRUKS Holding AB, previously part of JCE Group.





CASE

Autonomous, zero-emission cargo handling solution for Yara

Kalmar will deliver fully autonomous equipment, software and services for a fully digitalised container handling solution at Yara's facility in Norway. This means that all necessary operations related to the world's first autonomous and electric container vessel Yara Birkeland, including loading, unloading and sailing, will be conducted in a fully autonomous manner, with zero emissions.



CASE

The new, upgraded Kalmar Insight

In 2018, we continued to develop Kalmar Insight, a cloud-based tool that provides customers with increasingly comprehensive information on their cargo handling operations to support their decision-making. The service gathers both real-time and historical data from various sources to facilitate maintenance operations and optimise performance. In the future, Kalmar intends to concentrate other digital services related to cargo handling on the same platform.

CASE

Kalmar Future Generation

In May, we published our vision for Kalmar's small cargo and material handling equipment. We believe that electricity will be increasingly used as a power source and that purpose-built design and integrated serviceability will enable maximum availability and performance for the material handling fleets. In the near future, driverless vehicles will expand the benefits of automation to the entire logistics chain, and new technology will help our customers to remain ahead of the game.



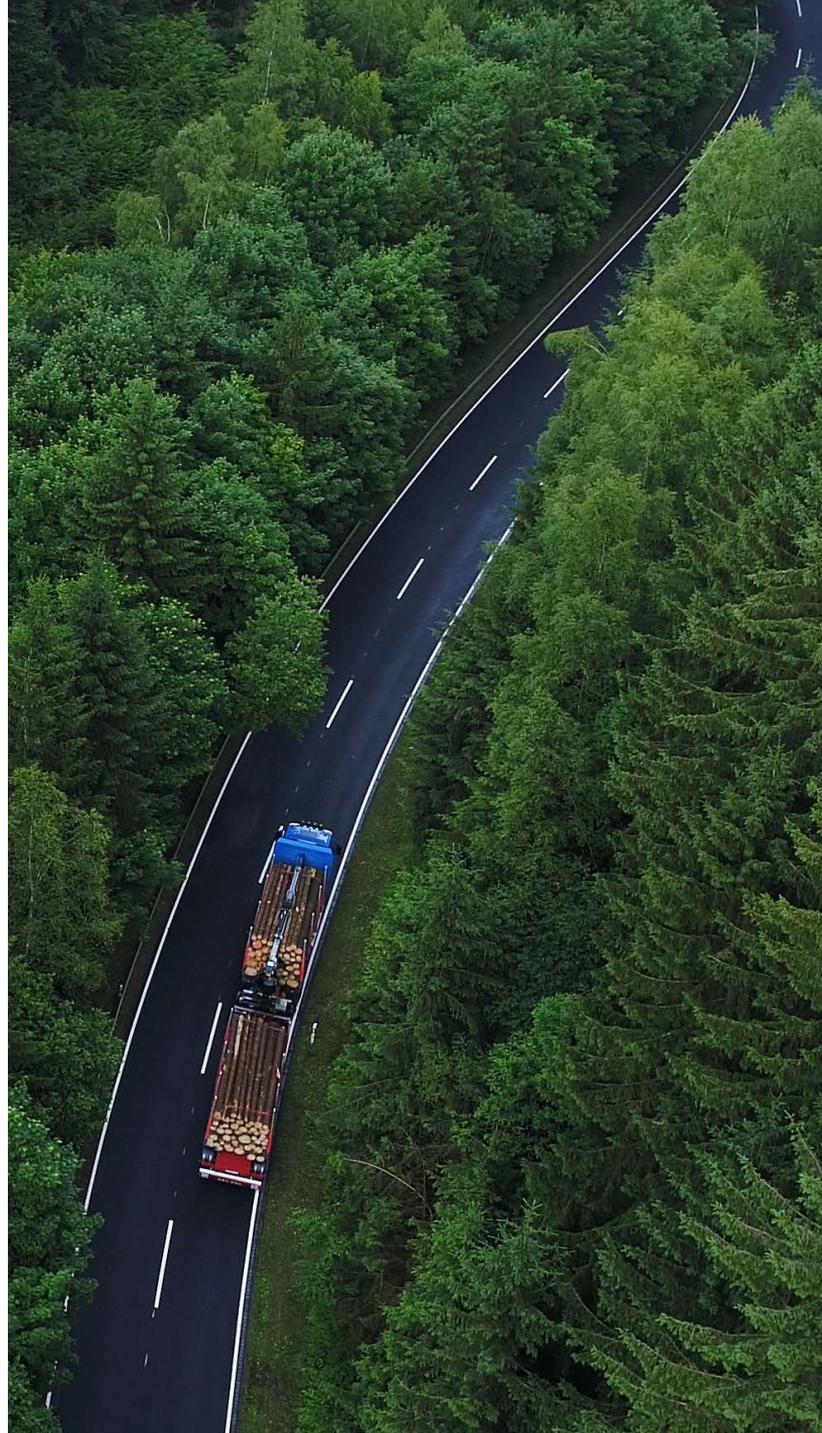
HIAB

CONTINUING ON THE GROWTH JOURNEY

Hiab's sales and orders received increased in 2018 for the fifth consecutive year. Our expertise in smart, digital and connected solutions puts us at the forefront of the industry.

In 2018, Hiab delivered a sustainable growth, growing its order book by 51 percent, orders received by 13 percent, and sales by six percent. As the leader in on-road load handling, we see continued potential for long term growth in the industry.

In 2018, we invested further in our services and in our digitalisation and automation capabilities with a specific focus on sustainable, forward-looking and fuel-efficient solutions, skills and services. We build efficient platforms and equipment for our customers, offering data-driven solutions that make their businesses more efficient. We focus on increasing our own productivity and agility, for example, with digital platforms to serve our customers even better.



Hiab in brief

Hiab is the world's leading provider of on-road load handling equipment, intelligent services, smart and connected solutions. Our vision is to be the number one partner and preferred load handling solution provider to our customers.

Offering

Hiab's class-leading load handling equipment includes HIAB, EFFER and ARGOS loader cranes, LOGLIFT and JONSERED forestry and recycling cranes, MOFFETT and PRINCETON truck mounted forklifts, MULTILIFT skiploaders and hooklifts, and tail lifts under the ZEPRO, DEL and WALTCO brands. Hiab ProCare™ service, the award-winning HiVision™ crane operating system and the HiConnect platform demonstrate Hiab's constant drive to provide intelligent services and smart solutions that add value to its customers.

Sustainability

We are committed to safe and compliant operations and regular supply chain sustainability assessments. We want to continuously improve quality, durability and safety in our development work. Our eco-efficient, silent and emission-free solutions help our customers enhance their operations in urban night-time deliveries, for example.

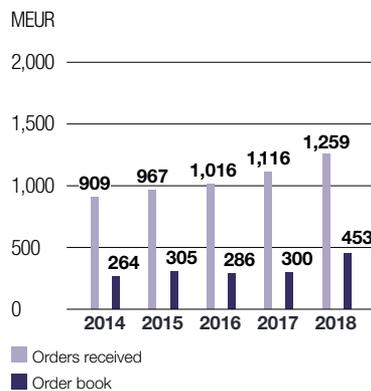
Customers

Our customers come from a broad range of industries and segments, for which our load handling solutions create value. We serve customers that range from single truck and small fleet owners to international fleet operators, across private and public sectors. In 2018, our Net Promoter Score (NPS) index was 21 (total) and 30 (direct customers). NPS measures customer loyalty and likelihood to recommend to others.

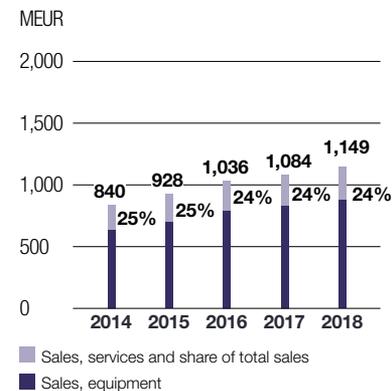
OPERATING PROFIT*



ORDERS RECEIVED AND ORDER BOOK



SALES



Year 2017 financial figures have been restated according to the new and amended IFRS accounting principles adopted on January 1, 2018.





Hiab was founded 75 years ago, inspiring and shaping the load handling industry ever since.



Positive macroeconomics, profitability challenges

Our business environment remained favourable in 2018. We see continued positive momentum particularly in services going forward. Underlying macroeconomics and industry-specific indicators (e.g. construction, manufacturing, housing and truck registrations) were still at high levels in the US and in Europe. Growth continued also across most of APAC.

Despite our positive progress in sales and orders, our operating profit declined. This was due to the weakening of the US dollar compared to the euro, as well as additional costs related to supply chain.

Shaping and inspiring the industry

Scott Phillips started as the President of Hiab in October. He succeeded Roland Sundén, who led Hiab during the years of our business turn-around and into the growth achieved during 2014–2018.

In 2018, we significantly complemented our loader cranes portfolio and expanded our range of heavy cranes in the 100+ tonnetres segment by acquiring the Effer cranes business, a global leader in this segment with a complementary sales and distribution network.

We continued to renew and expand our class-leading product portfolio, and smart and connected solutions. HiConnect™ enables real-time insights into our customers' fleet, load handling equipment utilisation and operation, enhancing uptime, productivity and safety.

Our demountable portfolio was upgraded. MULTILIFT Commander provides a new way to handle containers safely and efficiently and MULTILIFT Ultima represents the next generation of hooklifts. We also introduced new HIAB building material cranes and the JONSERED recycling crane portfolio in 2018.

In July, the Hiab business lines were awarded new, stricter individual ISO certifications for quality assurance, sustainability and safety, replacing previous Hiab-wide ISO certifications. In November, Hiab was named the Quality Organisation of the Year at the International Quality Awards.

Launched in 2016, the award-winning HiVision™ virtual reality-based crane operation system improves the working environment and safety of crane operators. In 2018, the HiVision™ solution is present in more than ten markets, has received several innovation prizes, and has expanded from forestry to other areas, such as waste and recycling.

Services capture the customer lifecycle

During the year, we further developed our service programmes and network to better capture the lifecycle of our customers.

After a successful introduction in the United Kingdom and the Netherlands, we rolled out our ProCare™ Total Repair & Maintenance (R&M) as a global concept. Customers using ProCare™ Total R&M benefit from increased equipment uptime and a reduced total cost of ownership.

We got closer to our customers by expanding our service footprint in the United Kingdom, Germany, France and Sweden. Our installation and competence centre in Meppel, Netherlands, offers the ready-to-be-installed Hiab modular FrameWorks™ solutions as well as truck bodies and complete vehicle solutions for our customers in the region. Our web shop for spare parts now covers 46 countries.

In 2018, HiVision™ received an upgrade that allows technicians to perform maintenance operations remotely. The first remote service action was done to a Japanese customer.





CASE

MOFFETT E-Series zero emissions helps with out-of-hours deliveries

The leading UK retailer Pets at Home makes 1,400 store deliveries per week, 80 percent of them after 8 p.m. Due to the time and their urban delivery locations, they needed a silent solution. They chose the Hiab MOFFETT E-Series forklift, the world's first electric truck-mounted forklift truck, which is virtually silent and emission-free. Pets at Home received an award for excellence for its industry-leading approach to noise reduction by the Fork Lift Truck Association.



CASE

Procare™ increases uptime with reduced cost of ownership

Hiab rolled out its ProCare™ Total Repair & Maintenance programme as a global concept in September. At a fixed monthly price, trained professionals maintain the customer's Hiab equipment using original spare parts. There is a clear customer demand for increasing equipment uptime and retaining value, while at the same time reducing the total cost of ownership. After its global launch in September, service contracts have already been sold in the US and Australia.



CASE

Hiab Vision Lab pushes the envelope

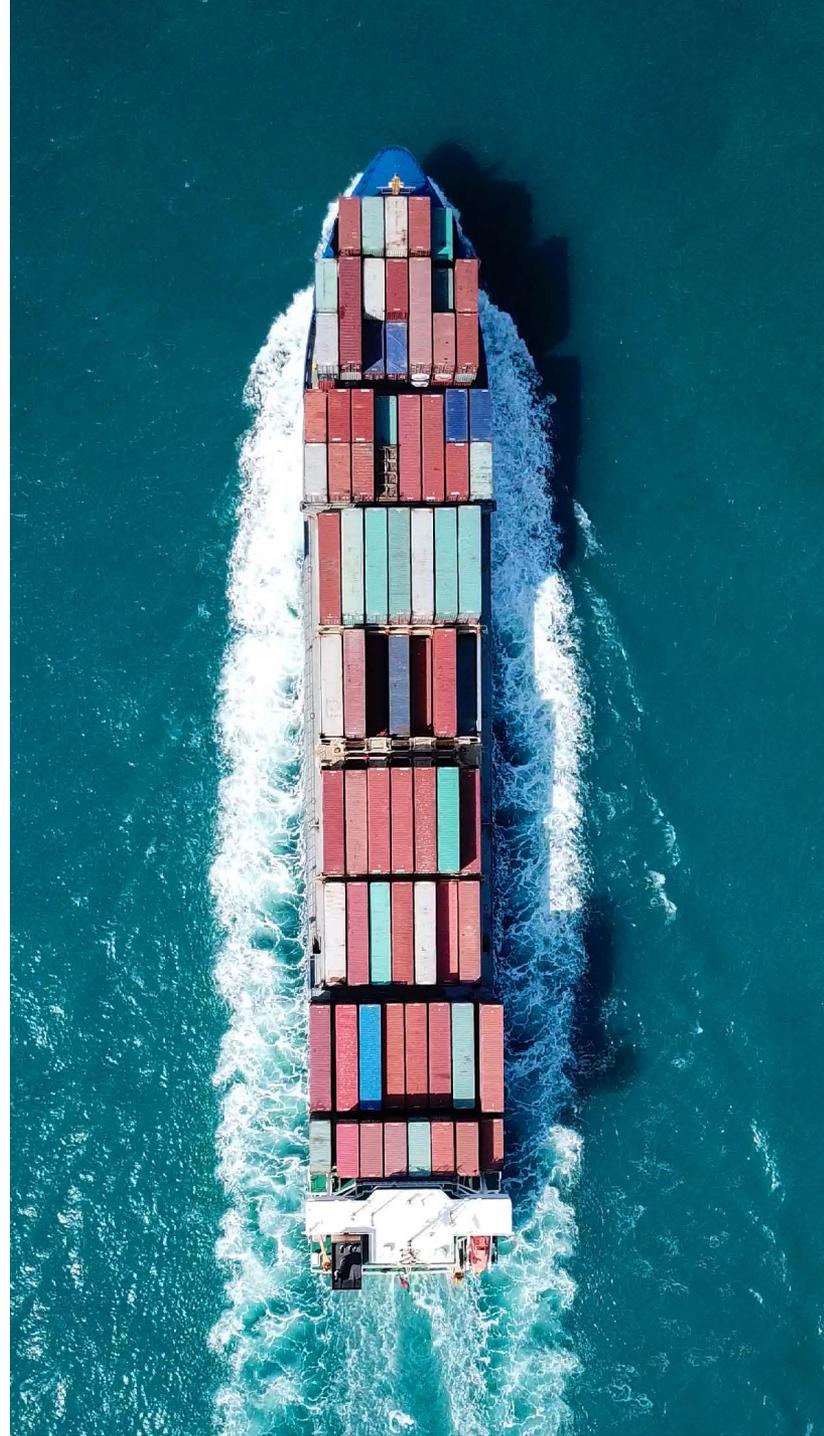
In February, Hiab's Test and Innovation centre in Hudiksvall, Sweden, was expanded to include the Vision Lab. It allows Hiab to develop new solutions utilising advanced vision technology. In collaboration with customers and partners, Hiab can simulate customer challenges and create tailored solutions where needed, as early as during the solution development phase.

MACGREGOR

PROFITABILITY MAINTAINED

Despite ongoing market challenges, MacGregor kept its business, excluding restructuring costs, at a break-even level in 2018. We continued to strengthen our footprint in Asia during the year.

Our traditional service business improved slightly, with equipment orders received roughly at the 2017 level. On the merchant shipping side, we saw some positive developments in new vessel orders, although the market upturn was slower than expected. Whilst the mooring side of the offshore solutions business did well, the load handling activity level remained low.



MacGregor in brief

MacGregor aims to be recognised as the leader in intelligent maritime cargo and load handling by becoming the preferred provider of lowest total cost solutions for shipbuilders, and the preferred partner for ship owners and operators through enabling highest lifecycle value.

Maritime markets and offerings

We offer engineering and lifetime service solutions for merchant cargo and passenger vessels; the offshore oil and gas and renewable energy sectors; fishing, research and marine-resource vessels; naval operations and logistics vessels, and ports and terminals. Our strong portfolio includes MacGregor, Hatlapa, Porsgrunn, Pusnes, Rapp, Triplex and Flintstone.

Sustainability

We support sustainable development by providing our customers with eco-efficient solutions and services that help them optimise cargo and load handling flows as well as port turnaround times, improve safety, extend equipment service life, reduce environmental impact and emissions. Our cargo boost services, for example, can reduce emissions per transported cargo unit.

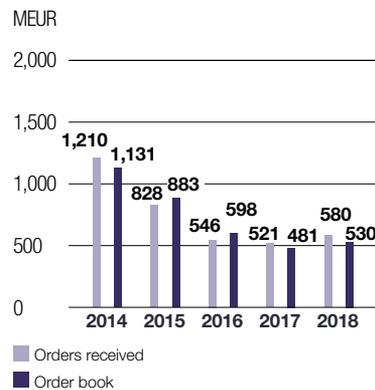
Customers

Our customers are shipbuilders, owners and operators whom we serve in maritime and offshore segments with our solutions and services. Our most recent overall customer satisfaction index is from 2017, when it was 74 percent.

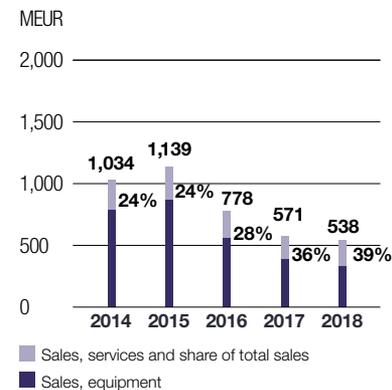
OPERATING PROFIT*



ORDERS RECEIVED AND ORDER BOOK



SALES



Year 2017 financial figures have been restated according to the new and amended IFRS accounting principles adopted on January 1, 2018.





We are enhancing our customers' operations through digital solutions.



Strategic actions improve our capabilities and market reach

During the year, we strengthened our capabilities and offering through acquisitions and joint ventures.

We completed the acquisition of Rapp Marine in February, strengthening our offering for fishery and research vessels. Rapp is the market leader in electrically driven systems and, together with the Triplex product range, provides a strong platform for future growth in these segments.

We announced the acquisition of the marine and offshore businesses of TTS Group, a global provider of cargo handling equipment and services for merchant and offshore ships, in February 2018. The combination of MacGregor and TTS will produce greater scale and diversification and strengthen MacGregor's portfolio and market position. We expect to close the transaction during the first quarter of 2019.

Strengthening our position in Asia

In October 2017, we moved our global head office to Singapore, where we have been present since 1974, to be located closer to our customers in Asia. In 2018, we continued to develop our presence in one of the world's leading maritime hubs. In addition to a growing ship owning community, more than 80 percent of global commercial shipbuilding now takes place in Asia.

To expand our footprint in China, in April we opened our first joint venture with Nanjing Luzhou Machine Co., Ltd, owned by the China State Shipbuilding Corporation (CSSC).

In October, we signed a Letter of Intent to strategically cooperate with CSSC. Our partnership with CSSC, spanning more than 30 years, provides a strong foundation for future cooperation.

Whilst developing our position in Asia, we are not forgetting our European heritage or the need to remain equally focused on meeting the expectations and requirements of our customers worldwide. Our global network now covers more than 30 countries, through which we support our customers wherever they operate.

Enhancing our customers' operations through digital solutions

Together with ESL Shipping Oy, part of Aspo Plc, we developed and installed autonomous discharging cranes for their innovative and environmentally friendly bulk carriers. These cranes will be the world's first autonomous discharging cranes equipped with self-learning capabilities.

As an integrated part of the Kongsberg Maritime automatic mooring solution, MacGregor equipment will enable mooring operations to be undertaken without human intervention.

MacGregor OnWatch Scout offers a new intelligent service for merchant ship owners. The service predicts and monitors potentially critical issues, enabling preventative actions to be taken and thereby reducing costly unplanned downtime and avoidable expenses. It also lets MacGregor experts establish a remote connection to installed equipment and assist with resolving performance issues.

Our new Voyage and port optimiser is currently the only platform developed for pure car truck carrier operators that enables analysing port calls and identifying efficiency improvements. It can save operators as much as USD 2.5 million per vessel per year and reduce environmental impact.

Our most recently introduced solution is the breakbulk optimiser, which is the first automated cloud-based cargo stowage application. It optimises the stowage of breakbulk and general cargoes to increase vessel utilisation rates and improve our customers' business performance.





CASE

Global Product Support Centre enables better customer service

During the year, the Global Product Support Centre (GPSC) in Gdańsk, Poland, further enhanced our ability to serve customers around the world. The GPSC concept expanded to Singapore at the end of the year.

CASE

Students collaborated to improve stevedore working conditions

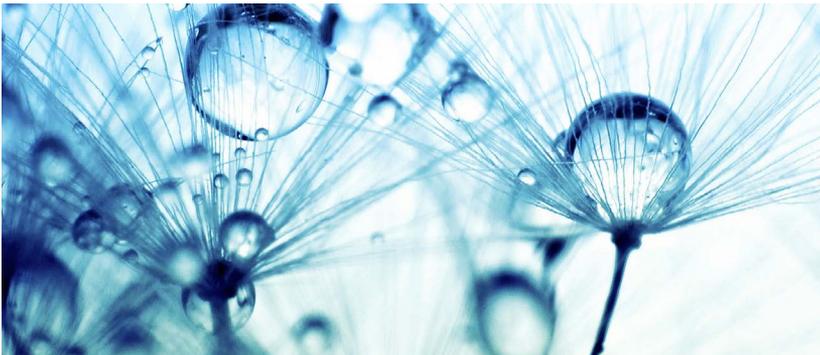
A Finland-Singapore Maritime Innovation Camp held in Singapore in September sought ways to improve stevedore working conditions. The Camp brought together university students from Turku, Finland, and from two Singaporean universities. The challenge was to find ways to reduce the stress level of stevedores as they work onboard. The winning team comprised members from the Turku School of Economics and the National University of Singapore.



CASE

Environmentally friendly lubricants and oils

Our customers are moving to environmentally acceptable lubricants (EALs) and biodegradable hydraulic oils. To support this development, we created a green conversion service that combines the use of an environmentally compliant hydraulic oil with an accurate method to measure the cleanliness of the hydraulic system. Several RoRo vessels were converted as part of service testing during the year, with further similar projects underway.



Cargotec's reporting for the year 2018 consists of five documents: the Annual review, the Financial review, the Corporate governance statement, the Remuneration statement, and the GRI index. All documents are available on the company website www.cargotec.com.



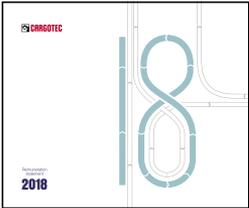
Annual review 2018



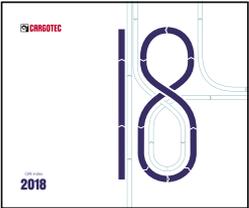
Financial review 2018



Corporate governance statement 2018



Remuneration statement 2018



GRI index 2018

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