

CARGOTEC

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Global footprint – local supply



HIAB • KALMAR • MACGREGOR

Cargotec Supply

Mission and vision

Cargotec Supply drives efficiency in the supply chain. A world class supplier with local presence, supporting Cargotec's global business objectives.

Ambition

Be the preferred supplier for Cargotec business areas and product.

Objectives and targets

- Quality
- Speed and flexibility
- Cost competitiveness
- Continuous improvement

Mode of operation

Customers



Markets

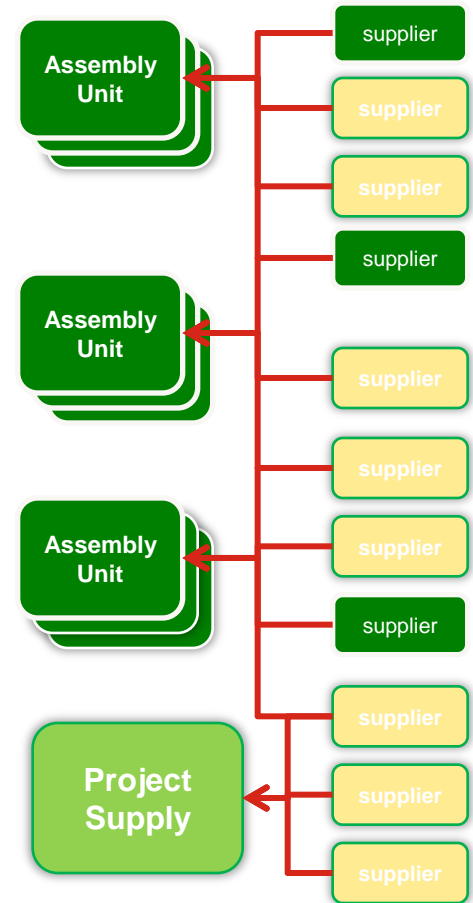


Solutions

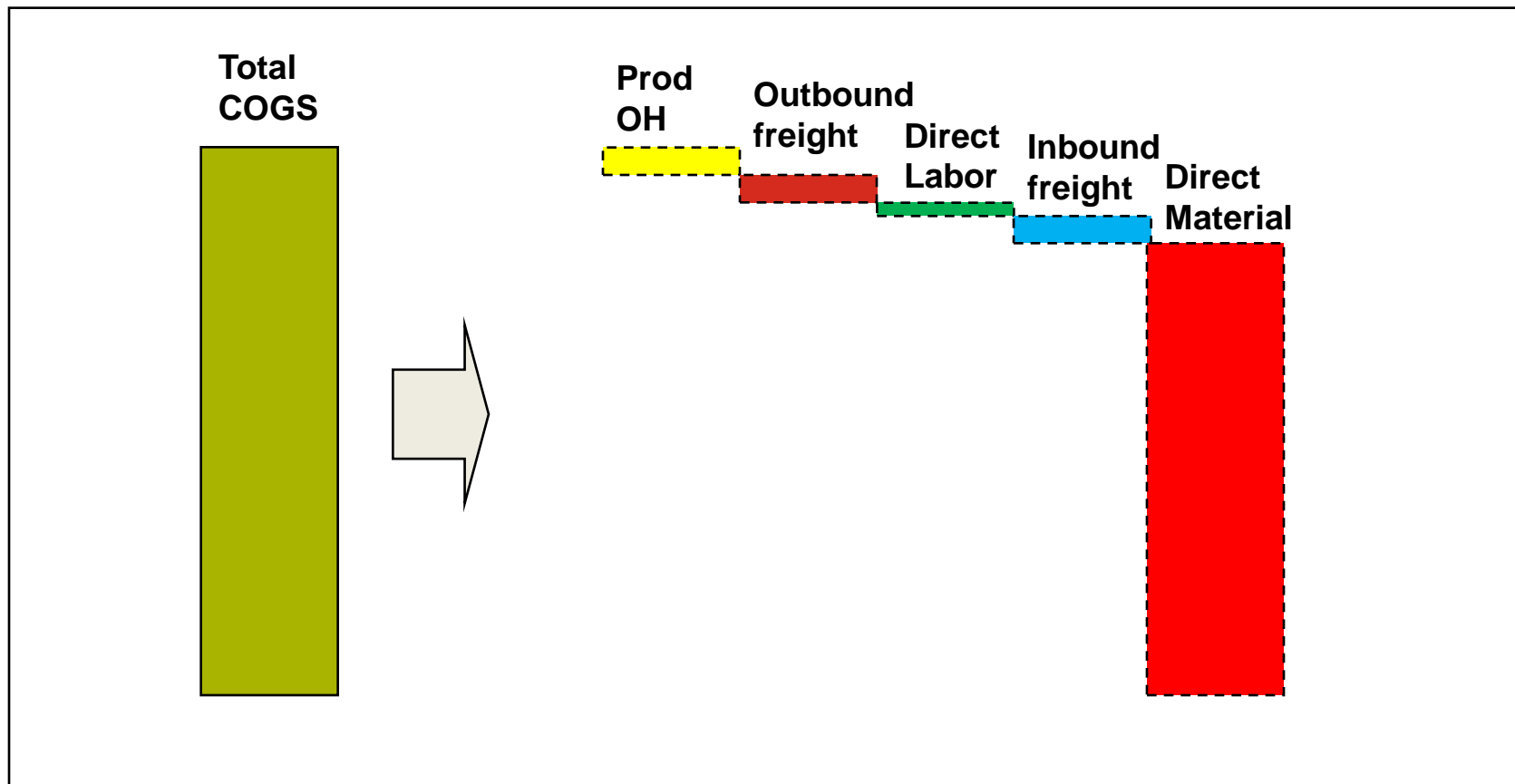


Product Supply

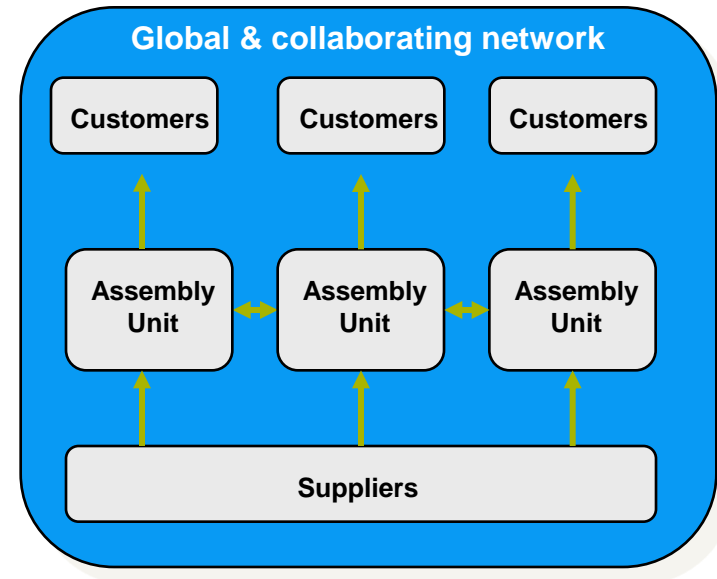
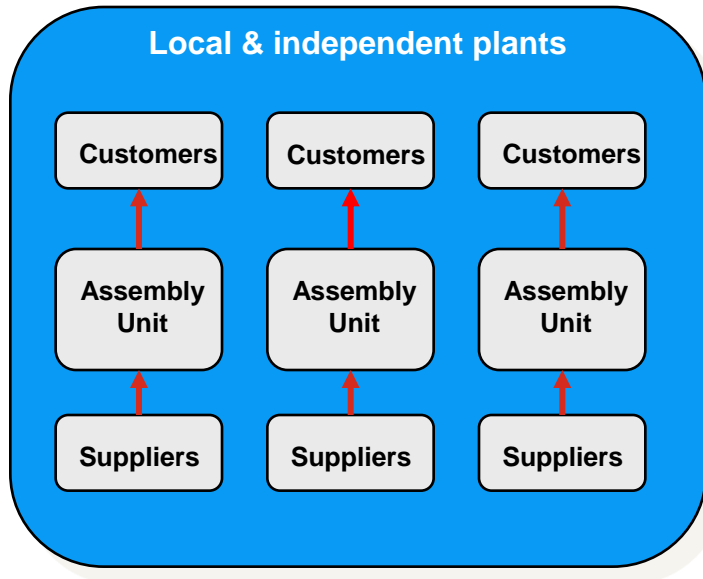
Global Coordination



Optimising cost of Product Supply means optimising all parts of cost of goods sold (COGS)



The Supply has developed



From “Site oriented”...

- No co-ordination between Hiab, Kalmar and MacGregor.
- Tradition manufacturing style (high level of buffers)
- Many small, local factories serving global product lines
- All factories worked in different ways and no common processes
- Sourcing, logistics and quality was locally driven

...to “Supply industrial system”

- One single Supply organisation
- A global network
- Lean production concept (reducing waste)
- Factories assemble a wide range of equipment
- New ways of working - One Company approach
- A global sourcing, logistics and supplier quality organisation that take full advantage of the total product volumes

Outsourcing of component production

- **Our core processes**

- Assembly
- Sourcing
- Logistics

- Component manufacturing is not a core process

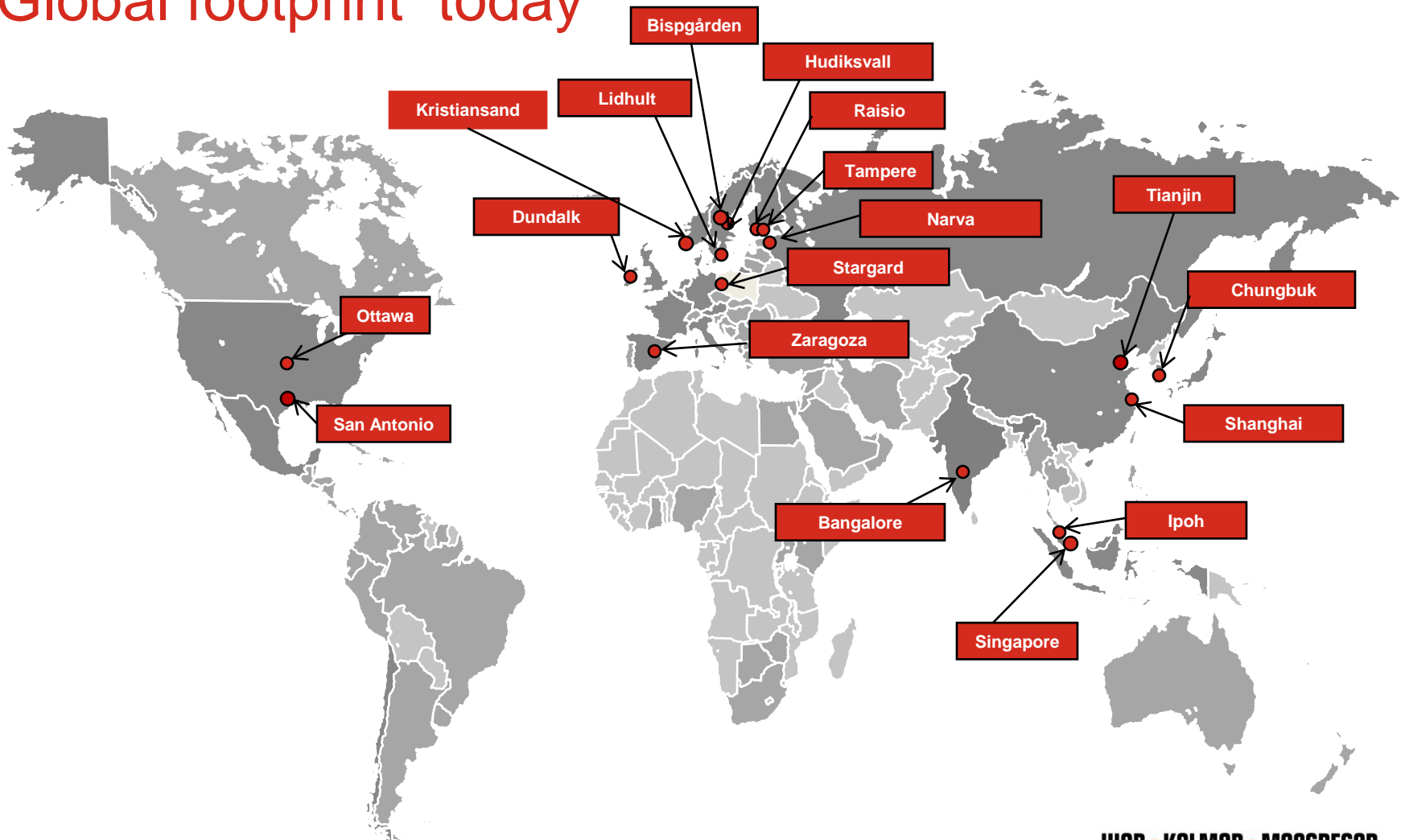
- We cannot be leader in component manufacturing

- We need to increase our flexibility in order to handle volume volatility

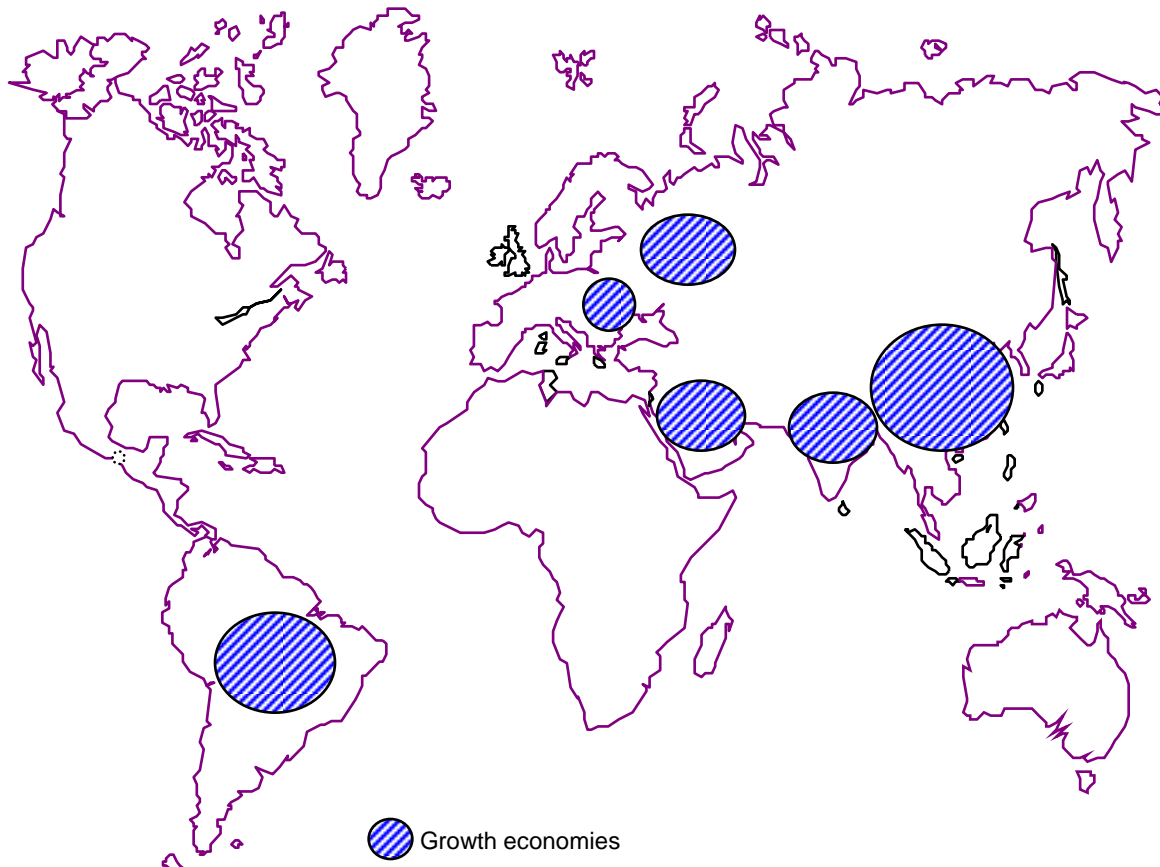
- Component manufacturing requires significant fixed assets and working capital

- **The consequence is that we will outsource or divest our existing component manufacturing over time**

Global footprint today



Supply strategy



Close to the customers

Competitive supplier structure

MAUs with competitive cost structure

Focus moving from downsizing and rebuilding to deliveries, quality and cost efficiency

2009

Cost/efficiency

- Downsizing, mainly in factories > 1,700 employees (47%)
Factory closings in 2009: Finland, US, Sweden, the Netherlands and Indonesia
- Inventories -53%

Global footprint strategy

- MAU Stargard
- MAU Shanghai phase II
- Focus on assembly (outsourcing)

2010

Deliveries

- High flexibility and short lead times
- Develop S&OP process further
- Secure availability of components

Quality

- Multi certificate
- Global Claim System
- Common Tools and processes, ability to track production related quality cost

Cost efficiency

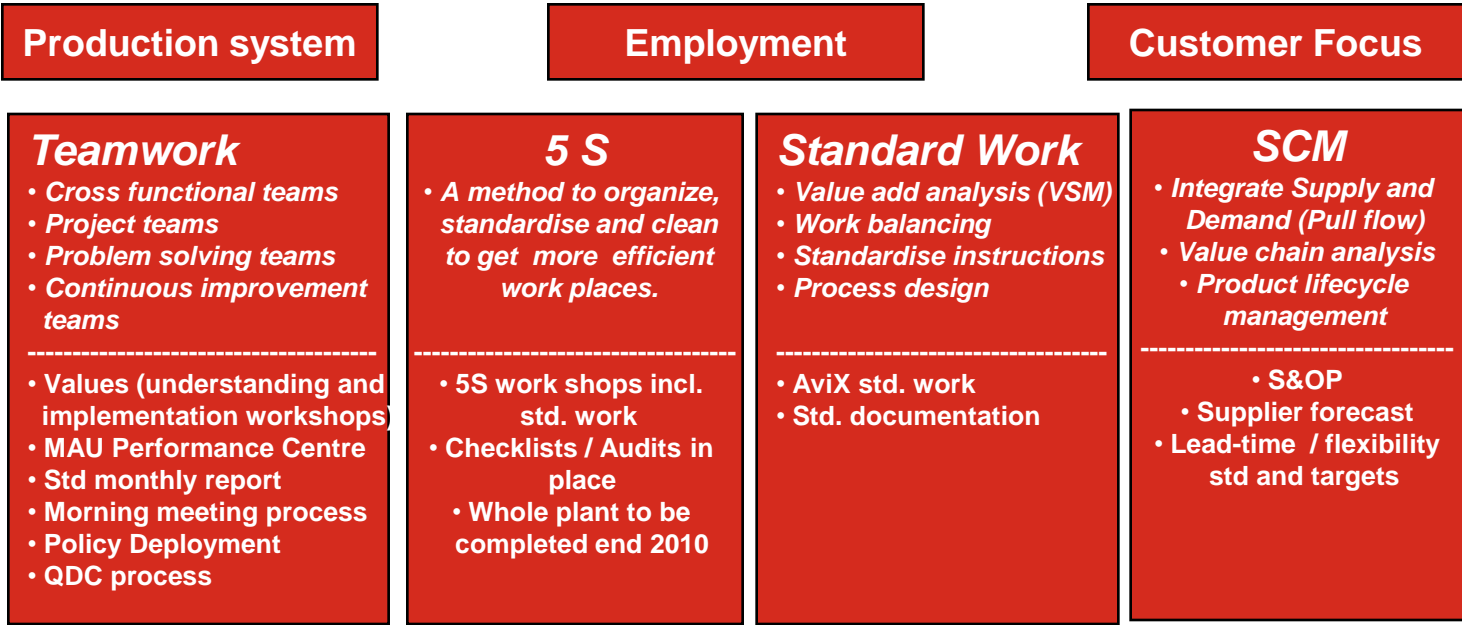
- Cargotec Production System (CPS)
- Move from high to low-cost countries
- Consolidation of suppliers

Production system

Lean production concept

To be the world's leading provider of cargo handling solutions

To improve the efficiency of cargo flows



Production system

- Involves using less of everything – capital, inventories, time, human effort – across all aspects of production and service delivery
- Lean thinking concept, originally developed by Toyota
- All MAUs have a Performance Centre



Responsible operational practices

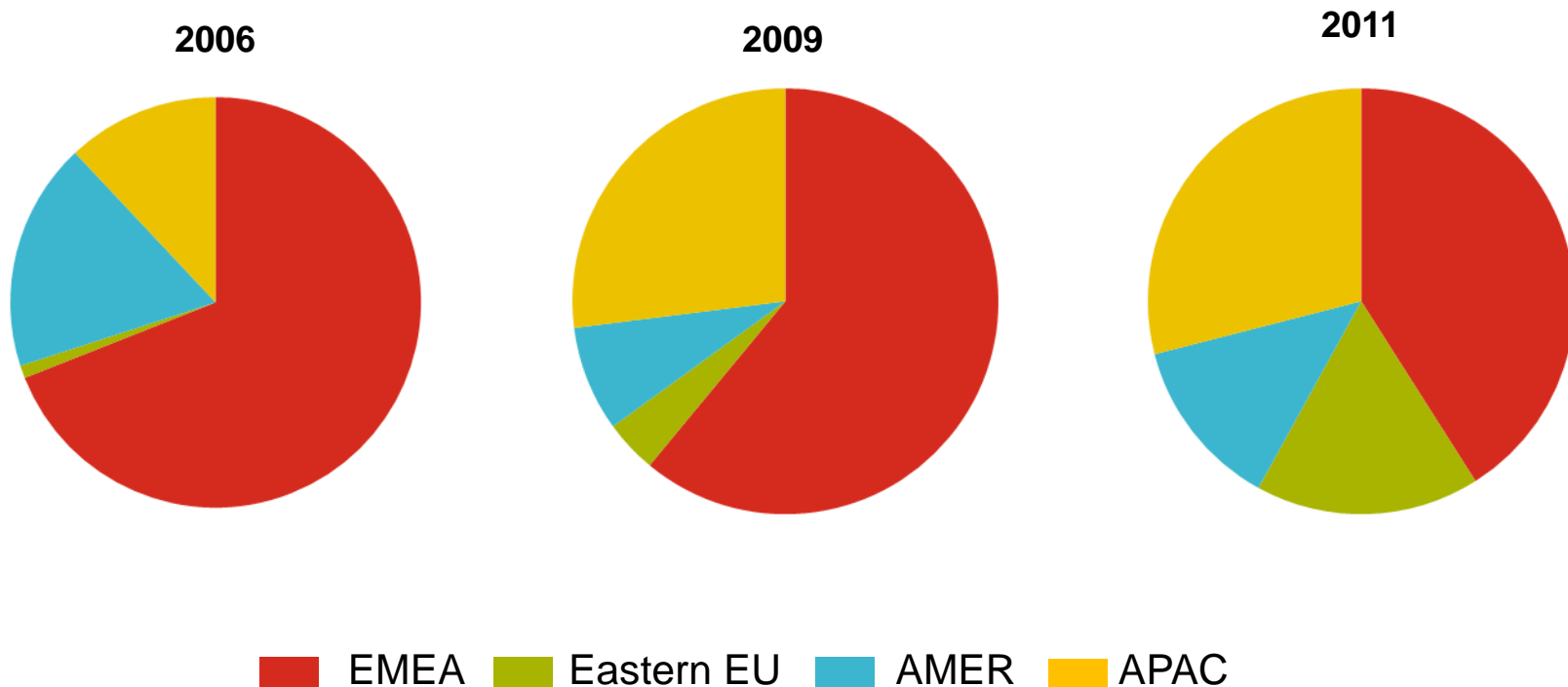
- Our environmental, workplace health and safety systems are based on international ISO standards.
- In building our sustainability reporting we rely on the guidelines of Global Reporting Initiative (GRI).
- Our value chain is developed with our quality management system.
- We also monitor the environmental management principles of our suppliers.



Towards a professional and global sourcing

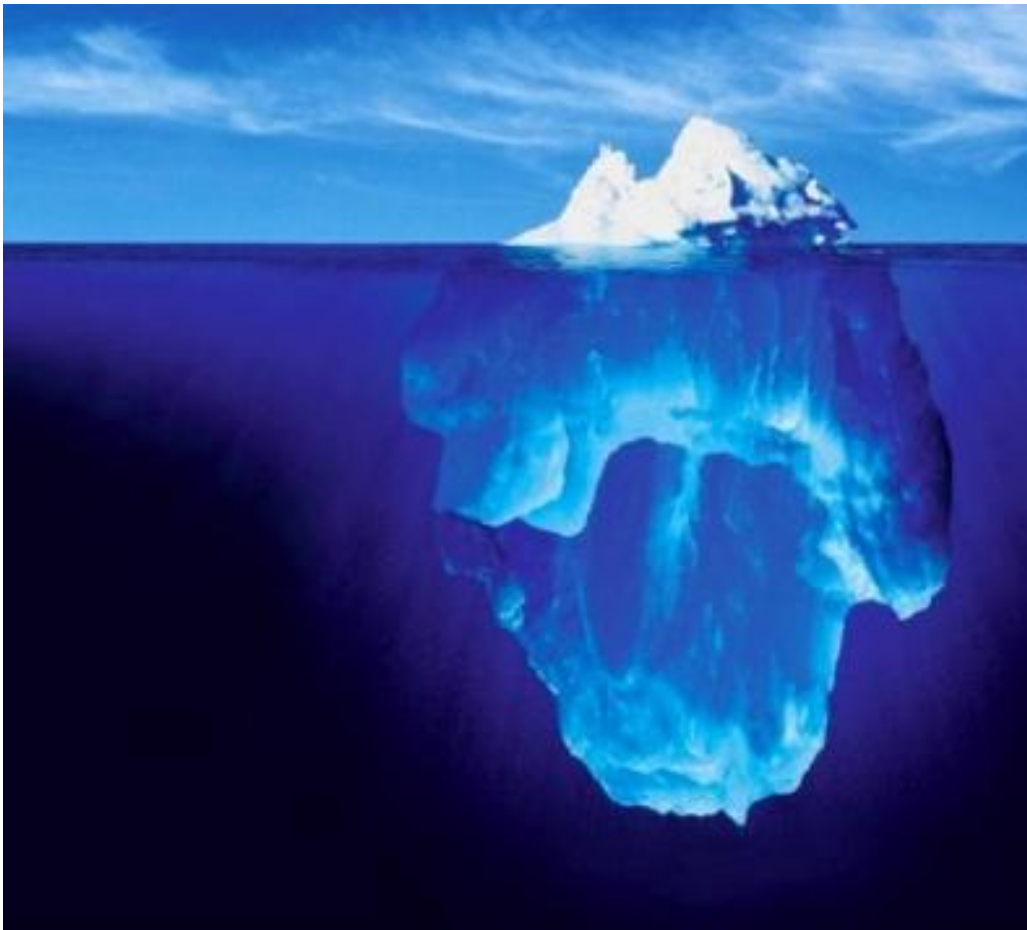


Increasing sourcing from Eastern EU and APAC



Volume in USA decreased from 2006 to 2009 mainly due to weakening market

Working with suppliers - more than price...



Parts price

Lead time
Security and trust

Global footprint

Continuous improvements

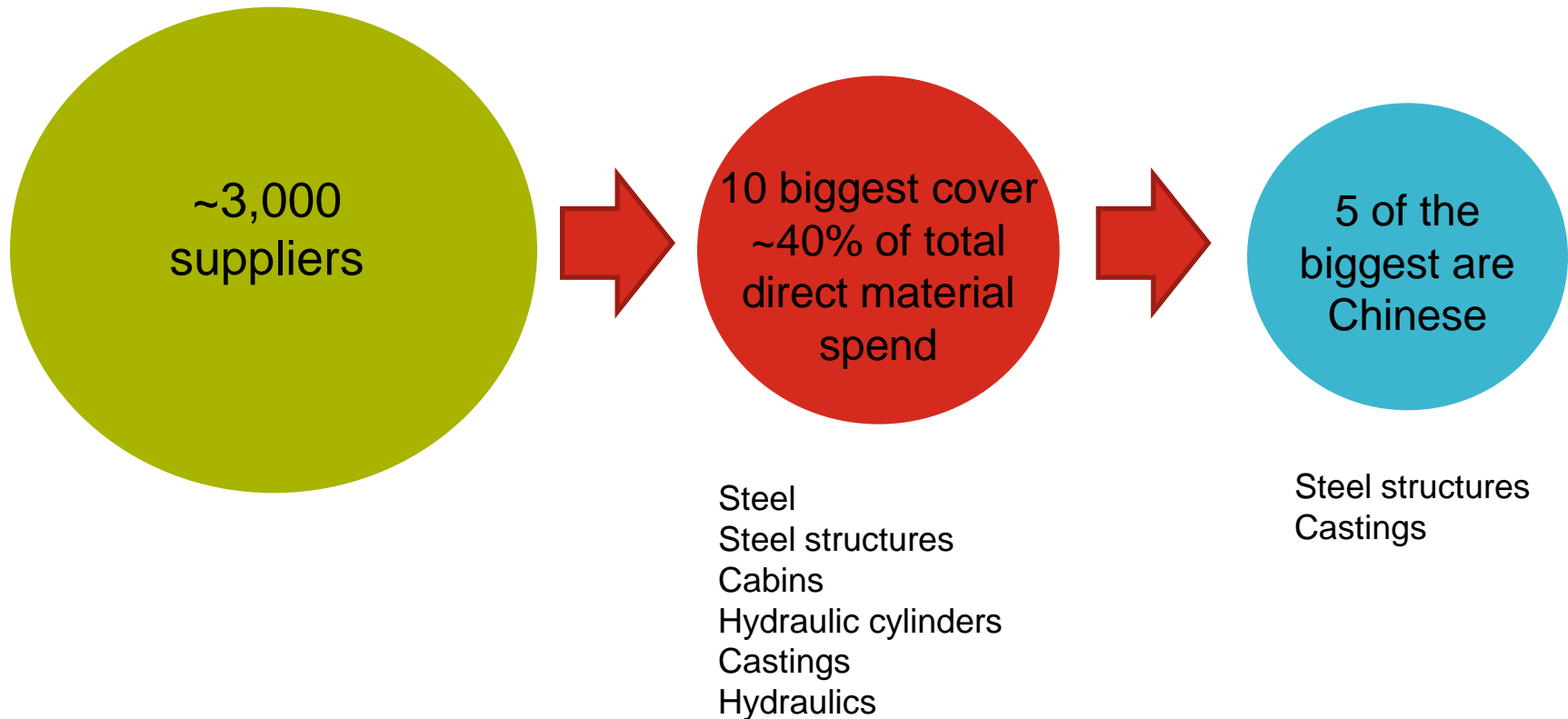
- products

- efficiency

Quality

Cooperation

10 biggest suppliers cover ~40% of total direct material spend



Sourcing focus areas in 2010

Focus area	Actions taken/ongoing in 2010
1 Cost reduction	<ul style="list-style-type: none">• One Company synergies• Localisation• Supplier consolidation
2 Supplier quality	<ul style="list-style-type: none">• Supplier Quality Engineering• Proactive participation in R&D process• Common tools and processes
3 Lead time	<ul style="list-style-type: none">• Localisation of supplier base in Eastern Europe and China• Lead times increasing due to increased demand, example steel
4 Availability	<ul style="list-style-type: none">• Volume forecasting & communication function established• Critical supplier list by MAU• Capacity validation

On top on the agenda in supply 2011–2012

- Secure and safeguard deliveries
- Efficient S&OP plan in place (demand forecasting)
- Finalise the on-going outsourcing activities
- Implement, sustain and verify new ways of working and processes
- Painting system Europe



we keep cargo on the move™