Global footprint – local supply
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

Assembly Unit

Assembly Unit

Assembly Unit

Project Supply

supplier

supplier

supplier

supplier

supplier

supplier

supplier

supplier
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.
- Traditions 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

Growth economies
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

To improve the efficiency of cargo flows

Lean production concept

Production system

Employment

Customer Focus

Teamwork
- Cross functional teams
- Project teams
- Problem solving teams
- Continuous improvement teams
- Values (understanding and implementation workshops)
- MAU Performance Centre
- Std monthly report
- Morning meeting process
- Policy Deployment
- QDC process

5S
- A method to organize, standardise and clean to get more efficient work places.
- 5S work shops incl.
  std. work
- Checklists / Audits in place
- Whole plant to be completed end 2010

Standard Work
- Value add analysis (VSM)
- Work balancing
- Standardise instructions
- Process design
- AviX std. work
- Std. documentation

SCM
- Integrate Supply and Demand (Pull flow)
- Value chain analysis
- Product lifecycle management
- S&OP
- Supplier forecast
- Lead-time / flexibility std and targets

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

21.9.2010
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

~3,000 suppliers

10 biggest cover ~40% of total direct material spend

Steel structures
Steel
Cabins
Hydraulic cylinders
Castings
Hydraulics

5 of the biggest are Chinese

Steel structures
Castings
<table>
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<tr>
<th>Focus area</th>
<th>Actions taken/ongoing in 2010</th>
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<tr>
<td>1. Cost reduction</td>
<td>• One Company synergies&lt;br&gt;• Localisation&lt;br&gt;• Supplier consolidation</td>
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<tr>
<td>2. Supplier quality</td>
<td>• Supplier Quality Engineering&lt;br&gt;• Proactive participation in R&amp;D process&lt;br&gt;• Common tools and processes</td>
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<tr>
<td>3. Lead time</td>
<td>• Localisation of supplier base in Eastern Europe and China&lt;br&gt;• Lead times increasing due to increased demand, example steel</td>
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<tr>
<td>4. Availability</td>
<td>• Volume forecasting &amp; communication function established&lt;br&gt;• Critical supplier list by MAU&lt;br&gt;• Capacity validation</td>
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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™