The profit improvement is sustainable and there is more to come

Roland Sundén
President, Hiab
My observations on Hiab

- Structurally attractive business
- Extremely strong brands
- Engaged and highly motivated people
- Route-to-market transformation ongoing
- Complexity reduction needed
- Further potential to drive profitability
We have made great progress during 2014 – implementation is ahead of plan

2012
- Route-to-market immediate improvements
- Footprint, incl. ramp-up of Poland multi-assembly unit

2013
- Efficiency improvement
- Improvements in design-to-cost
- Development of new products

2014
- 3M savings in 2013
- 15M gross margin improvement
- Aiming at further 40M run rate improvement by end 2014

Development of route-to-market
Route-to-market achievements

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

- The aim was to achieve a run-rate improvement of EUR 40 million by the end of 2014. Hiab is well on track in delivering on this promise and is proceeding ahead of schedule.

- Design-to-cost process contributes to gross margin for all products.

- Continuous work to consolidate our supplier base to low cost countries.

- Price realisation & discount management.
Footprint development on-going

- European parts distribution consolidated to Metz, France
- Ramp-up of production in Stargard, Poland - The most modern factory for load handling equipment in the world
- Ramp-down of production in Hudiksvall, Sweden
New technology and product offering to unlock further improvement potential
Hiab sets a new industry standard for paint quality

- Leading technology within automotive industry
- All deliveries from Stargard benefit from this eco-friendly paint process
- Safeguards a long and cost-effective ownership
New Stiff boom cranes launched supporting the Sinotruk-Hiab joint venture

- Developed based on the needs for Chinese customers
- Sold through both Hiab and joint venture sales network
Two new loader cranes for emerging markets

- Specifically designed to suit the booming construction industries and increasing needs for distribution of commercial goods
- Enable us to reach new customer segments in emerging markets
We have launched our biggest crane ever, with an integrated sub-frame

- Integrated sub frame makes installation easier and faster
- Improved precision and speed drives the productivity for the customer
The world's first electric truck mounted forklift

- Ultra-quiet operation and zero emissions
- Operate in built-up residential zones, both indoor and outdoor
- Reduce running costs by 70% compared diesel-powered
The tail lift brand ZEPRO introduces two new products

- A unique slider concept with flexible installation system for trucks
- A standard cantilever product for rapid clamp on installation to semi-trailer frames
More to come in 2015 and beyond
We started our turnaround in May 2013!

Note:
1. Operating profit % excluding restructuring cost
2. 2014 estimated based on Q1-Q3 run rate

18 Nov 2014
Building a sustainably profitable and growing business

“Turnaround”
2013–2014
- Closing the cost gap
- Building the foundation
- Demonstrating clear profitability improvement

“Preparation for growth”
2015–2016
- Cost leadership
- Operational excellence
- Investment to product portfolio, processes & systems
- Targeting 10% operating profit margin in 2016

“Profitable growth”
2017–
- Leverage cost leadership & operational excellence to drive growth
- Targeted emerging market expansion
- Regain leadership in cranes
- Targeting 10% operating profit margin over a business cycle
Three must win battles to reach our targets

1. Outperform competition in sales & services execution
   - Dealer management
   - Sales funnel management
   - Parts availability

2. Develop customer driven, simplified and competitive product offering
   - Customer insight
   - Product portfolio upgrading
   - Modularisation

3. Reduce value chain complexity, cost and cash conversion cycle
   - Stargard up to full-scale
   - Optimise the distribution network
   - Working capital management
Long term margin development requires us to invest...

- **Product development**
  - Upgrading product portfolio
  - Modular management
  - Connectivity

- **Processes**
  - Customer insight
  - Product portfolio management
  - Dealer management

- **Systems**
  - Sales tools
  - Reporting/transparency
  - Back-bone
Conclusions

- Result is improving – it is sustainable
- We are executing – high clock speed
- We drive performance – 10% operating profit margin in 2016