



FERRONORDIC
machines



Second Quarter 2016

22 August 2016



Second Quarter

- ◇ Russian economy continues to be weak
 - ◇ GDP expected to be down 1.2% this year
 - ◇ Financial sector sanctions continue to limit liquidity
- ◇ Reduction in market for new construction equipment slowed down
 - ◇ But the market during first six months is still 10-15% lower than same period last year
- ◇ Despite this, Ferronordic Machines delivered a solid quarter in terms of both profitability and cash flow
 - ◇ Total units sold almost the same as last year
 - ◇ Lower costs – OPEX down 6%
 - ◇ Positive earnings per ordinary share (i.e. calculated after dividends on preference shares)
 - ◇ Strong cash flow – SEK 81m in cash flow from operations



Second Quarter (cont'd)

- ◇ In July, Ferronordic Machines was appointed the official distributor for Dressta bulldozers and pipelayers all over Russia
- ◇ We succeeded in refinancing our credit facilities. RUB 1,500m of committed facilities are now available
- ◇ The rest of the year is likely to become even more demanding:
 - ◇ No clear signs that the economy and our market would improve in the short term
 - ◇ Strained pricing environment causes pressure on margins
- ◇ Nevertheless, we are still optimistic about the future of our business as the long-term fundamentals in the Russian construction equipment market remain strong



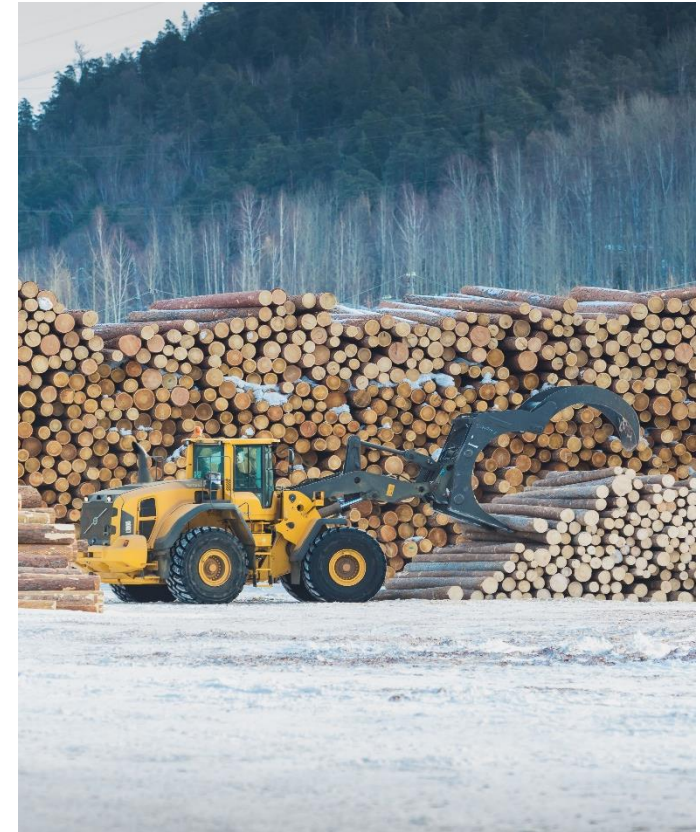
Important events

- ◇ On 4 April 2016, the EGM resolved on a dividend on preference shares corresponding to SEK 50 per preference share, i.e. in total SEK 25m. The dividend was paid on 28 April 2016
- ◇ On 5 April 2016, Ferronordic Machines LLC received a claim from a customer in the amount of 103m (SEK 13,6m) relating to deficient documentation concerning sales of service and parts. The claim will be tried in the first instance in early September. Ferronordic Machines opposes the claim and assesses that it will be dismissed
- ◇ In April 2016, Ferronordic Machines LLC made a financial lease agreement with RB Leasing (a subsidiary of Rosbank, 99.5% owned by Société Générale S.A.). The lease amounts to RUB 250m and is valid for three years. The lease was used to replace cars in the carpool



Important events

- ◇ In May 2016, Ferronordic Machines LLC signed an agreement with Sberbank regarding a RUB 1,000m credit. The credit facility is valid until 29 December 2017
- ◇ On 27 July 2016, Ferronordic Machines LLC signed an agreement with SMP Bank regarding a RUB 500m credit. The credit facility is valid until 27 July 2018



2016 Annual General Meeting

- ◇ The AGM of Ferronordic Machines AB was held on 19 May 2016. The AGM resolved in favour of all matters proposed. The most important resolutions included:
 - ◇ For the time being, no dividends should be paid on the company's preference shares or ordinary shares. If the cash flow and financial position allow it, the Board will call for an extraordinary general meeting in October 2016 and/or April 2017 where a decision on dividends on the preference shares can be made.
 - ◇ Magnus Brännström, Lars Corneliusson, Erik Eberhardson, Per-Olof Eriksson, Martin Leach and Kristian Terling were re-elected as members of the board. Håkan Eriksson was elected new member of the board. Per-Olof Eriksson was re-elected as chairman of the board.
 - ◇ A new long-term incentive program for the group's executive and extended management teams was approved.
 - ◇ The board was authorized, until the next annual general meeting, to decide upon an issue of new ordinary shares and new ordinary shares of series 2. The authorisation to issue ordinary shares can only be used to issue ordinary shares in connection with a listing of the company's ordinary shares on NASDAQ OMX Stockholm or another regulated market.

Agreement with Dressta

- ◇ On 14 July, Ferronordic Machines was appointed the official distributor of Dressta bulldozers and pipelayers in all of Russia.
- ◇ The partnership adds a full range of crawler bulldozers and crawler pipelayers to our product offering.
- ◇ Dressta is a global manufacturer of dozers and pipelayers, based in Poland. With a heritage of cooperation and licensing agreements with International Harvester Company and Clark Equipment, Dressta has nearly 70 years of experience in designing and manufacturing bulldozers and other construction equipment.
- ◇ Ferronordic Machines also takes over responsibility for the aftermarket support of the existing machinery population of Dressta bulldozers and pipelayers in Russia.



Q2 2016 Profit & Loss

SEK MM	Q2 2016	Q2 2015	% Change SEK	% Change RUB
Total Units	178	184	(3%)	(3%)
Revenue	405	443	(9%)	17%
Gross Profit	96	102	(5%)	21%
% Margin	23.7%	22.9%		
EBITDA	36	44	(18%)	5%
% Margin	9.0%	10.0%		
EBIT*	30	32	(6%)	21%
% Margin	7.4%	7.2%		
Net Income*	23	20	16%	48%
Net Debt/(Cash)	(178)	148	NM	NM

* Excludes amortization of transaction related intangibles.

- ◇ Total sold units down 3%
 - ◇ New units sold down 6%
 - ◇ Used units sold same as last year
- ◇ Revenue decreased 9% (17% increase in rubles)
 - ◇ Sales of equipment increased 13% in rubles
 - ◇ Aftermarket sales increased 19% in rubles
- ◇ Reduction in operating expenses
 - ◇ 6% decrease vs. Q2 2015
- ◇ Increased operating profit margin
- ◇ Net financial income
- ◇ Positive earnings per ordinary share

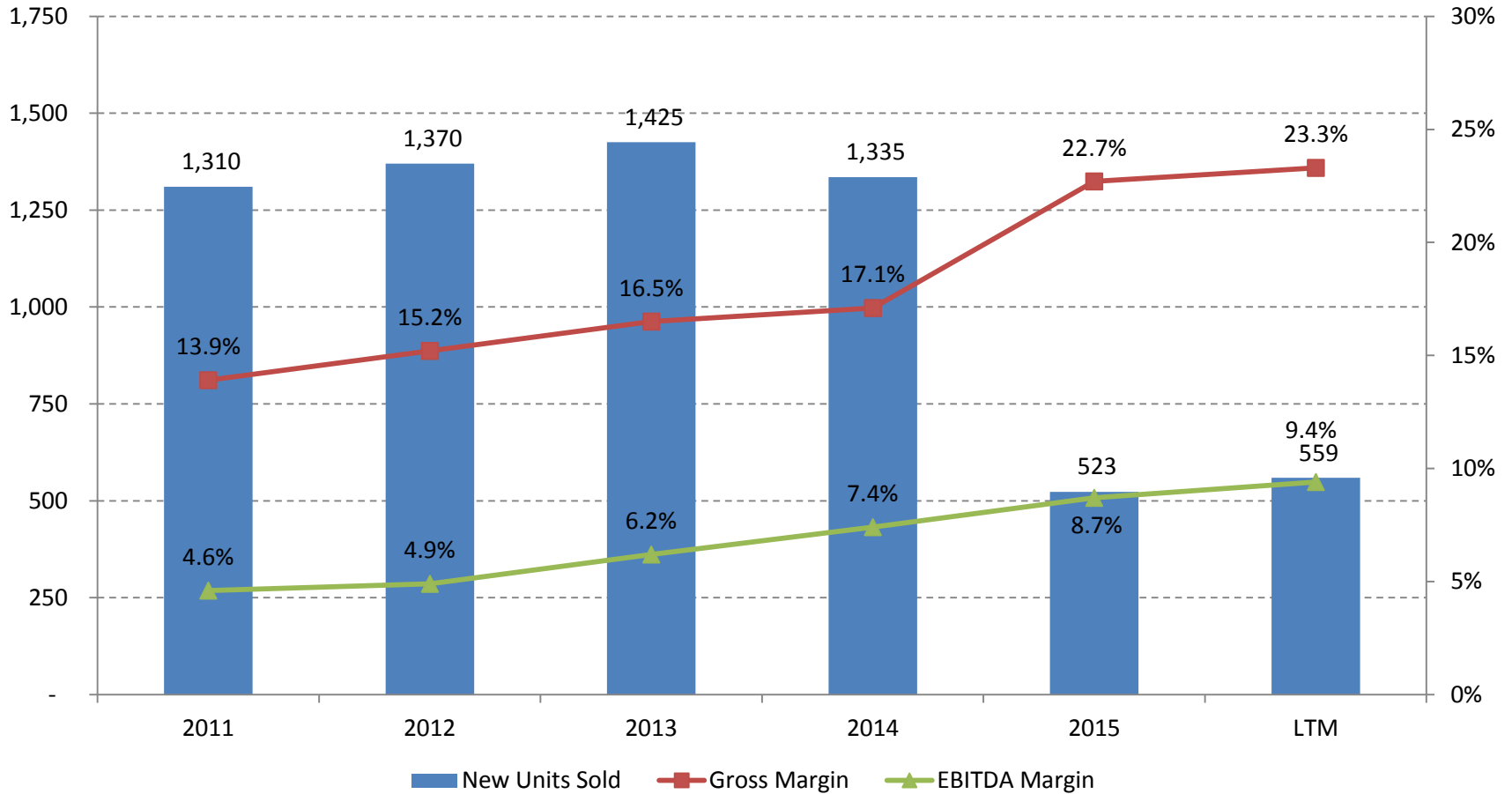
H1 2016 Profit & Loss

SEK MM	1H 2016	1H 2015	% Change SEK	% Change RUB
Total Units	360	330	9%	9%
Revenue	715	696	3%	28%
Gross Profit	168	155	8%	35%
% Margin	23.5%	22.2%		
EBITDA	63	52	22%	58%
% Margin	8.8%	7.4%		
EBIT*	52	26	105%	188%
% Margin	7.3%	3.7%		
Net Income*	41	14	203%	342%
Net Debt/(Cash)	(178)	148	NM	NM

* Excludes amortization of transaction related intangibles.

- ◇ Total sold units increased 9%
 - ◇ New units sold up 18%
 - ◇ Used units sold down 4%
- ◇ Revenue increased 3% (28% increase in rubles)
 - ◇ Sales of equipment increased 31% in rubles
 - ◇ Aftermarket sales increased 23% in rubles
- ◇ Reduction in operating expenses
 - ◇ 11% decrease vs. 1H 2015
- ◇ Increased operating profit margin
- ◇ Net financial income
- ◇ Positive earnings per ordinary share

Margin improvement despite weak market



Balance Sheet

SEK MM	Q2 2016	Q2 2015	2015
Cash & Cash Equivalent	201	34	175
Debt	--	159	86
Financial leases	23	23	8
Net debt	(178)	148	(82)
Working capital	35	319	97
<i>% of Revenue</i>	<i>2%</i>	<i>17%</i>	<i>7%</i>
Shareholders Equity	375	393	322
Total Assets	973	904	808
<i>Equity/Assets</i>	<i>39%</i>	<i>43%</i>	<i>40%</i>

Cash Flow

SEK MM	Q2 2016	Q2 2015	2015
Cash flow from:			
Operating Activities	81	(51)	234
<i>of which change in working capital</i>	52	(95)	133
Investing Activities	0	3	8
Cash Flow before Financing Activities	81	(48)	242
Financing Activities	(65)	14	(211)
Cash Flow (before FX fluctuations)	17	(34)	31

Outlook – CEO comment

“With the continuously difficult economic situation in Russia and the weak market for new machines, we believe that 2016, despite the strong first half, will be difficult. All in all, however, we are still optimistic about the future of our business as the long-term fundamentals in the Russian construction equipment market remain strong.”

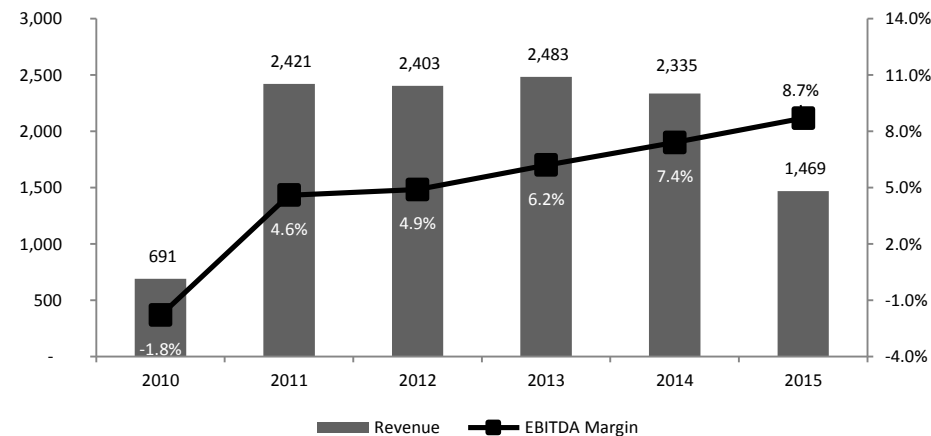


Ferronordic Machines overview

Overview

- Authorized dealer of Volvo Construction Equipment, Terex Trucks and Dressta in Russia
- Distribution and sales of new and used construction equipment, sales of parts as well as providing services and technical support
- Core focus is the Volvo CE brand, a high-quality construction equipment manufacturer and the number one brand in Russia
- Distribution portfolio expanded to include other brands such as Volvo and Renault Trucks (aftermarket) and Volvo Penta.

Financial development (SEKm)

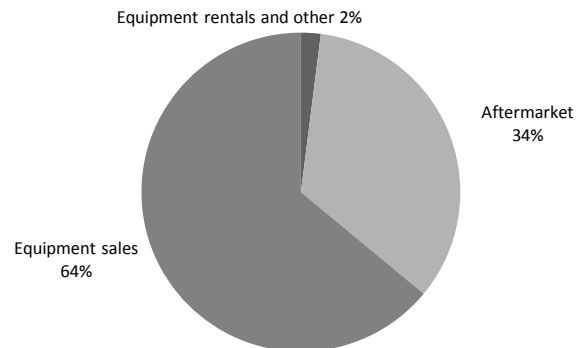


Development

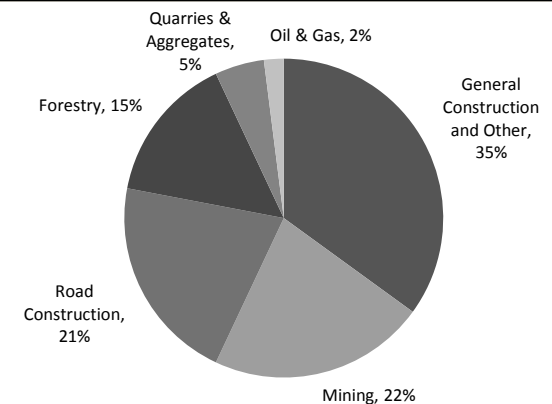
	2010	Q2 2016
Employees	326	749
Revenue (SEK M)	1 184 ⁽¹⁾	1 487
Outlets	12	67

(1) Annualized

Revenue per segment 2015



Revenue per customer type 2015



Market demand drivers

Old and inefficient equipment

- Ferronordic Machines estimates that there is an installed base of ~300,000 machines and would characterize a large share of these machines as old or inefficient
 - Ferronordic Machines estimates 70-80% to be older than 10 years, which is the internationally accepted average efficient lifetime of a machine

Underlying market activity

- Significant need for infrastructure investments
- Large prestige projects in the pipeline – government commitment to improve infrastructure

Aftermarket development

- Size and growth of aftermarket business are proportional to machine population and market penetration
- Yearly machine sales significantly increase the machine population
- The continuous improvement of network and services increases the market penetration

End user maturity drives outsourcing trend

- Historically, Russian customers have been less focused on operational efficiency and hence the quality of aftermarket services than their Western peers
- As customers and the industry matures, the importance of high quality aftermarket services increases as customers are less prone to perform service and repairs "in-house"
- This outsourcing trend is most notable among larger and mid-sized companies

Substitution effect

- Since early to mid 2000, there has been a trend of substituting Russian equipment with imported equipment, primarily driven by quality, efficiency and aftermarket support
 - Limited supply of Russian machines available in today's CE market

Strong market fundamentals in the Russian construction equipment market, underpinned by significant needs for infrastructure investments and replacements of old machinery