



Second Quarter 2018
10 August 2018



Summary

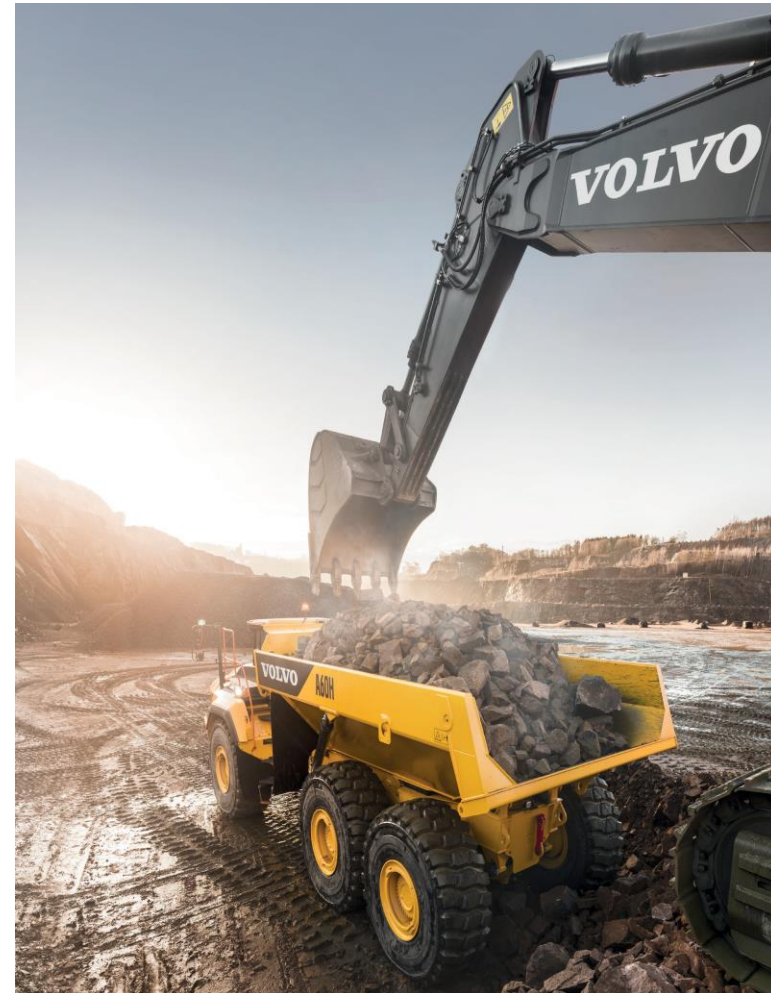
- ◇ Strongest quarter so far despite market at low levels
- ◇ Improved profitability - well within our financial target
- ◇ Continued market growth

Second Quarter 2018

- ◆ Strongest quarter so far in Ferronordic's history
 - ◆ Revenue in excess of SEK 800m
 - ◆ EBIT of SEK 68m and 8.3% margin – well within our financial target of 7-9%
 - ◆ Gross margin increased to 19.3%
 - ◆ Further improved profitability within contracting services

- ◆ Continued to improve the efficiency of our organization
 - ◆ Lower SG&A expenses as percentage of revenue
 - ◆ Growing our organization and developing our network

- ◆ The market for new machines continued to recover
 - ◆ The market for our main product offering, measured in units, increased by approximately 30%
 - ◆ We gained market share in most of our key product areas, including articulated haulers, excavators and pavers. However, we lost market share in the fast growing wheel loader segment



Second Quarter 2018 (cont'd)

- ◇ All remaining preference shares redeemed in May
 - ◇ Only ordinary shares outstanding
 - ◇ Dividend of SEK 1.73 per ordinary share paid on 25 May
 - ◇ First dividend payment on the ordinary shares

- ◇ In June, we arranged our first capital markets day
 - ◇ Presented our work with digitalization, competence development and compliance



New combined outlet in Rostov-on-Don

- ◇ During the quarter, we took over the service station for Volvo and Renault Trucks in Rostov-on-Don
- ◇ Located in the Southern region of Russia
- ◇ As a result, we hired approx. 30 new employees, mainly truck mechanics
- ◇ The service station will be used to service both trucks and construction equipment



Second Quarter 2018 (cont'd)

- ◇ US sanctioned additional businessmen and businesses
- ◇ New government was formed following the re-election of Putin
 - ◇ Clear signs of increased focus on the economy
 - ◇ New targets to modernize the economy and upgrade the infrastructure (May decrees)
 - ◇ Significantly increased infrastructure investments in Russia
- ◇ After the quarter, EU added companies to sanction list
 - ◇ Affected by the sanctions under Council Regulation (EU) No 269/2014
 - ◇ Included a couple of Ferronordic's customers
 - ◇ Expected to have a certain, but not material, direct negative effect on our business



Second Quarter 2018 (cont'd)

- ◇ Russian economy continued to recover
 - ◇ GDP for 2018 still expected to grow about 1.7%
 - ◇ Construction output grew by 1.4% in April, 5.6% in May, but then decreased by 1.3% in June

- ◇ The inflation was 2.3% in June, well under the Central Bank target of 4%
 - ◇ The Central Bank kept its key rate at 7.25%, citing increased inflation risk towards the end of the year

- ◇ The oil price increased from USD 70 per barrel to USD 79 during the quarter and currently trades around USD 73

- ◇ The RUB/SEK exchange rate started the quarter at 6.91 and ended the quarter at 7.01 - it is currently trading at 7.35



Oil price development (indexed) – until June 2018



Q2 2018 Profit & Loss

SEK MM	Q2 2018	Q2 2017	% Change SEK	% Change RUB
<i>New Units</i>	231	218	6%	6%
Revenue	817	785	4%	15%
Gross Profit	158	146	8%	18%
<i>% Margin</i>	19.3%	18.7%		
EBITDA	77	67	15%	27%
<i>% Margin</i>	9.5%	8.6%		
EBIT	68	62	10%	21%
<i>% Margin</i>	8.3%	7.9%		
Result	54	51	7%	18%
EPS*	3.67	3.61	2%	13%
Net Debt/(Cash)	(204)	(293)		

- ◇ Number of new units sold up 6%
 - ◇ 14% increase excl. backhoe loaders
- ◇ Revenue up 4% (15% increase in rubles)
 - ◇ Equipment sales up 4% (14% in rubles)
 - ◇ Aftermarket sales up 8% (18% in rubles)
- ◇ Higher gross profit and margin
 - ◇ Improved profitability in contracting services
- ◇ S, G & A expenses only 2% higher
 - ◇ 10.3% of revenue vs. 10.5% in Q2 2017
- ◇ Improvement of EBIT margin to 8.3%
- ◇ Strong net cash position despite redemption of preference shares

* Excluding adjustment related to redemption of preference shares in Q2 2018.

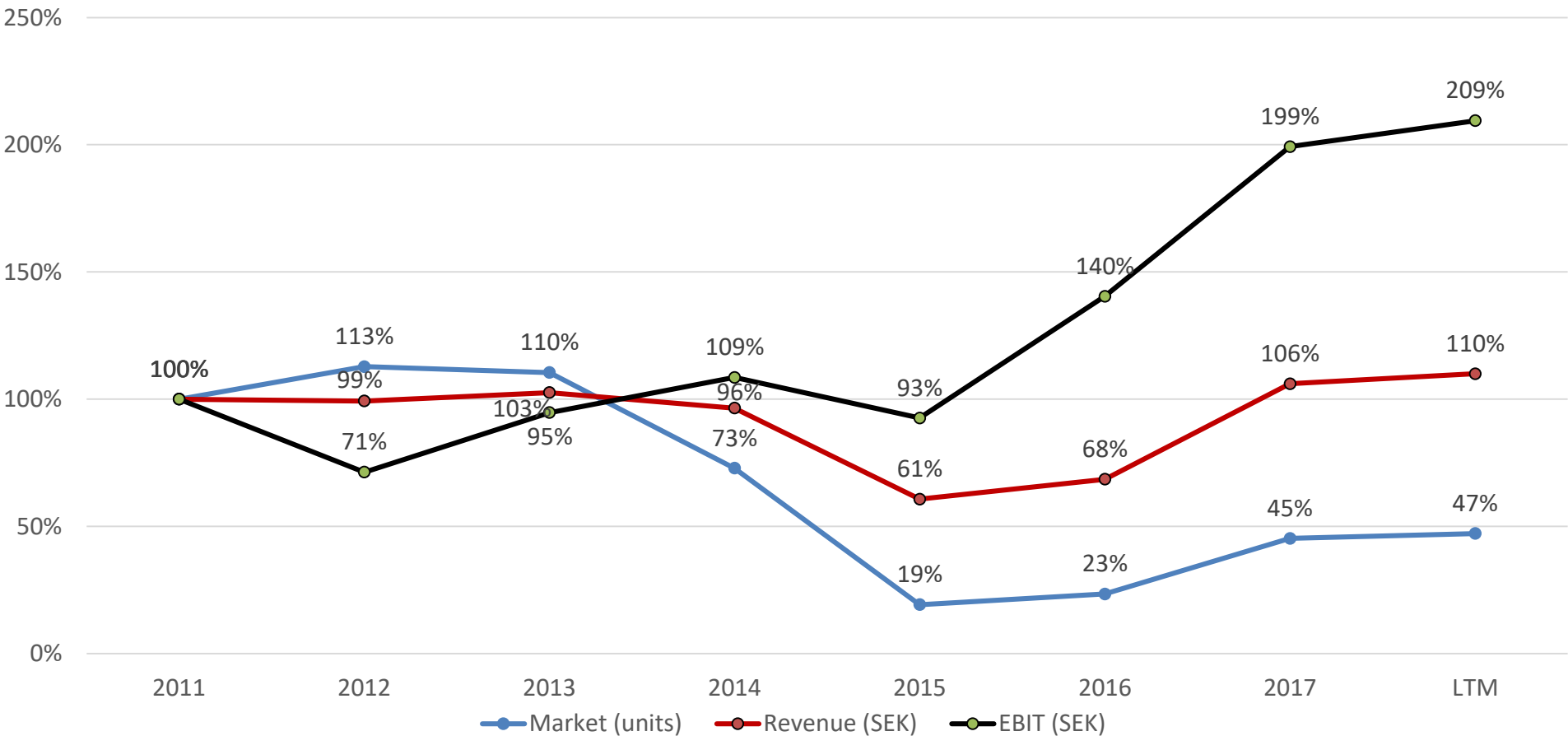
1H 2018 Profit & Loss

SEK MM	1H 2018	1H 2017	% Change SEK	% Change RUB
<i>New Units</i>	386	372	4%	4%
Revenue	1,431	1,335	7%	16%
Gross Profit	274	256	7%	16%
<i>% Margin</i>	19.2%	19.2%		
EBITDA	126	112	12%	22%
<i>% Margin</i>	8.8%	8.4%		
EBIT	109	100	10%	19%
<i>% Margin</i>	7.6%	7.5%		
Result	85	80	5%	14%
EPS*	5.60	5.21	8%	17%
Net Debt/(Cash)	(204)	(293)		

- ◇ Number of new units sold up 4%
 - ◇ 14% increase excl. backhoe loaders
- ◇ Revenue up 7% (16% increase in rubles)
 - ◇ Equipment sales up 7% (16% in rubles)
 - ◇ Aftermarket sales up 6% (15% in rubles)
- ◇ Higher gross profit and same margin
- ◇ S, G & A expenses 5% higher
 - ◇ 11.1% of revenue vs. 11.3% in 1H 2017
- ◇ Slight improvement in EBIT margin
- ◇ Continued increase in net income and EPS
- ◇ Strong net cash position despite redemption of preference shares

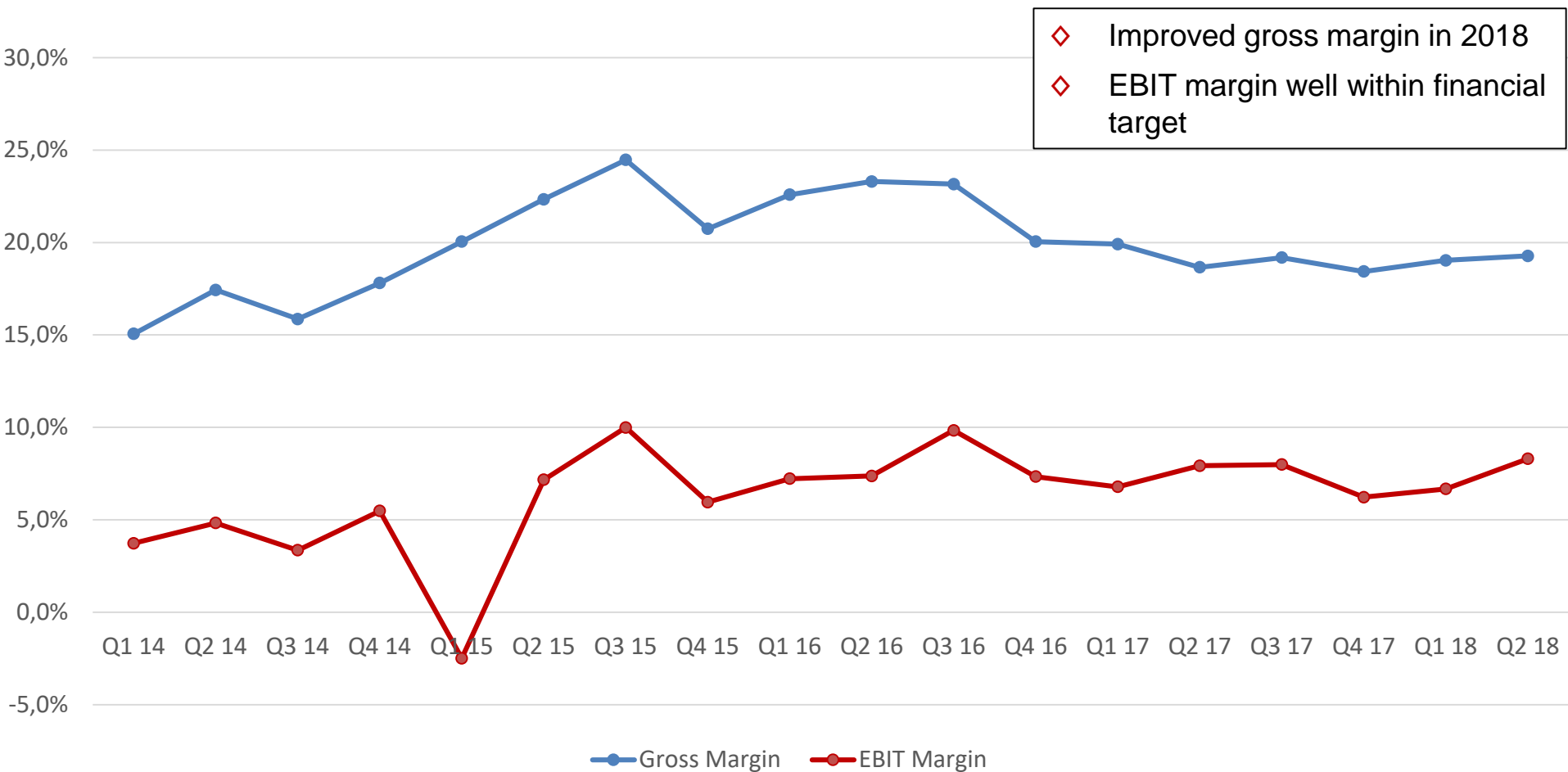
* Excluding adjustment related to redemption of preference shares in Q2 2018.

Strong development despite low market volumes



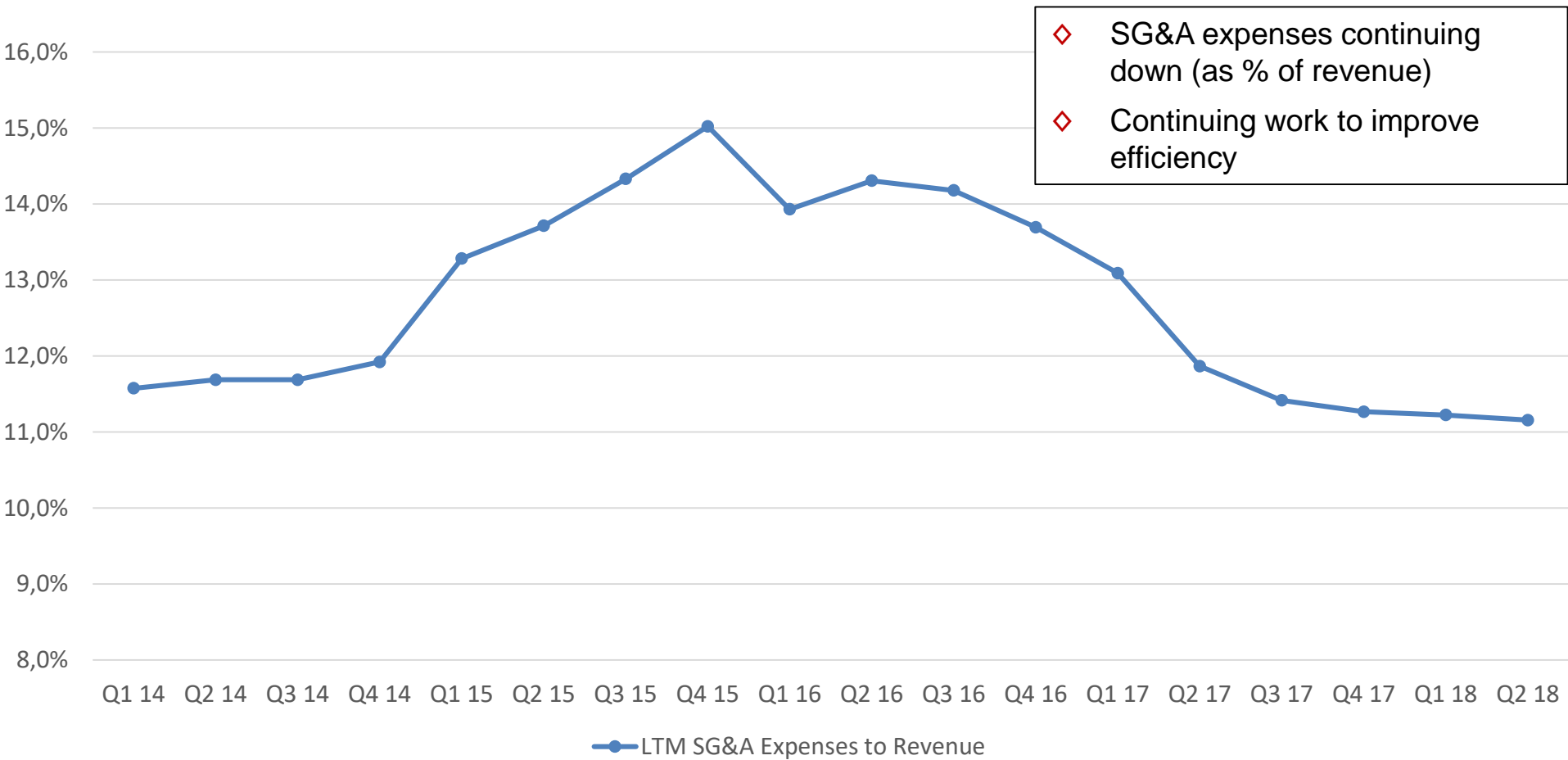
Note: 2011-2016 refer to adjusted EBIT and exclude one-off expenses in Q4 2016 and amortization of transaction related intangibles until May 2016.
 Market data based on Russian import statistics and excludes machines imported from China, bulldozers, forestry machines and rigid dump trucks.

Margin development



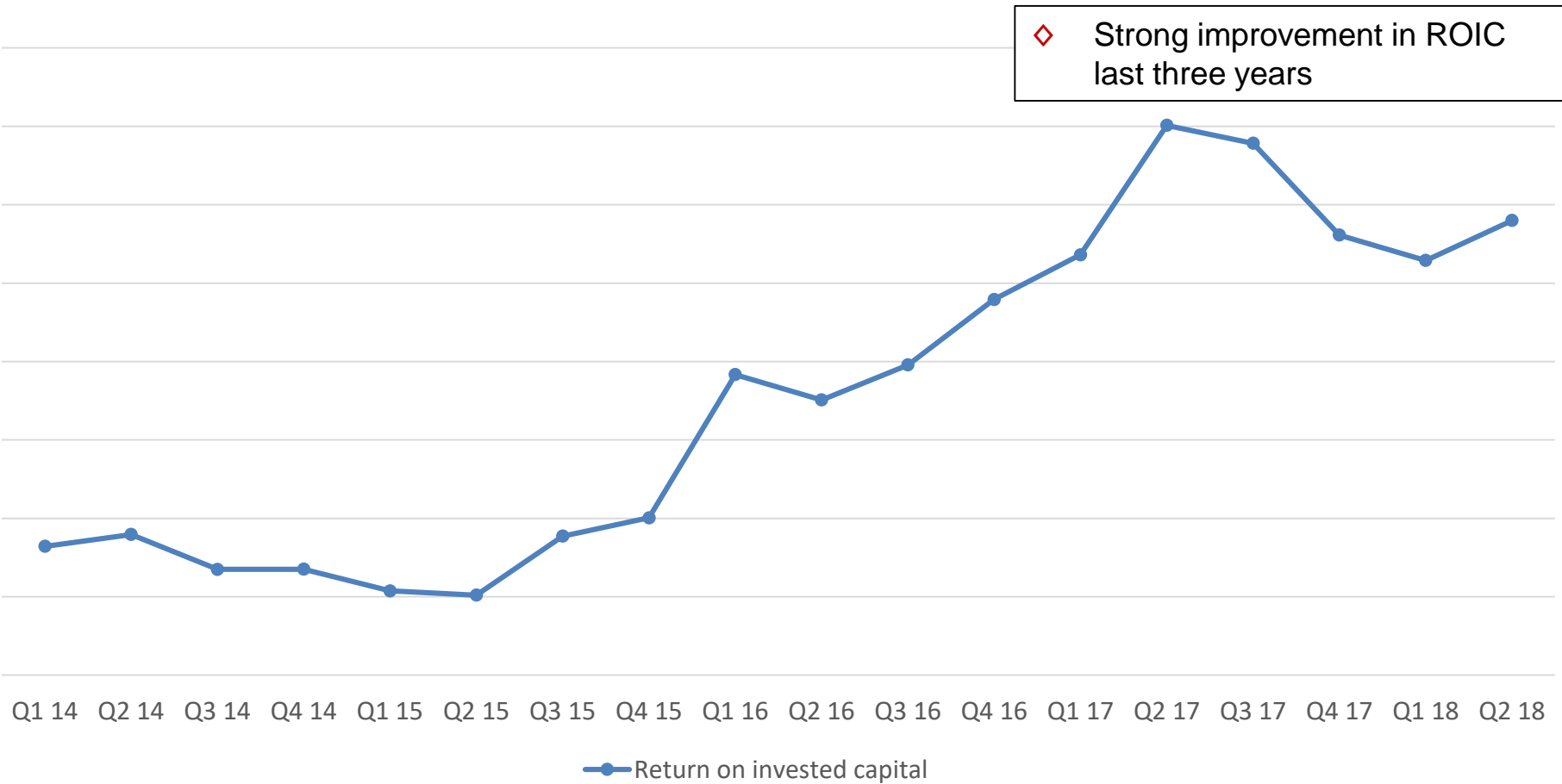
Note: 2011-2016 refer to adjusted EBIT margin and exclude one-off expenses in Q4 2016 and amortization of transaction related intangibles until May 2016.

Cost development



Note: 2011-2016 exclude amortization of transaction related intangibles until May 2016.

Return on invested capital



Note: 2011-2016 exclude one-off expenses in Q4 2016 and amortization of transaction related intangibles until May 2016.

Balance Sheet

SEK MM	30/6/18	31/12/17	30/6/17
Cash & Cash Equivalent	250	352	330
Debt	-	-	-
Financial leases	46	40	37
Net debt / (cash)	(204)	(312)	(293)
Working capital	162	117	(18)
<i>% of Revenue</i>	<i>6%</i>	<i>5%</i>	<i>(1%)</i>
Shareholders Equity	584	611	441
Total Assets	1,537	1,415	1,269
<i>Equity/Assets</i>	<i>38%</i>	<i>43%</i>	<i>35%</i>

Cash Flow

SEK MM	Q2 2018	Q2 2017	1H 2018	1H 2017
Cash flow from:				
Operating Activities	58	147	34	184
<i>of which change in working capital</i>	<i>(17)</i>	<i>87</i>	<i>(80)</i>	<i>89</i>
Investing Activities	1	4	(18)	1
Cash Flow before Financing Activities	59	151	16	185
Financing Activities	(112)	(33)	(117)	(37)
Cash Flow (before FX fluctuations)	(52)	117	(101)	148

Financial objectives

- ◇ Tripling of the revenue from 2016 to 2021
- ◇ EBIT margin of 7-9%
- ◇ Net debt to EBITDA of 0-2 times (over a business cycle)

Outlook – CEO comment

“In consideration of the recent recovery of the Russian economy, we are optimistic about the development of the Russian construction equipment market. Although the market is still at a rather low level, we do not believe that the market will grow as strongly in 2018 as it did during 2017. As regards the future of our business in a longer perspective, we are also optimistic, as the long-term fundamentals in the Russian construction equipment market remain strong.”



Summary

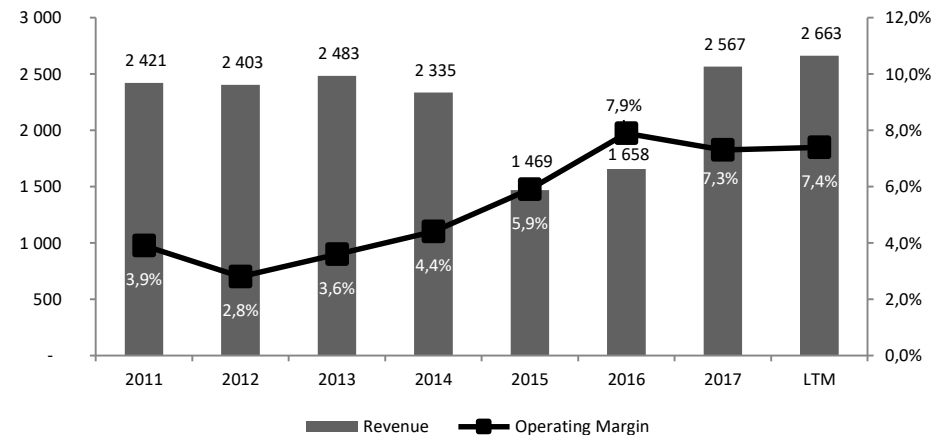
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Ferronordic Machines overview

Overview

- Official dealer of Volvo Construction Equipment in all of Russia since 2010
- Authorised dealer of Terex Trucks (2014), Dressta (2016), Rottne (2016) and Mecalac (2017) in all of Russia
- Aftermarket dealer for Volvo Trucks and Renault Trucks, and dealer for Volvo Penta in selected regions
- Distribution and sales of new and used construction equipment, sales of parts, as well as providing services and technical support
- Core focus on Volvo CE brand, a high-quality construction equipment manufacturer and the No. 1 brand in Russia
- Ordinary shares listed on Nasdaq Stockholm since 2017

Financial development (SEKm)

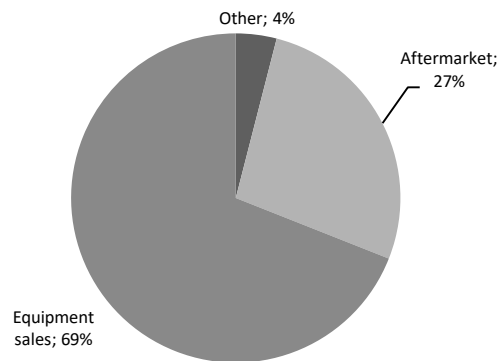


Development

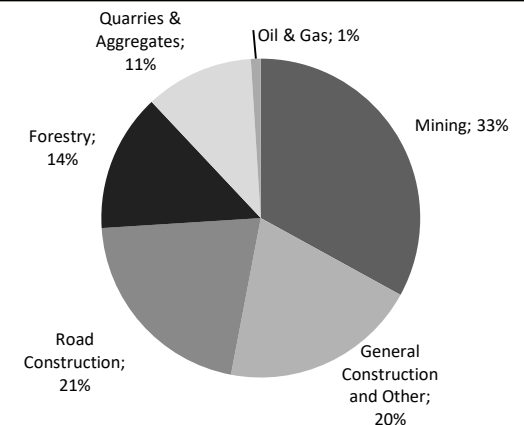
	Start	Q2 2018
Employees	160	856
Revenue (SEK M)	1 184 ⁽¹⁾	2,663
Outlets	6	77

(1) Annualized

Revenue per segment (LTM)



New machine revenue per customer type



Fundamental principles



VISION

- To be the leading service and sales company within CIS markets

MISSION

- To support the growth and leadership of our customers

CORE VALUES

- Quality, respect and excellence

OUR OFFER

- Diversified experience, innovative solutions, complex approach and superior service

STRATEGY

- Great team, operational excellence, building on a strong brand, customer focus and superior infrastructure