

# Fourth Quarter and Year-end Result 2016

21 February 2017



## Fourth Quarter

- ◇ Signs of improvement despite continuously weak Russian economy
  - ◇ Positive GDP growth
  - ◇ Construction activity started to grow for the first time in years
- ◇ Clear increase in the market for new construction equipment
  - ◇ 30% growth in Q4 (mainly smaller machines)
  - ◇ 2016 total market slightly higher than in 2015
- ◇ However, the lack of capital remained and resulted in several construction projects being cancelled or postponed



## Fourth Quarter (cont'd)

- ◇ New brands development
  - ◇ Ten Terex dump trucks and our first Dressta bulldozer sold
  - ◇ Appointment as distributor for Rottne forestry machines in December
  - ◇ New brands create exciting opportunities to grow the business
  - ◇ Opportunity to utilize the network further to sell other complementary products
- ◇ The product mix was favorable during the quarter and we managed to deliver a strong result
  - ◇ Significant improvements of revenue and profitability
  - ◇ Strong operating cash flow



## Fourth Quarter (cont'd)

- ◇ Looking forward there is reason for some optimism
- ◇ Most forecasts predict that the Russian economy will continue to recover
  - ◇ Reasonable to expect that the market for construction equipment will do the same
- ◇ High pent-up demand in the market – strong underlying demand
- ◇ Recovery will depend on several factors that are difficult to predict
  - ◇ Financial sector sanctions
  - ◇ Oil price



# Important events

- ◇ Proposed new chairman
  - ◇ On 27 January 2017 it was announced that our chairman, Per-Olof Eriksson, has declined re-election at the AGM 2017
  - ◇ The nomination committee proposes Staffan Jufors as new board member and new board chairman
  - ◇ Staffan Jufors was managing director of Volvo Penta 1998-2004 and president of Volvo Trucks 2004-2011
- ◇ Extraordinary general meeting 22 March
  - ◇ On 17 February it was announced that the board intends to convene an EGM on 22 March 2017
  - ◇ Proposed dividend on preference shares in an amount of SEK 55 per preference share
  - ◇ Notice of the EGM will be made on or about 27 February 2017



## Important events (cont'd)

- ◇ Customer claim
  - ◇ The customer claim of SEK 14m that was received in April 2016 was rejected by the court of first instance
  - ◇ The counterparty has accepted this and in February 2017 agreed to pay off its outstanding debt
- ◇ Impairment/write-off
  - ◇ SEK 13m related to two land plots in Ekaterinburg and Petrozavodsk
  - ◇ SEK 6m related to CRM system under development
- ◇ Reclassification of depreciation
  - ◇ Depreciation reclassified from General and Administrative expenses to Selling expenses and Cost of Goods Sold



## Q4 2016 Profit & Loss

SEK MM	Q4 2016	Q4 2015	% Change SEK	% Change RUB
Total Units	176	225	(22%)	(22%)
Revenue	537	400	34%	20%
Gross Profit	108	83	30%	16%
% Margin	20.0%	20.7%		
EBITDA	45	32	44%	29%
% Margin	8.5%	7.9%		
EBIT*	39	24	65%	48%
% Margin	7.3%	6.0%		
Net Income*	31	13	130%	103%
Net Debt/(Cash)	(173)	(82)		

\* Excludes one-off expenses in Q4 2016 and amortization of transaction related intangibles.

- ◇ Number of units sold down 22%
  - ◇ New units sold down 17%
  - ◇ Used units sold down 38%
- ◇ Revenue up 34% (20% increase in rubles)
  - ◇ Equipment sales up 30%
  - ◇ Aftermarket sales up 33%
- ◇ Slightly lower gross margin
- ◇ OPEX growth half of GP growth
- ◇ 1.3%-point increase in operating profit margin
- ◇ Net financial income
- ◇ Strong increase in net income (+100%)
- ◇ Positive earnings per ordinary share
- ◇ Strong net cash position

## 2016 Profit & Loss

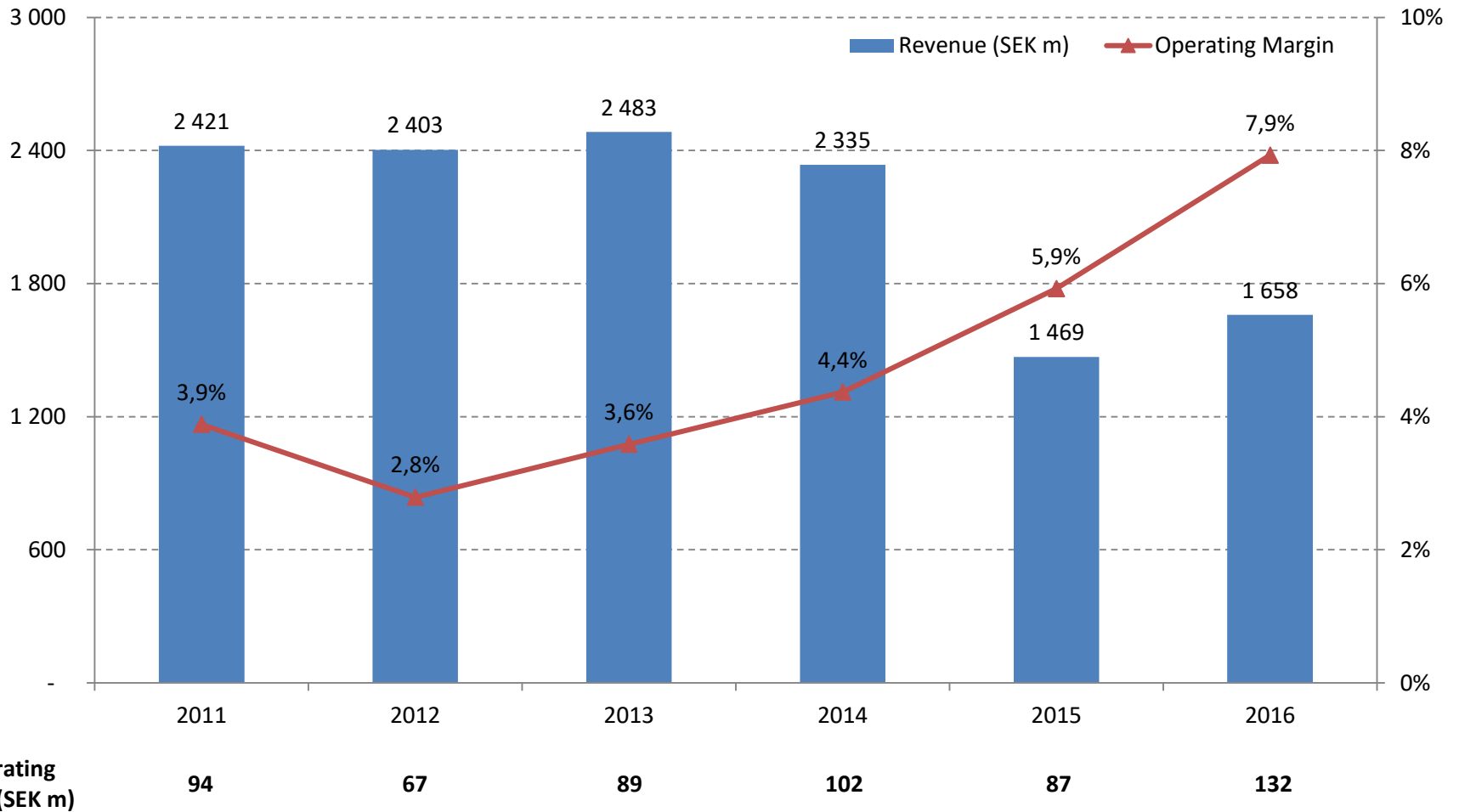
SEK MM	2016	2015	% Change SEK	% Change RUB
Total Units	693	749	(7%)	(7%)
Revenue	1 658	1 469	13%	21%
Gross Profit	366	324	13%	22%
% Margin	22.1%	22.0%		
EBITDA	154	128	20%	30%
% Margin	9.3%	8.7%		
EBIT*	132	87	52%	65%
% Margin	7.9%	5.9%		
Net Income*	106	49	115%	142%
Net Debt/(Cash)	(173)	(82)		

\* Excludes one-off expenses in Q4 2016 and amortization of transaction related intangibles.

- ◇ Total sold units decreased 7%
  - ◇ New units sold down 8%
  - ◇ Used units sold down 5%
- ◇ Revenue increased 13% (21% increase in rubles)
  - ◇ Equipment sales up 10%
  - ◇ Aftermarket sales up 13%
- ◇ Reduction in total operating expenses
  - ◇ Same level in ruble
- ◇ 2%-points increase in operating profit margin
- ◇ Net financial income
- ◇ Net income more than doubled
- ◇ Positive earnings per ordinary share
- ◇ Strong cash flow



# Strong result despite weak market



\* Operating Profit and Operating Margin exclude one-off expenses in Q4 2016 and amortization of transaction related intangibles.

# Balance Sheet

SEK MM	2016	2015
Cash & Cash Equivalent	199	175
Debt	-	86
Financial leases	26	8
<b>Net debt</b>	<b>(173)</b>	<b>(82)</b>
Working capital	110	97
<i>% of Revenue</i>	<i>7%</i>	<i>7%</i>
Shareholders Equity	442	322
Total Assets	<b>1 033</b>	<b>808</b>
<i>Equity/Assets</i>	<i>43%</i>	<i>40%</i>

# Cash Flow

SEK MM	Q4 2016	Q4 2015	2016	2015
<b>Cash flow from:</b>				
Operating Activities	121	73	141	234
<i>of which change in working capital</i>	85	54	18	133
Investing Activities	(10)	3	(5)	8
<b>Cash Flow before Financing Activities</b>	<b>111</b>	<b>77</b>	<b>136</b>	<b>242</b>
Financing Activities	(30)	(28)	(155)	(211)
<b>Cash Flow (before FX fluctuations)</b>	<b>81</b>	<b>49</b>	<b>(19)</b>	<b>31</b>

## Outlook – CEO comment

“Because of the signs we have seen during the fourth quarter, we are somewhat more optimistic regarding the short-term recovery of the market. Even though we do not expect a recovery similar to the one we experienced in 2010-11 we do believe the market will continue to grow in 2017. We continue to be optimistic about the future of our business as the long-term fundamentals in the Russian construction equipment market remain strong ”

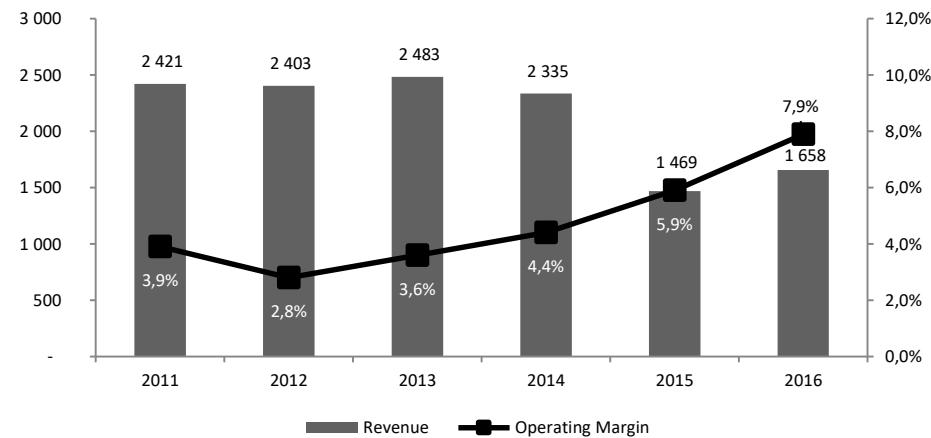


# Ferronordic Machines overview

## Overview

- Authorized dealer of Volvo Construction Equipment, Terex Trucks, Dressta and Rottne 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)

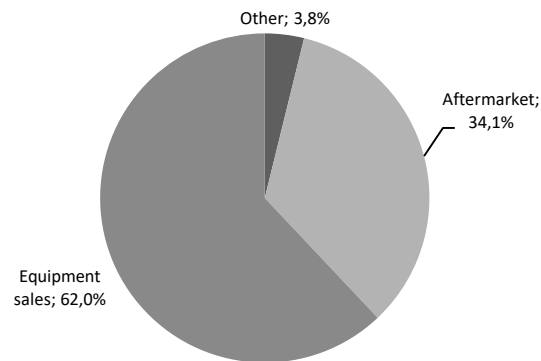


## Development

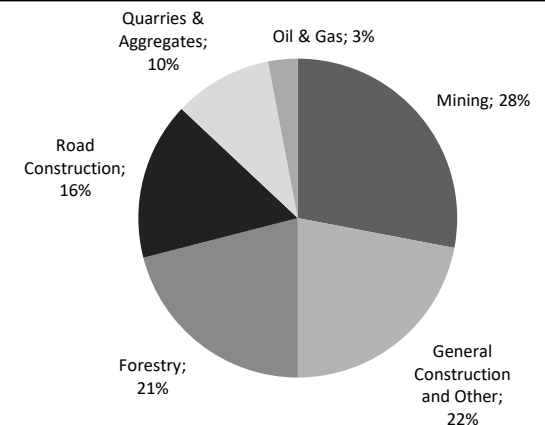
	2010	2016
Employees	326	782
Revenue (SEK M)	1 184 <sup>(1)</sup>	1 658
Outlets	12	69

(1) Annualized

## Revenue per segment



## New machine revenue per customer type



# Market demand drivers

