



Q1 2019

14 May 2019



Positive development continues

- Increased revenue and improved earnings
- Strong aftermarket growth
- Kazakhstan expansion proceeding as planned
- Further broadening of customer offering

18%
revenue growth

36%
operating profit
growth

7.7%
operating margin

65%
EPS growth

Best Q1 to-date



- Revenue of SEK 723m
 - Best Q1 to-date and 18% higher than Q1 2018
 - Equipment sales up 12% despite slower market increase
 - Aftermarket up 20%
- Operating profit increased 36% and net income 54%
 - Best Q1 to-date and 36% better than Q1 2018
 - S, G & A expenses to revenue of 11.9% vs. 12.2% in Q1 2018
 - First Q1 with operating margin within financial targets of 7-9%

SEK 723m
(+18%)
Revenue

SEK 56m
(+36%)
operating profit

7.7%
operating margin

Growing aftermarket and contracting services



- Strong aftermarket growth driven by:

- Digital sales support
- Volvo and Renault Trucks

20%
increase in
aftermarket sales

- Contracting services growth

- Continue to ramp up our biggest project to date, initiated in Q4 2018

73%
growth in other
revenue
(mainly contracting
service)

Kazakhstan expansion proceeding as planned



- New dealer agreements with Volvo CE and Mecalac effective from mid-January
- Establishment proceeding as planned:
 - Outlet opened in Almaty
 - Mechanics and other personnel hired
 - Servicing existing Volvo CE machines in the country
- First Volvo CE machines delivered after Ferronordic takeover (April)
 - 8 articulated haulers and 2 excavators

**First Volvo CE
machines
delivered**
(following Ferronordic
takeover)

Broadening of customer offering – used trucks



- New business launched in Q1:
 - Purchasing, restoring and selling used trucks
 - Mainly Volvo and Renault Trucks
 - Still small but with potential to grow

Broadening of customer offering – component remanufacturing



- Investment in remanufacturing centre for engines and gearboxes
 - Expected opening by end of Q1 2020
 - Remanufacturing of engines and gearboxes for both Volvo CE and Volvo and Renault Trucks
 - Will be sold to customers with a warranty from Ferronordic or be installed in used machines in “Volvo Certified Rebuild” program
 - Somewhat negative impact on profitability and cash flows in 2019 and 2020 – positive contribution expected from 2021
 - Expected investment SEK 35m
 - Expected to represent 3-5% of total sales over time

Economic development in Russia and Kazakhstan



- Russia's economy continued to recover, but modestly
 - 1.4-1.5% GDP growth expected 2019
- Growing inflation at 5.3% but less than expected
- Key rate at 7.75% unchanged
- Some details on “National Projects” from May Decree presented
 - Not expected to affect economy or construction equipment demand before 2020
- Kazakhstan's economy continues to grow
 - 3.5% GDP growth expected 2019

5.3%
March inflation in
Russia (highest
since Dec 2016)

Key Rate
unchanged since
December 2018 at
7.75%

Annual general meeting, 14 May 2019



- Dividend proposal – as communicated in Q4 report:
 - Ordinary dividend and extraordinary dividend of SEK 3.75/share each – in total SEK 7.50/share
 - Record date: 16 May 2019
Payment date: around 21 May 2019
- Proposed re-election of current Board and Board chairman
- Proposed change of articles of association:
 - Remove clauses relating to preference shares
 - Change of name to “Ferronordic AB”

Management changes



- Erik Danemar appointed new CFO, Investor Relations Director and member of Group management, effective from 31 May 2019

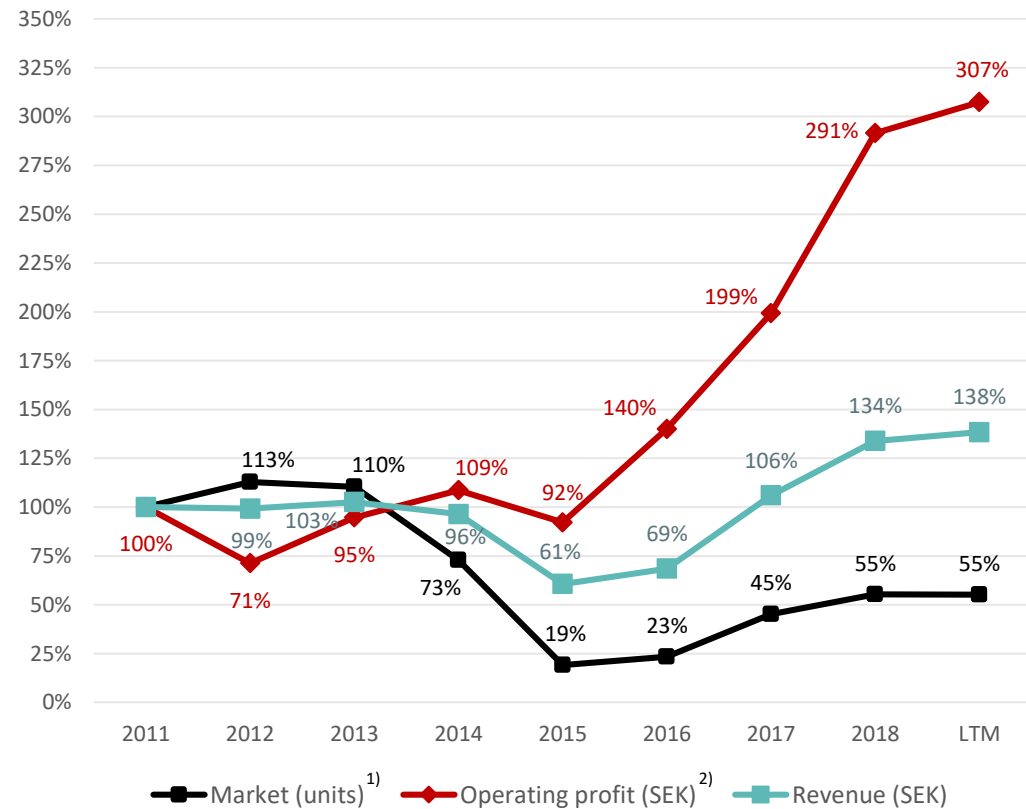
Q1 Profit and loss

SEK MM	Q1 2019	Q1 2018	% Change SEK	% Change Local currency
New units sold	196	155	26%	26%
Revenue	723	614	18%	21%
Gross Profit	146	117	25%	28%
<i>% Margin</i>	20.2%	19.0%		
Operating profit	56	41	36%	40%
<i>% Margin</i>	7.7%	6.7%		
Result	46	30	54%	58%
EPS	3.19	1.93	65%	69%
Net Debt / (Cash)	(59)	(264)		

- New units sold up 26%
 - Used units sold down 18%
- Revenue up 18% (21% in local currency)
 - Equipment sales up 12% (15%)
 - Aftermarket sales up 20% (23%)
 - Other revenue up 73% (77%)
- Increased gross margin thanks to higher aftermarket sales
- S, G & A expenses lower as % of revenue (11.9% vs. 12.2% in Q1 2018)
- 36% operating profit growth
- 54% net income growth
 - Supported by beneficial currency movements
- Continued net cash position

Market remains at low levels

- Number of imported machines to Russia only 55% of 2011 level and 49% of 2012 level
- Revenue 38% higher than 2011
- Operating profit 207% higher than 2011

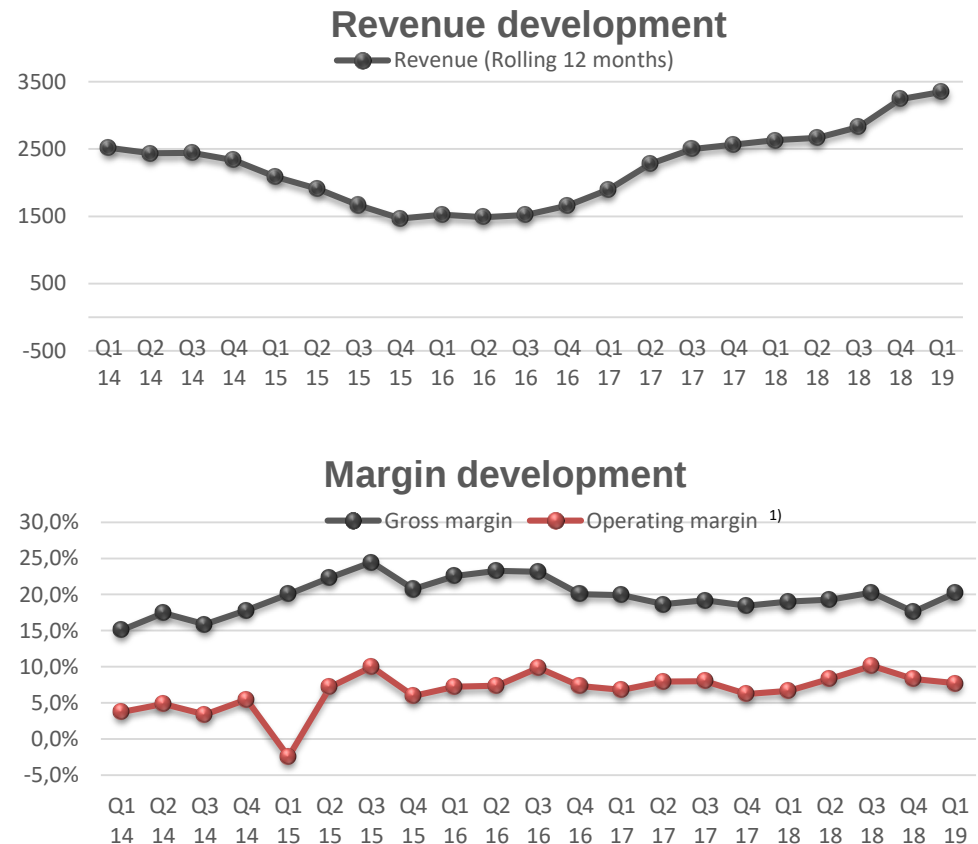


1) LTM refers to last twelve months as of end of February 2019.

2) 2011-2016 refer to adjusted EBIT, i.e. operating profit excluding amortisation of transaction-related intangible assets and write-downs of non-current assets in Q4 2016.

Revenue and margin development

- 11th consecutive quarter with YoY growth
➤ All-time high revenue
- YoY gross margin improved, mainly thanks to strong aftermarket growth
- Operating margin of 7.7% - first Q1 within financial objectives of 7-9%

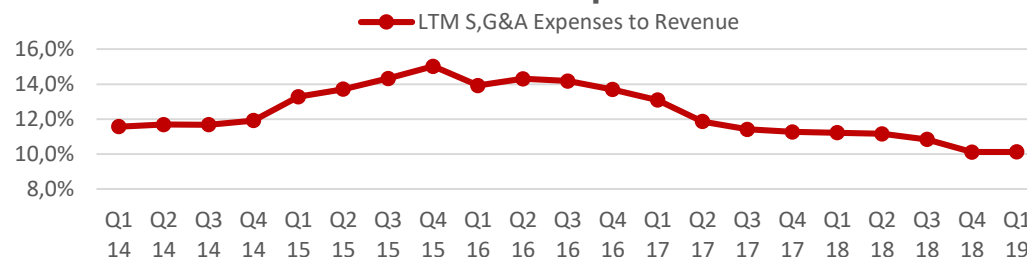


¹⁾ 2014-2016 refer to adjusted EBIT, i.e. operating profit excluding amortisation of transaction-related intangible assets and write-downs of non-current assets in Q4 2016.

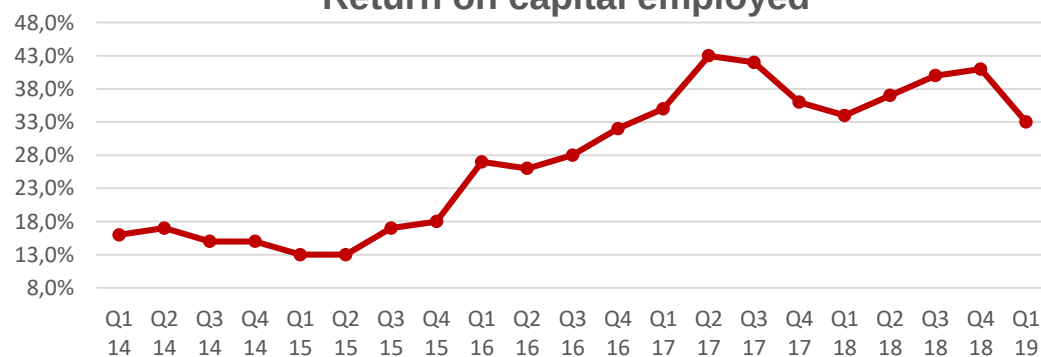
Development of cost and return on capital employed

- Continuously efficient use of organisation
 - LTM S, G & A expenses to revenue down by 1%-point YoY
- Strong improvement since 2015
 - Decrease in Q1 2019 due to seasonal inventory build-up and IFRS 16

Cost development



Return on capital employed ¹⁾



¹⁾ Operating profit plus financial income (LTM) in relation to capital employed (equity and interest-bearing liabilities) (average LTM)
 Note: 2014-2016 refer to adjusted EBIT, i.e. operating profit excluding amortisation of transaction-related intangible assets and write-downs of non-current assets in Q4 2016.

Balance sheet

SEK MM	31 March 2019	31 March 2018
Cash & Cash Equivalent	402	306
Debt	215	-
Lease liabilities	127	42
Net Debt / (Cash)	(59)	(264)
Working capital	283	181
% of Revenue	8%	7%
Shareholders Equity	758	647
Total Assets	2,494	1,459
Equity / Assets	30%	44%

- Debt increased because of higher working capital (and because we utilised local RUB credit instead of exchanging and transferring funds from Sweden)
- Increase in lease liabilities mainly related to IFRS 16 (SEK 76m)
- Net cash decreased to SEK 59m due to
 - SEK 76m increase in lease liabilities due to IFRS 16
 - Higher working capital
 - SEK 554m inventory increase during the quarter due to seasonal inventory build-up
- Working capital at 8% of revenue vs 7% after Q1 2018

Cash flows

SEK MM	Q1 2019	Q1 2018
Cash flows from:		
Operating activities	(116)	(24)
<i>of which change in working capital</i>	(197)	(62)
Investing activities	(19)	(19)
Cash flows before Financing Activities	(135)	(43)
Financing activities	196	(6)
Cash Flow (before FX fluctuations)	61	(49)

- Cash flows from operating activities decreased due to increased working capital
- Cash flows from investing activities unchanged
- Cash flows from financing activities increased because of increased borrowings

Financial objectives

KPI	Objective	LTM
Revenue	Triple 2016 revenue by 2021	More than 2x 2016 revenue
Operating margin	7-9%	8.6%
Net Debt / EBITDA	0-2 x	Net cash position

Outlook CEO comment

Despite the fact that the recent strong market recovery slowed down during the quarter, we still believe that the market will continue to recover during the rest of 2019, although not at the same pace as in 2017 and 2018. In a longer perspective, we remain optimistic as the long-term fundamentals in the machine markets in Russia and Kazakhstan remain strong. The optimism is underpinned by signs that the Russian government is trying to support economic growth by increased infrastructure spending, as indicated in the President's May Decree.

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Q & A