

# A yearly presentation 2006



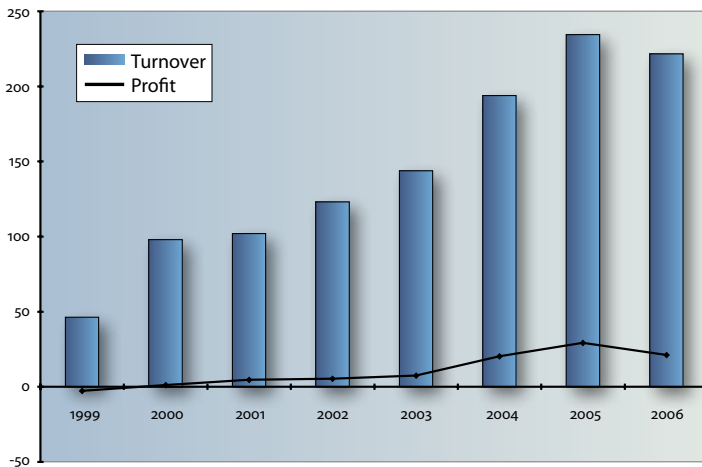
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AS FORS MW company was founded in 1992 and has its headquarters in Saue, Estonia. The after market division central for Europe is placed in Norrköping, Sweden. The Fors MW concern holds the whole of its Swedish daughter company FMW Farma Norden AB. The group has in average 130 employees and operations in some 25 countries. AS FORS MW is the leading European manufacture of its field whose leading positions are based upon market leading brands such as BIGAB Hooklift System, FARMA lumber trailers and NIAB Tractor Processor.

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Areas of activity:	Mechanical engineering
Financial year:	1 January 2006 to 31 December 2006

**Net sales/Profit (EEK)**



Net sales for the year decreased by 5,5 % to EEK 221521 (234412). The peak in sales, in 2005, is to some extent a result of the demand after the hurricane that hit Northern Europe. The decrease in 2006 relate to the situation of 2005 as well as stoppage in production due to fire.

Operating profit was 22383 thousand EEK (33345) and net profit was 21052 thousand EEK (29222). Reason for drop in profit is related to decrease in sales, stoppage in production and depreciation in regards to fire. More comments readable at CEO Comments.

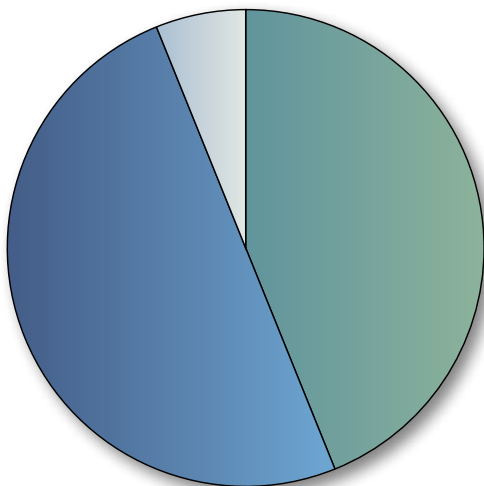
With investments in China, we have entered an exciting new phase. We aim to share in their growing economy, at the same time providing long – term supply of material for our globally growing market.

The group experienced growth on several markets out of which Germany stands out as of 2006, the second largest selling country for the brand FARMA. The interest globally is increasing steadily out of which Asia is most active.

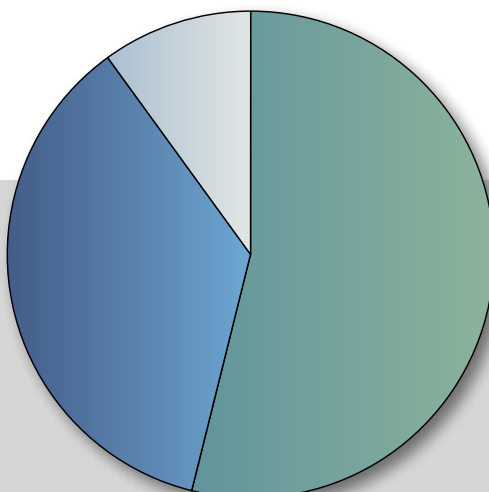
Fors MW strengthen its product offering within all brands but BIGAB in particular, through the launch of several new models which has been met with enthusiasm and sales throughout the markets.

Fors MW today stands as one of Europe’s leading producers of forestry, contractor and agricultural machinery. The group has a complete, well – coordinated product range that is geared to meet high demands. We are recognized as a full – service supplier.

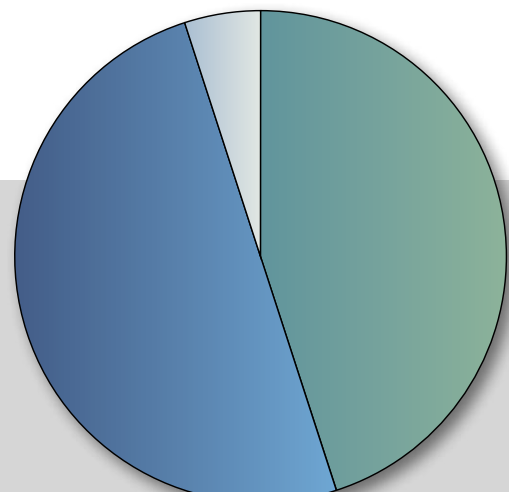
**Sales by brand segment 2004**



**Sales by brand segment 2005**



**Sales by brand segment 2006**



- FARMA
- BIGAB
- NIAB

## European company growing globally

The Fors MW customers are active in more than 50 countries spread worldwide. Our customers are located on all continents. They include both large and small businesses, they operate under diverse conditions. We create value through knowledge of customers, regional presence and efficient production.

We develop, produce and market forestry, agricultural and contractor's machinery. We see dynamic sales activities in some 25 countries concentrated geographically in Europe. The group sales of products and services are conducted through a number of 250 independent dealers and in some regions through agents. Demand is rising steadily in mature markets and rapidly in the emerging markets.

A key feature of the Fors MW group's growth strategy is to increase its presence in for the group emerging markets, primarily in countries such as Great Britain, Germany, France and Eastern Europe. The increase in sales has provided the group with the platform needed for further sales increases and in the long term are expected to contribute to the group's growth target.

Percentage of the Fors MW group's sales	Sweden	Norway	Denmark, Island	Finland	Austria	England, Ireland	Belgium	Switzerland	Germany	Netherlands	Others
2006	54	11	6	5	3	4	2	1	8	1	5
2005	63	8	7	4	3	3	2	2	2	1	8
2004	46	14	8	6	4	5	2	1	3	4	9

### A year like no other

Standing face to face with fire on the 10/2 – 2006 we knew that the road ahead would be challenging. Under these challenging times, Fors MW performed well in 2006. The group experienced growth on several markets out of which Germany stands out as of 2006, the second largest selling country for the brand FARMA. The interest globally is increasing steadily out of which Asia is most active. This shows the strength of Fors MW. Strengths that have been severely tested in recent years, battling extreme market growth, hurricanes as well as fire.

Throughout the years, the strategy of the group has been to increase presence on the broad European market, making the company less reliant on the Scandinavian sales in general and the Swedish sales in particular. Through the percentage of the Fors MW group's sales gathering, we can tell the strategy in general is proceeding as planned.

Today we see our company stand as one of Europe's most profitable producers of forestry, contractor and agricultural machinery. We are recognized as a full – service supplier since Fors MW is involved in the entire chain, including construction solutions, production, logistics, sales and creating attractive marketing concepts for the brands.

Fors MW has a complete, well – coordinated product range that is geared to meet high demands. Our strengths are the awareness of customer needs, a high rate of innovation and effective production processes. The industrial facilities are large and competitive and there has been considerable investment. The group has also made great progress, with its environmental work during the year mainly through the new environmental friendly paint shop, in use since February 2007. Not only is this an investment for the environment it's also a productivity raiser for the company in general.

It's great to see that all our brands contain market-leading positions in Northern Europe. The solid order bookings during 2006 and the skyrocket increase in sales in the first quarter of 2007 demonstrate once again the strength of our products. Strengths signified by a stable demand for our products in mature markets, and continuously rising demand, in emerging countries.

We have increased our market shares and brand awareness in all mature markets and most of the emerging ones. There is a great potential for continued profitable growth thanks to increased demand from the markets. Parallel with investments on emerging markets, we are increasing efforts to expand our offering of services, options and spare parts. We view this as our greatest possibility to create long-term growth in established markets.

Major projects, such as investments in production facilities in China 2007, move ahead to position the company for continued growth. With investments in China, we have also entered an exciting new phase. We aim to share in their growing economy, at the same time providing long – term supply of material for our globally growing market.

The earnings and turnover trend in 2006 were unsatisfactory, mainly due to impacts of the fire and delivery times rather than sales. The sales has in fact increased steadily during the years and the numbers of 2006 should be put into context of the extreme peak in sales in 2005 that had to do with the hurricane that hit northern Europe. In regards to the fire large parts of our stock were fully destroyed and more than 10000 square meters were heavily smoked damaged. Two months of stoppage raised situations in regards to delivery terms and for several months the company suffered from late supply of parts.

For each year we see that times are changing faster and faster. In the times that we are living, global demand increases and our market potential are substantial. When Sweden and part of Europe became market economies it took 30 – 50 years for their economies to double in size. In countries such as Estonia, considered a developing country, GNP is doubled and more within just a decade. To act in times as these, one needs to be ahead of competition. Flexibility of production and constantly overlooking the efficiency throughout the company will be a day-to-day business and a never-ending routine.

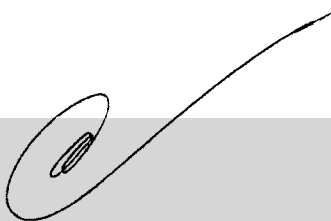
Our response to this development and the unsatisfactory earnings in 2006 includes an implementation of a cost – cutting and efficiency program which will be the single most important task during the coming year. Fors MW must stay competitive in all our segments to contain our market leading position. The agenda for the coming years is clear; our strategy is to achieve larger profitable growth than our competitors at the same time as honouring the foundation of the company, our business idea.

Fors MW has a long tradition of constant improvements in the production structure, even though; the activities of 2007 will be characterized by efforts to improve the cost situation and restructuring of the production. Our focus will therefore be to continue with our efficiency programme and to strengthen cost awareness within the group. We expect significant improvements in earnings as a result of the efficiency program. The changes implemented are not solely significant structurally, but also important for the internal transfer of know – how. Increased coordination will result in improved quality throughout the group as a whole.

Looking back on the 15 years since the company was founded, brings back a lot of memories. Times have been tough, ups and downs have followed each other, laughter and headache as well but noon come close to the heartache of that day in February a little more then a year ago. We had tackled extreme market raises and dealt with the demands from hurricanes but noon can measure up to the task of reconstructing the “baby” one where responsible for creating and that one had nourished throughout the years of “child sickness” and “teenage ruffle”, all that comes naturally with growing up. We where at the top of our game, that day before the fire. We had it all and we nearly lost it all, but someone smiled and the company was saved, mostly due to our own staff taking active part in the fire fighting and for that I owe my greatest gratitude.

We have grown over these 15 years from a small garage company into a large corporation with strong presence in most of the European countries. Our roots and beliefs as a company finds it source in the deep forests of Småland, Sweden. From the deepest of forests, we find our strength and will to fight. We can't change the direction of the clouds nor can we prevent a fire from happening but we are able to assist our customers by providing quality machinery at a competitive price and for that we are known with respect in this business and that's the path we will continue on.

In summary, I can say that the year ahead will be as equally a challenge as the year that has passed, but noon that we aren't able to face and tackle, through the same company spirit that has taken us to the position where we are today. We will see that during the year to come, thanks to systematic measures to cut cost levels and improve production structures, our innovative strength and our product range we will be able to realize our mission – to be a company as great as our products!



Leif Fors  
CEO

The CEO of AS FORS MW  
Mr. Leif Fors thinning forest  
at his farm in Estonia.



### Our Vision

AS FORS MWs vision is to be recognized as the leading European provider in its industry within the reach of this decade. Our vision is sprung out of our mission and connects strongly to the values set by company management.

### The Fors MW mission

Our mission is to become a business as great as our products.

### Our values

The company values are greatly connected with the group's business idea, which in itself is sprung from the spirit of the company founded through the beliefs that it is better to earn less per sold product and sell volumes then to do the opposite.

In their daily efforts, the employees are guided by the culture and values developed over the years. With common values, continuity is established, necessary in building and maintaining operations that are successful and that can be maintained over the long term. The group bases its values out of customer, employee and shareholder satisfaction.

We create value through good awareness of the needs of our customers and their regional presence. The awareness of the needs of customers is the group's main factor for success. We have a high level of customary satisfaction but there is always a need for improvement in strive for the highest rated customer satisfaction within the branch.

We strive to be a well respected and attractive workplace where the employees are skilled and highly motivated. Activities within the company should be characterized by the desire to continuously develop personal skills as well as company.

To provide shareholders with solid growth in value and a rising dividend, Fors MW must achieve its financial targets. A profitable company has the means to continue growth in aspect of both customers as well as employees. Continues growth and profitability of Fors MW translates into a valuable ownership for its owners and a stable nourishing work environment for the employees.

## Strategy of AS FORS MW

1

### Profitable growth

As European market leader in its field, Fors MW intends to continue to strengthen that position. Assessing the market position and product portfolio of the group is an ongoing process that guides resource prioritization. Since 2001, the Fors MW group has had an average annual growth rate of 17,8 percent. It is the group's objective to continue growing with focus on profitability. The growth target is 15 percent annually over a three year period. The company focuses on solid profitability and growth through broadening the field of potential users therefore spreading the cyclical risks.

The group holds established positions in Scandinavia. Strong brands increase customers' trust and create loyalty to the group's products, thereby supporting profitable long- term growth. Today, however the most rapid growth is occurring in markets where the group had very little business only three years ago. The aim is for markets such as Germany, France, Great Britain and Eastern Europe, to account for a substantial portion of the group's total sales within the end of this decade. Equally important is the interest of our products taking place outside the European territory in areas such as Asia, Africa and Northern America.

The Fors MW growing size and financial position strengthens the companies' opportunities to make strategic investments for increased growth and competitiveness. Equally important for the profitability is increasing proportion of component purchasing and out-sourcing in countries offering competitive pricing as well as continued focus on asset management and cost – reduction measures.

2

### Innovation and product development

Development of innovative technology is the key success for new generations of products, and to maintaining market – leading positions in the future. Though, keeping pace with the demands of customer's for new, innovative solutions is a challenge. The group cooperates with external partners in projects to enhance the products and strengthen the competitiveness.

Fors MW technical competences, broad application, know – how and European presence offer customers easy access. Innovation and quality needs to be key characters of our service and product offering. Product development has to be based on requirements from the customers. Fors MWs accumulated knowledge is built on interaction with customers and markets, at an early stage, of concepts and innovations introduced by customers.

Continued optimization on production organization for a faster flow of products to market, customer oriented production and technical innovation is what keeps Fors MW as the pioneer instead of its successor.

3

### Operational excellence

The group strives to continuously optimize cost – efficiency and productivity in all parts of its operations. Part of the internal cost – efficiency work involves reducing production costs, costs of sales and administration. Product costs must be constantly scrutinized and kept at a minimum to generate competitiveness without compromising on quality. A key competitive advantage in the sector is the capacity to be efficient and suited to purpose. Providing our customers with products and solutions of highest quality, while offering competitive pricing, requires that we continuously develop our cost efficiency.

Fors MW will in 2007 work even more intensively to further lower costs and to rationalize production structures at the same time as steps also being taken to improve efficiency and quality. Activities in 2007 will be characterized by efforts to improve productivity and the cost situation. One initiative among others in 2007 will be the launch of the efficiency and cost – cutting program, involving re- structuring of production units, cost reduction, shorten lead times as well as the inspection of supply chain and logistics.

### Market overview

Although the European industrial market is mature, demand for flexible and efficient transport solutions is increasing in parallel with demands for cost – effective savings.

BIGAB is the leading supplier of hook lift systems in Europe and positioned as a full range supplier of hook lift systems.

Geographically most of the BIGAB sales are concentrated to Scandinavia. A combination of marketing and growing dealer networks will work to increase the portion of sales in fast growing markets such as France, Germany and Great Britain. We see a continuing growth of both volumes in sales as well as in growth of markets.

The European presence of BIGAB represents a significant competitive advantage with dealers spread in 21 European countries with a total of 250 dealers.

### Trends on the market

Agricultural and contractors are looking for efficiency, variety, technical superior and maximum comfort. BIGAB is setting the standards in these areas, offering new solutions that exceed market expectations.

Fors MW works in closely cooperation with customers to constantly develop the products attributes and functionality. The strength of the product is awareness of customer needs, a high rate of innovation and effective production processes.

Competitors are at market and have intensified during the last years, mainly due to the high interest for flexibility and cost savings that comes out of the product. We feel confident in the investments that have been taken to secure the future of the product.

### Strategic priorities

Continued initiatives to increase growth rate in Fors MW principal markets in Europe. A roll in which marketing and brand management plays a substantial part.

Continues development has kept BIGAB in the lead for three decades. During the years to come there will be a gradual shift towards increasingly developed customer sized BIGAB products in high – quality segments. Fors MW is taken the steps necessary to meet those requirements.

During the year to come Fors MW will strengthen the position of the brand even further through extensive and ground braking advertising and events. As a part in that work is to strengthen partnerships with dealers and leading distributors.

### Market overview

FARMA has mainly been sold towards the small and medium scaled forestry but steps have been taken towards the proficient sector during recent years. An accomplishment meet with an increase in sales and applauds from the markets.

FARMA is today the leading supplier brand of lumber trailers in Northern Europe.

Most of FARMA sales are generated in Scandinavia, historically the FARMA stronghold. Notable is that during recent year, sales have rapidly increased in emerging countries such as Germany and Slovenia to mention some. Germany now carries the respect of being the second largest selling country of the brand FARMA.

FARMA dealers are in a total of 170, spread in 23 European countries.

### Trends on the market

The trend on the forestry market is towards a rise in sales of larger, high-equipped lumber trailers, which enhances convenience for its user.

Our ability to understand the future demands of the customers is fundamental for creating lasting value. Fors MW is working intensively to improve product performance, expand application areas and enhance the design of the product.

FARMA has taken market shares from competitors on already established markets as well as the emerging ones. Reasons which are surely related to our widespread dealership, one factor along with the fact that FARMA today stands for a user-friendly quality product for a reasonable price.

### Strategic priorities

Throughout persistent work efforts FARMA today plays an active and leading roll in the sales and innovation of the high equipped lumber trailers. In the reach of this decade it is the plan of Fors MW to achieve a market leading position also for our 4WD trailer within the Scandinavian market. Marketing and events is being design to achieve the result.

Increased growth, particularly through emerging countries such as France, Slovenia, Poland but also Germany that needs to be seen as such, due to only a year of market presence. Marketing the brand has been significant in the rise of sales. FARMA is continuing to be marketed widespread all over Europe.

Increased proportion of customized system solutions in which news will be presented at the fair Elmia fair Sweden, May of 2007. One significant step, to maintain the active roll of innovation and one event among others that shows the pride and seriousness that goes into the role of leading the market.

### Market overview

NIAB is a unique concept solution and extremely versatile appliance and even though the market exists of other processors there are noon that are similar. It improves capacity and boosts forest output by minimizing the area lost to strip roads. It will also handle the heaviest and most dangerous operations at very reasonable investment cost.

NIAB has European sales with emphasis on Scandinavia and Sweden in particular being the best selling brand in the region. Nevertheless has there been a substantial amount exported throughout the years to markets such as Russia, Poland, Germany, USA and Canada. Due to market activities and sales – support measures, such as demonstrations and campaigns, the brand has strengthened its market position. The growths on already established markets are progressing in a stable manor.

The interests from newcomer countries are increasing mostly due to the number of exhibitions that NIAB has been participating in. Foremost the interest is coming from countries within Eastern Europe such as Poland, Russia, Germany but also Belo Russia.

### Trends on the market

The trend in forestry in general is moving more towards the trend of “making it yourself”. This basically means that forest owners take it upon their self to take a more active part in caring for the well being of the forest, a role in which NIAB provides the perfect tool.

### Strategic priorities

In mature countries such as Sweden we have during recent year seen a faster increase in sales then years before. To further benefit from the increase, Fors MW plans to extend the work with demonstrations and marketing.

Continued efforts to increase presence in emerging NIAB markets through geographic expansion and sales growth in Germany and Eastern Europe. In 2006 the brand was marketed on 6 markets and at the same time exposed at more then 40 demonstrations and exhibitions.

