



2016 INTERIM RESULTS

SEPTEMBER 6, 2016

Photo: The Barley Project (100,000m² Distribution Center)
Milton Keynes, UK
Stanford Flooring

Financial Highlights

Continuing to deliver profitable growth

- Broad-based geographic growth led by core markets and strong demand for new products:
 - Revenue increased 12% to US\$ 39.7m (H1 2015: US\$ 35.3m)
- Effective conversion of revenue growth into profit:
 - Adjusted EBITDA increased 27% to US\$ 12.1m (H1 2015: US\$ 9.5m)^(1,2)
 - Adjusted EBITDA margin grew to 30% (H1 2015: 27%)^(1,2)
 - Operating income increased 24% to US\$ 10.3m (H1 2015: US\$ 8.3m)
 - Adjusted net income increased 22% to US\$ 7.3m (H1 2015: US\$ 6.0m)^(1,3)
 - Diluted adjusted net income per share grew 30% to US\$ 0.13 (H1 2015: US\$ 0.10)^(1,3,4)
- Net cash flow from operations was US\$5.8m (H1 2015: US\$7.3m) with the change driven primarily by increased working capital investment and timing of income tax payments
- Balance sheet continues to strengthen and reflect long-term investment:
 - Investment in new Global Headquarters and Training Facility in Fort Myers, Florida completed with US\$ 3.3 spend in H1 2016
 - Strong net cash position at June 30, 2016 of US\$ 11.1m (December 31, 2015: US\$ 12.6m) despite capital expenditures related to construction and US \$ 2.8M in dividend payments in H1 2016⁽⁴⁾
- Increased dividend payment to shareholders:
 - 2.5 US cents per share declared for payment in H2 2016; a 32% increase over last year

Business Highlights

- Six of 11 regions delivered sales growth compared to H1 2015, led by core markets:
 - The North American market was very strong, with sales increasing to US\$ 29.8m, a 24% increase compared to H1 2015
 - EMEA sales increased 13% compared to H1 2015 led by Europe which grew to US\$ 2.6m in H1 2016 (H1 2015: US\$ 1.9m)
 - Sales in China increased 15% to US\$ 3.8m compared to H1 2015
- Strong demand for new products – Mid line and Small line machines, 3-D Profiler Systems, and growth in Other revenues were significant contributors to the strong H1 2016 performance:
 - S-10A and S-940 Laser Screed machines contributed combined sales of US\$ 5.1m in H1 2016
 - 3-D Profiler System sales increased to US\$ 3.0m, up 50% from H1 2015
 - Other revenues increased to US\$ 8.1m, up 45% from H1 2015, driven by growth in sales of the parts and services and the STS-11m Spreader
- Construction completed on new Global Headquarters and Training Facility in Fort Myers, Florida
 - Building officially opened April 2016 on budget at a total project cost of US \$ 4.8m

Geographic Sales Detail

US\$ MILLIONS	H1 2016	H1 2015	CHANGE \$	CHANGE %
North America	\$ 29.8	\$ 24.1	\$ 5.7	24%
EMEA (Europe)	2.6	1.9	0.7	37%
ROW (China)	3.8	3.3	0.5	15%
ROW (Australia)	1.1	0.8	0.3	38%
EMEA (Middle East)	1.4	1.9	(0.5)	-26%
ROW (Latin America)	0.2	1.4	(1.2)	-86%
ROW (Southeast Asia)	0.2	1.0	(0.8)	-80%
ROW (Korea)	0.1	0.7	(0.6)	-86%
EMEA (India)	0.1	0.1	-	-
EMEA (Scandinavia)	0.3	0.1	0.2	200%
EMEA (Russia)	<u>0.1</u>	<u>-</u>	<u>0.1</u>	<u>NM</u>
TOTAL	\$ 39.7	\$ 35.3	\$ 4.4	12%

Product Sales Detail

US\$ MILLIONS	H1 2016	H1 2015	CHANGE \$	CHANGE %
Large line ⁽¹⁾	\$ 12.4	\$ 15.4	\$ (3.0)	-19%
Mid line ⁽²⁾	5.6	2.3	3.3	143%
Small line ⁽³⁾	7.7	6.3	1.4	22%
Remanufactured	2.9	3.7	(0.8)	-22%
3-D Profiler System	3.0	2.0	1.0	50%
Other ⁽⁴⁾	<u>8.1</u>	<u>5.6</u>	<u>2.5</u>	<u>45%</u>
TOTAL	\$ 39.7	\$ 35.3	\$ 4.4	12%

- Notes:
- (1) Includes S-22e sales
 - (2) Includes S-15 and S-10A
 - (3) Includes S-840, S-940, S-485 and CopperHead
 - (4) Includes US\$ 5.2m and US\$ 3.6m in parts & accessories for H1 2016 and H1 2015 respectively, in addition to services, freight, STS-11m machine sales, and other miscellaneous items totalling a combined US\$ 2.9m and US\$ 2.0m for H1 2016 and H1 2015, respectively.

Statements of Operations

US\$ IN MILLIONS	SIX MONTHS ENDED JUNE 30, 2016	SIX MONTHS ENDED JUNE 30, 2015
Revenue	\$ 39.7	\$ 35.3
Cost of Sales	<u>17.4</u>	<u>15.9</u>
Gross Profit	22.3	19.4
Operating Expenses:		
Selling	4.0	3.6
Engineering	0.5	0.5
General and Administrative	<u>7.5</u>	<u>7.0</u>
Total Operating Expenses	<u>12.0</u>	<u>11.1</u>
Operating Income	10.3	8.3
Other Income (Expense)	<u>0.1</u>	<u>(0.1)</u>
Income before income taxes	10.4	8.2
Provision(Benefit) for Income Taxes	<u>3.7</u>	<u>2.8</u>
Net Income	<u>\$ 6.7</u>	<u>\$ 5.4</u>
Other Data:		
Adjusted EBITDA ^(1,2,4)	12.1	9.5
Adjusted Net Income ^(1,3,4)	7.3	6.0
Depreciation Expense	0.5	0.3
Amortization Expense	0.8	0.8
Capital Expenditures	3.8	2.2

Highlights:

- Gross margin increased to 56.2% from 55.0% in H1 2015 driven by positive impacts of price increases, productivity gains and product mix
- Operating expenses increased due to higher commissions, personnel costs, marketing costs, professional fees, stock-based compensation and insurance
- Operating income grew 24% from H1 2015 demonstrating controlled investment in resources to support business growth
- 35% H1 2016 effective tax rate consistent with go-forward expectations
- Efficient translation of growth to profitability illustrated by Adjusted EBITDA conversion rate of 59% (Growth in EBITDA/Growth in Sales)
- Capital expenditures increased to US\$ 3.8m due to spend to complete construction of new Global Headquarters and Training Facility

Note: 1,2,3,4 See annual results announcement for definition of terms.

Adjusted Net Income and Adjusted Net Income per Share

US\$ MILLIONS (EXCEPT PER SHARE DATA)	SIX MONTHS ENDED JUNE 30, 2016	SIX MONTHS ENDED JUNE 30, 2015	CHANGE %
Net income	\$ 6.7	\$ 5.4	
Amortization	0.8	0.8	
Tax impact of stock option and RSU settlements	<u>(0.2)</u>	<u>(0.1)</u>	
Adjusted net income	7.3	6.0	22%
Adjusted net income per share (diluted)	\$ 0.13	\$ 0.10	30%

Balance Sheets

US\$ IN MILLIONS	AS OF JUNE 30, 2016	AS OF DEC. 31, 2015
Cash and equivalents	\$ 12.1	\$ 13.7
Accounts receivable, net	10.2	7.2
Inventory	9.0	8.5
Prepaid expenses & other assets	1.1	0.9
Deferred tax asset	<u>0.3</u>	<u>0.4</u>
Total current assets	32.7	30.7
Other assets	<u>20.2</u>	<u>17.7</u>
Total assets	<u>\$ 52.9</u>	<u>\$ 48.4</u>
Notes payable, current	\$ -	\$ -
Accounts payable	4.7	3.7
Accrued expenses	5.3	4.4
Income tax payable	<u>-</u>	<u>1.0</u>
Total current liabilities	10.0	9.1
Other liabilities	<u>1.1</u>	<u>1.1</u>
Total liabilities	11.1	10.2
Stockholders' equity	<u>41.8</u>	<u>38.2</u>
Total liabilities & stockholders' equity	<u>\$ 52.9</u>	<u>\$ 48.4</u>

Highlights:

- Cash & equivalents decreased by US\$ 1.6m from year-end 2015 due to US\$ 3.8m in capital expenditures related primarily to the new Global Headquarters and Training Facility, US\$ 3.3m in dividend payments & equity instrument settlements, and US\$ 4.7m in H1 2016 tax payments
- Increase in accounts receivable of US \$ 2.9m due primarily to an increase in US receivables associated with the extraordinarily strong end of June 2016
- Increase in other assets due to a US\$ 3.3m net increase to property, plant and equipment associated with investment in the Fort Myers building, offset partly by US\$ 0.8m in H1 2016 amortization of intangibles

Statements of Cash Flows

US\$ IN MILLIONS	SIX MONTHS ENDED JUNE 30, 2016	SIX MONTHS ENDED JUNE 30, 2015
Net income	\$ 6.7	\$ 5.4
Adjustments to reconcile to cash provided by operating activities:		
Deferred taxes	0.1	(0.2)
Depreciation & amortization	1.3	1.1
Stock based compensation and other	0.5	0.1
Working capital changes	<u>(2.8)</u>	<u>0.9</u>
Net cash provided by operating activities	<u>5.8</u>	<u>7.3</u>
Net cash used in investing activities	(3.8)	(2.2)
Payment of dividends	(2.8)	(2.3)
Stock options and RSUs settled for cash	(0.5)	(0.3)
Purchase of treasury stock	-	(0.2)
Repayment of notes payable	<u>-</u>	<u>(0.2)</u>
Net cash used in financing activities	(3.3)	(3.0)
Effect of exchange rates on cash	<u>(0.2)</u>	<u>-</u>
Increase in cash and equivalents	(1.6)	2.1
Beginning cash	<u>13.7</u>	<u>8.0</u>
Ending cash	<u>\$ 12.1</u>	<u>\$ 10.1</u>

Highlights:

- Net cash provided by operating activities decreased by US\$ 1.5m from H1 2015 due primarily to increased investment in working capital and timing of tax payments
- Net cash used by investing activities increased by US\$ 1.6m driven by spend to complete construction of the new Global Headquarters and Training Facility in Florida
- Dividend payments to shareholders increased by US\$ 0.5m reflecting an increased final 2015 dividend payment of US 5 cents per share compared to a final dividend of US 4 cents per share for 2014

Current Trading and 2016 Outlook

Positive trading momentum in North America has continued into H2 2016 reflecting a healthy non-residential construction market in the United States driven by demand for new products, replacement equipment, fleet additions, and technology upgrades. The ongoing construction growth and project backlogs our customers are experiencing point to continued solid performance in the North American market for the remainder of 2016.

Overall activity levels in EMEA were positive in H1 2016, with Europe particularly active continuing a positive recovery trend. In the Middle East, while H1 2016 revenues of US\$ 1.4m were down compared to H1 2015, we continue to be encouraged by activity levels across numerous countries that comprise this territory.

The China market improved in H1 2016 due to positive market conditions, traction with our market development activities, and the positive impact of the long-term financing program. In H1 2016, approximately 35% of our sales in China were financed under the long-term financing program. Our low penetration rate combined with greater acceptance of wide-placement theory and flatness standards and customer willingness to use our products and services provides Somero ample opportunity for growth going forward in this market.

We are also seeing positive activity levels in Latin America and expect meaningful improvement in H2 2016. In Southeast Asia and Korea, while H1 2016 sales were below previous year levels, we remain encouraged by solid opportunities in each of these markets.

After significantly strong trading in June to finish H1 2016, the solid activity levels from H1 2016 have carried over to July and August as we continue to see significant opportunities across our broad portfolio of markets.

We are very pleased with our performance in the first half of 2016 and remain confident in delivering another year of solid, profitable growth for our shareholders in line with current market expectations.

Strategic Plan Update



A Clear Strategic Objective

In 2014, the Company outlined its strategic objective to double 2013 revenue of US\$ 45.1m by 2018.

The Company has made significant progress towards this goal, growing 2015 revenues to US\$ 70m, an 18% increase from 2014, and growing H1 2016 revenues to US\$ 39.7m, a 12% increase from H1 2015.

With solid fundamentals in the US and European markets, and significant additional growth opportunities across our broad portfolio of products and geographic markets, we remain confident in our ability to achieve our strategic target in 2018.

US\$ MILLIONS	YEAR ENDED DECEMBER 31, 2013	GROWTH RATE
North America	\$ 25.5	100%
China	6.6	200%
Europe	3.0	200%
Remaining regions	<u>10.0</u>	<u>40%</u>
TOTAL	\$ 45.1	100%

North America Update

Market Dynamics

Strong recovery in equipment pricing and sales since recessionary low point in 2010-11.

Non-residential construction fundamentals remain sound in the US; cement consumption from non-residential building construction increased 14% in 2015⁽¹⁾.

Growth Drivers

US non-residential building construction spend forecast to grow 5%-7% through 2019⁽²⁾.

- Technology upgrades to aging fleet of installed equipment.
- Fleet additions.
- New product introductions.
- Shortage of skilled labor in the concrete construction industry.

US\$ MILLIONS	FY 2013	FY 2014	FY 2015	H1 2016
North America	\$25.5	\$37.2	\$49.2	\$29.8

H1 2016 Highlights:

- Sales increased 24% due to strong demand for Mid line, Small line, 3-D Profiler Systems, and Other revenues.
- Non-residential construction spending remains solid spurred by customer demand for replacement machines, fleet additions, and technology upgrades.
- Sales growth also driven by new product introductions (S-10A and S-940), price increases and a shortage of skilled labor in the US concrete construction industry.

Notes:

- (1) Percentage derived from Portland Cement Association's Market Intelligence Fall Cement Outlook report dated November 2015.
 (2) Estimates obtained from FMI Research Services Group 3Q 2015 Construction Outlook report.

China Update

Market Dynamics

Represents greatest opportunity for growth outside of North America.

Massive cement consumption estimated to represent 57.5% of total world consumption compared to 3.5% for North America⁽¹⁾.

Growth opportunity is significant given very low current penetration.

Company does not believe 2015 growth slowdown materially impacts near-term opportunity.

US\$ MILLIONS	FY 2013	FY 2014	FY 2015	H1 2016
China	\$6.6	\$9.5	\$6.1	\$3.8

H1 2016 Highlights:

- Market environment improved with sales increasing 15% compared to H1 2015
- Market fundamentals, long-term growth prospects encouraging
- Experience with long-term financing program positive
- Growing acceptance of wide-placement methods and demand for higher quality floors driven by the Somero Concrete College, Project Site Mega Demos, and sales engineer staff efforts to educate the marketplace
- Increasing wages, demand for automation, and economic evolution towards logistics/big box retailing/e-commerce increasing demand for productivity and floor flatness provided by Somero equipment

Notes:
 (1) Percentages obtained from Portland Cement Association's Market Intelligence World Cement Consumption report dated August 2013.

China Growth Drivers

- Demand for quality floors
- Measuring System (FF/FL) numbers introduced/accepted
- Customer Support, operator training, jobsite consulting, product demonstrations
- New product launches
- Key employees (sales, sales engineers, technical support)
- Marketing
- Availability of financing

Proven drivers of US & European growth are the “roadmap” for growth in China.

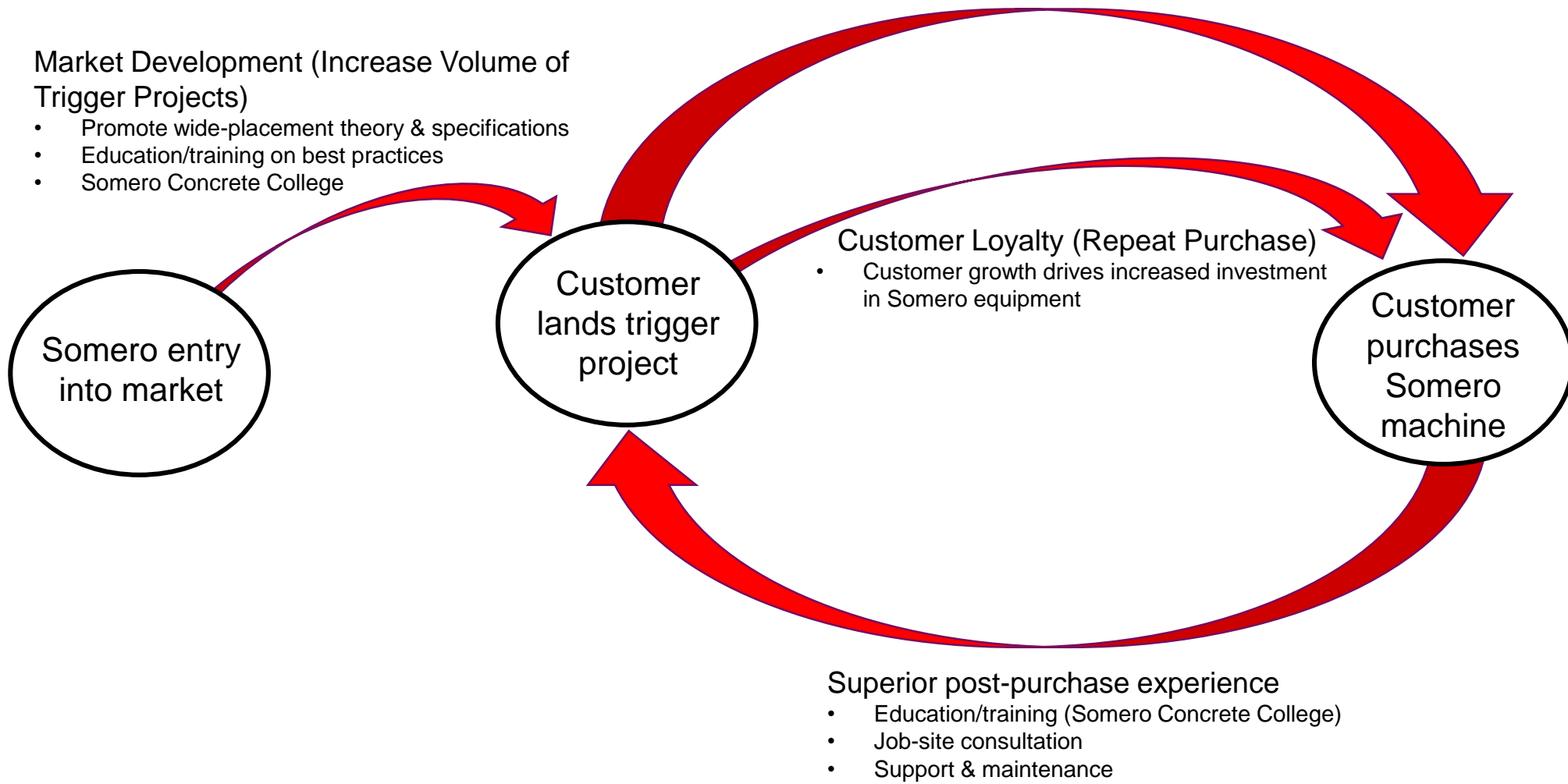
China Growth Strategy

Market Development (Increase Volume of Trigger Projects)

- Promote wide-placement theory & specifications
- Education/training on best practices
- Somero Concrete College

Evaluation/Selling Process

- Direct sales force
- Product line simplification tailored to market
- Product demonstrations/Trade-Shows
- Somero Concrete College
- Long-Term Financing Program



Customer Loyalty (Repeat Purchase)

- Customer growth drives increased investment in Somero equipment

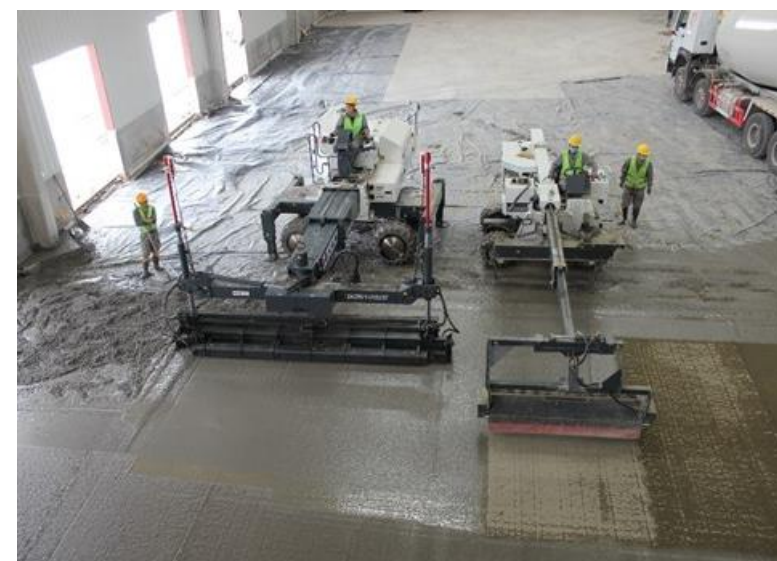
Superior post-purchase experience

- Education/training (Somero Concrete College)
- Job-site consultation
- Support & maintenance

China Customer Case Study

Shenyang Nester

- Flooring material applicator prior to purchasing their first Somero laser screed machine
- Nester's goal was to self perform and install concrete floors using their own staff
- Somero provided training, education on wide-placement best practices, and on-site consultation to Nester employees
- In May 2014, Nester purchased their first machine, an S-840
- Since then, Nester has purchased 4 additional machines including:
 - An S-240 (large line boomed machine) and an STS-11M (spreader) in May 2015
 - An STS-11M at the end of 2015
 - An S-22E in March 2016
- To date, Nester has purchased over US\$ 2m in Somero equipment
- Nester is now Somero's largest Chinese customer with 80 employees placing 500,000m² in concrete flooring per year
- Nester is one of China's most professional flooring contractors completing numerous projects for multinational corporations



*May 8, 2016 Shenyang Nester Mega Demo
GLP Prologis Warehouse
Jiaozhou, Qingdao, Shandong Province*

Europe Update

Market Dynamics

Second largest installed base of Somero equipment

Continued, steady improvement from the recessionary low-point in 2010-11

Region appears to be at an earlier stage of recovery than North America

Growth Drivers

Continued recovery of the non-residential construction market across mainland Europe

Technology upgrades of aging fleet of installed equipment

Fleet additions

New product introductions

Shortage of skilled labor in the concrete contractor industry

US\$ MILLIONS	FY 2013	FY 2014	FY 2015	H1 2016
Europe	\$3.0	\$3.6	\$5.7	\$2.6

H1 2016 Highlights:

- Continuing positive trajectory with sales growing to US\$ 2.6m for H1 2016, up 32% compared to H1 2015
- Growth remains broad based driven by demand in Spain, Poland, Italy, Germany and Eastern Europe
- On a product basis, growth driven by increased sales of Mid line and Small line machines

Rest of World

Market Dynamics

Very low market penetration across the rest of world territories

Most significant growth opportunity is India, with cement consumption estimated to be 7.4% of 2015 world demand, more than double North America⁽¹⁾

Growth Drivers

Increased demand for higher quality concrete floors

Broader domestic acceptance of wide-placement methods and US flatness and levelness floor specifications

Shortages of skilled labor

US\$ MILLIONS	FY 2013	FY 2014	FY 2015	H1 2016
Rest of World	\$10.0	\$9.0	\$9.2	\$3.5

H1 2016 Highlights:

- Australia sales increased to US\$ 1.1m from US\$ 0.8m in H1 2015 primarily driven by increased Small line, Mid line machine sales and Other revenues
- Middle East sales declined to US\$ 1.4m from US\$ 1.9m in H1 2015 due primarily to exceptional volume in the prior year. H1 2016 sales reflect strength in Dubai, Turkey and Saudi Arabia
- Sales in Latin America declined to US\$ 0.2m from US\$ 1.4m in H1 2015 driven in part by continued challenges in Brazil and a reduced level of project activity in Mexico. We expect to see improvement in this territory in H2 2016
- Southeast Asia sales fell to US\$ 0.2m from US\$ 1.0m in H1 2016. Despite the sales decline from H1 2015, activity levels remain solid and we remain optimistic about the growth opportunity in this territory in the coming years
- India H1 2016 sales were flat with H1 2015 at US\$ 0.1m as we remain in the initial phase of penetrating this significant market

Notes:
 (1) Percentages obtained from Portland Cement Association's Market Intelligence World Cement Consumption report dated August 2013.

Why is this a Compelling Investment?

- Dominant market position
- Significant barriers to entry based on technology, education and global technical support
- Customer driven product development
- Highly knowledgeable and experienced senior management team
- Financial:
 - Superior Gross/EBITDA margins
 - Highly cash generative business
 - Strong, unleveraged balance sheet
 - Disciplined return of cash to shareholders through dividends
- Strategic plan to double revenue by 2018
- Solid growth and market dynamics in developed markets
- Strong potential for growth in emerging markets

Thank you

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