

Ferronordic Machines

Company Presentation

May 2012



OFFICIAL DEALER OF
VOLVO CONSTRUCTION EQUIPMENT

COMPANY OVERVIEW

Ferronordic Machines

Exclusive dealer of Volvo Construction Equipment in Russia for two years

Core focus on the Volvo brand

Strong and growing construction equipment market

Rapidly increasing presence all over Russia

Market: ~8,000 → 10,167 → **25,635** (takeover, end 2010, end 2011)

Outlets: 6 → 12 → **53**

Employees: 160 → 326 → **540**

Revenue: VCE → €74M → **€268 M**

Complimentary brands added:  TRUCKS  **VOLVO PENTA** **LOGSET** *Log Max*

€80M of capital raised

Experienced management and board of directors and supporting shareholders



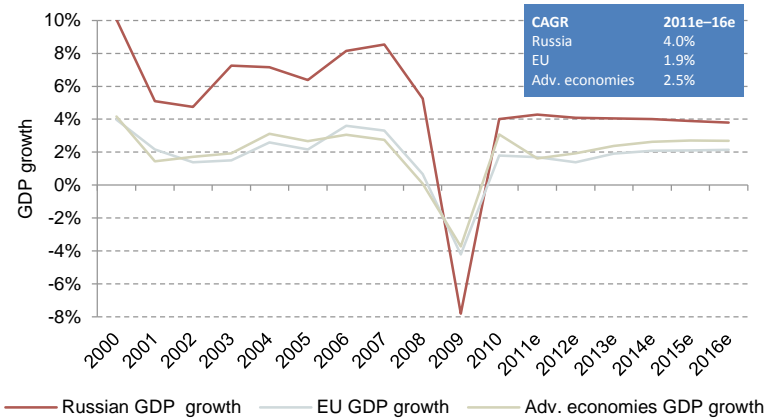
MARKET OVERVIEW

MARKET OVERVIEW

Russian economy

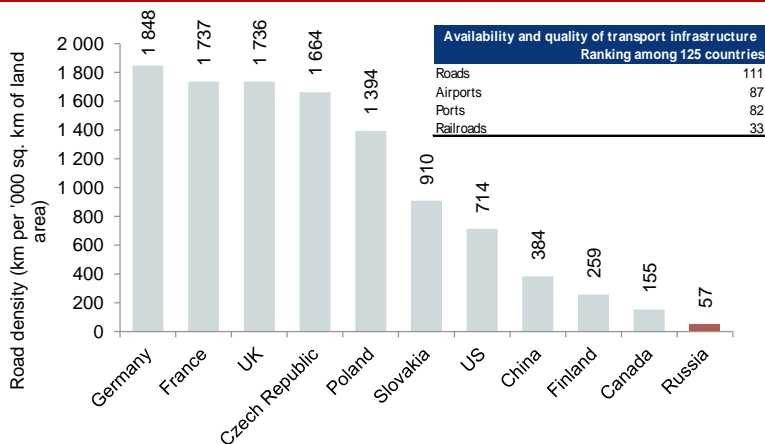
- ◇ Russian GDP has grown faster than Western economies historically, and is expected to continue to show higher growth
- ◇ Inadequate road network and low infrastructure rankings highlight the investment need going forward
- ◇ Infrastructure investments are expected to almost double in 2013e compared to 2008
- ◇ Major planned construction projects include the South Stream pipeline, the Marine Façade district in St. Petersburg, Kaliningrad Nuclear Power Plant, and numerous projects related to the 2014 Winter Olympics, the 2016 Ice Hockey World Championship, and the 2018 FIFA World Cup

Russian GDP expected to outgrow Western economies



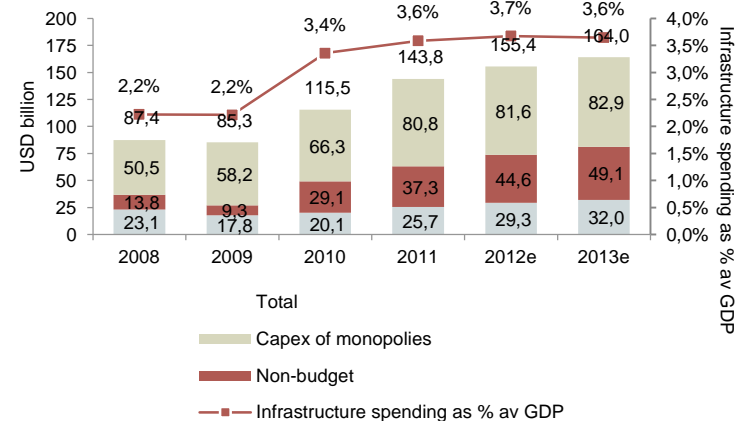
Note: "Advanced economies" include 34 of the world's most advanced countries
 Source: IMF World Economic Outlook

Currently inferior infrastructure



Source: World Economic Forum – GETR 2010

Significant infrastructure investments going forward



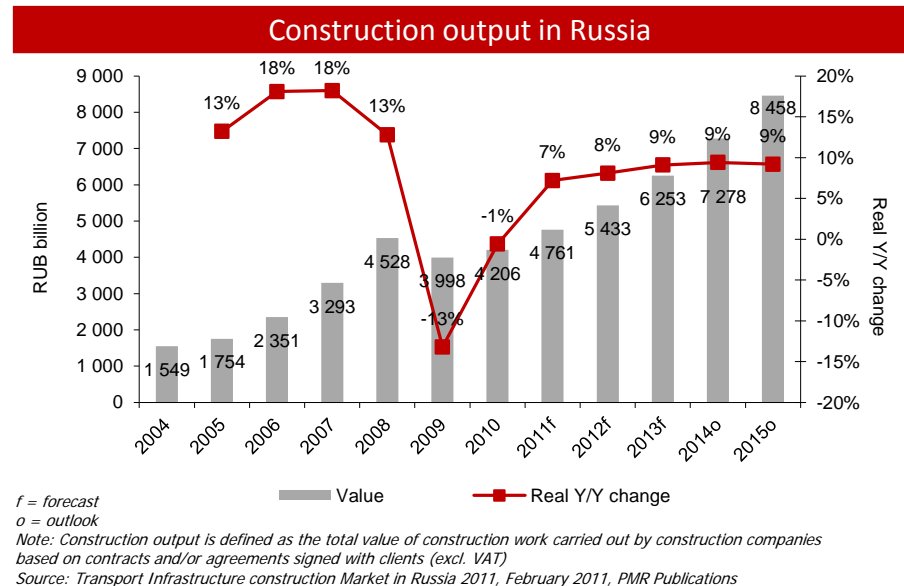
Note: "Capex of monopolies" includes Russian Railways, Electricity Utilities, Gazprom and Transneft
 Source: Rostat

MARKET OVERVIEW

Construction equipment market in Russia

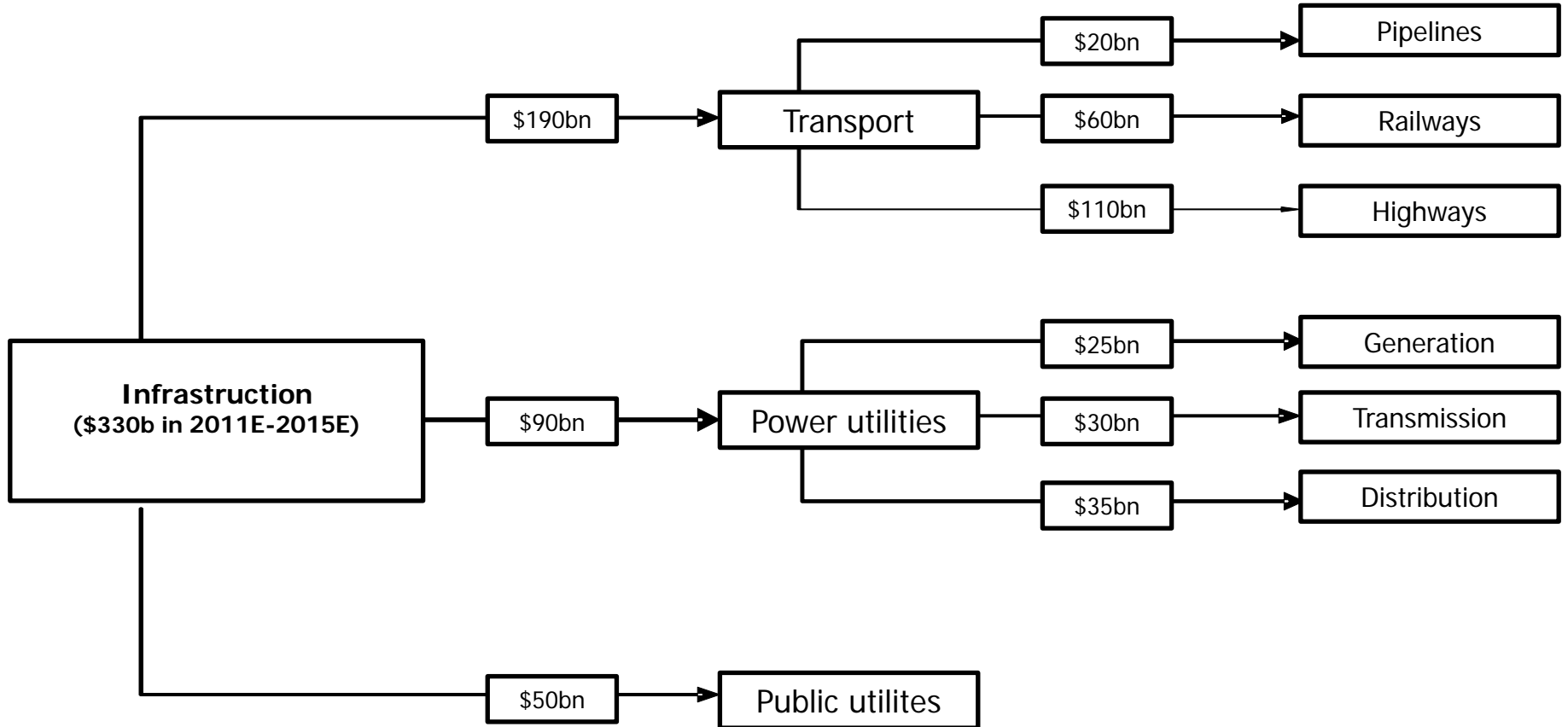
- ◇ Construction output in Russia expected to grow close to 10 per cent annually over the next few years
- ◇ The Russian CE market was over 25,000 units in 2011, up from approximately 10,000 in 2010 (import numbers)
- ◇ The market for construction equipment consists of five different segments:
 - Oil and gas industry
 - Mining industry
 - Forestry industry
 - Road construction industry
 - General construction industry
- ◇ The Russian market is fairly scattered with many participants, but five leading players have approximately 10 per cent market share each¹⁾
 - Hitachi, Volvo CE, Caterpillar, Komatsu and JCB
- ◇ Strong efficiency and outsourcing trend
 - Increased demand for efficiency of construction projects drives demand on high-quality equipment and well developed service network
 - Large conglomerates are outsourcing service of equipment
 - Large geographical distances between customers drive need for scale and utilization of synergies

1) Excluding Chinese and CIS brands



MARKET OVERVIEW

We expect USD330b of infrastructure related spending in 2011E-2015E





COMPANY OVERVIEW

Vision

To be regarded as the leading
service and sales company
within our business areas
in the CIS markets



COMPANY OVERVIEW

Strategic and financial objectives

Strategic objectives

- ◇ Leadership within the market for construction equipment
- ◇ Geographical expansion of current product portfolio
- ◇ Expansion into related business areas such as other machinery and commercial vehicles
- ◇ Extract synergies in dealer network infrastructure development and support functions

Financial objectives

- ◇ "Best in class" growth and margin
- ◇ Absorption rate of 1.0x by 2015
- ◇ IPO within the next few years

COMPANY OVERVIEW

Ferronordic Machines – Strategic cornerstones

CUSTOMER ORIENTATION

- ◇ Leading service and product availability
- ◇ Tailored service and repair programs
- ◇ Financial services offerings
- ◇ Developed trade-in system
- ◇ Fleet & Residual value management
- ◇ Rental fleets



SUPERIOR INFRASTRUCTURE

- ◇ High density network – many points of presence, less “show-off buildings”
- ◇ Mobile workshops and service vans/trucks
- ◇ Well equipped, purpose-built facilities in select locations
- ◇ Expand in the rest of the CIS region
- ◇ Infrastructure to be used for other brands



BUILD ON STRONG BRAND RECOGNITION – VOLVO CE

- ◇ World's 3rd largest manufacturer of construction equipment
- ◇ Building on No.1 brand position in Russia
- ◇ Broad range of equipment for road-, general construction, oil- and gas, mining and civil engineering companies
- ◇ Development through additional strong brands



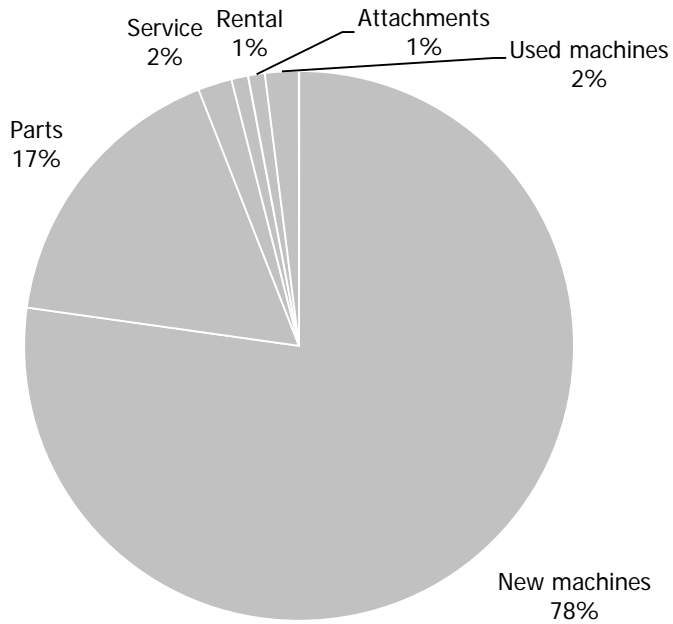
OPERATIONAL EXCELLENCE

- ◇ Implementation of best practices and processes
- ◇ Leading IS/IT systems
- ◇ Close cooperation with manufacturers
- ◇ Get the right people to do the right job right
- ◇ Continuous improvement of processes

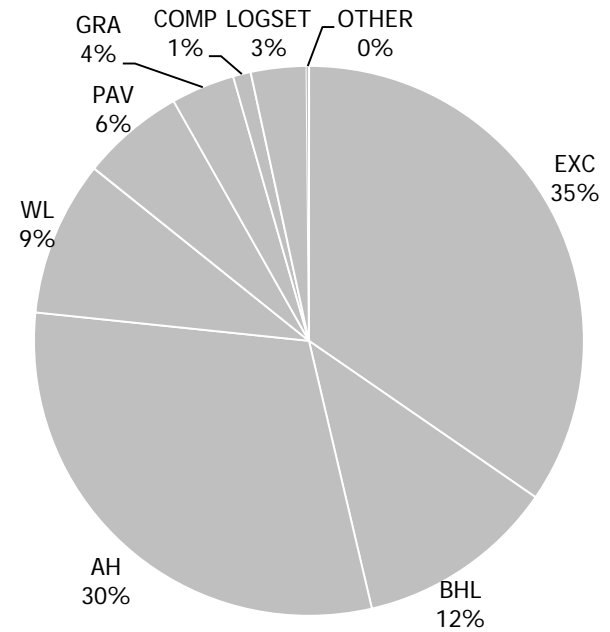
COMPANY OVERVIEW

Product offerings

Sales breakdown Jan-Dec 2011



Sales breakdown by product type Jan-Dec 2011



Source: Ferronordic Machines

Source: Ferronordic Machines

COMPANY OVERVIEW

Hard products



COMPANY OVERVIEW

Focus on soft products

- ◇ Planned maintenance service
- ◇ Diagnostic of machines
- ◇ Planned and unplanned repair
- ◇ Overhaul – providing new life to older machines
- ◇ Sales of used machines
- ◇ Spare part sales and delivery
- ◇ Remanufacturing of vital parts (engines, gearboxes etc)
- ◇ Service contracts
- ◇ Fleet management services (Caretrack)
- ◇ Financial solutions
- ◇ Insurance
- ◇ Logistics
- ◇ Trade in of used machines and residual value management for customers
- ◇ Rental of machines
- ◇ Provision of financed full service and repair fleet management contracts – customer pays fixed price for used machine hours on a monthly basis
- ◇ Consultancy
- ◇ Application engineering

COMPANY OVERVIEW

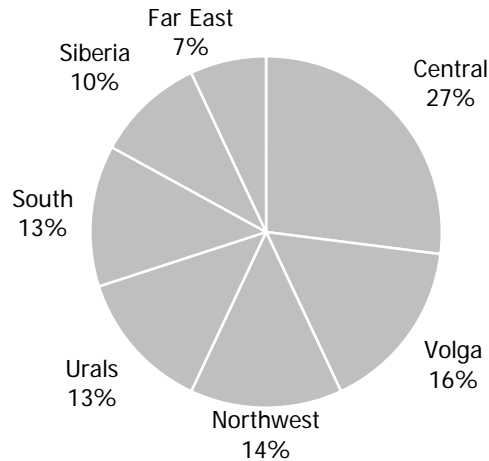
Customer segment and regional business area approach

| Customer Segments | Central | N-W | South | Volga | Urals | Siberia | Far East |
|------------------------------|---------|-----|-------|-------|-------|---------|----------|
| Road construction | | | | | | | |
| Oil- and gas | | | | | | | |
| Metals and mining | | | | | | | |
| Quarries and aggregates | | | | | | | |
| Building | | | | | | | |
| Infrastructure and utilities | | | | | | | |
| Forestry | | | | | | | |

COMPANY OVERVIEW

Volvo CE on the Russian market for construction equipment

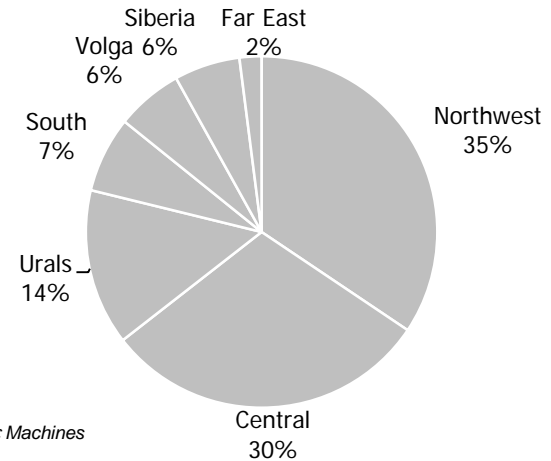
Russia – Construction output per region 1H 2011



Map of Russia



Volvo CE units sold per region 2011



Source: Ferronordic Machines

Comments

- ◇ The two largest districts in terms of sales, Central and Northwestern, constitute approximately 41% of the construction output in Russia
- ◇ In 2010, 82% of units sold came from NW and CTR. This was 65% in 2011
- ◇ Urals, Volga and South have generated strong revenue, currently accounting for approx. 27% of units sold
- ◇ All in line with FNM's strategy

COMPANY OVERVIEW

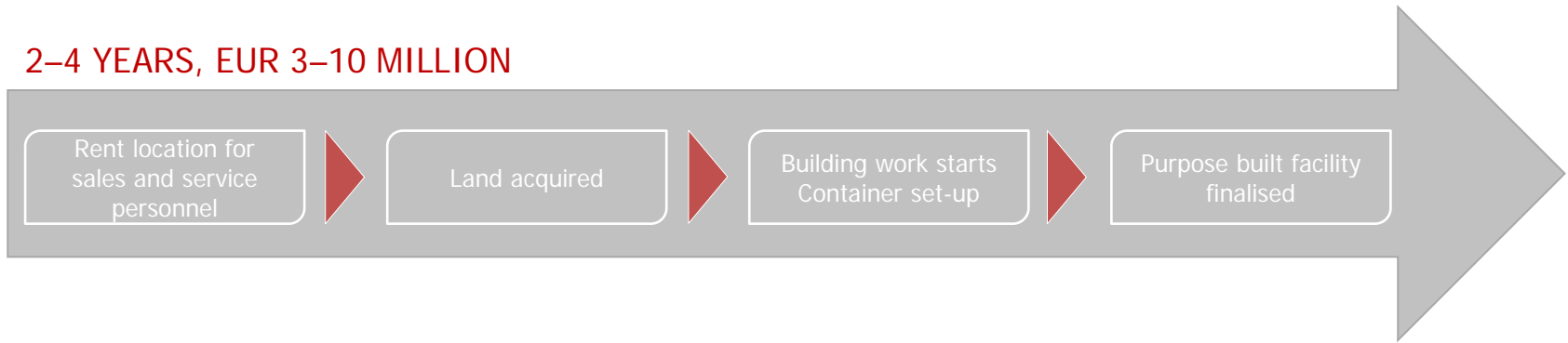
Network development map – May 2012



COMPANY OVERVIEW

Road-map for establishment of a large new dealership

2-4 YEARS, EUR 3-10 MILLION



Rented location



Container set-up



Purpose built facility



COMPANY OVERVIEW

No.1 Brand Image



COMPANY OVERVIEW

Additional brands

- ◇ Ferronordic Machines seeks to leverage its distribution network further by selling adjacent product categories from additional brands



Ferronordic Machines

- ◇ Importer and dealer in Russia
- ◇ Distribution and service



Selection of additional brands added to Ferronordic Machines' portfolio:

LOGSET  **HOLMS** *Log Max*



TRUCKS

**VOLVO
PENTA**

Ferronordic Machines customer



COMPANY OVERVIEW

Board of Directors

| Board of Directors | Name | Position | Selected current assignment(s) | Selected previous assignments |
|--------------------|--------------------|-------------------------|---|--|
| | Per-Olof Eriksson | Chairman | Board member of Investment AB Öresund and Biotage | CEO of Sandvik and Seco Tools |
| | Marika Fredriksson | Director | Consultant | SVP and CFO, Gambro SVP/CFO, Autoliv SVP/CFO Volvo CE |
| | Martin Leach | Vice Chairman | Chairman, Magna Group | Chairman and CEO at GAZ International, CEO of Maserati Spa and President Ford of Europe at Ford Motor Company |
| | Erik Eberhardson | Executive Vice Chairman | Head of Business Development, Ferronordic Machines Group | Board member in Magna International; Chairman and CEO, OJSC GAZ; GM Volvo Trucks (Ukraine); CEO, Volvo (Ukraine) and President (CIS), Volvo CE |
| | Lars Corneliusson | Director | CEO, Ferronordic Machines Group | MD Volvo Vostok (Russia); President, Volvo Trucks (Russia) and advisor to Russian Ministry of Economy/Transport (World Bank) |
| | Tom Jörning | Director | MD, Volvo Truck (CEE) | Several senior positions within Volvo Truck including VP (East Europe), Volvo Truck (Europe) |
| | Magnus Brännström | Director | CEO, Oriflame | RD (CIS and Asia) and MD (Russia), Oriflame |
| | Erik Danemar | Director | Mining and resources, Company Equity Analyst, Deutsche Bank | Various positions within Deutsche Bank and United Financial Group |

COMPANY OVERVIEW

Senior Management Team

Erik Eberhardson



Lars Corneliusson



Anders Blomqvist

CURRENT
APPOINTMENTS

- ◇ Co-owner and Executive Vice Chairman and Head of Business Development Ferronordic Machines Group
- ◇ Board member of Lindab AB

- ◇ Co-owner and CEO of Ferronordic Machines Group

- ◇ Co-owner and CFO of Ferronordic Machines Group

PREVIOUS
APPOINTMENTS

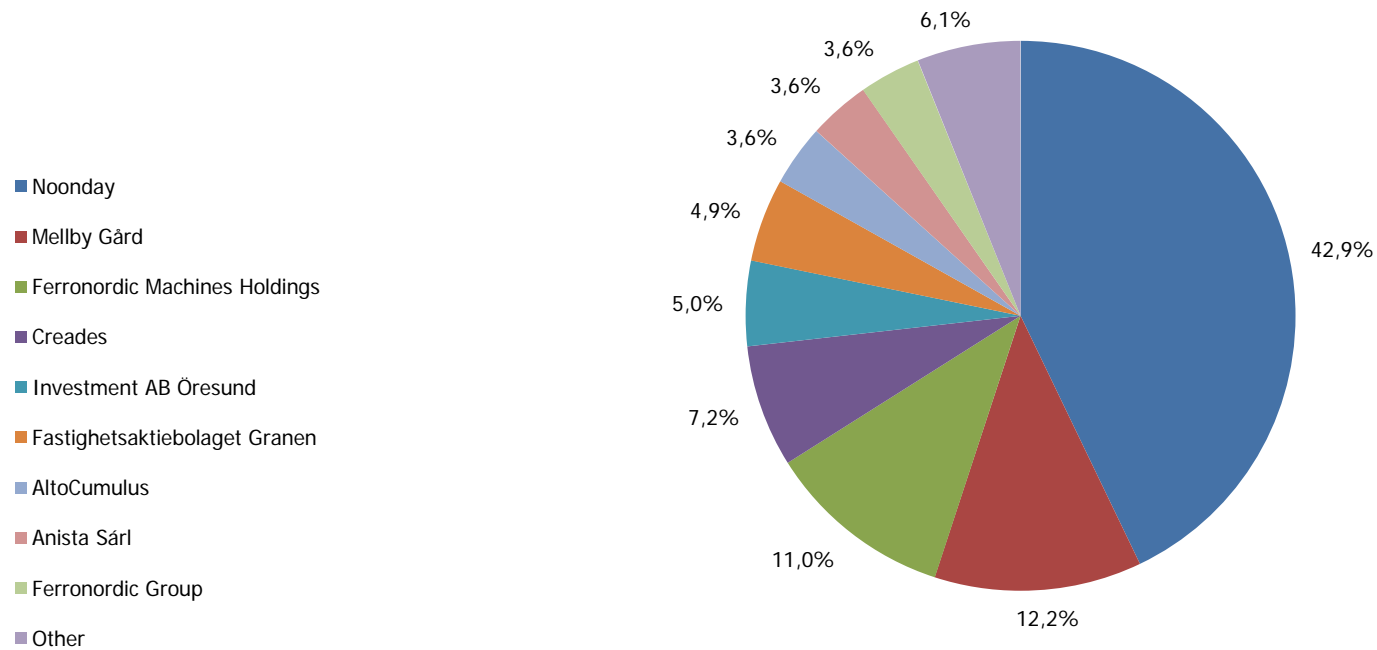
- ◇ Magna International Inc
 - Board member
- ◇ OJSC Russian Machines
 - Managing Director for Automotive Business
- ◇ OJSC GAZ
 - CEO, Chairman
- ◇ Volvo Construction Equipment
 - President, CIS
- ◇ Volvo Truck Corporation
 - Managing Director, Volvo Ukraine

- ◇ Volvo Group
 - Managing Director, Volvo Vostok, Russia,
 - President, Volvo Trucks Russia
- ◇ Member of the Executive Board of AEB
- ◇ Hifab International AB
- ◇ Russian Ministry of Transport, Moscow
- ◇ ICS Interconsult Sweden AB

- ◇ Emeyu LLP
 - CFO & COO
- ◇ HSBC Bank
 - Director, Investment Banking
- ◇ Credit Suisse First Boston (London, New York, Chicago)
 - Investment Banking

COMPANY OVERVIEW

Shareholders





FINANCIAL OVERVIEW

FINANCIAL OVERVIEW

Analysis of 2011 results

| EUR MM | 2011 | 2010** | % change |
|---------------------|--------------|--------------|-------------|
| Revenue | 268,0 | 126,8 | 111% |
| Gross Profit | 38,7 | 14,8 | 162% |
| <i>% Margin</i> | <i>14,4%</i> | <i>11,6%</i> | |
| OPEX | 26,3 | 17,1 | 54% |
| EBITDA | 12,3 | (2,3) | NM |
| <i>% Margin</i> | <i>4,6%</i> | <i>NM</i> | |
| Net Income* | 2,7 | (5,4) | NM |

* Excludes amortisation of transaction related intangibles.

** 2010 numbers annualised – only seven months of operations.

Q1 Profit & Loss

| EUR MM | Q1 2012 | Q1 2011 | % change |
|---------------------|--------------|--------------|------------|
| Revenue | 57,6 | 42,1 | 37% |
| Gross Profit | 9,0 | 6,2 | 44% |
| <i>% Margin</i> | <i>15,6%</i> | <i>14,8%</i> | - |
| OPEX | 7,5 | 5,1 | 46% |
| EBITDA | 1,5 | 1,1 | 34% |
| <i>% Margin</i> | <i>2,6%</i> | <i>2,6%</i> | - |
| Net Income* | 0,7 | 0,4 | 83% |

* Excludes amortisation of transaction related intangibles.

Balance sheet analysis

| EUR MM | Q1 2012 | 2011 |
|------------------------|--------------|--------------|
| Cash & Cash Equivalent | 14,4 | 12,4 |
| Short term debt | 17,9 | 24,0 |
| Long term debt | 44,1 | 43,5 |
| Financial leases | 8,5 | 7,9 |
| Net debt | 56,1 | 63,0 |
| <i>Bond Covenant</i> | <i>3,0x</i> | <i>3,2x</i> |
| Working capital | 39,5 | 48,0 |
| Shareholders Equity | 21,2 | 20,0 |
| Total Assets | 136,2 | 137,2 |