

Press Release
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Ferronordic expands beyond Russia – becomes dealer for Volvo Construction Equipment in Kazakhstan

Ferronordic has entered into an agreement with Volvo Construction Equipment (Volvo CE) to become the authorized dealer of Volvo CE in Kazakhstan. The agreement becomes effective on 14 January 2019.

Kazakhstan becomes the first step in Ferronordic's expansion outside of Russia.

According to the agreement, Ferronordic will be responsible for all imports and sales of Volvo CE machines and spare parts in all of Kazakhstan. Furthermore, Ferronordic will take over the responsibility for service and maintenance of the Volvo CE machines located in the country today.

Lars Corneliusson, CEO of Ferronordic, comments: *"It is natural that we expand our business to Kazakhstan. Although there are differences between the countries, Russia and Kazakhstan have very much in common, for example with regard to language, economic structure, distances and logistics. This is an enormously exciting opportunity for us. It will require hard work but in the long run I am convinced that our business model will be successful also in Kazakhstan."*

Ferronordic will replace Volvo CE's existing dealer in Kazakhstan, whose agreement terminates in January 2019. Ferronordic does not pay any remuneration to Volvo CE or any other person for the appointment. Ferronordic's initial investments relating to Kazakhstan are expected to be approx. SEK 55m, mainly relating to working capital and service vans and tools for the company's mechanics.

Lars Corneliusson elaborates: *"Russia and Kazakhstan are part of the same customs union, which not only makes it possible to move goods over the borders without customs duties, but also allows our Russian employees to work in Kazakhstan without special permissions. So, even though we are dealing with another country, this establishment is rather similar to the establishments we have done earlier in Siberia and Far East in Russia."*

Kazakhstan's contribution to Ferronordic's revenue in 2019 is expected to be limited and the expansion will probably have a somewhat negative impact on the company's earnings and cash flows. In 3-4 years, Kazakhstan is expected to represent about 15% of Ferronordic's total revenue and earnings. Ferronordic's business in Kazakhstan will initially consist of sales and service of Volvo CE products. In the future, however, it is possible that Ferronordic will offer complementary products and services in Kazakhstan in the same way as it does in Russia.

Lars Corneliusson comments further: *"Kazakhstan has good economic growth and we expect the underlying demand for high-quality machines and strong aftermarket support to increase. At the same time I am convinced that Ferronordic, with our business model and systemized sales processes – not least our system for digital sales support – has good opportunities to develop a strong position in the market. The expansion to Kazakhstan also coincides nicely with the launch of Volvo's new rigid haulers, an important product for the Kazakh market."*

Yuriy Deinekin, currently Head of Commercial Aftermarket in Russia, has been appointed to lead the business in Kazakhstan. It is expected that most of the local organization will be recruited in the beginning of 2019. The local organization in Kazakhstan will also be supported by Ferronordic's organization in Russia.

About Kazakhstan

Kazakhstan is the ninth largest country in the world by area. In 2017 the country's GDP amounted to approx. USD 159 billion, making it the second largest economy in the former Soviet Union (after Russia). In the first nine months of 2018 the country's economy grew by 4.2% compared to the same period last year. In 2019-2020, Kazakhstan's economy is expected to grow about 3% per year. The country is rich in oil and other natural resources (e.g. it is the world's 15th largest oil producer, the world's largest producer of uranium, and has the world's 9th largest coal reserves).

In the first ten months of 2018, the Kazakh machine market for Volvo CE's product offering (excluding asphalt pavers and rigid haulers) amounted to approx. 1,400 units, an increase of approx. 45% compared to the same period in 2017 (approx. 16% of the equivalent market in Russia during the same period, measured in units).

As in Russia, the Kazakh market is shaped by an economy based on extraction of oil and other natural resources. In addition there is an increasing need in Kazakhstan to expand and upgrade the country's aging infrastructure. However, except for rigid haulers, the Kazakh market for high-quality machines within Volvo CE's product offering is still relatively small. Ferronordic believes that this is partly because of the country's economy still being relatively limited and still developing, and partly because the customers to a large extent still focus on initial purchase price rather than total cost of ownership during the machines' lifetime. Ferronordic therefore believes that the machine market in Kazakhstan has great growth potential, partly because of continued economic development (including increased infrastructure spending), and partly because the customers become more mature and sophisticated (similar to the development in Russia during the last ten years).

About Ferronordic

Ferronordic is the authorized dealer of Volvo Construction Equipment, Terex Trucks, Dressta, Mecalac and Rottne in Russia. In certain parts of the country, Ferronordic has also been appointed aftermarket dealer for Volvo and Renault Trucks and dealer for Volvo Penta. The company began its operations in 2010 and has expanded rapidly across Russia. The company is well established in all federal districts with 79 outlets and over 1,000 employees. Ferronordic's vision is to be regarded as the leading service and sales company in the CIS markets. The ordinary shares in Ferronordic are listed on Nasdaq Stockholm.

www.ferronordic.com

For more information, please contact:

Anders Blomqvist, CFO and IR responsible, Tel: +46 8 5090 7280 or e-mail anders.blomqvist@ferronordic.com

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