



Ferronordic Machines AB

Company and Q4 2014 Presentation
February 2015

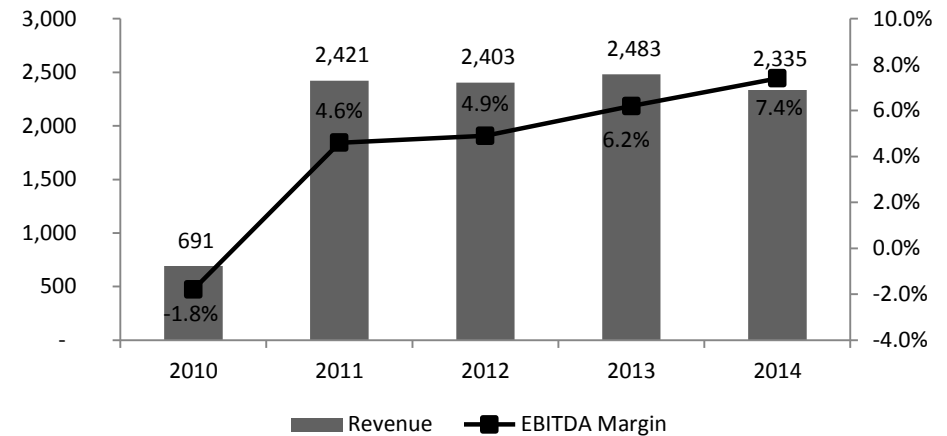
Ferronordic Machines in brief

FERRONORDIC MACHINES – A LEADING SERVICE AND SALES COMPANY

Overview

- Ferronordic Machines is the authorised dealer of Volvo Construction Equipment and Terex Trucks in Russia
- The business consists of distribution and sales of new and used construction equipment, sales of parts as well as providing services and technical support
- Ferronordic Machines' core focus is the Volvo CE brand, a high-quality construction equipment manufacturer and the number one brand in Russia
- Distribution portfolio expanded to include other brands such as Volvo and Renault Trucks (aftermarket), Volvo Penta, Logset, Holms, Terex-trucks

Financial development (SEKm)

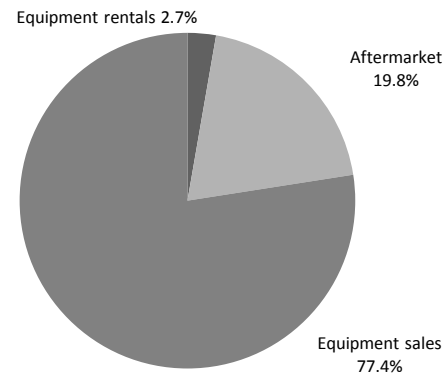


Growth development

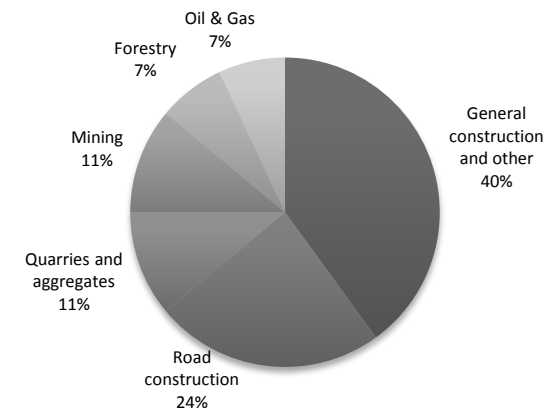
	2010	Q4 2014
Employees	326	767
Revenue (SEK M)	1 184 ⁽¹⁾	2 335
Outlets	12	75
Market size	~8,000	~16,000

(1) Annualized

Revenue per segment Q4 2014



Revenue per customer type



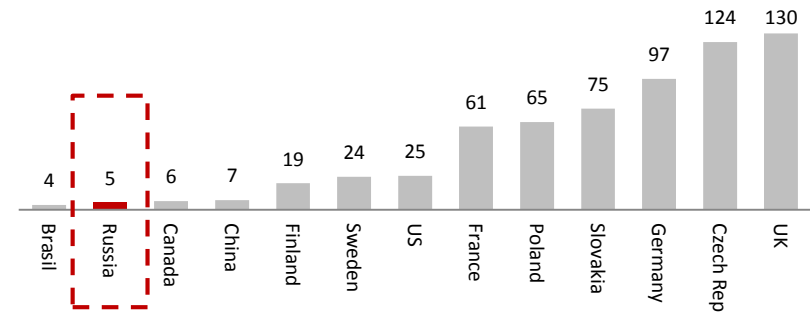
Market with significant need for investments

The general quality of infrastructure in Russia is poor

- The bulk of the infrastructure was built during the Soviet era
- As much as 40% of roads do not meet regulatory requirements according to Rosavtodor
- Russia ranks 136 of 148 in terms of road quality (World Economic Forum, Global Competitiveness Report 2013-14)
- Only 63% of airports have paved runways and of these, 70% were built more than 40 years ago (PMR Publications)
- The average age of port facilities in Russia is 30 years and they are operating at ~90% capacity utilisation on average (PMR Publications)
- 85,000 km of railway of which 50% are electrified

Rail density in Russia is also relatively low...

Rail density (km railway per 1,000 sq. km of land area)

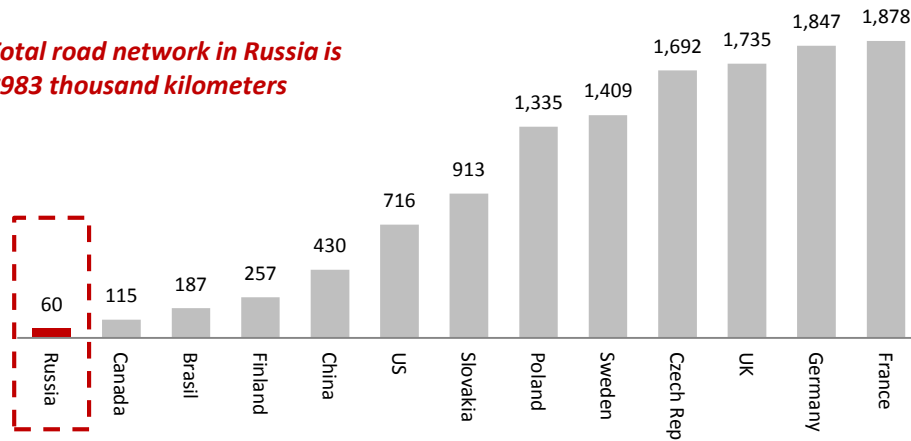


Source: World Bank, PMR Publications and The Ministry of Transport of the Russian Federation

Road density in Russia is relatively low...

Road density (km road per 1,000 sq. km land area)

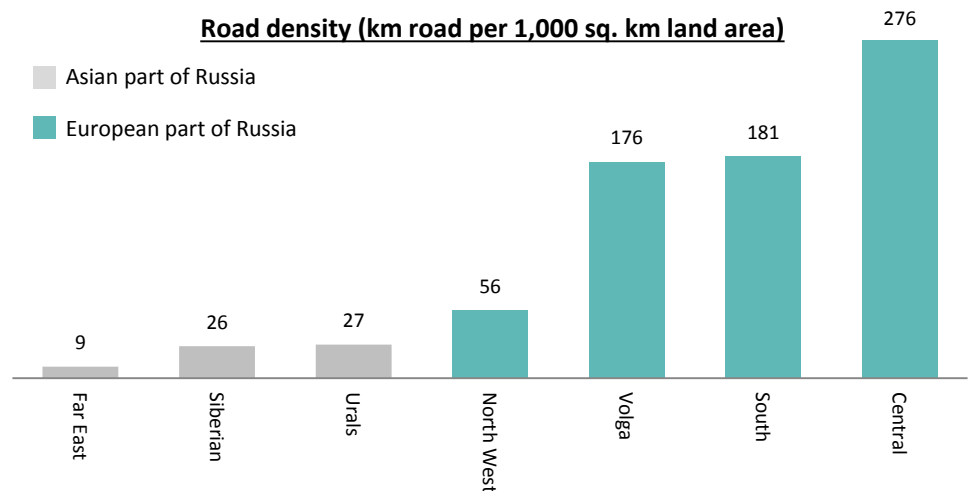
Total road network in Russia is ~983 thousand kilometers



Source: World Bank

... and there are large difference between Federal Districts

Road density (km road per 1,000 sq. km land area)



Source: PMR Publications

Vision and strategy

FERRONORDIC MACHINES' DAY-TO-DAY OPERATIONS ARE CHARACTERISED BY FOUR UNDERLYING STRATEGIC CORNERSTONES

Ferronordic Machines' vision is to be regarded as the leading service and sales company in the CIS markets

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

Build on strong brand – 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

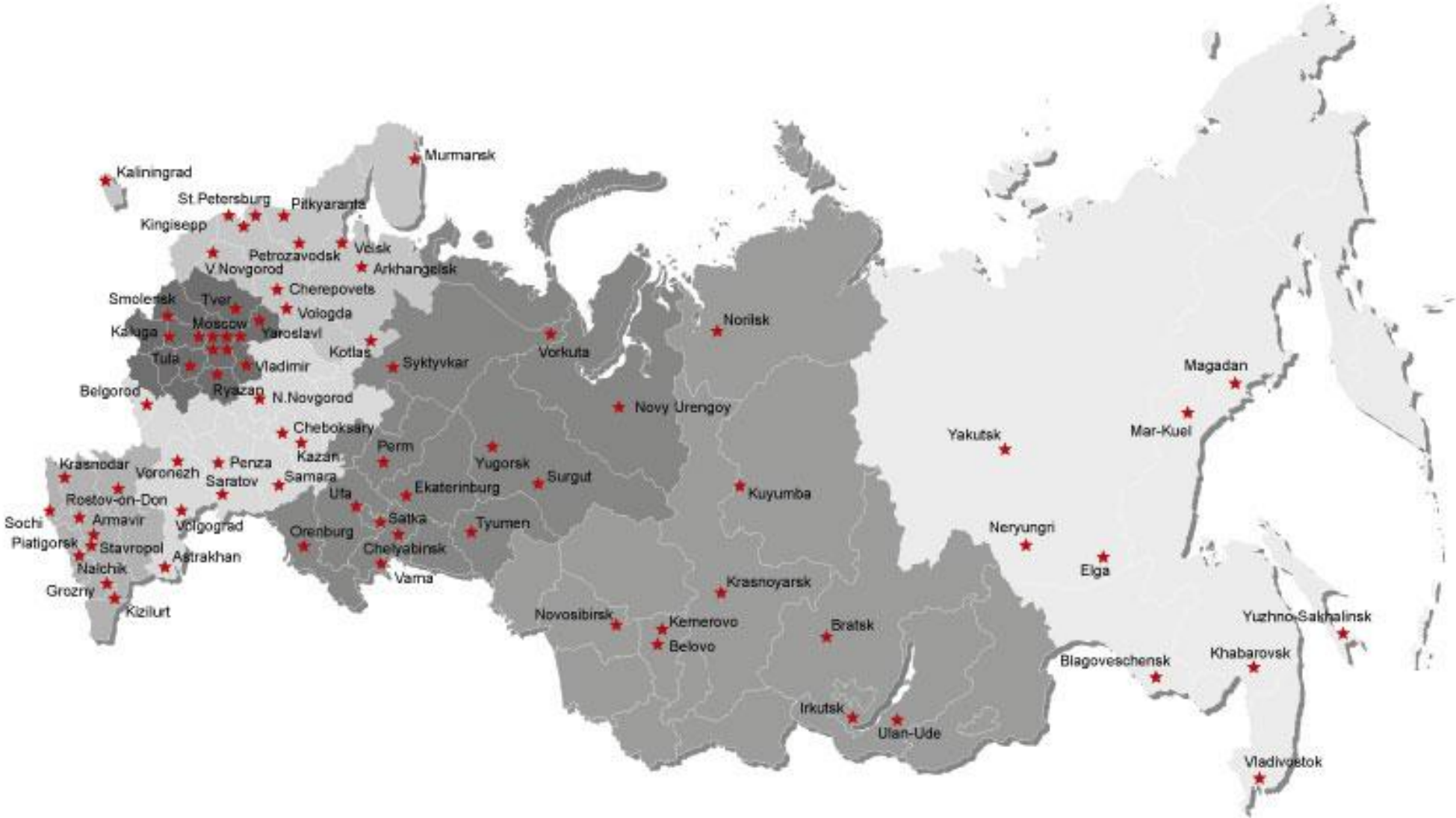
Superior infrastructure

- 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
- Infrastructure to be used for other brands

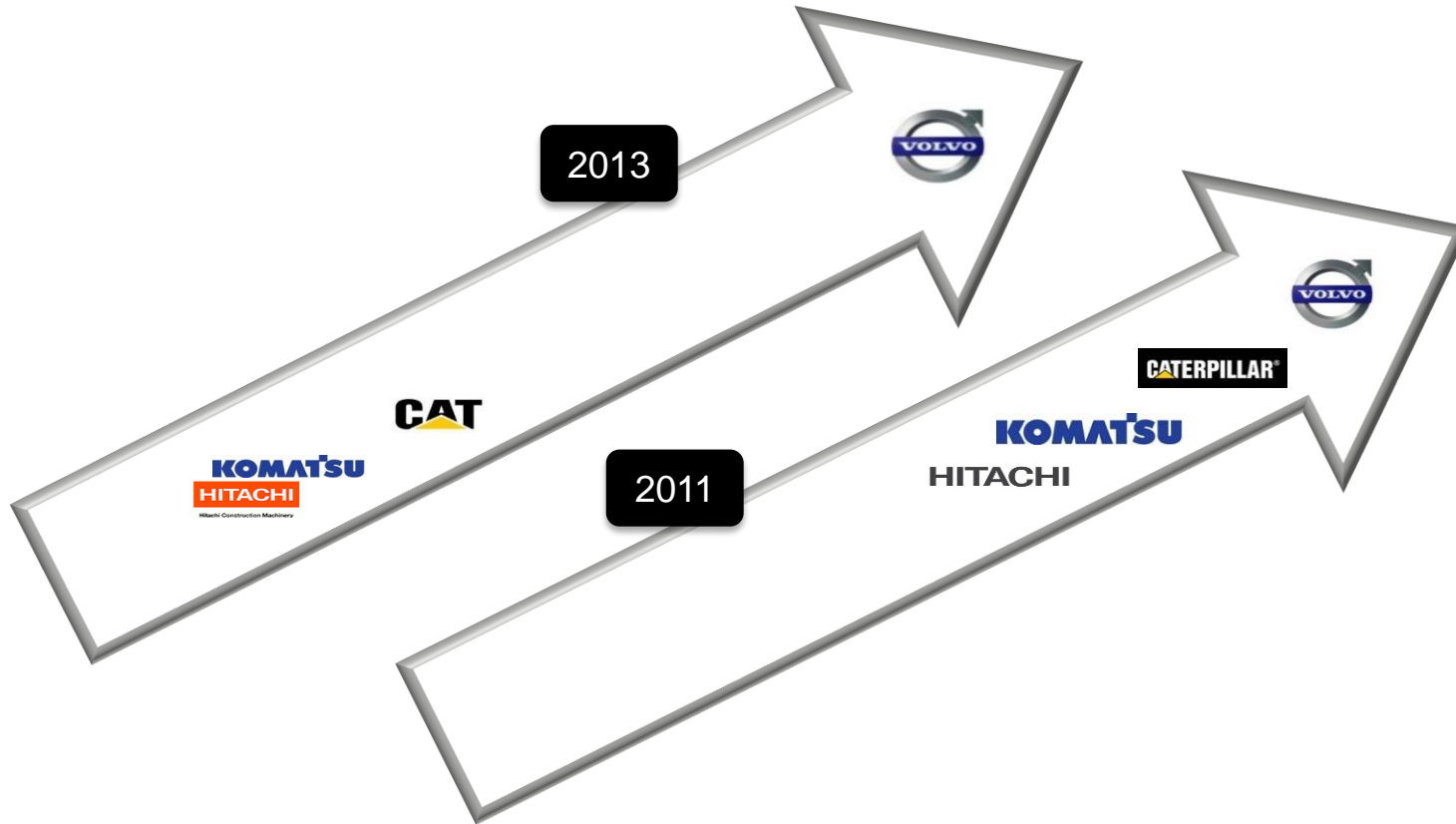
Operational excellence

- 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

Ferronordic Machines in Russia



Summary – Brand position



Association scores converted into a scale 0-100 where best brand = 100)

The market

- Significant political and economic uncertainty
 - Tensions between Russia and the West continue
 - Old sanctions remain and new sanctions in place
 - Significant deterioration of economic environment in Q4
 - Oil price dropped from USD 95 / barrel to USD 57
 - MosPrime 3M increased from 10.5% to 23.8%
 - RUB/SEK FX rate changed from 5.4 to 7.3
 - Inflation currently north of 10%
 - Construction equipment market dropped more than 25% in 2014 and 45% in Q4
 - But not all things are bad
 - Discussions between the west and Russia have started
 - All-time high revenue in ruble
 - Stronger profit than last year in reporting currency
 - Continuously increased market share (less than 10% drop in new units sold)
 - Aging machine population and need for infrastructure investments
-

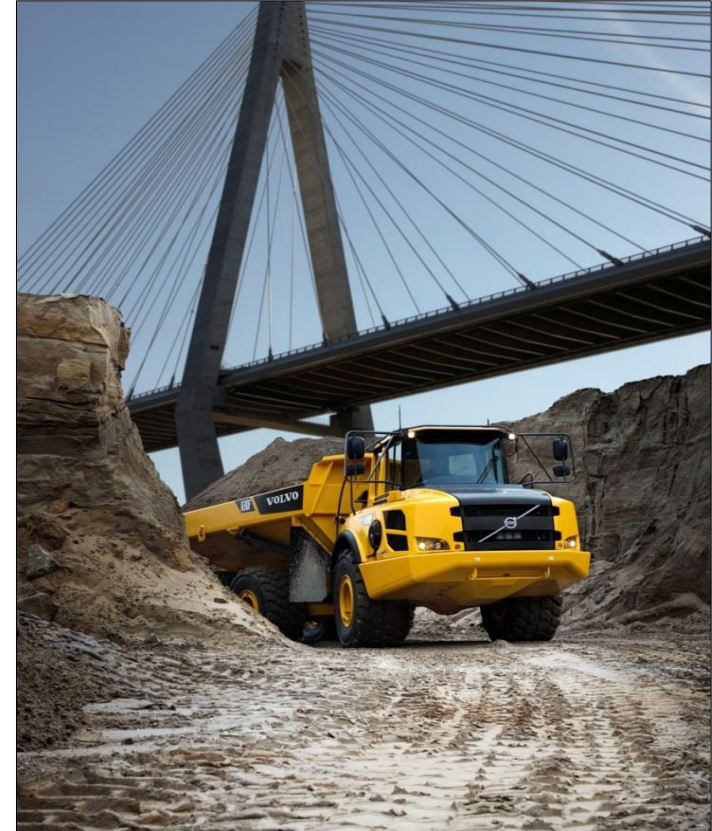
Q4 2014 financial highlights

- Almost 10% increase in ruble
 - Decrease of 15% in reporting currency
- Significant increase in gross margin
- Significantly lower OPEX than last year
- Improvement in operating result
- Increase in return on capital employed
- Net debt / EBITDA of 0.6x



Q4 2014 operational highlights

- Appointed official dealer of Terex Trucks throughout Russia
- Growing presence throughout Russia showing effects
 - Continued market share gain in almost all product groups
 - Presence in all regions for more than one year
 - 767 employees and 75 outlets
- 5 facilities serving both Volvo CE and Volvo and Renault Trucks



Important events

- On 17 December Ferronordic Machines was appointed the official dealer of Terex Trucks throughout Russia
 - Adds four models of rigid haulers to our product offering, with payloads ranging from 41 to 91 tons, and Terex-branded articulated haulers
 - Take over the responsibility for the aftermarket support of the existing machine population in Russia
 - Will significantly improve our penetration in the core earthmoving segment, and extend our presence in light mining
- In November Volvo CE announced that it will cease production of Volvo branded motor graders and backhoe loaders in its European and Americas operations and in the future, these product types will be designed and manufactured under the responsibility of the company's Chinese subsidiary SDLG



Ferronordic Machines P&L Q4 2014

SEK MM	Q4 2014	Q4 2013	% change
<i>New Units</i>	417	398	5
Revenue	596	701	(15)
Gross Profit	109	110	(1)
<i>% Margin</i>	18.4%	15.7%	-
EBITDA	51	42	20
<i>% Margin</i>	8.5%	6.0%	-
EBIT*	33	30	9
Net Income*	13	19	(30)
Net Debt	109	60	

- Revenue decreased by 15% (10% increase in rubles)
 - Sale of equipment decreased by 17% (7% increase in rubles)
 - Aftermarket decreased by 11% (14% increase in rubles)
- Significant increase in gross margin from 15.7% to 18.4%
- SEK 9m increase in EBITDA
- SEK 3m increase in adjusted EBIT

* Excludes amortisation of transaction related intangibles.

Balance sheet summary

SEK MM	Q4 2014	Q4 2013
Cash & Cash Equivalent	177	164
Short term debt	246	163
Financial leases	40	61
Net debt	109	60
<i>Net Debt/EBITDA</i>	<i>0.6x</i>	<i>0.4x</i>
Working capital	184	239
<i>% of Revenue</i>	<i>8%</i>	<i>10%</i>
Shareholders Equity	372	538
Total Assets	1 173	1 464
<i>Equity/Assets</i>	<i>32%</i>	<i>37%</i>

Cash flow summary

SEK MM	Q4 2014	Q4 2013
Cash flow from:		
Operating Activities	120	(32)
<i>of which change in working capital</i>	70	(41)
Investing Activities	(12)	(10)
Financing Activities	58	145
Cash Flow	166	103

Outlook – CEO comment

“The short and medium term market development is difficult to predict and the recent events in Ukraine create additional uncertainties and challenges. We continue to take measures to adapt our costs to the changes in market development. All in all, however, we are optimistic about the future of our business as the long term fundamentals in the Russian construction equipment market remain strong.”

