



Ferronordic Machines AB

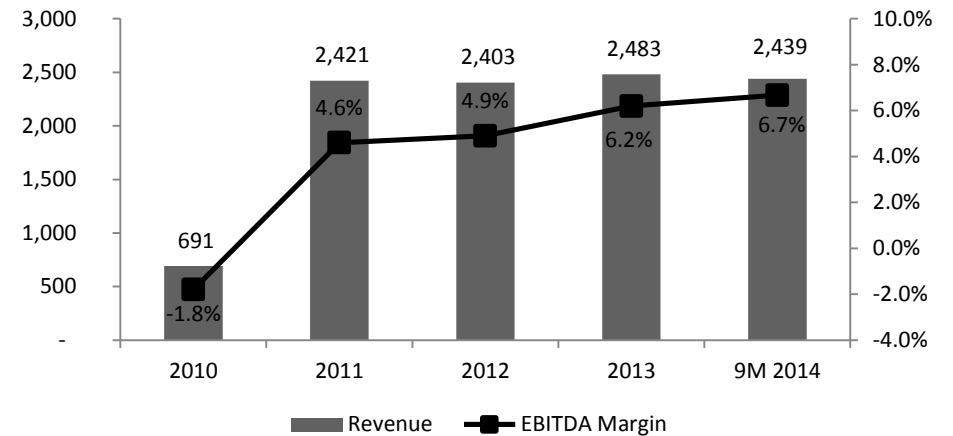
Company and Q3 2014 Presentation
November 2014

Ferronordic Machines in brief

Overview

- Ferronordic Machines is the authorised dealer of Volvo Construction Equipment in Russia since June 2010
- 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

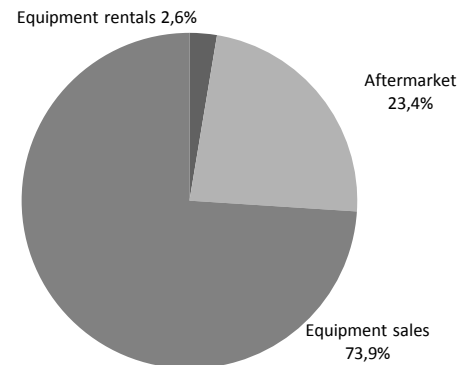
Financial development (SEKm)



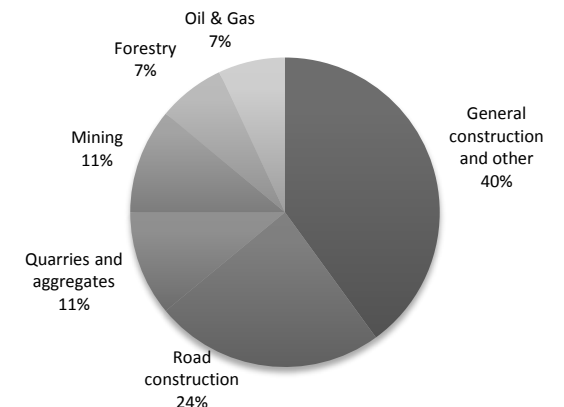
Growth development

	2010	Q3 2014
Employees	326	789
Revenue (SEK M)	1 184 ⁽¹⁾	2 439
Outlets	12	77
Market size	~8,000	~17,500

Revenue per segment 9M 2014



Revenue per customer type (2013)



(1) Annualized

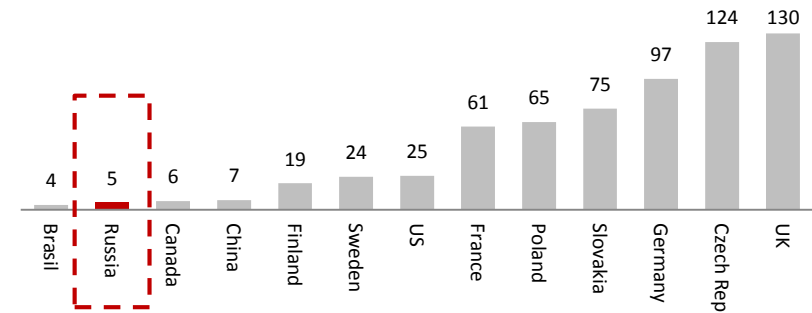
Market with significant need for investments

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)

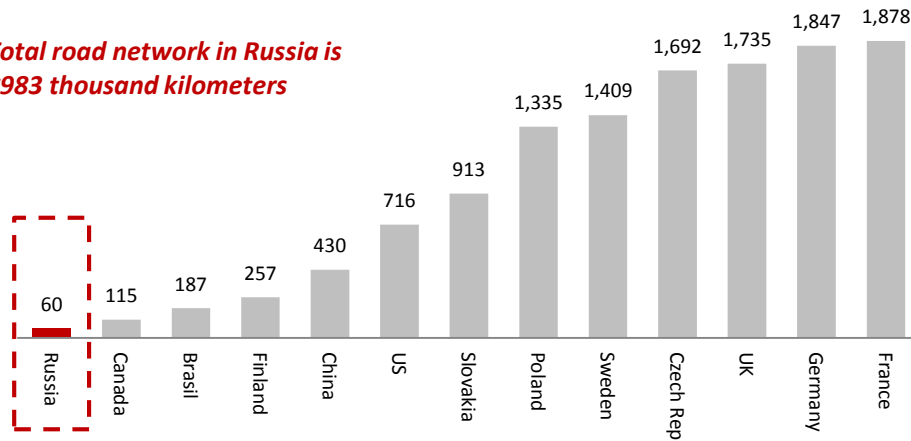


Source: World Bank, PMR Publications and The Ministry of Transport of the Russian Federation

Road density in Russia is relatively low...

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

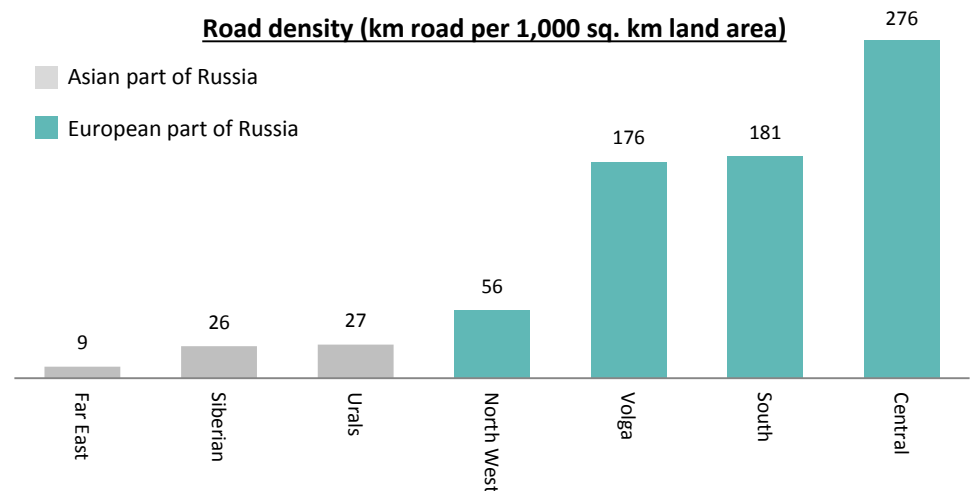
Total road network in Russia is ~983 thousand kilometers



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' 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

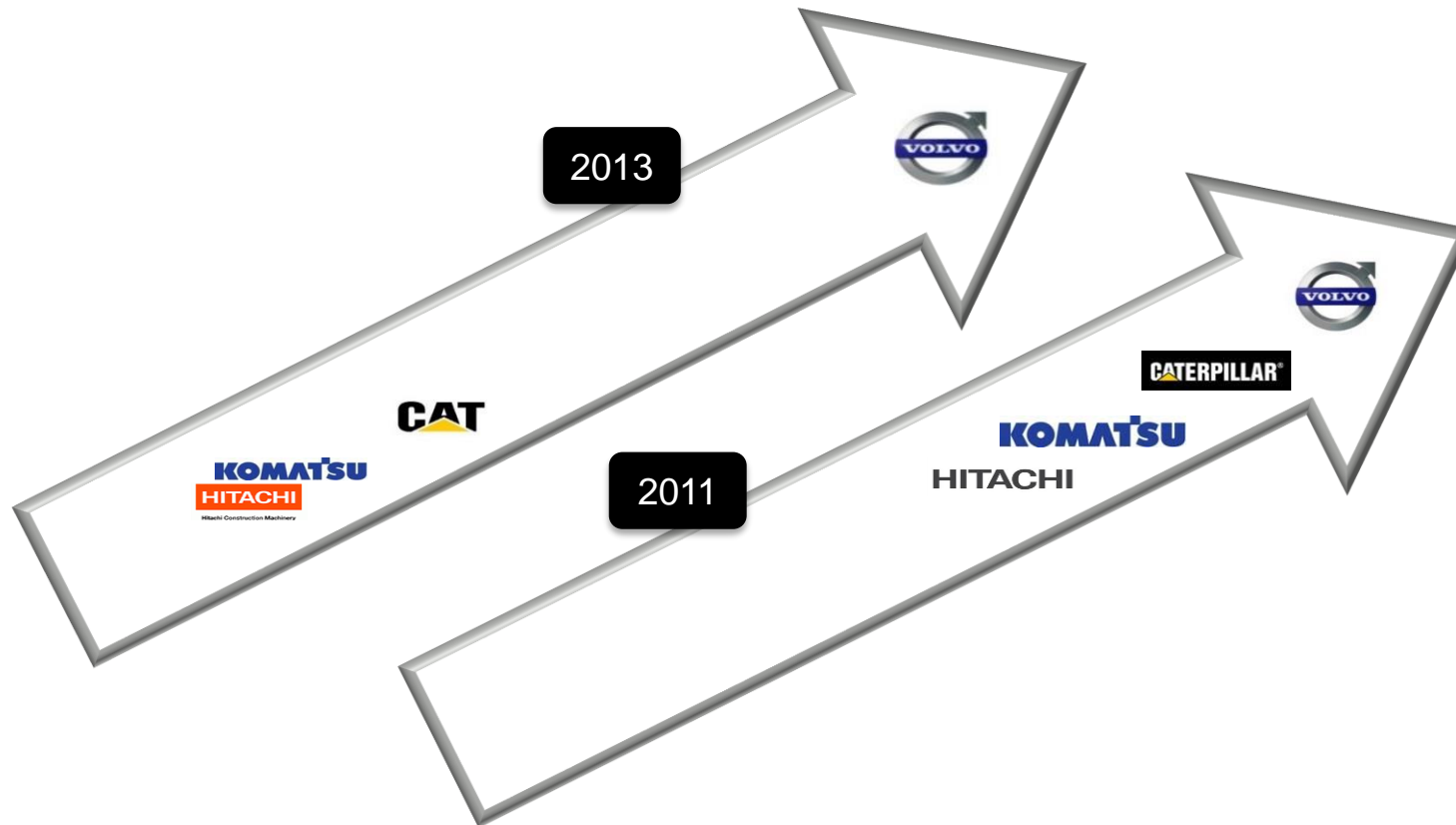
Financial targets

Financial targets		Actuals
Revenue growth	Double-digit growth in SEK CAGR over a five-year period	(2%) (Sales growth 9M 2014)
EBIT margin	6-8% To be reached within a five-year period	4.1% (Adjusted EBIT margin LTM 9M 2014)
Absorption rate <i>(Gross profit from aftermarket as % of fixed operating expenses)</i>	>100% To be reached within a five-year period	71% (up from 49% in 2011) (9M 2014)
Net debt / EBITDA ratio	0-2x Within the range over a business cycle	1.5x (September 2014)

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
 - Sanctions remain
 - Oil price currently below USD 80/barrel
 - Central Bank key interest rate up 4% this year
 - Inflation around 8%
 - Significant depreciation of the Ruble last twelve months
 - c. 44% against the USD
 - c. 33% against the EUR
 - c. 29% against the SEK
 - But not all things are bad
 - Similar revenue and stronger profit than last year (first 9M)
 - Continuously increased market share
 - Aging machine population keeps getting older
 - Significant need for infrastructure spending constantly increasing
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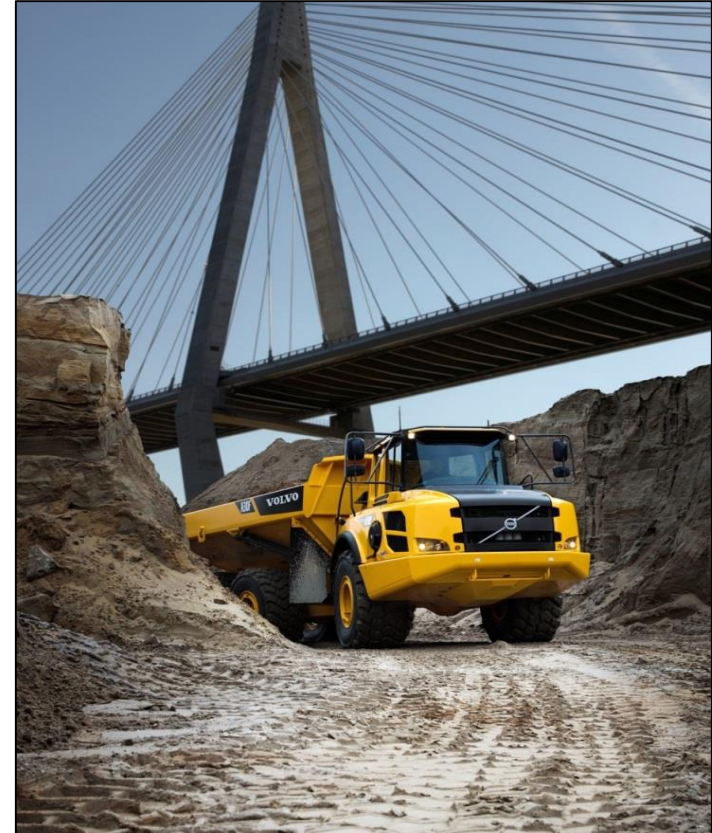
Q3 2014 financial highlights

- Slight increase in revenue despite uncertain political and economic climate
- Slight decrease in gross margin
- Similar OPEX as last year
- Improvement in net income
- Increase in return on capital employed
- Net debt / EBITDA of 1.5x



Q3 2014 operational highlights

- Growing presence throughout Russia showing effects
 - Continued market share gain in almost all product groups
 - Presence in all regions for more than one year
 - 789 employees and 77 outlets
- 5 facilities serving both Volvo CE and Volvo and Renault Trucks
- Changes to VCE's product line



Ferronordic Machines P&L Q3 2014

SEK MM	Q3 2014	Q3 2013	% change
<i>New Units</i>	306	369	(17)
Revenue	616	612	1
Gross Profit	100	104	(3)
<i>% Margin</i>	16.3	16.9	-
EBITDA	41	47	(12)
<i>% Margin</i>	6.7	7.6	-
EBIT*	21	29	(28)
Net Income*	9	(2)	NM
Net Debt	245	490	NM

- Revenue increased by 1% (5% in ruble)
 - Sale of equipment decreased by 1% (unchanged in ruble)
 - Aftermarket increased by 4% (9% in ruble)
- Slight decrease in gross margin
- SEK 5m decrease in EBITDA
 - SEK 10m increase first 9 months
- SEK 8m decrease in adjusted EBIT
 - SEK 10m increase first 9 months
- Adjusted net income increased significantly to SEK 9m

* Excludes amortisation of transaction related intangibles.

Balance sheet summary

SEK MM	Q3 2014	2013	Q3 2013
Cash & Cash Equivalent	41	164	67
Short term debt	221	163	496
Financial leases	65	61	61
Net debt	245	60	490
<i>Net Debt/EBITDA</i>	<i>1.5x</i>	<i>0.4x</i>	<i>3.2x</i>
Working capital	315	239	237
<i>% of Revenue</i>	<i>13%</i>	<i>10%</i>	<i>10%</i>
Shareholders Equity	466	538	71
Total Assets	1 457	1 464	1 363
<i>Equity/Assets</i>	<i>32%</i>	<i>37%</i>	<i>5%</i>

Cash flow summary

SEK MM	Q3 2014	Q3 2013
Cash flow from:		
Operating Activities	(94)	(139)
<i>of which change in working capital</i>	<i>(134)</i>	<i>(175)</i>
Investing Activities	(3)	(3)
Financing Activities	70	102
Cash Flow	(26)	(40)

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 monitor the situation carefully and will adapt to possible changes in the overall 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.”