

# Ferronordic Machines

September 2012 Results



OFFICIAL DEALER OF  
VOLVO CONSTRUCTION EQUIPMENT

# Ferronordic Machines in a snapshot

Authorized dealer of Volvo Construction Equipment in Russia since June 2010

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 → ~**28,000** (takeover, 2010, 2011, Sep 2012)

Outlets: 6 → 12 → 53 → **63**

Employees: 160 → 326 → 560 → **621**

Revenue: VCE → €74M → €268 M → **€285 M**

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

€80M of capital raised

Experienced management and board of directors and supporting shareholders

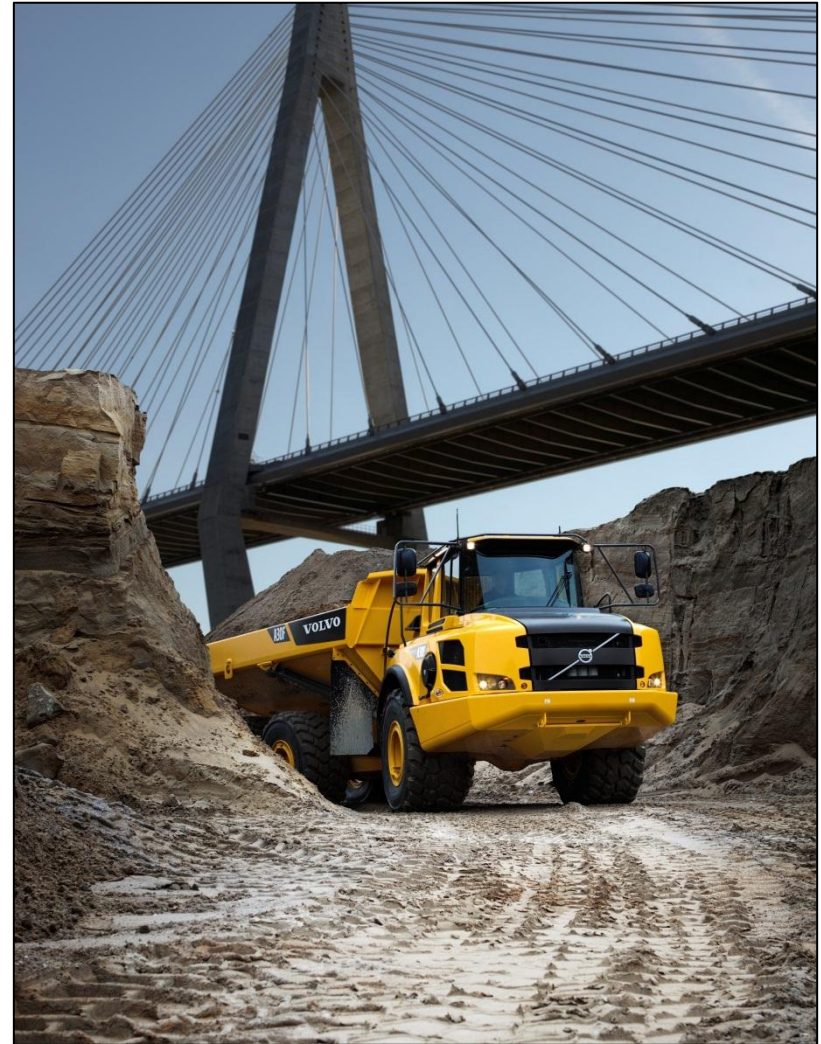
# Q3 2012 financial highlights

- ◇ Growth in units and revenue
- ◇ Improved gross margin
- ◇ Strong EBITDA growth
- ◇ Improvement in net income
- ◇ Positive cash flow from operations
- ◇ Bond covenant 4.2x



## Q3 2012 operational highlights

- ◇ Growing presence throughout Russia showing effects
  - New regions accounting for app. 40% of revenue
- ◇ Focus on efficiencies, consolidation of organisation and competence development
  - Training center in Moscow fully operational
  - 621 employees and 63 outlets
- ◇ New Commercial Director
- ◇ Market sentiment unchanged
- ◇ High oil price levels



## Ferronordic Machines Profit & Loss Q3 2012 - Group

EUR MM	Q3 2012	Q3 2011	% change
Units	391	360	9%
<b>Revenue</b>	<b>80.3</b>	<b>73.6</b>	<b>9%</b>
Gross Profit	12.1	9.0	34%
<i>% Margin</i>	<i>15.1%</i>	<i>12.2%</i>	-
<b>EBITDA</b>	<b>3.9</b>	<b>2.3</b>	<b>70%</b>
<i>% Margin</i>	<i>4.9%</i>	<i>3.1%</i>	-
<b>Net Income*</b>	<b>(0.5)</b>	<b>(1.6)</b>	<b>NM</b>
Net Debt	<b>75.7</b>	<b>41.6</b>	
<i>Bond Covenant</i>	<i>4.2x</i>	<i>NM</i>	

- ◇ New units sold +9%
- ◇ Product mix similar to last year
- ◇ Revenue increase of 9% (6% excl currency impact)
- ◇ Improved EBITDA margin from 3.1% to 4.9%
- ◇ Higher financial costs as a result of increase in financial indebtedness

\* Excludes amortisation of transaction related intangibles.

## Ferronordic Machines Profit & Loss 9 Months 2012 - Group

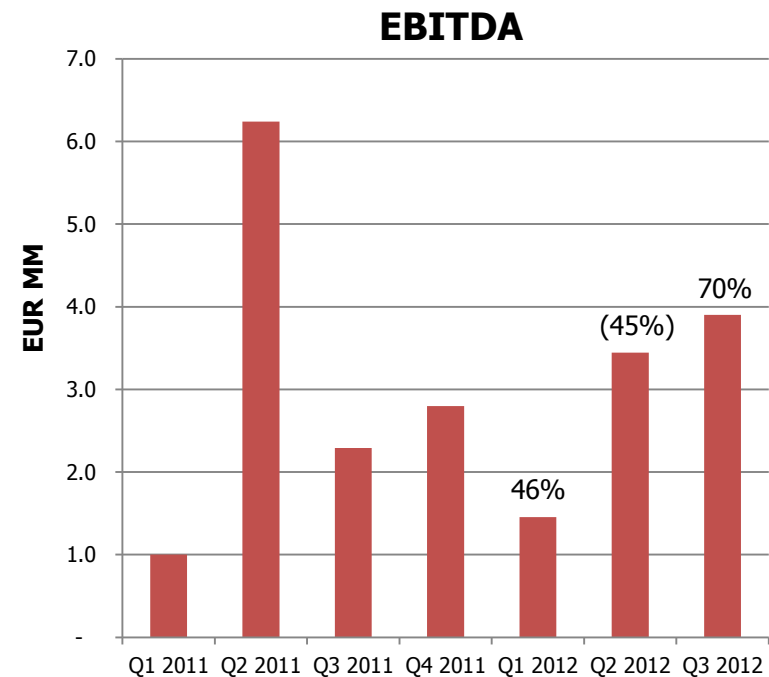
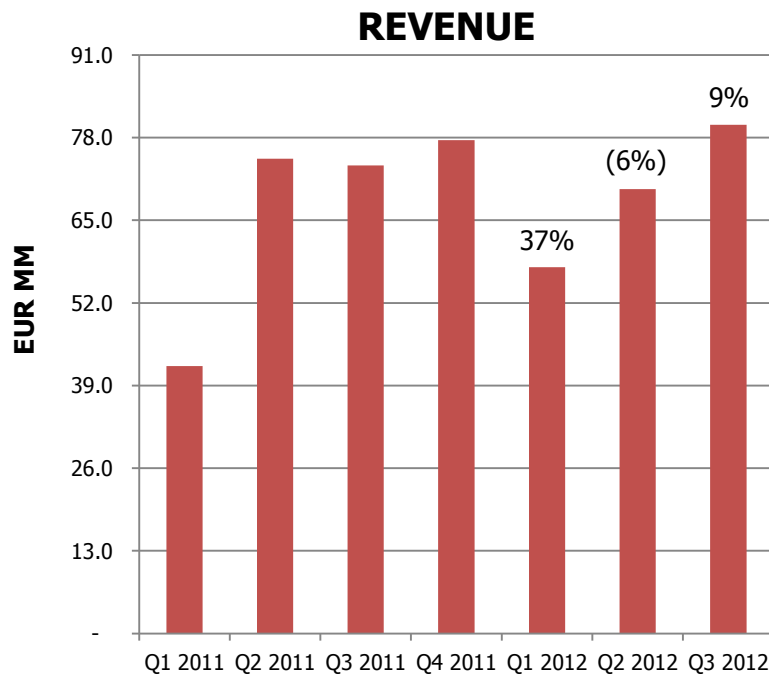
EUR MM	9 Mo. 2012	9 Mo. 2011	% change
Units	1.039	906	15%
<b>Revenue</b>	<b>207.9</b>	<b>190.4</b>	<b>9%</b>
Gross Profit	32.2	27.6	17%
<i>% Margin</i>	<i>15.5%</i>	<i>14.5%</i>	-
<b>EBITDA</b>	<b>8.8</b>	<b>9.5</b>	<b>(7%)</b>
<i>% Margin</i>	<i>4.2%</i>	<i>5.0%</i>	-
<b>Net Income*</b>	<b>(2.1)</b>	<b>2.0</b>	<b>NM</b>
Net Debt	<b>75.7</b>	<b>41.6</b>	
<i>Bond Covenant</i>	<i>4.2x</i>	<i>NM</i>	

- ◇ New units sold up +15%
- ◇ Product mix shifted towards somewhat smaller machines
- ◇ Revenue increase of 9% (7% excl currency impact)
- ◇ Improved gross margin by 1%-point
- ◇ Offset by increase in OPEX
  - Growing organisation throughout Russia
- ◇ EBITDA margin slightly lower than last year
- ◇ Higher financial costs
- ◇ Decrease in net income

\* Excludes amortisation of transaction related intangibles.

# Ferronordic Machines – Revenue and profit analysis

- ◇ Seasonal revenue pattern; Q1 weakest and Q4 strongest
- ◇ Uncertainties in the market since April
- ◇ Q2 2011 profitability unusually high



Note: Year-over-year growth.

## Cash flow situation

EUR MM	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011
Cash flow from:				
Operating Activities	2.5	(24.4)	2.1	(29.9)
<i>of which change in working capital</i>	<i>(0.4)</i>	<i>(25.0)</i>	<i>1.0</i>	<i>(36.6)</i>
Investing Activities	(1.0)	(3.4)	(5.8)	(4.2)
Financing Activities	(1.6)	12.1	1.0	34.7
<b>Cash Flow</b>	<b>(0.1)</b>	<b>(15.7)</b>	<b>(2.8)</b>	<b>0.6</b>

- ◇ Payment terms to VCE changed in July 2011, according to the original agreement



## Working capital development

EUR MM	Sep 2012	Sep 2011
Inventory	61.3	54.3
Trade and other receivables	32.8	23.5
Trade and other payables	42.3	39.1
<b>Working Capital</b>	<b>51,8</b>	<b>38.7</b>

- ◇ Inventory levels have fluctuated during the year due to market environment
- ◇ Receivables and payables reasonably steady

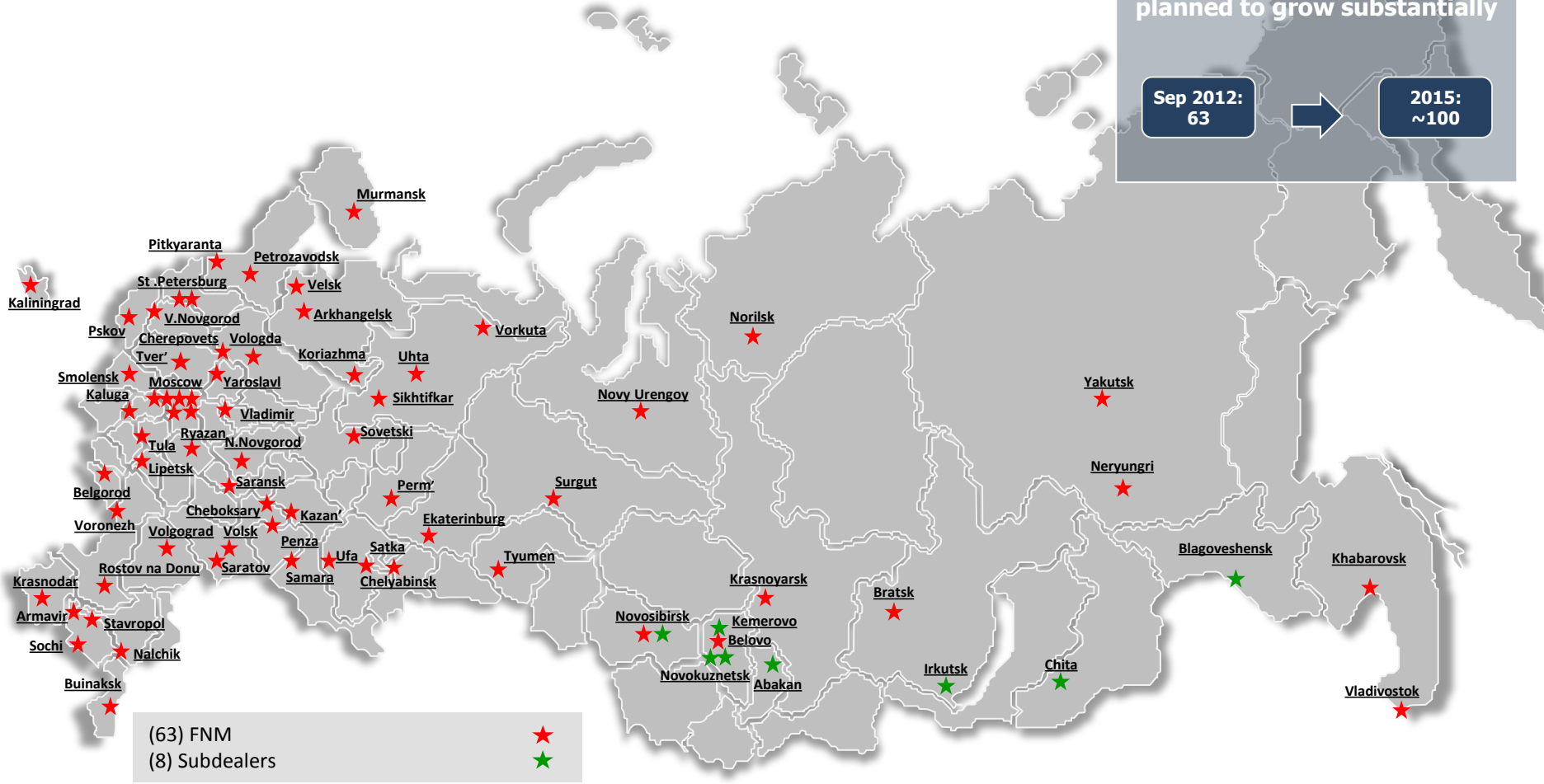
## Balance sheet summary

EUR MM	Q3 2012	Q2 2012	Q1 2012	2011
Cash & Cash Equivalent	10.1	9,7	14,4	12,4
Short term debt	27.5	26,6	17,9	24,0
Long term debt	46.5	44,7	44,1	43,5
Financial leases	11.8	8,6	8,5	7,9
<b>Net debt</b>	<b>75.7</b>	<b>70,2</b>	<b>56,1</b>	<b>63,0</b>
Bond Covenant	4.2x	4,5x	3,0x	3,2x
Working capital	48.0	46,8	39,5	48,0
<i>% of Revenue</i>	<i>17%</i>	<i>17%</i>	<i>14%</i>	<i>18%</i>
Shareholders Equity	15.4	16,3	21,2	20,0
<b>Total Assets</b>	<b>150.9</b>	<b>148,1</b>	<b>136,2</b>	<b>137,2</b>
<i>Equity/Assets</i>	<i>10%</i>	<i>11%</i>	<i>15%</i>	<i>15%</i>

# FNM is increasing its presence in Russia

Number of FNM outlets is planned to grow substantially

Sep 2012: 63 → 2015: ~100



# Russian indicators/market

## Positives

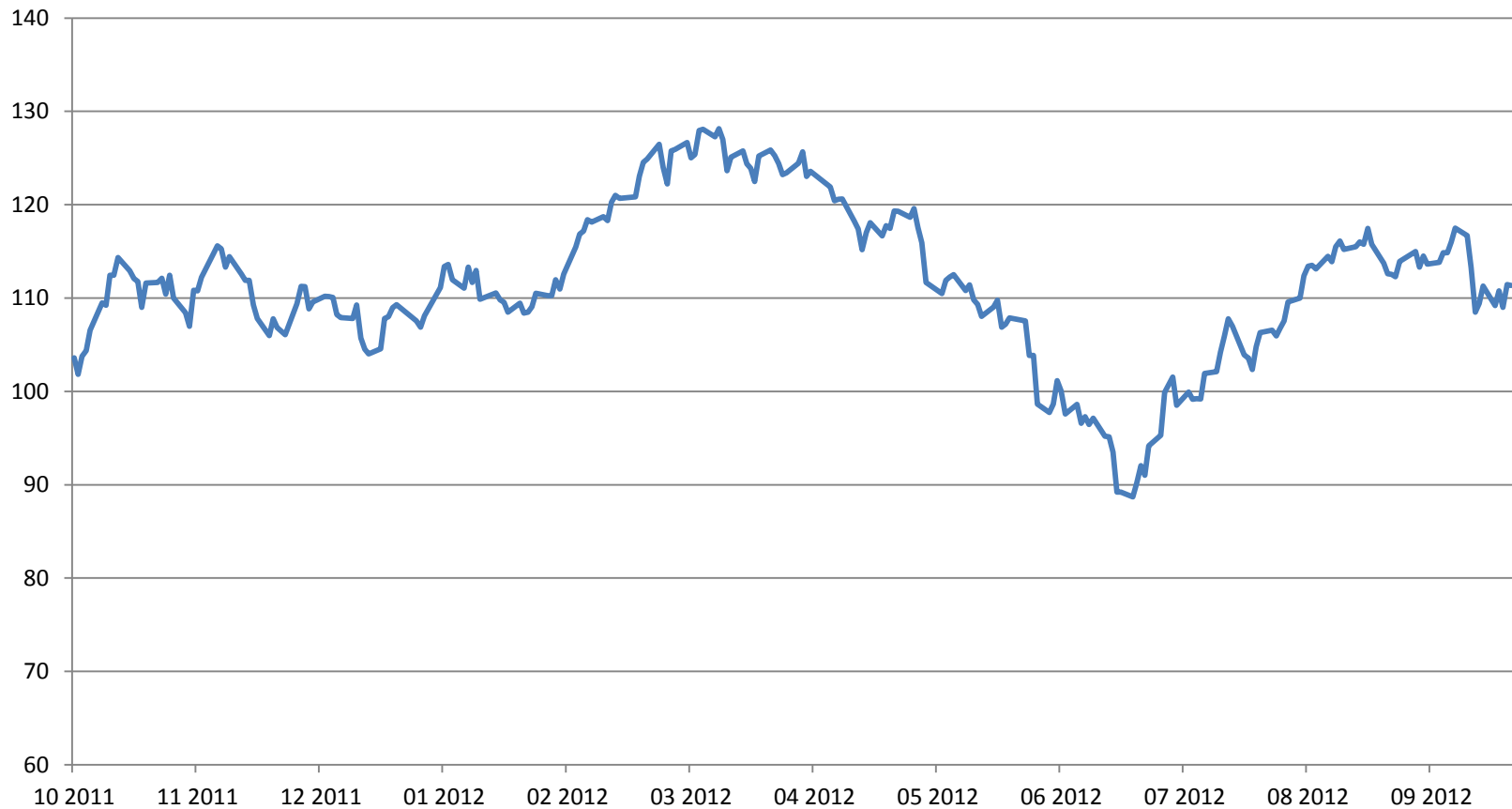
- ◇ High oil price
- ◇ Still strong GDP growth
- ◇ WTO accession
- ◇ Greater capital inflow/investor interest
- ◇ Focus on infrastructure investments
- ◇ Administrative reforms

## Negatives

- ◇ Global unrest
- ◇ Most disbursement on hold
- ◇ Wait and see approach

The CE market is closely correlated to the oil price

**Brent Crude Oil Price Last Twelve Months (USD/Barrel)**



## Outlook – CEO comment

*"It is currently difficult to estimate the short- and medium term market development. Underlying long-term market fundamentals are strong, but uncertainty is high, thus leading to higher variances in short-term profitability and working capital."*

