



Ferronordic Machines AB

Company and Q1 2015 Presentation
May 2015

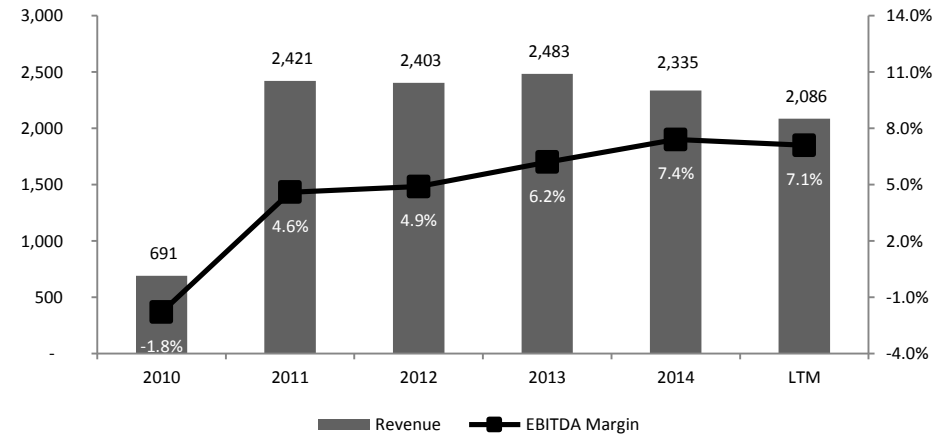
Ferronordic Machines in brief

FERRONORDIC MACHINES – A LEADING SERVICE AND SALES COMPANY

Overview

- Authorised dealer of Volvo Construction Equipment and Terex Trucks in Russia
- Distribution and sales of new and used construction equipment, sales of parts as well as providing services and technical support
- 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)

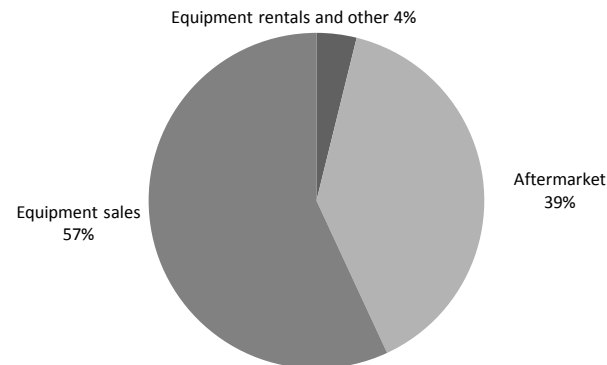


Development

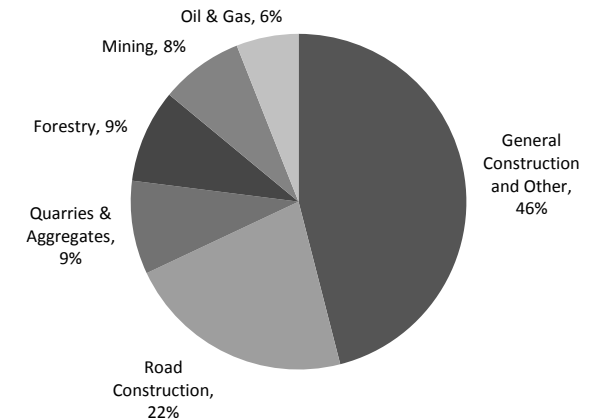
	2010	Q1 2015
Employees	326	716
Revenue (SEK M)	1 184 ⁽¹⁾	2 086
Outlets	12	67
Market size	~8,000	~12,600

(1) Annualized

Revenue per segment Q1 2015



Revenue per customer type (2014)



A challenging market

- Significant political and economic uncertainty
 - Crisis in Ukraine and related tensions between Russia and the west continue
 - Effect of sanctions is becoming more visible
 - Significant deterioration of economic environment in Q4 2014
 - 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 exceeding 10%
 - Construction equipment market dropped more than 25% in 2014 (45% in Q4)
 - Recently things have somewhat improved/stabilized but situation remains highly uncertain:
 - Strengthening of ruble and oil price
 - MosPrime 3M decreased to 13.7%
 - Relative calm in eastern Ukraine following new Minsk agreement
 - Despite of this, the market for construction equipment market dropped 75% in the first quarter 2015
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A challenging market

- 2015 is and will be a challenging year...
 - Financing remains expensive, if at all available, both for customers and suppliers
 - Ruble depreciation has resulted in significant price increases by all market players, which will contribute to reduced short-term demand
 - Market expected to continue to fall compared to last year
- ...but not all things are bad
 - Continuous increase of market share
 - All-time high sales and cash flow in December 2014 created good cushion for challenges ahead
 - Positive YTD cash flow
 - Increased aftermarket sales
- To manage the market situation, we are taking actions:
 - Increased focus on aftermarket (sale of parts and service less affected by economic downturn)
 - Adjustment of the cost level
 - Tightened working capital management

Q1 2015 summary

- The market for sales of new machines down 75%
 - Liquidity is tight, infrastructure projects postponed, financing challenging
 - Significant price increases
- The market is waiting for "normal" times
- New machines sold during the quarter decreased to 86 units compared to 298 units last year
 - However, we continued to gain market share
- Increased demand for used machines and increased revenue from the aftermarket (in ruble)
 - Validation of business model
- The implementation of various cost saving measures that commenced the fourth quarter of 2014 was intensified during the first quarter
- Postponement of dividend decision



Important event

- In April it was announced that the proposal of the Board to the AGM is that, for the time being, no dividends should be paid on the preference shares.
- Proposal was approved at AGM on 19 May.
- This does not mean that the payment of dividends has been cancelled.
- The intention is that dividend payments should be made according to plan. But in a year like this we cannot make a decision already in May to pay dividends in October 2015 and April 2016.
- If the financial position allows it the Board will call for an extraordinary general meeting in October 2015 and/or April 2016 where the dividend payments can be decided.



Ferronordic Machines P&L Q1 2015

SEK MM	Q1 2015	Q1 2014	% Change SEK	% Change RUB
<i>Total Units</i>	146	333	<i>(56%)</i>	<i>(56%)</i>
Revenue	252	501	<i>(50%)</i>	<i>(30%)</i>
Gross Profit	53	78	<i>(32%)</i>	<i>(5%)</i>
<i>% Margin</i>	<i>21,0%</i>	<i>15,5%</i>		
EBITDA	7	31	<i>(77%)</i>	<i>(67%)</i>
<i>% Margin</i>	<i>2,9%</i>	<i>6,2%</i>		
EBIT*	(6)	19	NM	NM
Net Income*	(5)	7	<i>NM</i>	<i>NM</i>
Net Debt	81	72		

* Excludes amortisation of transaction related intangibles.

- Sold units down 56%
- Revenue decreased by 50% (30% decrease in rubles)
 - Sale of equipment decreased by 46% in rubles
 - Aftermarket increased by 15% in rubles
- Improved gross margin given higher proportion of aftermarket revenue and increased used sales
- Reduction in operating expenses compared to Q4 2014
 - 24% decrease in total opex

Balance sheet summary

SEK MM	Q1 2015	Q4 2014	Q1 2014
Cash & Cash Equivalent	66	177	150
Short term debt	112	246	170
Financial leases	35	40	52
Net debt	81	109	72
<i>Net Debt/EBITDA</i>	<i>0.5x</i>	<i>0.6x</i>	<i>0.4x</i>
Working capital	182	184	189
<i>% of Revenue</i>	<i>9%</i>	<i>8%</i>	<i>8%</i>
Shareholders Equity	384	372	500
Total Assets	1 029	1 173	1 394
<i>Equity/Assets</i>	<i>37%</i>	<i>32%</i>	<i>36%</i>

Cash flow summary

SEK MM	Q1 2015	Q1 2014
Cash flow from:		
Operating Activities	30	(6)
<i>of which change in working capital</i>	23	(38)
Investing Activities	2	(7)
Financing Activities	(144)	16
Cash Flow	(112)	2

Outlook – CEO comment

“With the continuous economic challenges in Russia, and a market for new machines falling by 75%, it is clear that 2015 is and will continue to be a difficult year. The short and medium term market development is still difficult to predict. All in all, however, we are still optimistic about the future of our business as the long-term fundamentals in the Russian construction equipment market remain strong.”



Long-term fundamentals: Russia – the largest country in world

Key facts

- Capital: Moscow
- Population: ~144 million
- Area:
 - ~2x the size of Canada
 - ~5x the size of India
 - ~38x the size of Sweden
- Rich on forest, oil and minerals
 - World’s largest forest land
 - Approx. 50% of revenues for Federal Government relates to oil and gas
- Approx. USD 310 billion in international currency reserves
- In 2012, Russia entered WTO

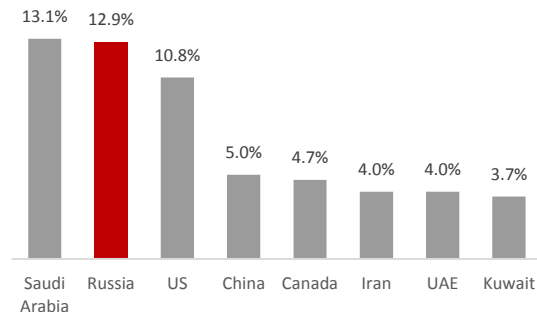


Major geographic regions

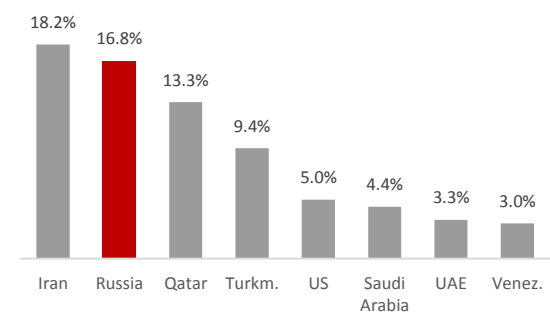
Region	Population (m)	Main use of CE machines
Central	38.8	Road and general construction
North West	13.8	Forestry industries, construction
South	23.6	Residential construction, oil & gas
Volga	29.7	Industrial production
Urals	12.2	Oil and gas extraction
Siberia	19.3	Mineral and metal extraction
Far East	6.2	Gold, diamond, oil and gas extraction

Source: UNECE, IMF, British Petroleum, Rosstat, CEEMEA

Oil production (% of total)



Proved reserves of gas (% of total)



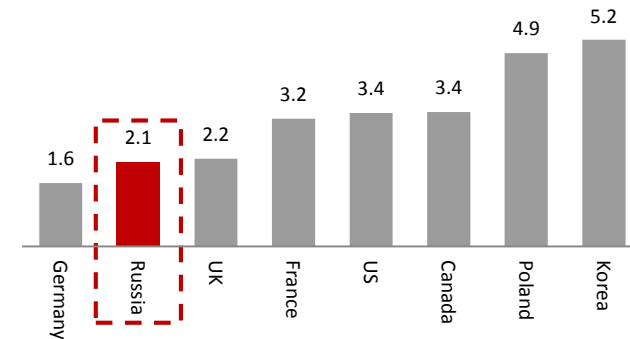
Long-term fundamentals: Infrastructure improvements

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)

Relatively low infrastructure investments historically

Average public investment 2006-2011 (% of GDP)

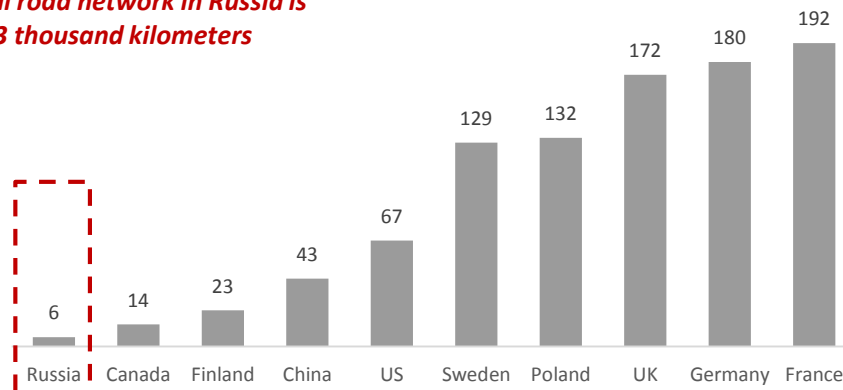


Source: OECD

Road density in Russia is relatively low...

Road density (km road per 100 sq. km land area)

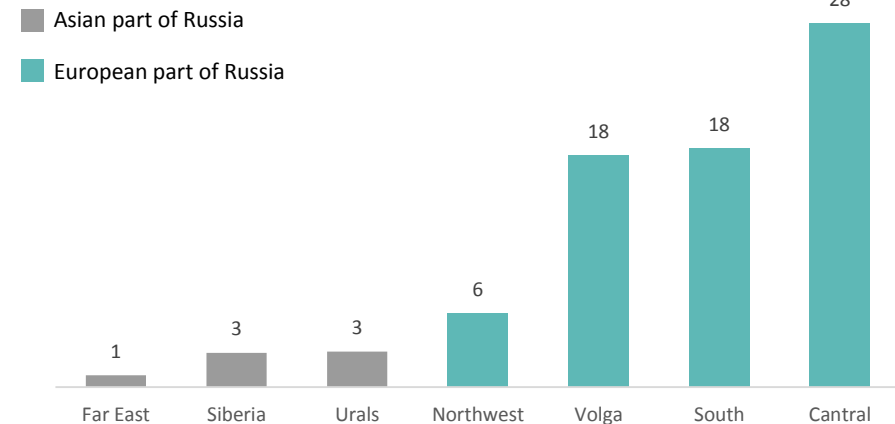
Total road network in Russia is ~983 thousand kilometers



Source: World Bank

... and there are large difference between Federal Districts

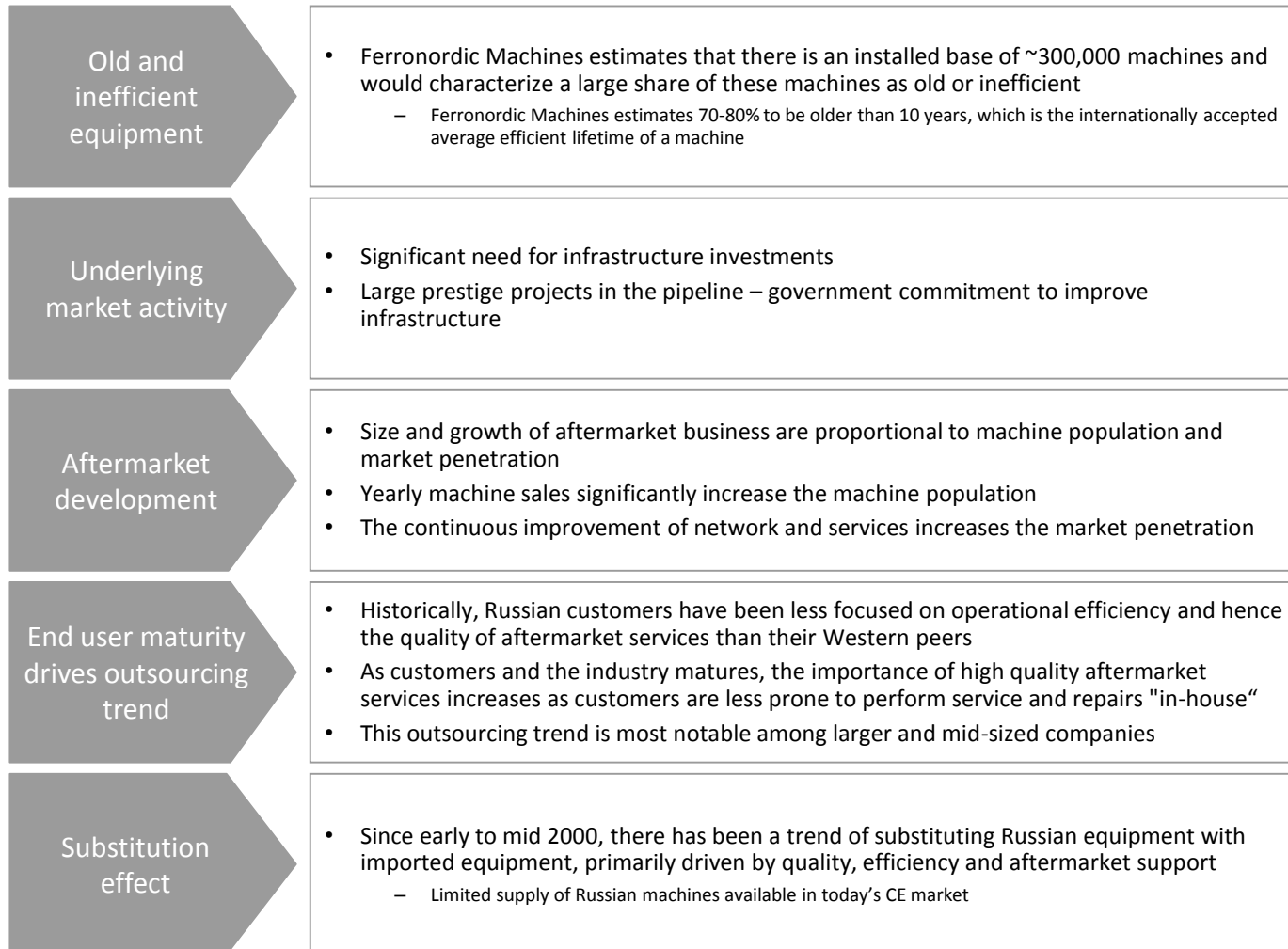
Road density (km road per 100 sq. km land area)



Source: PMR Publications

Long-term fundamentals: Market demand drivers

THERE ARE SEVERAL JOINT FORCES EXPECTED TO DRIVE DEMAND FOR CONSTRUCTION EQUIPMENT IN RUSSIA



Strong market fundamentals in the Russian construction equipment market, underpinned by significant needs for infrastructure investments and replacements of old machinery