



Ferronordic Machines AB

Company and Q1 2014 Presentation
May 2014

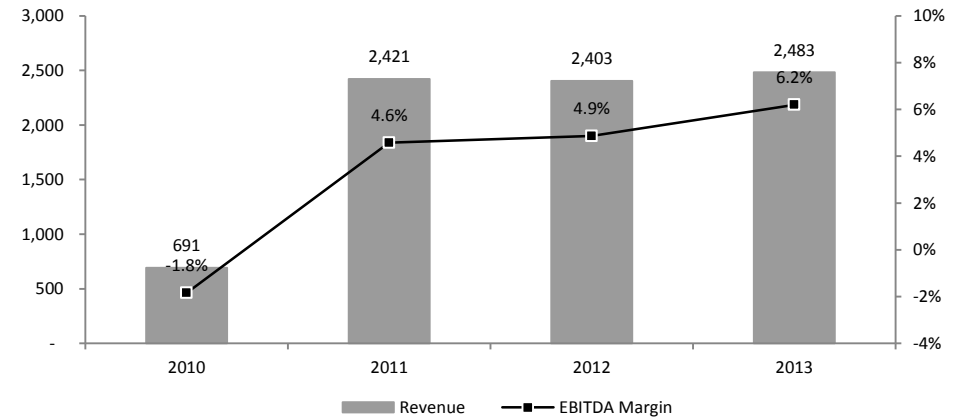
Ferronordic Machines in brief

FERRONORDIC MACHINES – A LEADING SERVICE AND SALES COMPANY

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 Trucks (aftermarket), Volvo Penta, Logset, Holms

Financial development (SEKm)

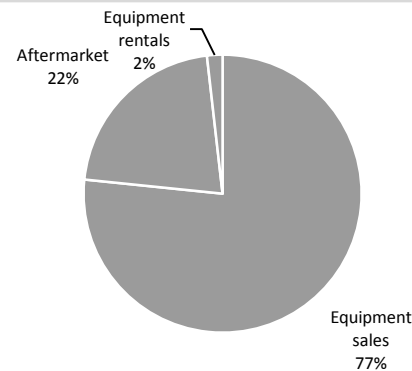


Growth development

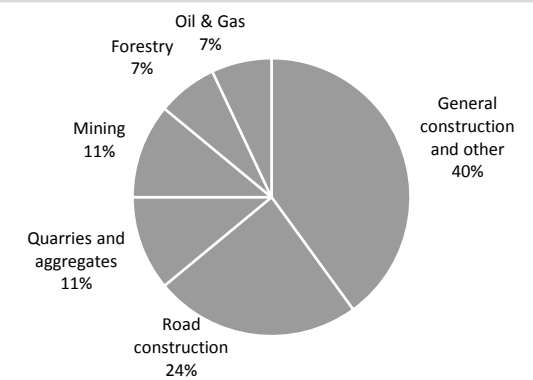
	2010	Q1 2014
Employees	326	750
Revenue (SEK M)	1 184 ⁽¹⁾	2 517
Outlets	12	74
Market size	~8,000	~21,000

(1) Annualized

Revenue per segment (2013)



Revenue per customer type (2013)



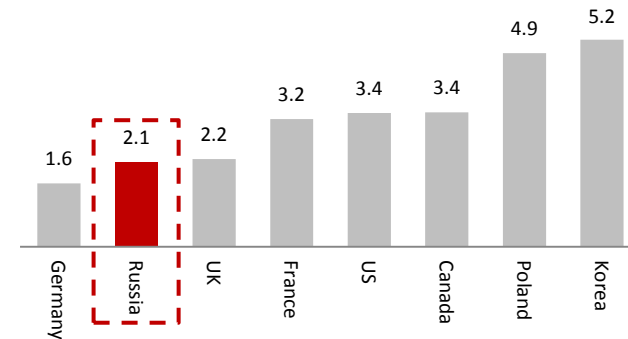
Market with significant need for investments

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)

Relatively low infrastructure investments historically

Average public investment 2006-2011 (% of GDP)

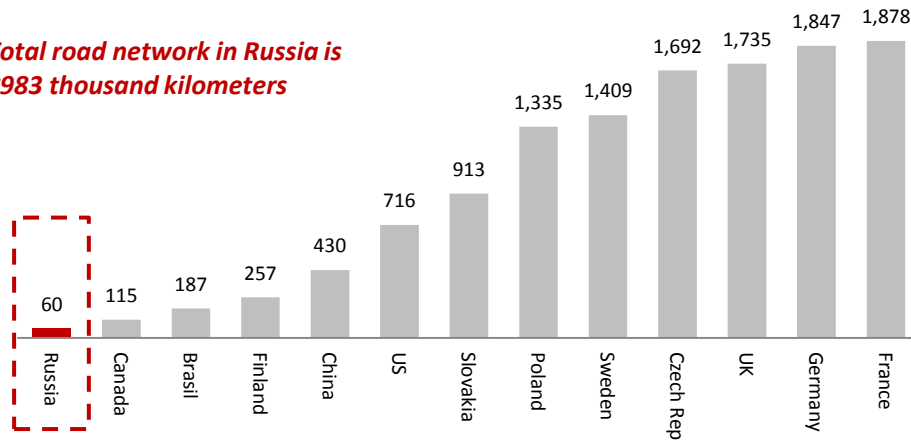


Source: OECD

Road density in Russia is relatively low...

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

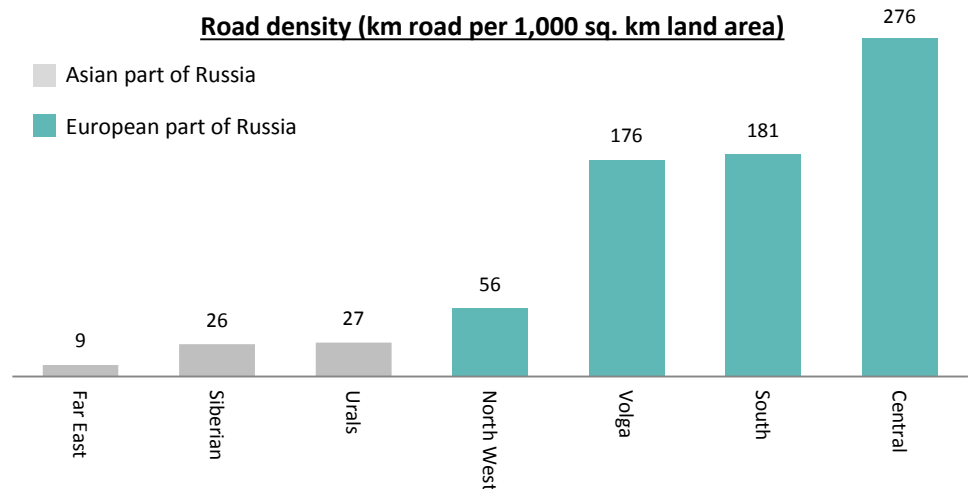
Total road network in Russia is ~983 thousand kilometers



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

Financial targets

Financial targets		Actuals
Revenue growth	Double-digit growth in SEK CAGR over a five-year period	3.9% (Sales growth 2013)
EBIT margin	6-8% To be reached within a five-year period	4.0% (Adjusted EBIT margin 2013, excl. one-off expenses)
Absorption rate <i>(Gross profit from aftermarket as % of fixed operating expenses)</i>	>100% To be reached within a five-year period	68% (up from 49% in 2011) (2013)
Net debt / EBITDA ratio	0-2x Within the range over a business cycle	0.4x (2013)

Ferronordic Machines in Russia



The market in Q1 2014

- Characterized by significant political uncertainty
- GDP growth forecasts have been lowered to 0-1.5% for 2014
- Capital outflow
- The Russian Central Bank has increased the interest rate by 1.5%
 - Financial institutions are becoming increasingly risk averse
- The ruble has continued to depreciate against major currencies
 - 15% lower than a year ago
- However, all things are not bad
 - Ferronordic showed strong growth and margin development
 - Oil price remains high
 - The Central Bank has been determined to defend the ruble. Currency reserves in excess of USD 450 BN

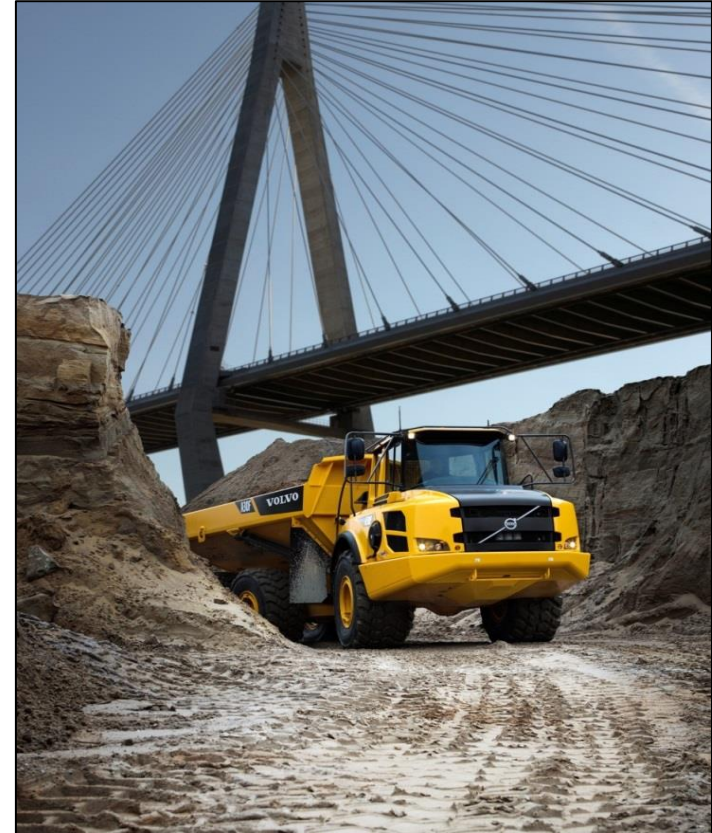
Q1 2014 financial highlights

- Growth in units and revenue
- Significant lowering of opex, helped by the ruble depreciation
- Strong EBITDA growth and margin development
- Improvement in net income
- Strong increase in return on capital employed
- Net debt / EBITDA of 0.4x
- First dividend on preference share paid



Q1 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
 - 750 employees and 74 outlets
- 5 facilities serving both Volvo CE and Volvo Trucks
- VCE product launch of wheeled excavator EW 205 opening up new product segment
- Launch of Ferronordic branded diesel generator sets powered by Volvo Penta



Ferronordic Machines Profit & Loss Q1 2014

SEK MM	Q1 2014	Q1 2013	% change
Units	333	281	19%
Revenue	501	467	7%
Gross Profit	78	83	(7%)
% Margin	15.5%	17.8%	-
EBITDA	31	17	80%
% Margin	6.2%	3.7%	-
Net interest expense	8	20	(61%)
Net Income*	7	(25)	NM
Net Debt	72	372	(81%)

- Units sold up 19%
- Revenue increase of 7% (23% in lc)
 - Sale of equipment increase of 26% in lc
 - Aftermarket increase of 13% in lc
- Decrease in gross margin
- Significant decrease in OPEX
 - Impacted by ruble depreciation
 - Improved cost control
 - One-off expenses in Q1 2013
- Strong improvement in EBITDA and net income

* Excludes amortisation of transaction related intangibles.

Balance sheet summary

SEK MM	Q1 2014	2013	Q1 2013
Cash & Cash Equivalent	150	164	150
Short term debt	170	163	42
Long term debt	-	-	395
Financial leases	52	61	85
Net debt	72	60	372
<i>Net Debt/EBITDA</i>	<i>0.4x</i>	<i>0.4x</i>	<i>3.2x</i>
Working capital	189	239	112
<i>% of Revenue</i>	<i>8%</i>	<i>10%</i>	<i>5%</i>
Shareholders Equity	500	538	99
Total Assets	1 394	1 464	1 299
<i>Equity/Assets</i>	<i>36%</i>	<i>37%</i>	<i>8%</i>

* Q4 2013 and Q1 2013 translated from EUR to SEK based on period ending exchange rate.

Cash flow summary

- Improvement in payment terms in Q1 2013 and one-off transactions

SEK MM	Q1 2014	Q1 2013
Cash flow from:		
Operating Activities	(6)	190
<i>of which change in working capital</i>	<i>(38)</i>	<i>179</i>
Investing Activities	(7)	(5)
Financing Activities	16	(197)
Cash Flow	2	(12)

Outlook – CEO comment

"All in all we are cautiously optimistic when looking forward into the remainder of 2014 and beyond as the long term fundamentals in the Russian construction equipment market remain strong. The short and medium term market development, however, is difficult to predict and the recent events in Ukraine create additional uncertainties. We continue to monitor the situation carefully and will adopt to possible changes in the overall market development.

