



Ferronordic Machines

Company Presentation

June 2013



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 → 31,100 → ~**30,000**

Outlets: 6 → 12 → 53 → 69 → **69**

Employees: 160 → 326 → 540 → 654 → **690**

Revenue: VCE → €74M → €268M → €276M → **€273M**

Complimentary brands added:



TRUCKS

**VOLVO
PENTA**

LOGSET

Note: Information at takeover, end 2010, end 2011, end 2012, end Q1 2013

Experienced management and board of directors and supporting shareholders

MARKET OVERVIEW



Russian economy

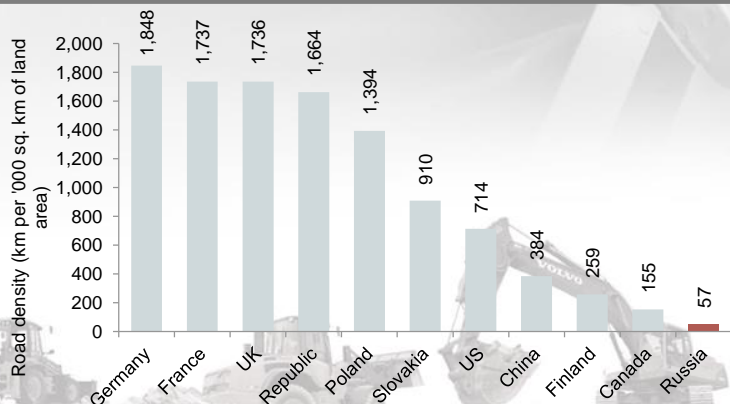
- Russian GDP has grown faster than Western economies historically, and is expected to continue to show higher growth
- Inadequate road network and low infrastructure rankings highlight the investment need going forward
- Infrastructure investments are expected to almost double in 2013e compared to 2008
- Major planned construction projects include the South Stream pipeline, the Marine Façade district in St. Petersburg, Kaliningrad Nuclear Power Plant, and numerous projects related to the 2014 Winter Olympics, the 2016 Ice Hockey World Championship, and the 2018 FIFA World Cup

Russian GDP expected to outgrow Western economies



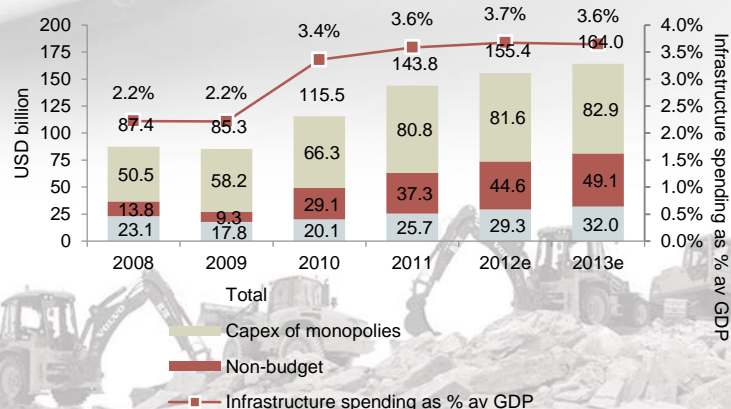
Note: "Advanced economies" include 34 of the world's most advanced countries
Source: IMF World Economic Outlook

Currently inferior infrastructure



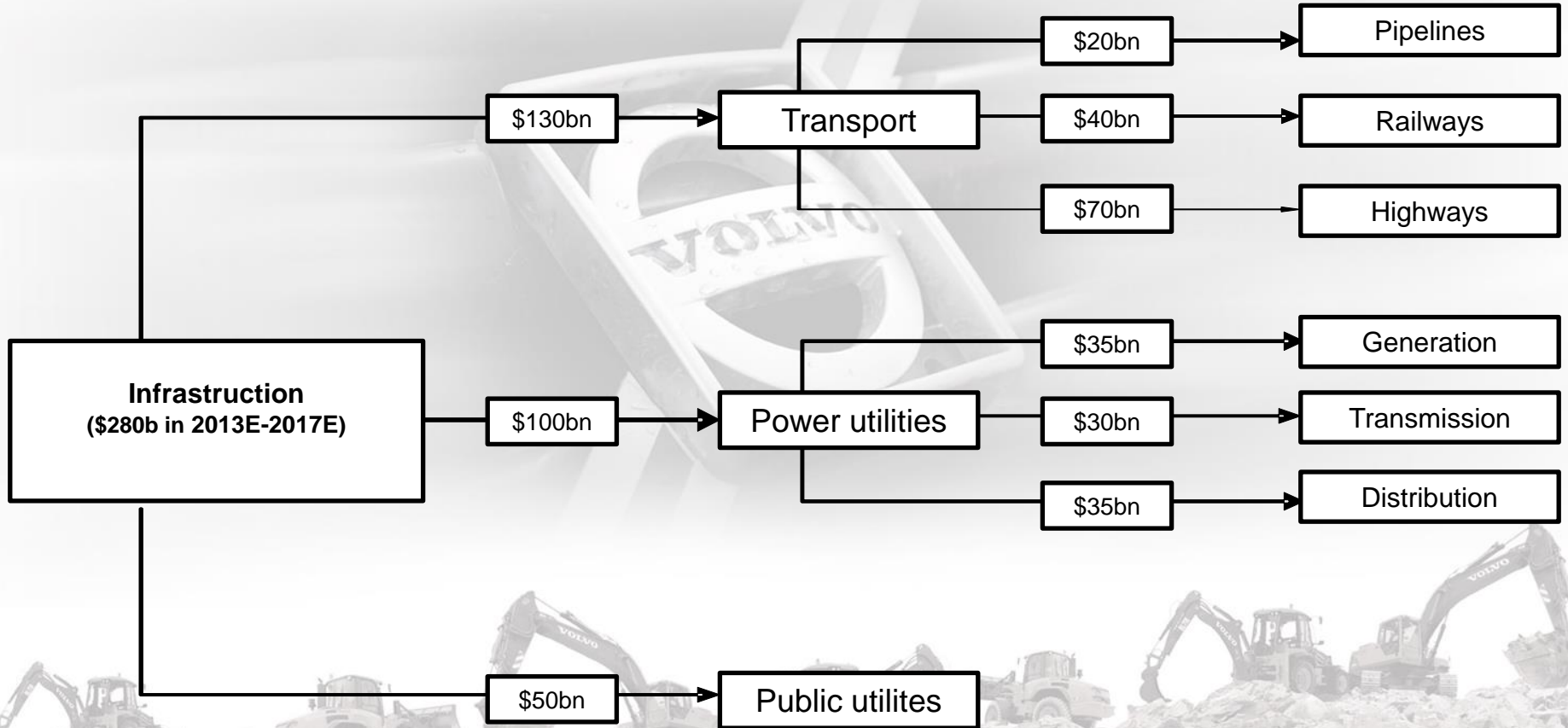
Source: World Economic Forum - GETR 2010

Significant infrastructure investments going forward



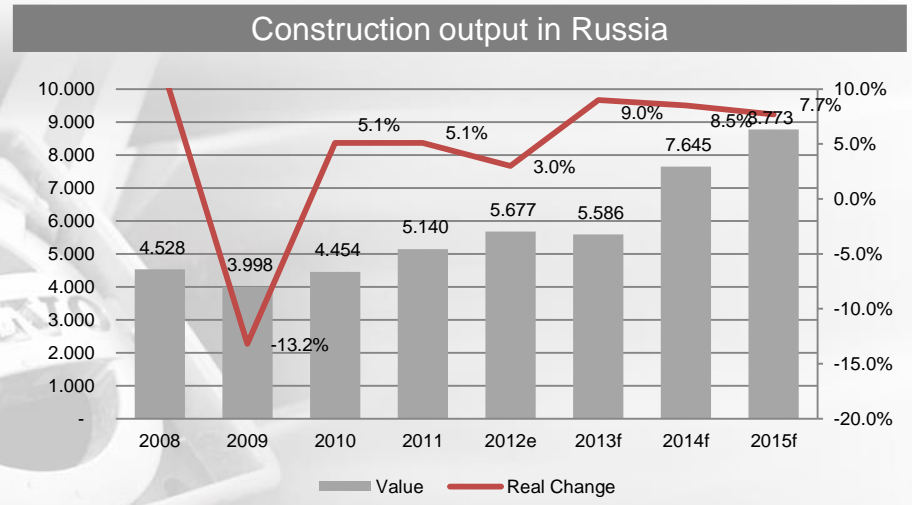
Note: "Capex of monopolies includes Russian Railways, Electricity Utilities, Gazprom and Transneft
Source: Rostat

We expect USD280b of infrastructure related spending in 2013E-2017E



Construction equipment market in Russia

- Construction output in Russia expected to grow close to 10 per cent annually over the next few years
- The Russian CE market was over 30,000 units in the last year, up from approximately 25,000 units in 2011 and 10,000 in 2010 (import numbers)
- The market for construction equipment consists of five different segments:
 - Oil and gas industry
 - Mining industry
 - Forestry industry
 - Road construction industry
 - General construction industry
- The Russian market is fairly scattered with many participants, but five leading players have approximately 10 per cent market share each¹⁾
 - Hitachi, Volvo CE, Caterpillar, Komatsu and JCB
- Strong efficiency and outsourcing trend
 - Increased demand for efficiency of construction projects drives demand on high-quality equipment and well developed service network
 - Large conglomerates are outsourcing service of equipment
 - Large geographical distances between customers drive need for scale and utilization of synergies

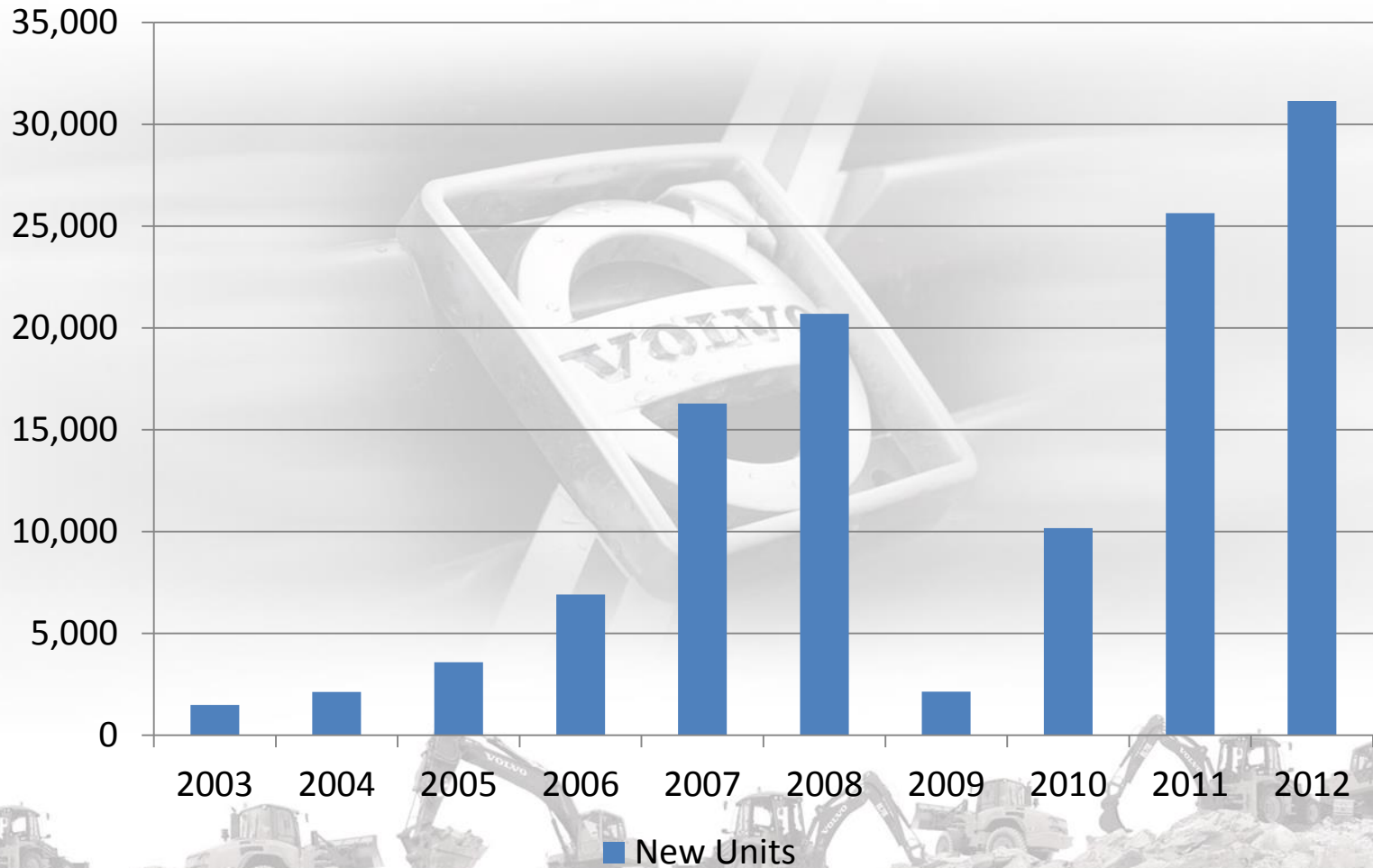


e = estimate
 f = forecast
 Note: Construction output is defined as the total value of construction work carried out by construction companies based on contracts and/or agreements signed with clients (excl. VAT). Construction output in Russia (RUB bn) and real change (%y-o-y), 2008-2015.

Source: PMR, 2012



Annual Import Statistics



Annual Import Statistics - Growth

Year	Rolling 4-Year CAGR	Rolling 5-Year CAGR	Rolling 6-Year CAGR	9-Year CAGR
2007	82%			
2008	77%	69%		
2009	(12%)	0%	6%	
2010	10%	23%	30%	
2011	12%	30%	39%	
2012	11%	14%	29%	40%

COMPANY OVERVIEW



Vision

To be regarded as the leading
service and sales company
within our business areas
in the CIS markets



Strategic and financial objectives

Strategic objectives

- ◇ Leadership within the market for construction equipment
- ◇ Geographical expansion of current product portfolio
- ◇ Expansion into related business areas such as other machinery and commercial vehicles
- ◇ Extract synergies in dealer network infrastructure development and support functions

Financial objectives

- ◇ “Best in class” growth and margin
- ◇ Contribution from aftermarket 40%
- ◇ Absorption rate of 1.0x

Ferronordic Machines

– Strategic cornerstones

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 RECOGNITION – 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

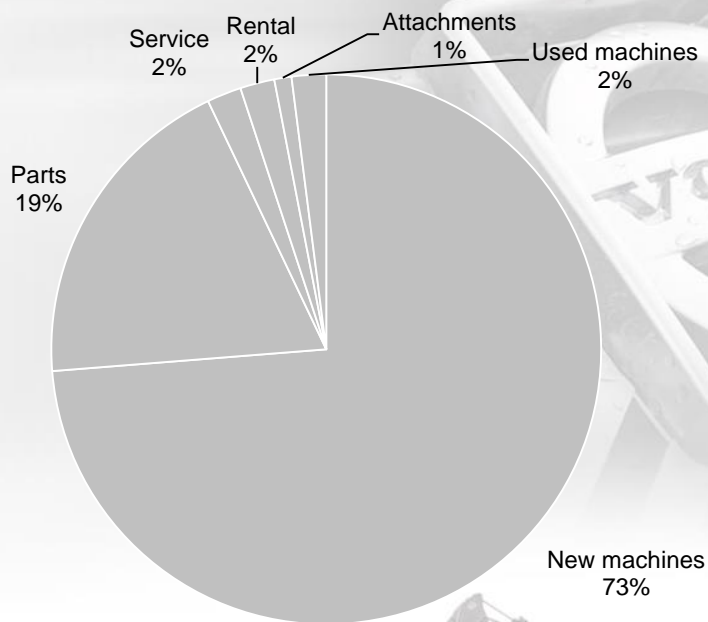
- ◇ High density network – many points of presence, less “show-off buildings”
- ◇ Mobile workshops and service vans/trucks
- ◇ Well equipped, purpose-built facilities in select locations
- ◇ Infrastructure to be used for other brands

OPERATIONAL EXCELLENCE

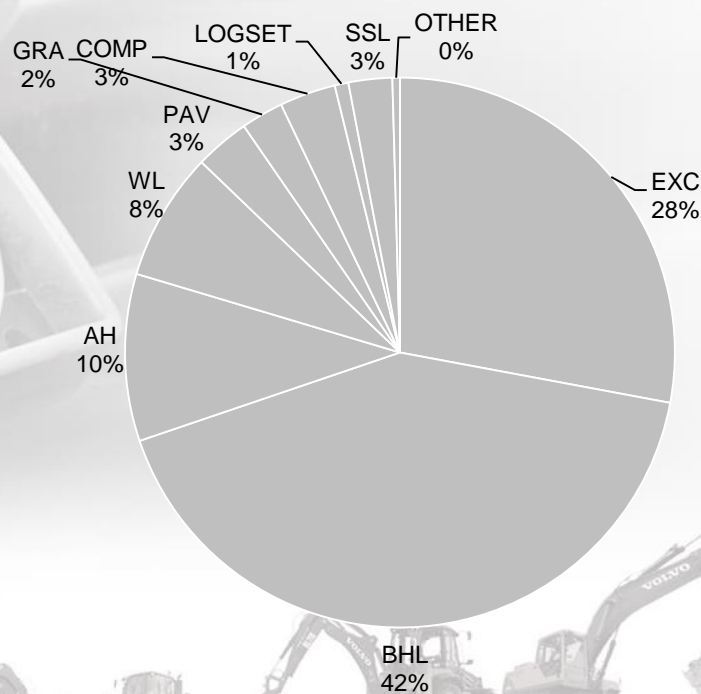
- ◇ Implementation of best practices and processes
- ◇ Leading IS/IT systems
- ◇ Close cooperation with manufacturers
- ◇ Get the right people to do the right job right
- ◇ Continuous improvement of processes

Product offerings

Sales breakdown 2012



Unit breakdown by product type 2012



Source: Ferronordic Machines

Source: Ferronordic Machines

Hard products

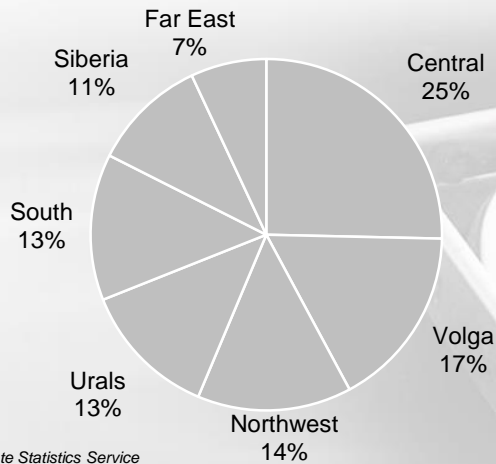


Focus on soft products

- ◇ Planned maintenance service
- ◇ Diagnostic of machines
- ◇ Planned and unplanned repair
- ◇ Overhaul – providing new life to older machines
- ◇ Sales of used machines
- ◇ Spare part sales and delivery
- ◇ Remanufacturing of vital parts (engines, gearboxes etc)
- ◇ Service contracts
- ◇ Fleet management services (Caretrack)
- ◇ Financial solutions
- ◇ Insurance
- ◇ Logistics
- ◇ Trade in of used machines and residual value management for customers
- ◇ Rental of machines
- ◇ Provision of financed full service and repair fleet management contracts – customer pays fixed price for used machine hours on a monthly basis
- ◇ Consultancy
- ◇ Application engineering

Volvo CE on the Russian market for construction equipment

Russia – Construction output per region Jan-Sep 2012

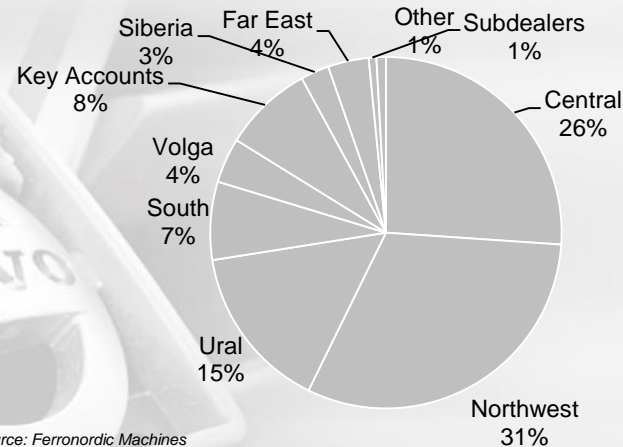


Source: Federal State Statistics Service

Map of Russia



Volvo CE units sold 2012



Source: Ferronordic Machines

Comments

- The two largest districts in terms of sales, Central and Northwestern, constitute approximately 67% of the construction output in Russia
- In 2010, 82% of units sold came from NW and CTR. This was 60% in 2012
- Urals, Volga, South, Far East and Siberia have generated strong revenue, currently accounting for approx. 40% of units sold
- All in line with FNM's strategy

Network development map

Number of FNM outlets is planned to grow substantially

Currently : 69 → 2015: ~100



Road-map for establishment of a large new dealership

2–4 YEARS, EUR 3–10 MILLION



Rented location



Container set-up



Purpose built facility



No.1 Brand Image



Additional brands

- ◇ Ferronordic Machines seeks to leverage its distribution network further by selling adjacent product categories from additional brands

Ferronordic Machines

- ◇ Importer and dealer in Russia
- ◇ Distribution and service



Selection of additional brands added to Ferronordic Machines' portfolio:

Ferronordic Machines customer

LOGSET  **HOLMS**  **CEDE GROUP AB**



TRUCKS

**VOLVO
PENTA**



Board of Directors

	Name	Position	Selected current assignment(s)	Selected previous assignments
Board of Directors	Per-Olof Eriksson	Chairman	Board member of Investment AB Öresund and Biotage	CEO of Sandvik and Seco Tools
	Marika Fredriksson	Director	CFO Vestas Wind Systems A/S	SVP and CFO, Gambro SVP/CFO, Autoliv SVP/CFO Volvo CE
	Martin Leach	Vice Chairman	Chairman, Magna Group	Chairman and CEO at GAZ International, CEO of Maserati Spa and President Ford of Europe at Ford Motor Company
	Erik Eberhardson	Executive Vice Chairman	Head of Business Development of Ferronordic Machines LLC	Board member in Magna International; Chairman and CEO, OJSC GAZ; GM Volvo Trucks (Ukraine); CEO, Volvo (Ukraine) and President (CIS), Volvo CE
	Lars Corneliussen	Director	President and CEO of Ferronordic Machines LLC	MD Volvo Vostok (Russia); President, Volvo Trucks (Russia) and advisor to Russian Ministry of Economy/Transport (World Bank)
	Tom Jörning	Director	MD, Volvo Truck (CEE)	Several senior positions within Volvo Truck including VP (East Europe), Volvo Truck (Europe)
	Magnus Brännström	Director	CEO, Oriflame	RD (CIS and Asia) and MD (Russia), Oriflame
	Kristian Terling	Director	Managing Director, Houlihan Lokey	Various positions within Credit Suisse, Handelsbanken and Merrill Lynch

Senior Management Team

Lars Corneliusson

Erik Eberhardson

Anders Blomqvist

CURRENT APPOINTMENTS

- ◇ Co-owner of Ferronordic Machines AB, President and CEO of Ferronordic Machines LLC

- ◇ Co-owner and Executive Vice Chairman of Ferronordic Machines AB, Head of Business Development of Ferronordic Machines LLC

- ◇ Board member of Lindab AB

- ◇ Co-owner and Chief Financial Officer of Ferronordic Machines AB

PREVIOUS APPOINTMENTS

- ◇ Volvo Group
 - Managing Director, Volvo Vostok, Russia,
 - President, Volvo Trucks Russia

- ◇ Member of the Executive Board of AEB

- ◇ Hifab International AB

- ◇ Russian Ministry of Transport, Moscow

- ◇ ICS Interconsult Sweden AB

- ◇ Magna International Inc

- Board member

- ◇ OJSC Russian Machines

- Managing Director for Automotive Business

- ◇ OJSC GAZ

- CEO, Chairman

- ◇ Volvo Construction Equipment

- President, CIS

- ◇ Volvo Truck Corporation

- Managing Director, Volvo Ukraine

- ◇ Emeyu LLP

- CFO & COO

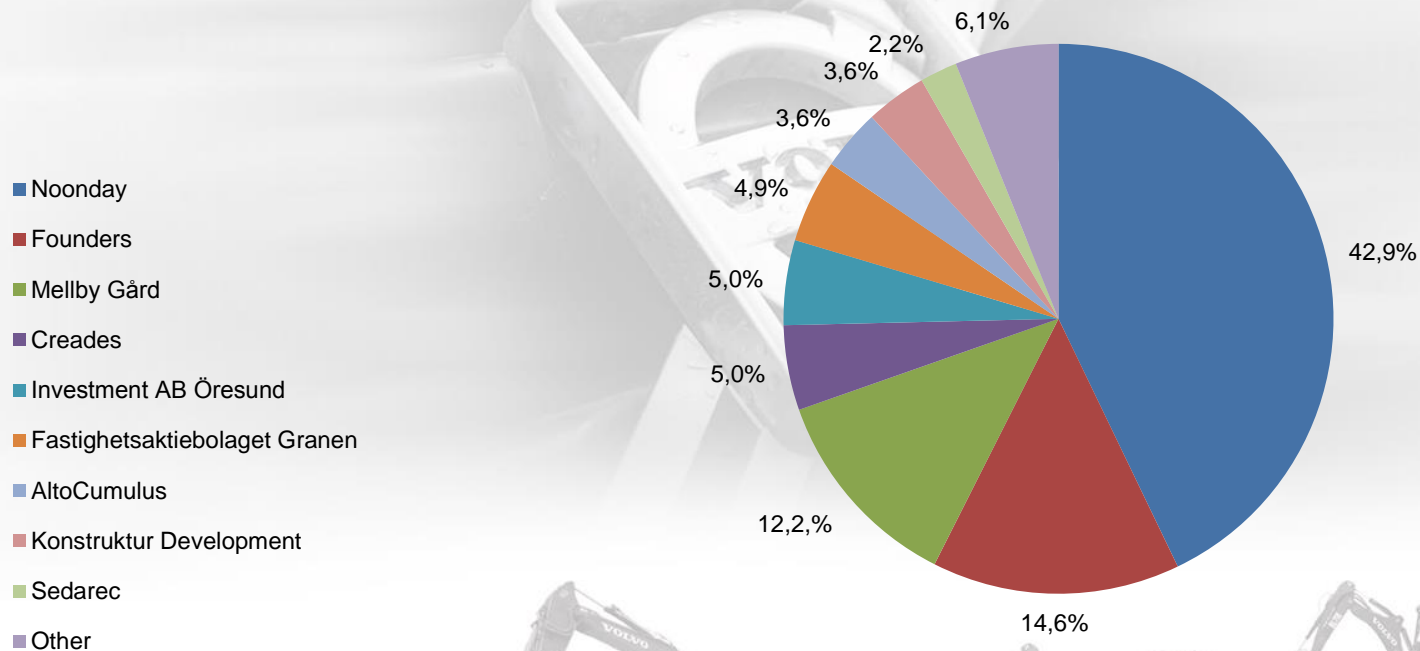
- ◇ HSBC Bank

- Director, Investment Banking

- ◇ Credit Suisse First Boston (London, New York, Chicago)

- Investment Banking

Shareholders



FINANCIAL OVERVIEW



Ferronordic Machines Profit & Loss

12 Months 2012 - Group

EUR MM	12 Mo. 2012	12 Mo. 2011	% change
New Units	1,370	1,310	5%
Revenue	275.8	268.0	3%
Gross Profit	42.0	37.4	12%
% Margin	15.2%	13.9%	-
EBITDA	13.4	12.3	9%
% Margin	4.9%	4.6%	-
Net Income*	(1.3)	2.7	NM
Net Debt	63.9	63.0	

- New units sold up 5%
- Product mix shifted towards somewhat smaller machines
- Revenue increase of 3%
- Aftermarket revenue up 16%
- Improved gross margin by 1.3%-point
- Offset by increase in OPEX
 - Growing organization throughout Russia
- EBITDA margin improving
- Higher financial costs
- Decrease in net income

* Excludes amortisation of transaction related intangibles.

Ferronordic Machines Profit & Loss

Q1 2013 - Group

EUR MM	Q1 2013	Q1 2012	% change
New Units	261	275	(5%)
Revenue	55.0	57.6	(5%)
Gross Profit	10.4	8.1	28%
% Margin	18.9%	14.1%	-
EBITDA	2.6	1.5	81%
% Margin	4.8%	2.5%	-
Net Income*	(2.4)	0.6	NM
Net Debt	44.6	56.1	

- New units sold down 5%
- Similar product mix as last year
- Revenue decrease of 5% (3% in Ic)
- Aftermarket revenue increase
- Improved gross margin by 4.8%-point
- Offset by increase in OPEX
 - One-off expenses of EUR 0.3m
 - Growing organization throughout Russia
- EBITDA margin improving
- Significant change in unrealized FX loss

* Excludes amortisation of transaction related intangibles.

Balance sheet summary

EUR MM	2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Cash & Cash Eq.	12.4	14.4	9.7	10.1	19.2	18.0
Short term debt	24.0	17.9	26.6	27.5	27.3	5.0
Long term debt	43.5	44.1	44.7	46.5	45.6	47.3
Financial leases	7.9	8.5	8.6	11.8	10.1	10.2
Net debt	63.0	56.1	70.2	75.7	63.9	44.6
<i>Net Debt/EBITDA*</i>	3.2x	3.0x	4.5x	4.3x	2.8x	2.7x
Working capital	48.0	39.5	46,8	48,0	36,8	17.0
<i>% of Revenue</i>	18%	14%	17%	17%	13%	6%
Shareholders Equity	20,0	21,2	16,3	15,4	15,1	11,9
Total Assets	137,2	136,2	148,1	150,9	155,0	155,8
<i>Equity/Assets</i>	15%	15%	11%	10%	10%	8%

* Calculation per Bond T&C