



Company Presentation
November 2018



Introduction to Ferronordic

Overview

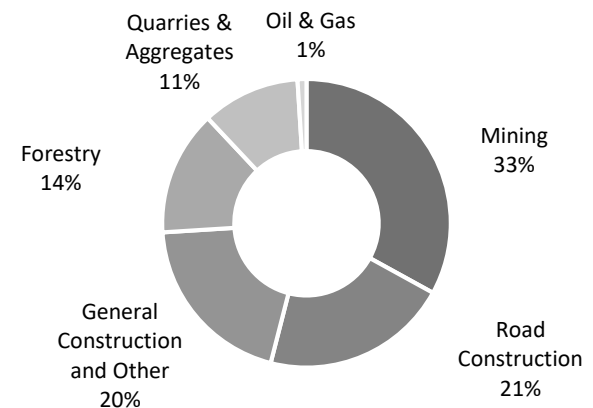
- » Official dealer of Volvo Construction Equipment in all of Russia since 2010
- » Authorized dealer of Terex Trucks (2014), Dressta (2016), Rottne (2016) and Mecalac (2017) in all of Russia
- » Aftermarket dealer for Volvo Trucks and Renault Trucks, and dealer for Volvo Penta in selected regions
- » Distribution and sales of new and used construction equipment, sales of parts, as well as providing services and technical support
- » Growing contracting services business
- » Core focus on Volvo CE brand, a high-quality construction equipment manufacturer and the No. 1 brand in Russia
- » Ordinary shares listed on Nasdaq Stockholm

Development

	Start	Q3 2018
Employees	~160	927
Revenue (SEKm)	1,184 ¹⁾	2,828
Outlets	6	79

1) 2010 annualized.

New machine revenue per customer type (2017)

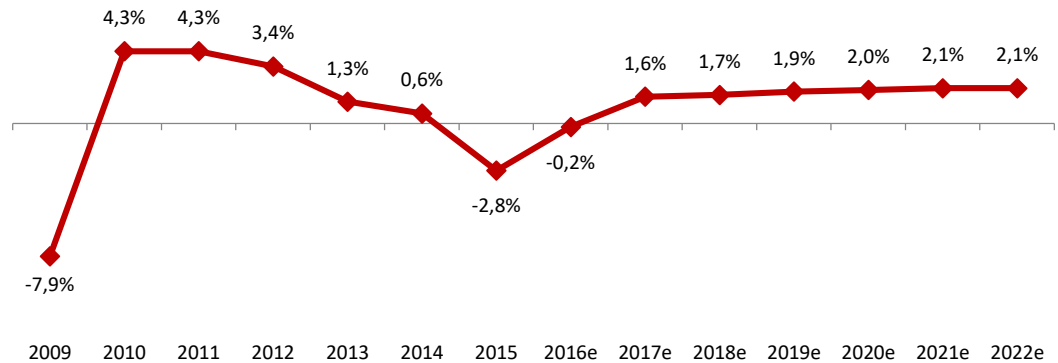


A huge market at the edge of recovery

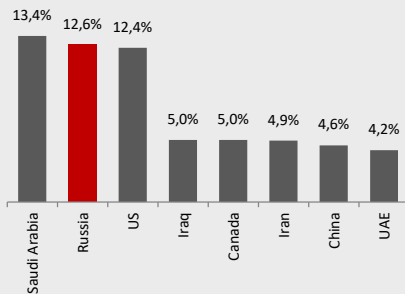
Russia at a glance

- » Capital: Moscow
- » Population: ~144 million¹⁾
- » Area: 16.4 million sq. km¹
 - ~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
 - A significant portion of the Federal Government income relates to oil and gas
- » Strong balance sheet and approx. USD 382 billion²⁾ in international currency reserves plus USD 77 billion in gold

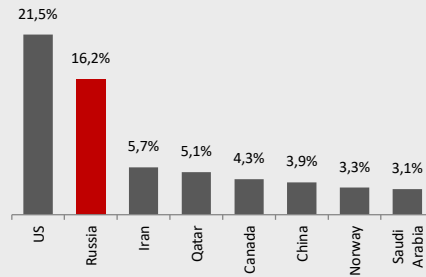
GDP growth in Russia⁵⁾



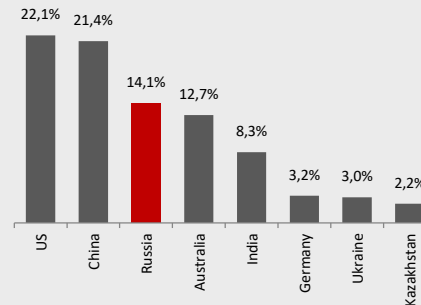
Oil production (% of total)³⁾



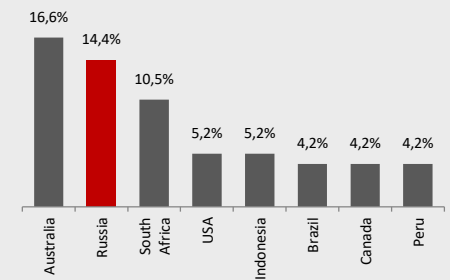
Natural gas production (% of total)³⁾



Coal reserves (% of total)³⁾

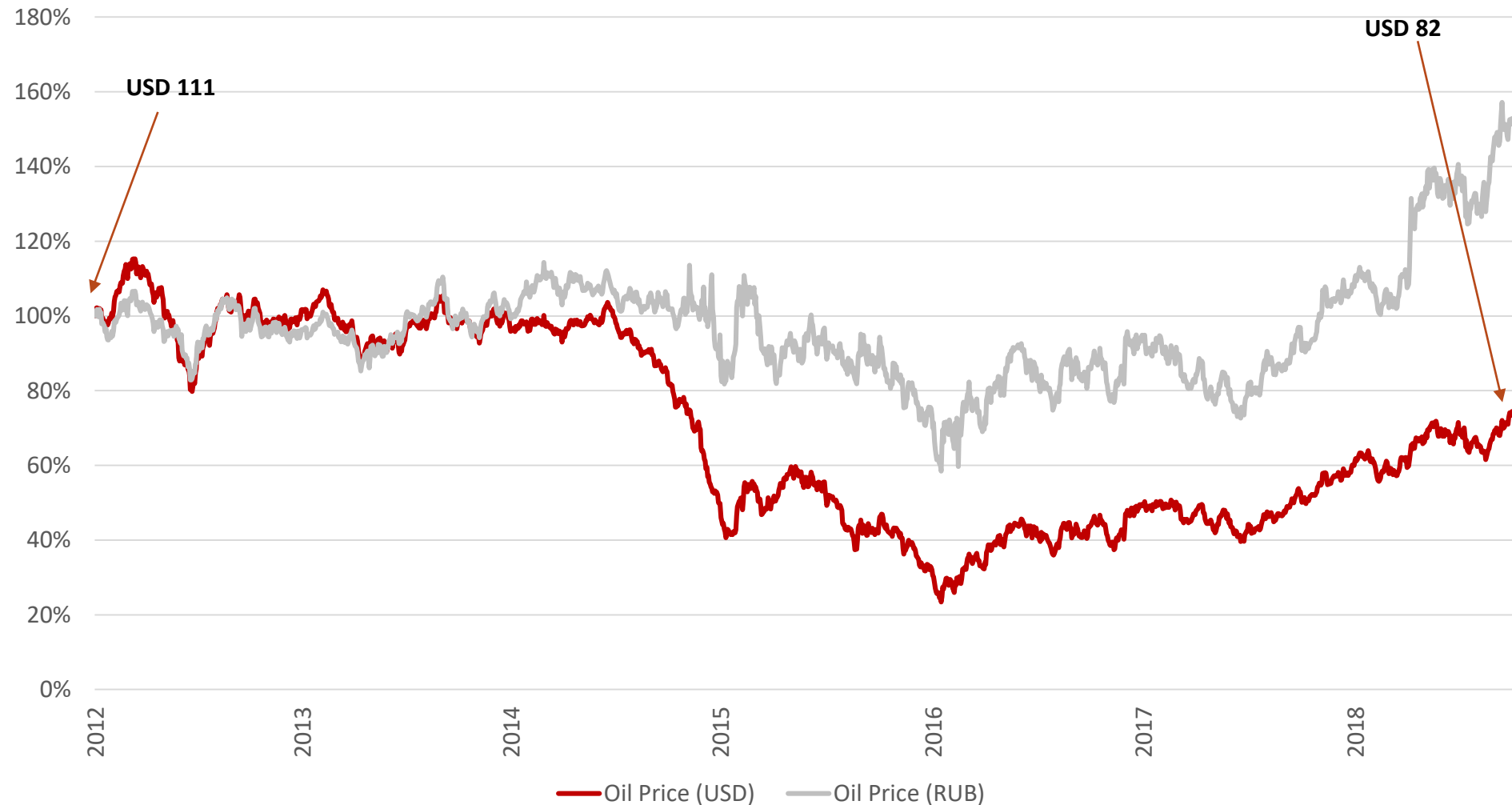


Gold reserves (% of total)⁴⁾



Sources: 1) World Bank. 2) The Central Bank of the Russian Federation. 3) BP Statistical Review of World Energy, June 2017. 4) U.S. Geological Survey, Mineral Commodity Summaries, January 2017. 5) Including the World Bank, IMF, OECD and CEEMEA Business Group.

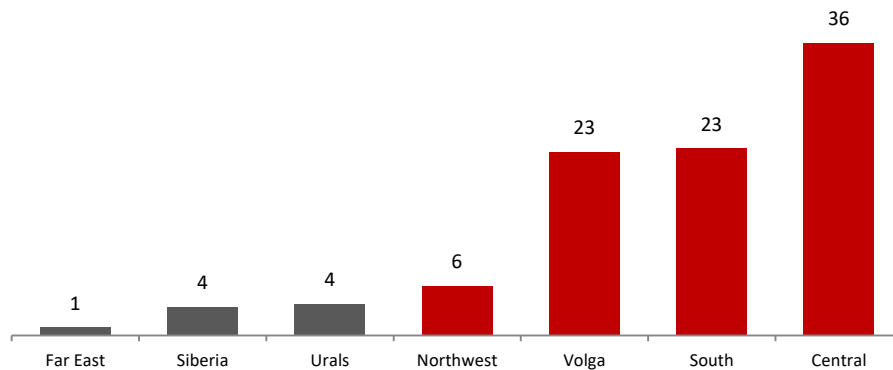
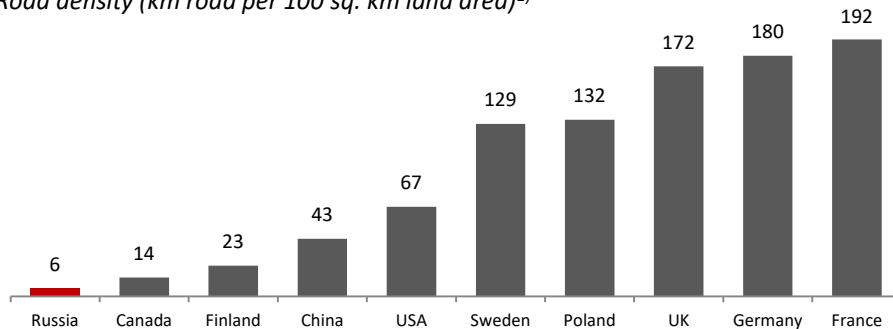
Oil price development (indexed) – until September 2018



Significant need to improve infrastructure

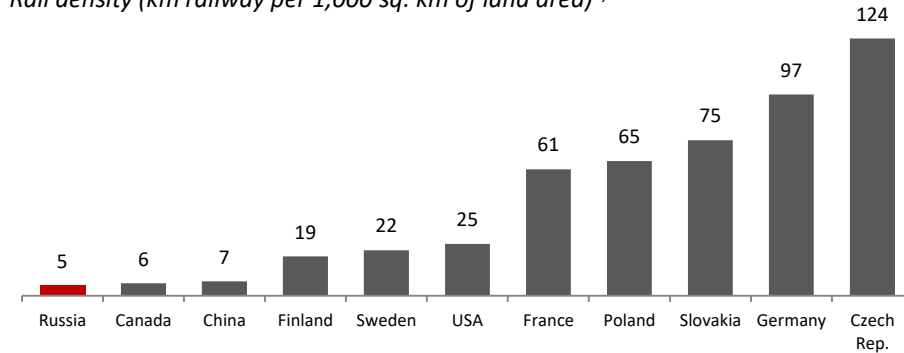
Road density in Russia is low

Road density (km road per 100 sq. km land area)¹⁾



Rail density is also low

Rail density (km railway per 1,000 sq. km of land area)²⁾



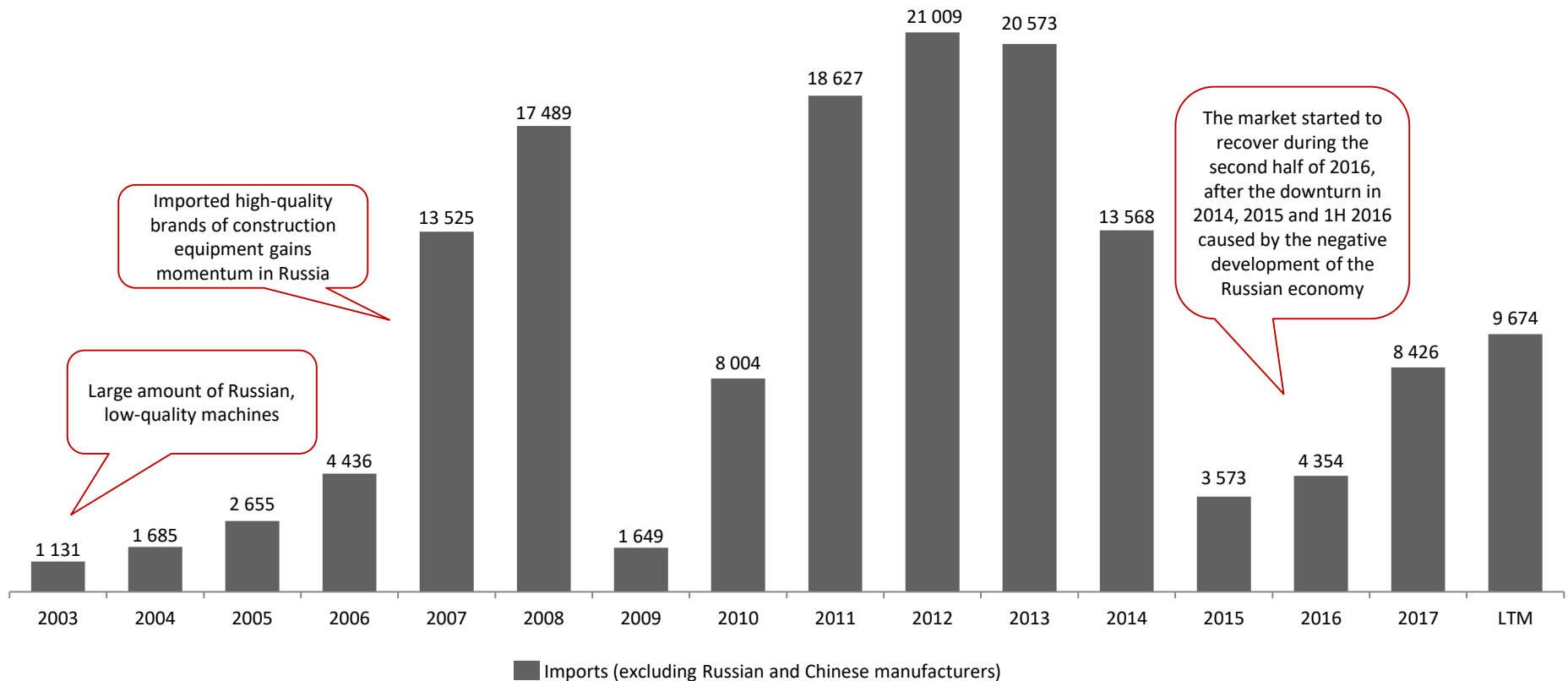
- » The market for construction equipment is expected to capitalize on the long-term growth in Russia
- » An important driver will be the need to improve its aging infrastructure, the bulk of which was built in the Soviet era and needs to be upgraded
 - Russia is ranked 114 out of 137 countries in terms of road quality³⁾
- » The improvement and expansion of the road network are expected to be important parts of the country's continued economic development
- » Clear signs that the government intends to create economic growth by increasing infrastructure spending
 - ◇ The Economy Ministry has finalized a list of 200 infrastructure projects with an aggregate cost of approx. USD 100 billion

Improved infrastructure will be an important part in Russia's continued economic development

Pent-up demand

Imports of construction equipment to Russia (units)















THE MARKET FOR IMPORTED CONSTRUCTION EQUIPMENT IS STILL YOUNG – SALES OF PREMIUM BRANDS IN RUSSIA ONLY TOOK OFF IN 2006/2007



Source: Russian import statistics (until August 2018) provided by Volvo CE.

Note: Excludes Russian and Chinese manufacturers, bulldozers, rigid dump trucks and forestry machines.

Brand and product overview

Brand							
	Volvo CE	Volvo Trucks and Renault Trucks	Gensets	Terex Trucks	Dressta	Rottne	Mecalac
Example product							
Year	2010	2012	2014	2014	2016	2016	2017
Product	Full VCE range	Aftermarket	Own labelled diesel generators (gensets)	Dump trucks and rigid haulers	Bulldozers and pipe layers	Forwarders and harvesters	Backhoe loaders
Area	All of Russia	10 locations	All of Russia	All of Russia	All Russia	All of Russia	All of Russia
	~80% of 2017 revenue		~16% of 2017 revenue				

Wide range of construction equipment, leveraging Ferronordic's countrywide network

Focus on aftermarket

Aftermarket sales

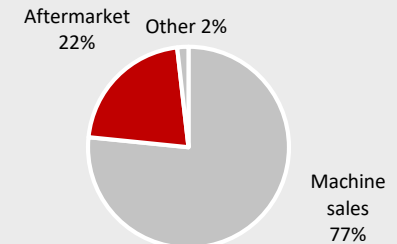
- » Proactive and competitive offering of customer service and spare parts supply, based on real-time data from the existing machine population and long experience in the industry
- » Proprietary system in place where signals from Volvo CE's telematics system, CareTrack are transformed into proposed sales actions (for both machine and aftermarket sales) that are automatically uploaded to the mobile phones of the sales staff
- » Ferronordic's presence in all Russian regions allows for fast delivery of parts and excellent customer support
- » Aftermarket revenue of SEK 763m in last twelve months compared to SEK 502m in 2015

Offering

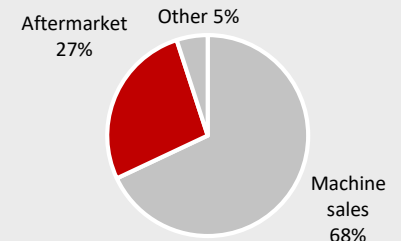
- » Spare parts delivery
- » Telematics - through CareTrack; fuel efficiency control, operator efficiency, fleet management
- » Operator training
- » Preventive maintenance service
- » Planned and unplanned repair
- » Overhaul
 - Providing new life to older machines
- » Diagnostics of machines
- » Remanufacturing of vital parts

Share of sales

Share of sales 2013



Share of sales (LTM)



Ferronordic has a strong focus on the commercialization of the aftermarket with a widespread outlet network which enables customer proximity and parts availability

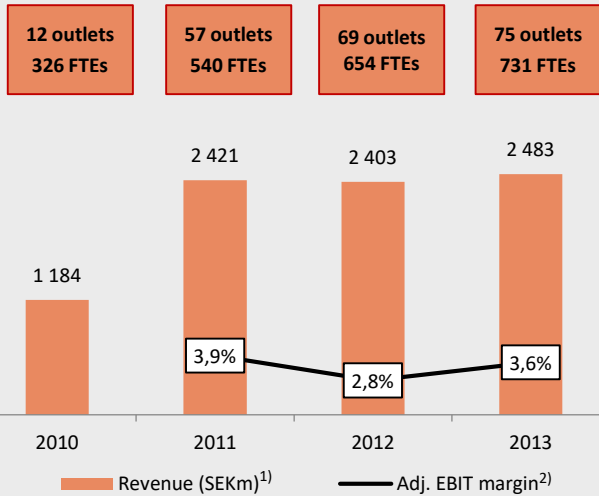
Nationwide coverage



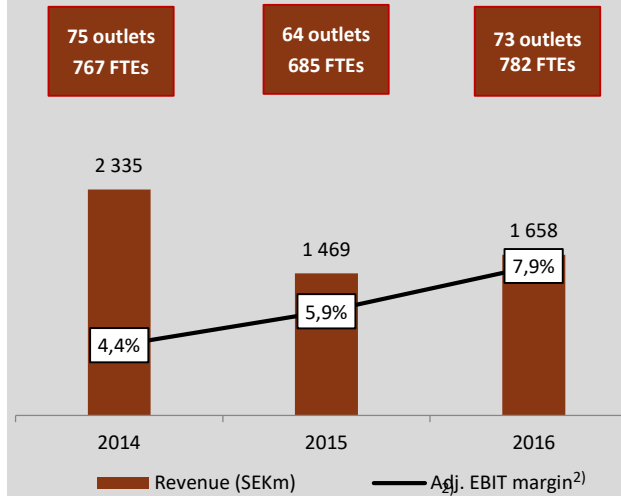
★ 79 Ferronordic outlets as of September 30, 2018

Strategic development

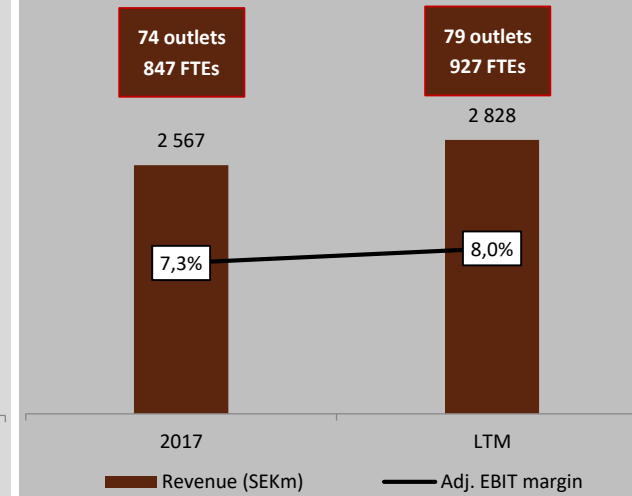
2010-2013: Phase I – establishing the platform



2014-2016: Phase II – streamlining to handle market decline



2017 and onwards: Phase III – leveraging market recovery and company maturity



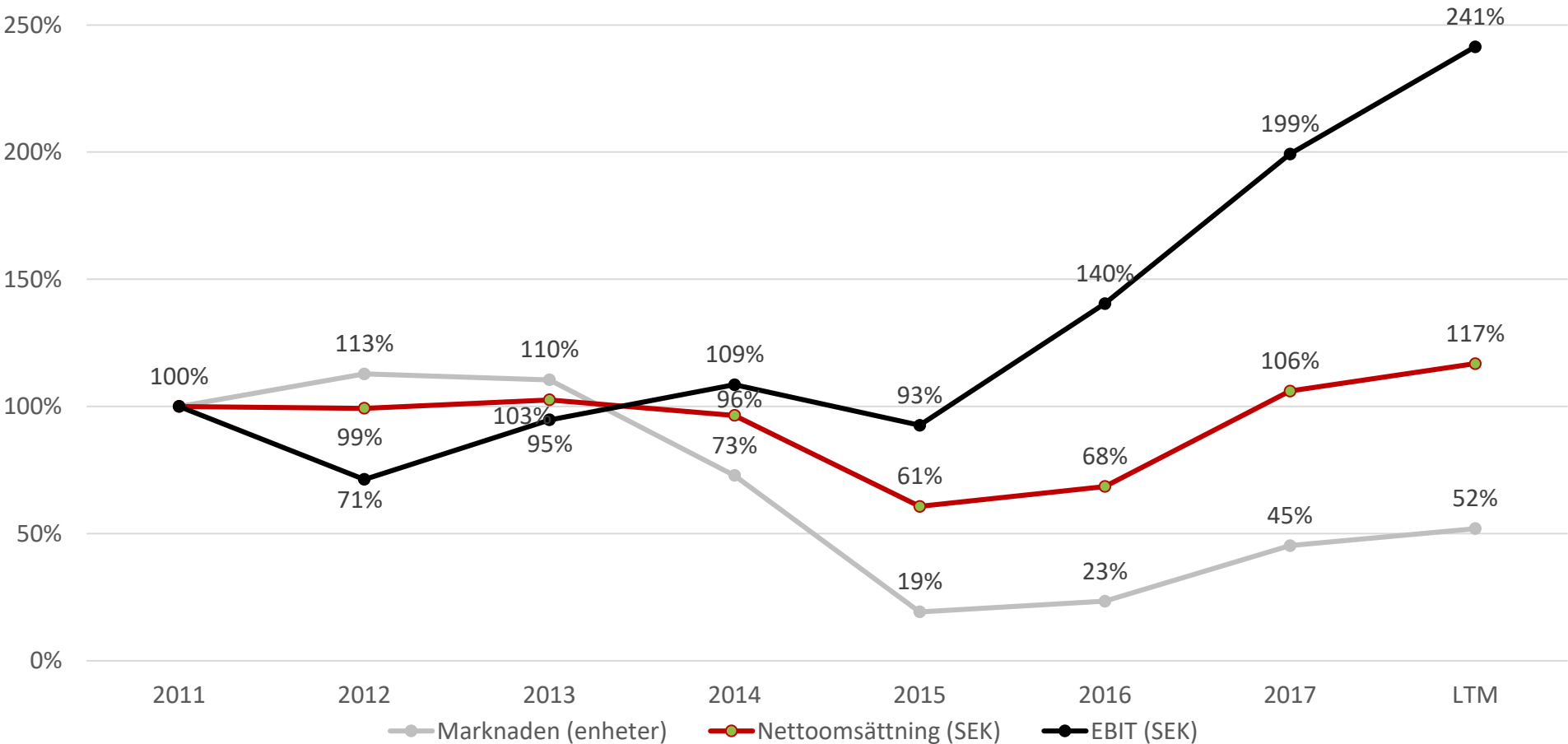
- Start of business
- Establish countrywide platform
- Network expansion
- Building market awareness and market share
- Develop aftermarket offering
- Processes and procedures put in place

- ✓ Increased aftermarket focus
- ✓ Selling out rental fleet
- ✓ NWC efficiency focus
- ✓ Reduction of unprofitable outlets
- ✓ People allocation shifting resources
- ✓ Adding new brands and services

- ✓ Focus on digitalization
- ✓ Growing contracting services
- ✓ Continued focus on aftermarket
- ✓ Leveraging existing organization
- ✓ High market potential
- ✓ Evaluating expansion opportunities

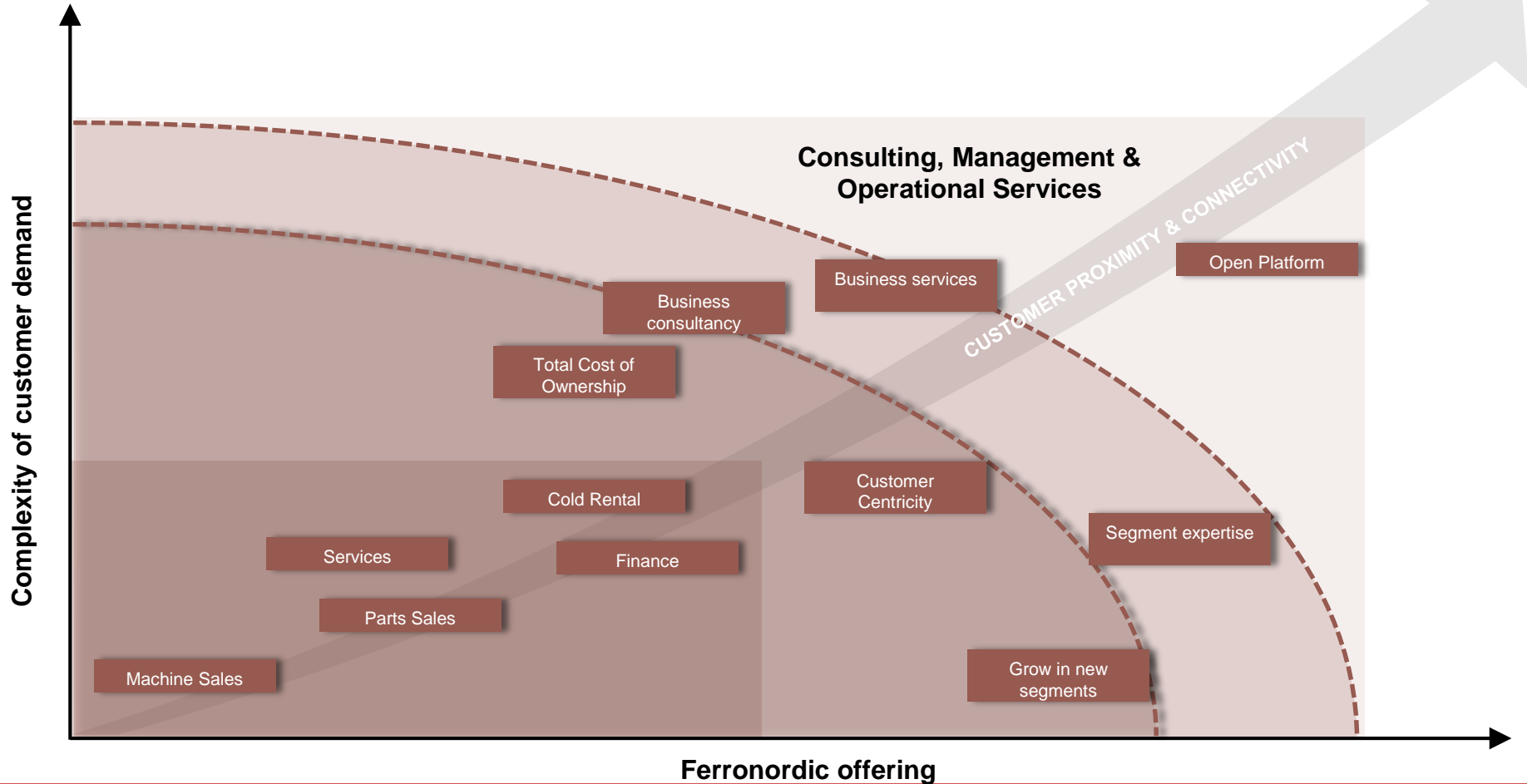
1) Annualized 2) Adj. EBIT defined as: Reported EBIT excluding amortization of transaction related intangibles and writedowns of intangible and tangible assets in Q4 2016.

Strong development despite low market volumes



Note: 2011-2016 refer to adjusted EBIT and exclude one-off expenses in Q4 2016 and amortization of transaction related intangibles until May 2016.
 Market data based on Russian import statistics (until August 2018) and excludes machines imported from China, bulldozers, forestry machines and rigid dump trucks.








Moving towards stronger customer integration



As customers mature, their demand becomes more complex – Ferronordic is well positioned to satisfy this demand and lead this development within construction equipment

Contracting services

Integrating with our customers

	Traditional method	Outsourcing method: Contracting Services
Machine		
Parts	 or the customer	
Service	 or the customer	
Operators	Provided by: The customer	Provided by: 
Payments	Cost of machine, parts and service	Volume based (per tonne, cubic meter, etc.)

- » Part of our strategy of becoming further integrated in our customers' business
- » Ferronordic supplies and maintains machines as well as provides the customers with machine operators to carry out specific tasks
- » At present, the customers primarily comprise mining companies who outsource the excavation and transportation of ore and earth at their mining sites
- » Payment based on volume transported
- » Outsourcing is common in the mining industry in other parts of the world, particularly Australia and South Africa
- » Still relatively underdeveloped business in Russia, but expected to grow
- » Ferronordic may extend similar services to customers in other industries in the future

Focus on connectivity and digitalization to create additional sales

Telematics system



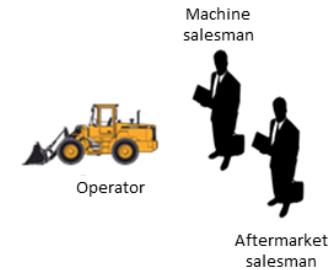
In-house rule-engine



Leads



Sales action



Follow up



- The telematics system registers the usage of each machine and transmits signals regarding fuel consumption, number of hours, localisation, etc.

- Information from the telematics systems flows automatically into Ferronordic's "rule-engine"
- The rules that the rule engine are based on are developed and controlled by Ferronordic

- The rule-engine automatically converts information from the telematics system into proposed sales actions, which are then automatically uploaded on the relevant sales representatives' smartphone or tablet

- The sales representatives contact the relevant customers with sales proposals including full price information based on proposals generated by the rule engine

- Management monitors that the sales representatives have taken the proposed sales actions as a part of the calculation of their variable salaries

Ferronordic is in the forefront of using a system which utilizes its suppliers' telematics systems to maximize sales and increase customer satisfaction and fleet efficiency

Strategic objectives

Leadership within
the market for
construction
equipment

Expansion into
related business areas

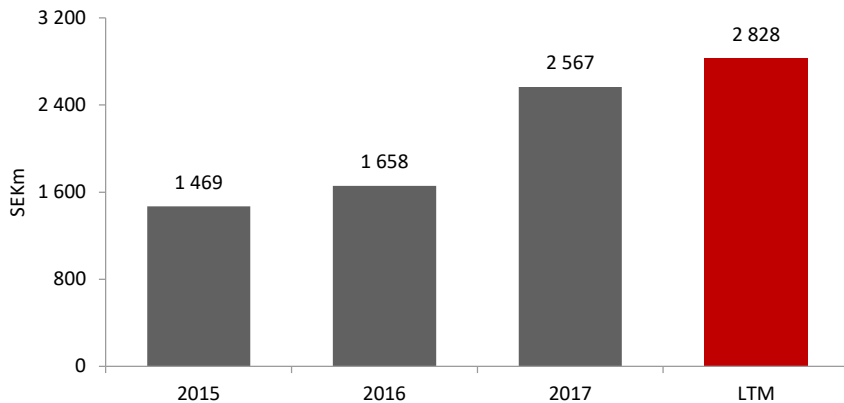
Geographic
expansion

Further development
of contracting services



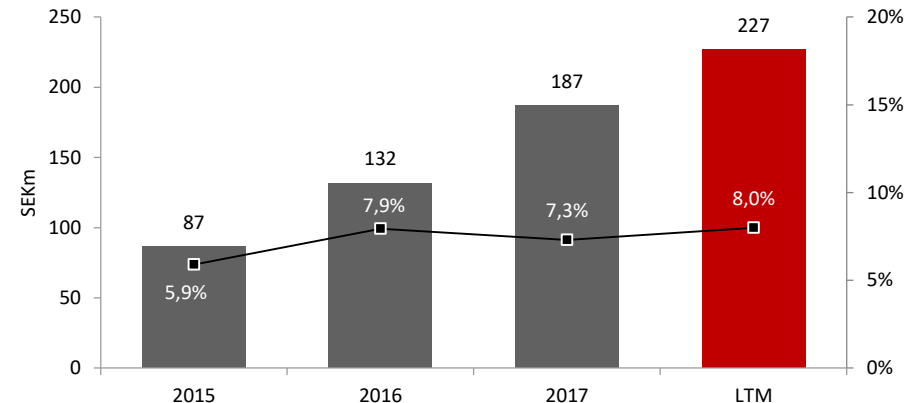
Revenue development

Revenue



- » LTM - revenue increased by 13%
 - 26% increase in Q3 2018 (28% in RUB)
- » 2017 - revenue increased by 55% (37% in RUB)
 - Equipment sales increased 72%
 - Aftermarket revenue increased 24%
- » 2016 - 13% revenue growth (21% in RUB)
 - Equipment sales increased 10%
 - Aftermarket revenue increased by 13%

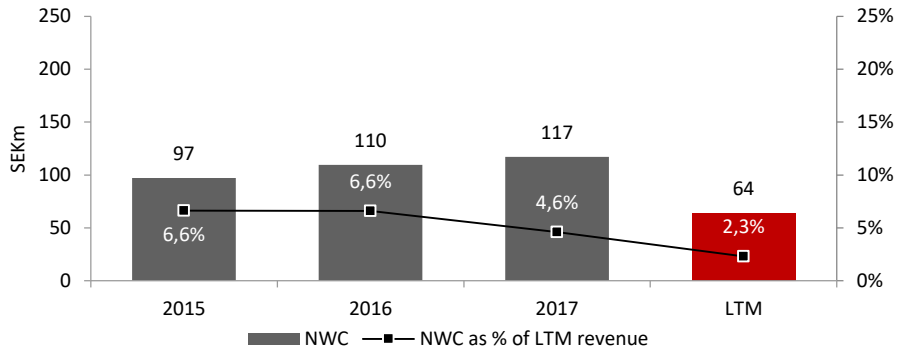
EBIT and EBIT margin



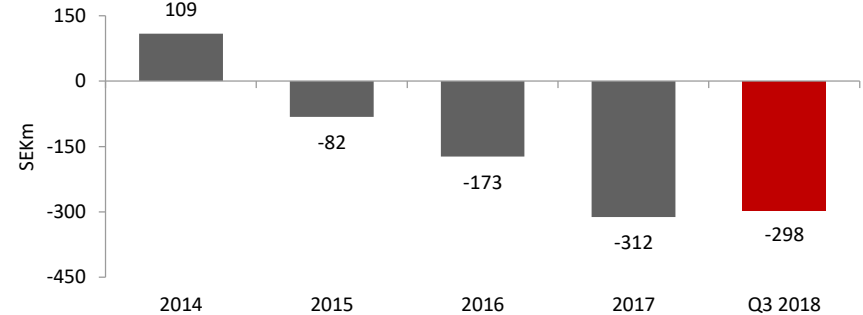
- » EBIT has increased significantly last few years
 - EBIT margin has increased from 4.4% in 2014 (adjusted) to 8.0% in LTM
- » EBIT margin within our financial objectives, despite seeing margin pressure the last year or so
- » In 2016, Adj. EBIT grew 52% and the Adj. EBIT margin reached 7.9%
- » In 2015, Adj. EBIT decreased 15% but the Adj. EBIT margin increased to 5.9%
- » Ferronordic has a strong operational platform that is capable of selling (and providing aftermarket services for) more machines as the market recovers, without adding much new resources

Efficient capital usage

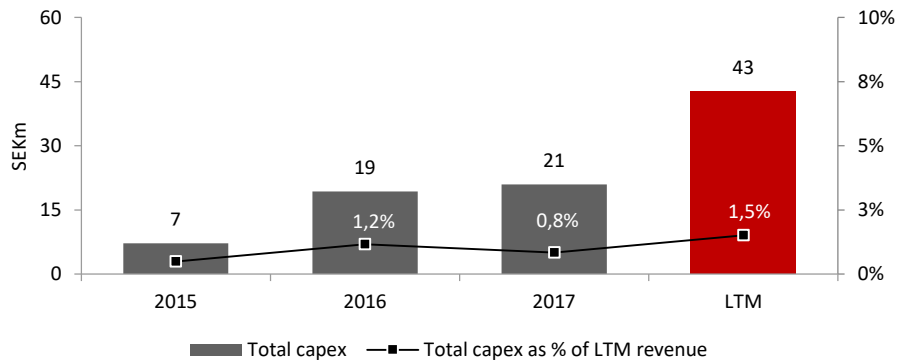
NWC Development



Net debt/(cash) development



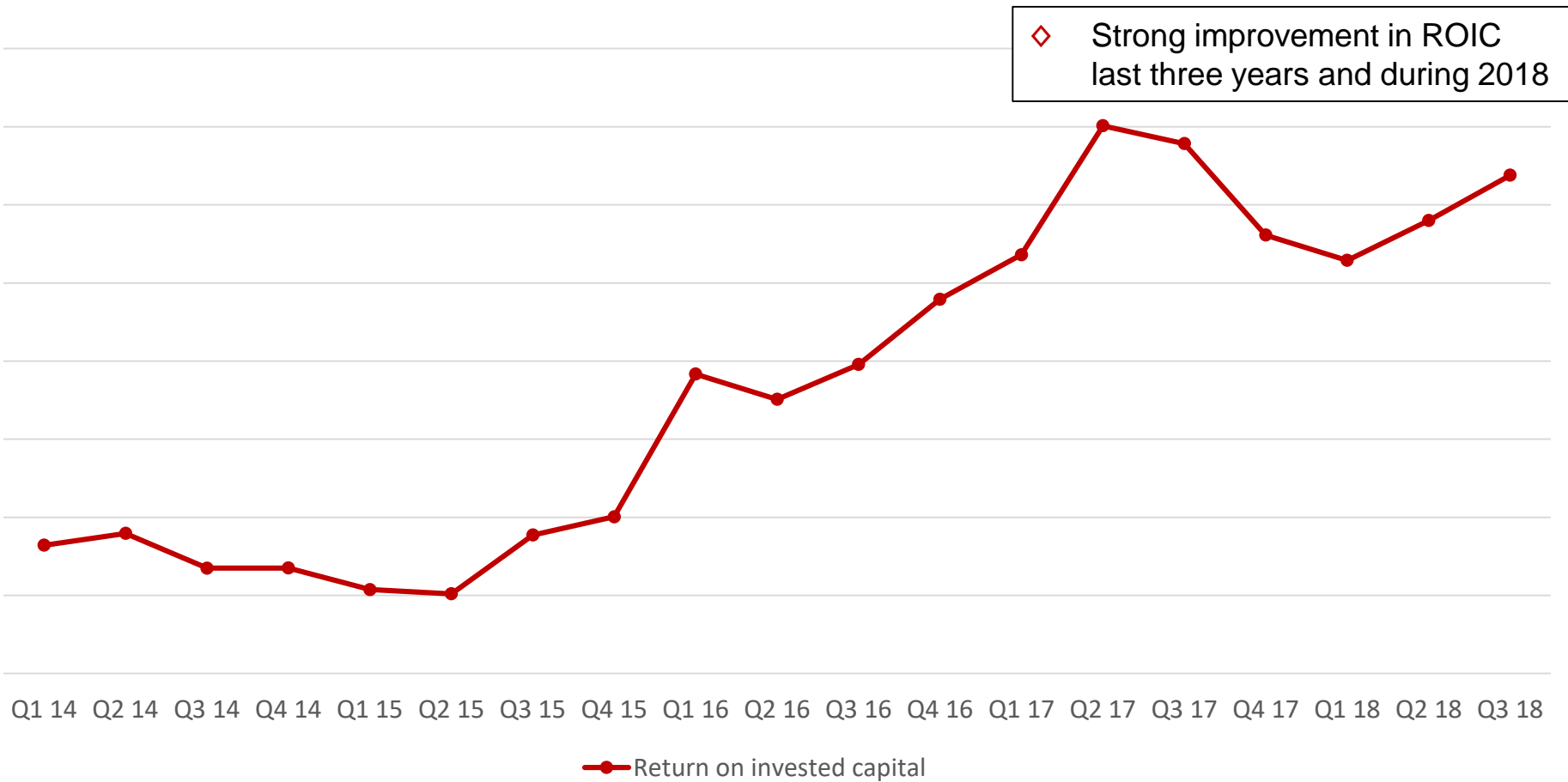
Capital expenditure development



Comments

- » During recent years, Ferronordic has maintained a high focus on increasing its working capital efficiency, which coupled with low investment needs have resulted in a strong cash flow generation
- » Given the strong market recovery in 2017 as well as the company's focus on working capital management, working capital was negative part of 2017
- » Limited capital usage as almost all facilities are rented
 - Capex higher in 2018 primarily due to investments in service vans and cars
- » Ferronordic has been able to decrease leverage during the last few years to a net cash position

Return on invested capital



Note: 2014-2016 exclude one-off expenses in Q4 2016 and amortization of transaction related intangibles until May 2016.

Financial objectives and dividend policy

GROWTH

- Triple the revenue from 2016 to 2021

MARGIN

- EBIT margin of 7-9%

LEVERAGE

- Net debt to EBITDA of 0-2x (over a business cycle)

DIVIDEND POLICY

- The ambition should be that at least 25% of the result should be distributed to the ordinary shareholders
- The Board will take several factors into consideration when proposing the level of dividend including the requirements of the articles of association, the Group's expansion opportunities, its financial position and other investment needs

Outlook – CEO comment

“In consideration of the recent recovery of the Russian economy, we are optimistic about the development of the Russian construction equipment market. Although the market is still at a rather low level, we do not believe that the market will grow as strongly in 2018 and 2019 as it did during 2017. As regards the future of our business in a longer perspective, we are also optimistic, as the long-term fundamentals in the Russian construction equipment market remain strong. Our optimism is supported by the signs that the government will now try to support economic growth by increasing infrastructure spending, as indicated e.g. in the so-called May Decrees.”



Summary third quarter result

Record-breaking earnings

- ◇ Best earnings ever for a single quarter
- ◇ Aftermarket sales increasing 24% - largely thanks to digitalization
- ◇ Expanding and more profitable contracting services business

Q3 2018 Profit & Loss

SEK MM	Q3 2018	Q3 2017	% Change SEK	% Change RUB
<i>New Units</i>	238	198	20%	20%
Revenue	791	626	26%	28%
Gross Profit	160	120	33%	35%
<i>% Margin</i>	20.3%	19.2%		
EBITDA	91	56	61%	63%
<i>% Margin</i>	11.5%	9.0%		
EBIT	80	50	60%	62%
<i>% Margin</i>	10.1%	8.0%		
Result	61	43	42%	44%
EPS	4.17	2.77	51%	53%
Net Debt/(Cash)	(298)	(381)		

- ◇ Number of new units sold up 20%
 - ◇ Used units sold increased 17%
- ◇ Revenue up 26% (28% increase in rubles)
 - ◇ Equipment sales up 25% (26% in rubles)
 - ◇ Aftermarket sales up 24% (26% in rubles)
 - ◇ Other revenue up 66% (68% in rubles)
- ◇ Improved margins
 - ◇ Increased aftermarket sales
 - ◇ Increase sales and profitability in contracting services
- ◇ S, G & A expenses lower as % of revenue
 - ◇ 9.9% of revenue vs. 11.0% in Q3 2017
- ◇ EPS growth over 50%
- ◇ Strong net cash position