



FERRONORDIC
machines



Company Presentation

October 7, 2016

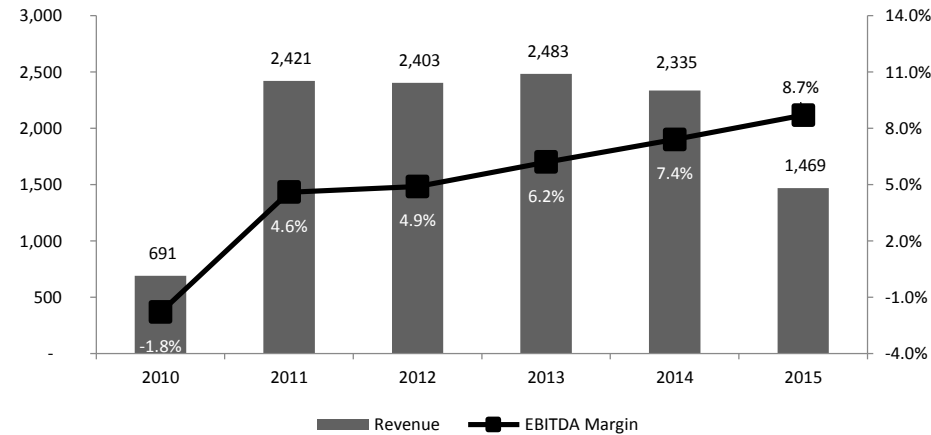


Ferronordic Machines overview

Overview

- Authorized dealer of Volvo Construction Equipment, Terex Trucks, Rottne and Dressta 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) and Volvo Penta.

Financial development (SEKm)



Development

2010

Q2 2016

Employees

326

749

Revenue (SEK M)

1 184⁽¹⁾

1 487

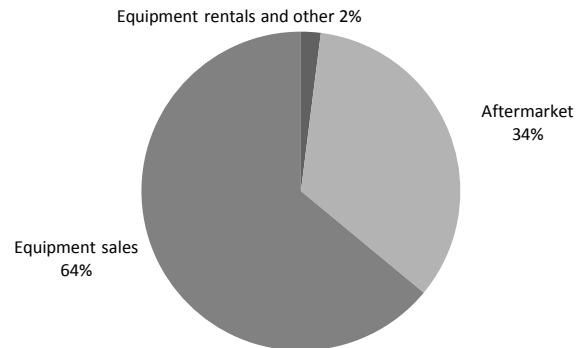
Outlets

12

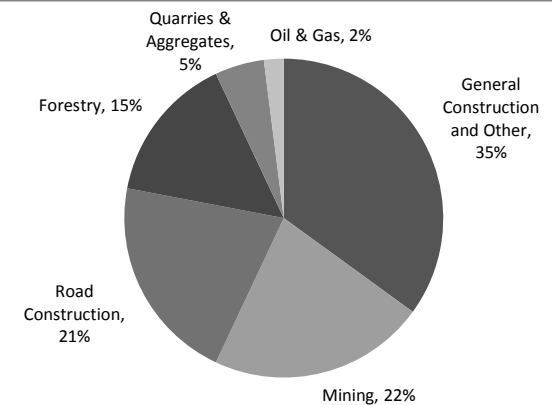
67

(1) Annualized

Revenue per segment 2015



Revenue per customer type 2015



Macroeconomics - summary

- ◇ The recession continues. Business and consumer confidence indicators are still negative. The average view seems to be that GDP in 2016 will drop another 0.6% YoY (following a drop of 3.7% in 2015).
- ◇ The general view seems to be that the recession will turn into limited growth in 2017. Most forecasts now predict a growth in GDP in 2017 of 1.0-1.5% YoY.
- ◇ The outcome is largely expected to depend on:
 - Business and consumer confidence
 - Oil price
 - Removal or scale-down of financial sector sanctions
 - Geopolitics
 - Global economy
- ◇ Inflation continues to decline. Annual inflation in August was 6.1% compared to 7.2% in July and 15.8% in August 2015. As a result, in September, the Central Bank made a 50 bps cut to bring the key rate to 10.0%. 3M MosPrime is currently around 10.5%, compared to 12% a year ago.

Macroeconomics – summary (cont'd)

- ◇ The effect of the lower interest rates on the general economic situation remains low given the persisting tight monetary conditions on the market. Lending is still weak. On the positive side, despite US and EU economic sanctions, in September Russia issued USD 1.25 billion worth of Eurobonds with reportedly 53% taken by US investors.
- ◇ Since the beginning of 2016, the oil price has increased from about USD 37 per barrel to over USD 50 per barrel. The Russian budget is based on an assumption of USD 50 per barrel for the next three years.
- ◇ During the same period, the ruble has strengthened from 8.7 to the SEK to about 7.3 to the SEK. The correlation between the ruble and the oil price, which has been very high during most of the year, has decreased somewhat in August and September.
 - ◇ President Putin has clearly stated a preference for a weaker ruble going forward.
- ◇ Duma election in September passed uneventfully. The ratings of President Putin are stable.

Strategic and financial objectives

Ferronordic' vision is to be regarded as the leading service and sales company in the CIS markets

Strategic objectives

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

Financial objectives

- ◇ Double-digit revenue growth in SEK (CAGR over a five-year period)
- ◇ EBIT margin of 6-8% (within a five-year period)
- ◇ Net debt to EBITDA of 0-2 times (over a business cycle)
- ◇ Absorption rate of 1.0x (gross profit from aftermarket shall cover 100% of fixed operating expenses) (within a five-year period)

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

Superior infrastructure

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

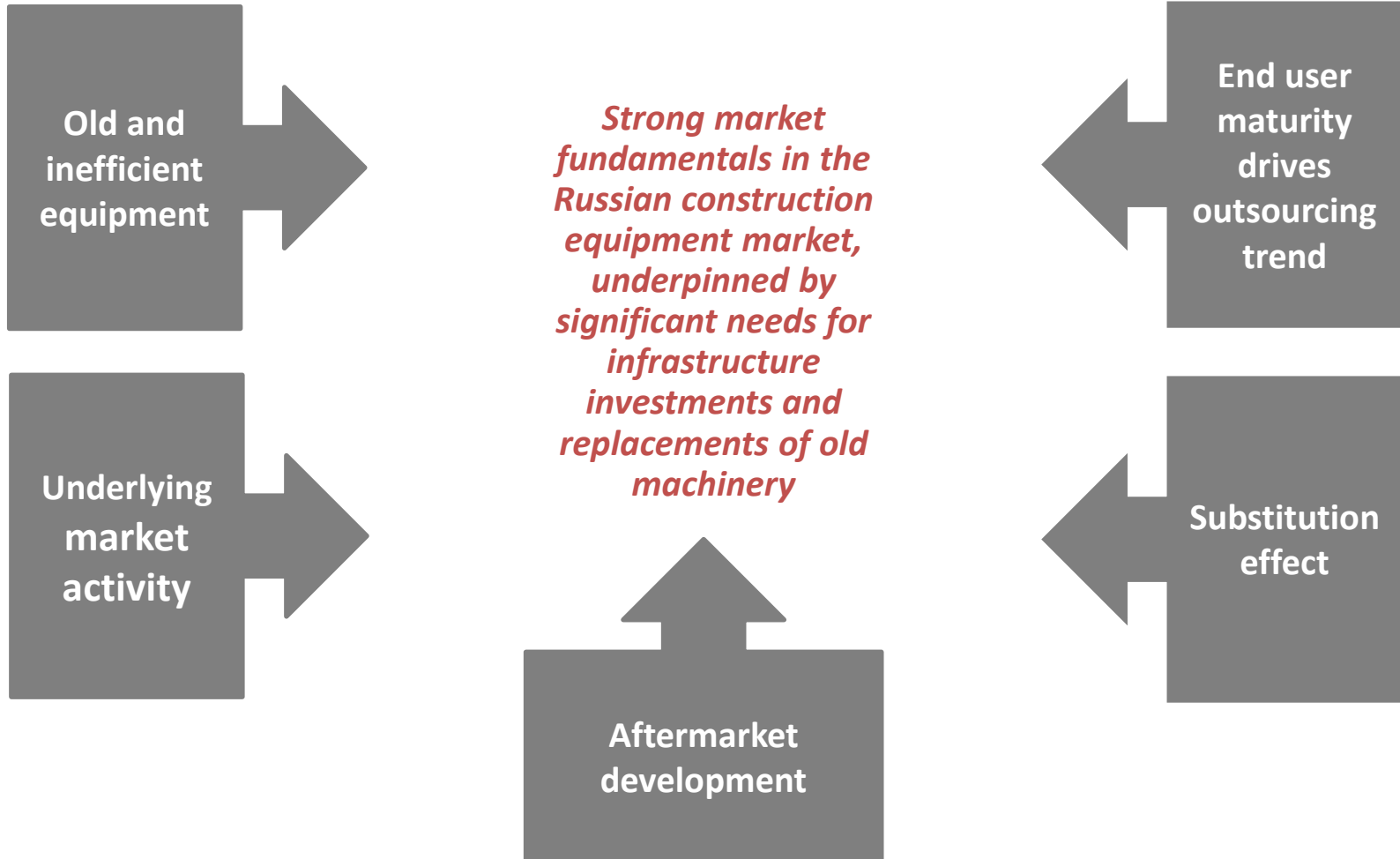
Build on strong brand

- 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 and mining
- Development through additional strong brands

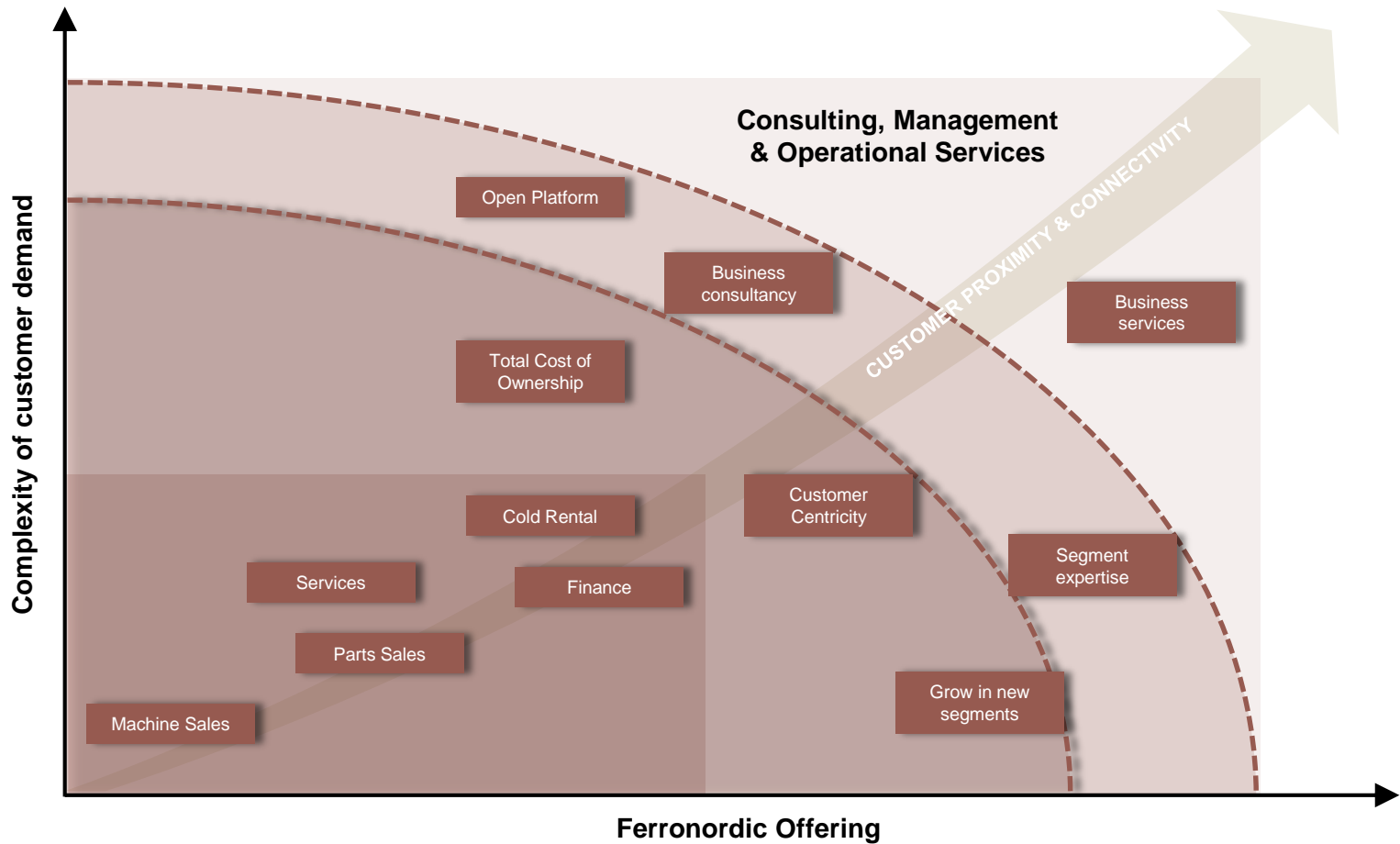
Operational excellence

- 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

Market demand drivers



Moving towards stronger customer integration



Agreement with Dressta

- ◇ On 14 July, Ferronordic Machines was appointed the official distributor of Dressta bulldozers and pipelayers in all of Russia.
- ◇ The partnership adds a full range of crawler bulldozers and crawler pipelayers to our product offering.
- ◇ Dressta is a global manufacturer of dozers and pipelayers, based in Poland. With a heritage of cooperation and licensing agreements with International Harvester Company and Clark Equipment, Dressta has nearly 70 years of experience in designing and manufacturing bulldozers and other construction equipment.
- ◇ Ferronordic Machines also takes over responsibility for the aftermarket support of the existing machinery population of Dressta bulldozers and pipelayers in Russia.

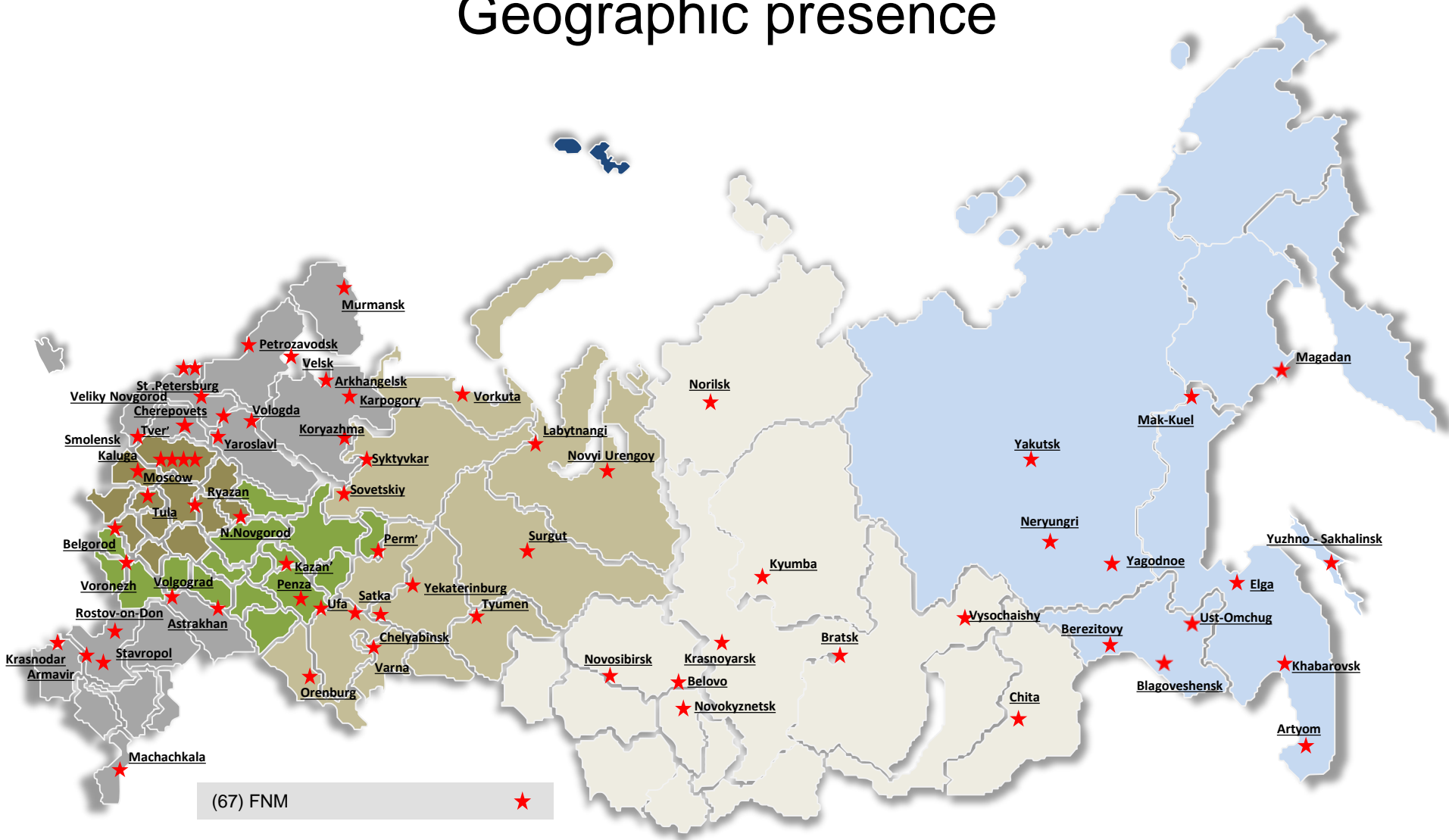


Agreement with Rottne

- ◇ On 20 September, Ferronordic Machines was appointed the official distributor of Rottne Industri forestry equipment in all of Russia
- ◇ As part of the cooperation, Rottne will develop a new series of forwarders and harvesters for the Russian market. All machines will be equipped with engines from Volvo Penta.
 - ◇ By the end of the year, the forwarder F15 8WD, with a 15 ton load capacity, will be launched. Thereafter, during 2017, both 6- and 8-wheeled H11 harvester will be introduced.
- ◇ The appointment becomes effective in December. We expect the sales of Rottne products to commence during the first quarter of 2017.
 - ◇ The appointment will not affect the results of this year.



Geographic presence



Geographic expansion

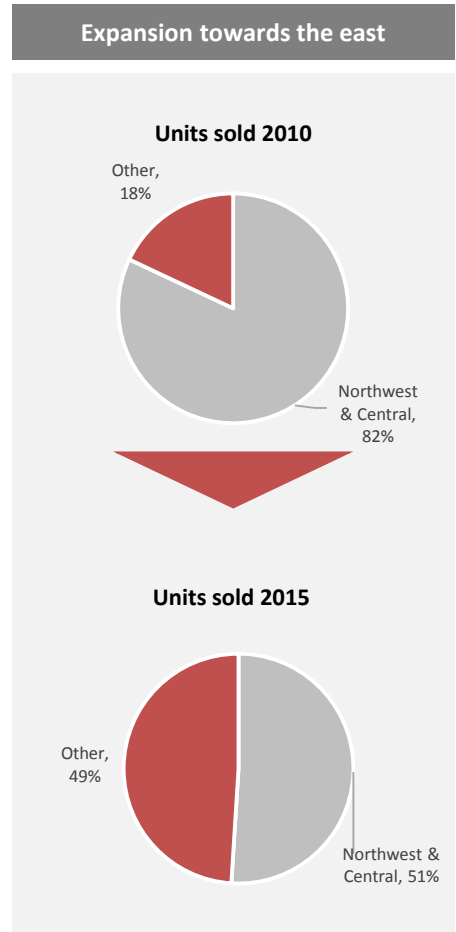
- In 2010, 82% of Ferronordic Machines's units sold came from North West and Central regions, currently having ~40% of the construction output in Russia
- However, Ferronordic Machines has expanded its operations continuously to capitalize on the large projects in the regions east of the Ural mountains, e.g. infrastructure development and extraction of natural resources
- The 82% of units sold in North West and Central 2010 decreased to 58% in 2012 and was 51% in 2014 and 2015
- This validates that Ferronordic Machines is successfully pursuing its strategy



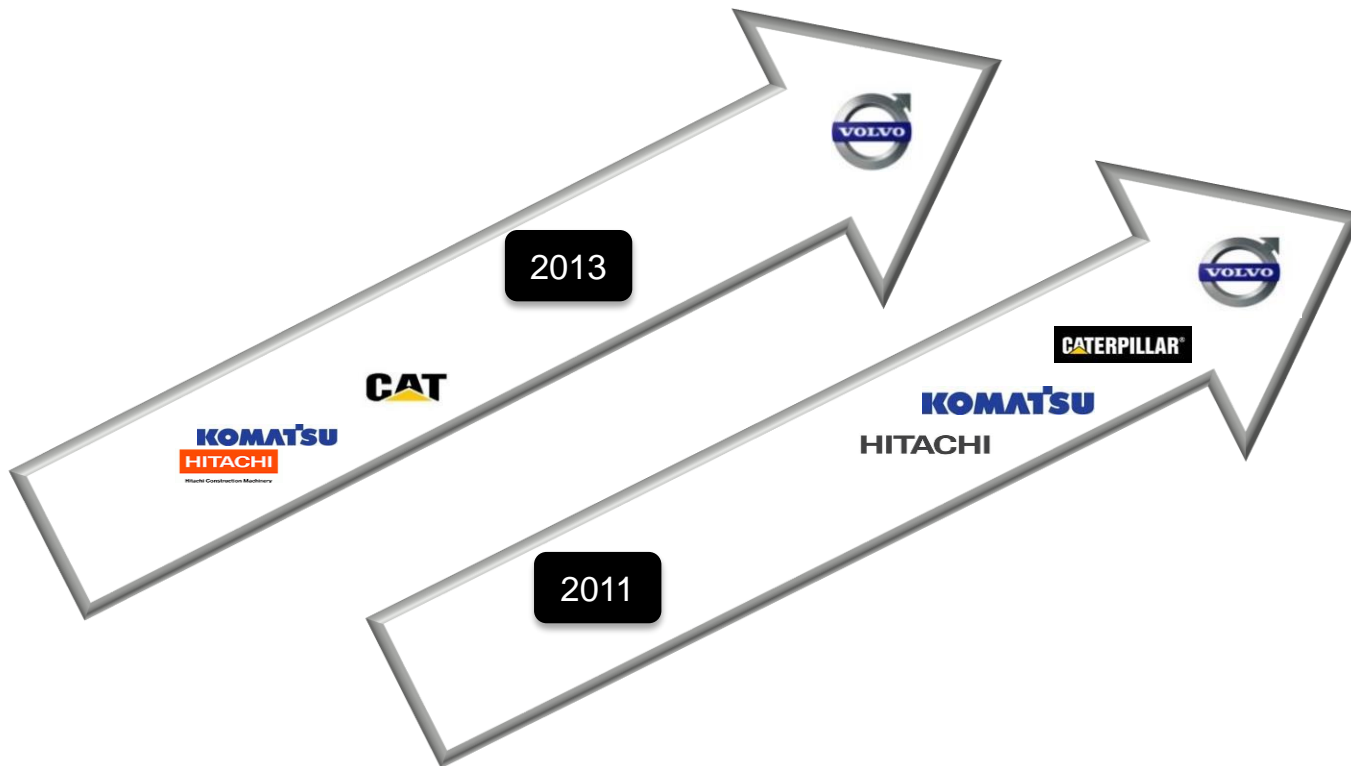
Region	Share of Russian GDP	Market potential ¹⁾
Central	~36%	~25%
North West	~10%	~12.5%
South	~54%	~62.5%
Volga		
Urals		
Siberia		
Far East		

1)Market potential are Ferronordic Machines' estimates of the regions' shares of the Russian market going forward

Source: Rosstat



Summary brand position



Association scores converted into a scale 0-100 where best brand = 100)

Second Quarter

- ◇ Russian economy continues to be weak
 - ◇ GDP expected to be down 1.2% this year
 - ◇ Financial sector sanctions continue to limit liquidity
- ◇ Reduction in market for new construction equipment slowed down
 - ◇ But the market during first six months is still 10-15% lower than same period last year
- ◇ Despite this, Ferronordic Machines delivered a solid quarter in terms of both profitability and cash flow
 - ◇ Total units sold almost the same as last year
 - ◇ Lower costs – OPEX down 6%
 - ◇ Positive earnings per ordinary share (i.e. calculated after dividends on preference shares)
 - ◇ Strong cash flow – SEK 81m in cash flow from operations



Second Quarter (cont'd)

- ◇ In July, Ferronordic Machines was appointed the official distributor for Dressta bulldozers and pipelayers all over Russia
- ◇ We succeeded in refinancing our credit facilities. RUB 1,500m of committed facilities are now available
- ◇ The rest of the year is likely to become even more demanding:
 - ◇ No clear signs that the economy and our market would improve in the short term
 - ◇ Strained pricing environment causes pressure on margins
- ◇ Nevertheless, we are still optimistic about the future of our business as the long-term fundamentals in the Russian construction equipment market remain strong



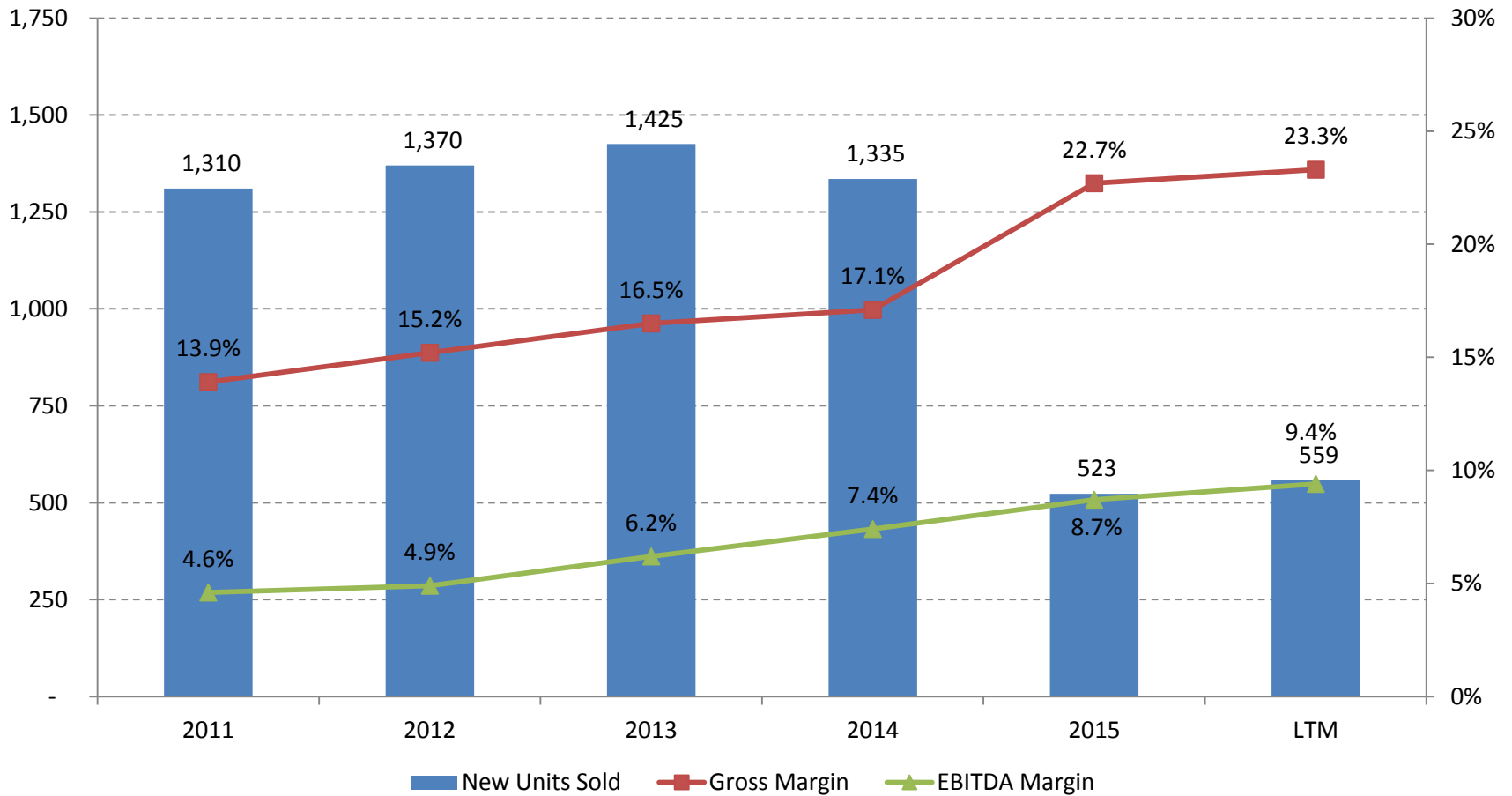
H1 2016 Profit & Loss

SEK MM	1H 2016	1H 2015	% Change SEK	% Change RUB
Total Units	360	330	9%	9%
Revenue	715	696	3%	28%
Gross Profit	168	155	8%	35%
% Margin	23.5%	22.2%		
EBITDA	63	52	22%	58%
% Margin	8.8%	7.4%		
EBIT*	52	26	105%	188%
% Margin	7.3%	3.7%		
Net Income*	41	14	203%	342%
Net Debt/(Cash)	(178)	148	NM	NM

* Excludes amortization of transaction related intangibles.

- ◇ Total sold units increased 9%
 - ◇ New units sold up 18%
 - ◇ Used units sold down 4%
- ◇ Revenue increased 3% (28% increase in rubles)
 - ◇ Sales of equipment increased 31% in rubles
 - ◇ Aftermarket sales increased 23% in rubles
- ◇ Reduction in operating expenses
 - ◇ 11% decrease vs. 1H 2015
- ◇ Increased operating profit margin
- ◇ Net financial income
- ◇ Positive earnings per ordinary share

Margin improvement despite weak market



Balance Sheet

SEK MM	Q2 2016	Q2 2015	2015
Cash & Cash Equivalent	201	34	175
Debt	--	159	86
Financial leases	23	23	8
Net debt	(178)	148	(82)
Working capital	35	319	97
<i>% of Revenue</i>	<i>2%</i>	<i>17%</i>	<i>7%</i>
Shareholders Equity	375	393	322
Total Assets	973	904	808
<i>Equity/Assets</i>	<i>39%</i>	<i>43%</i>	<i>40%</i>

Cash Flow

SEK MM	Q2 2016	Q2 2015	2015
Cash flow from:			
Operating Activities	81	(51)	234
<i>of which change in working capital</i>	52	(95)	133
Investing Activities	0	3	8
Cash Flow before Financing Activities	81	(48)	242
Financing Activities	(65)	14	(211)
Cash Flow (before FX fluctuations)	17	(34)	31

Outlook – CEO comment

“With the continuously difficult economic situation in Russia and the weak market for new machines, we believe that 2016, despite the strong first half, will be difficult. 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.”

