

Company presentation
November 2017

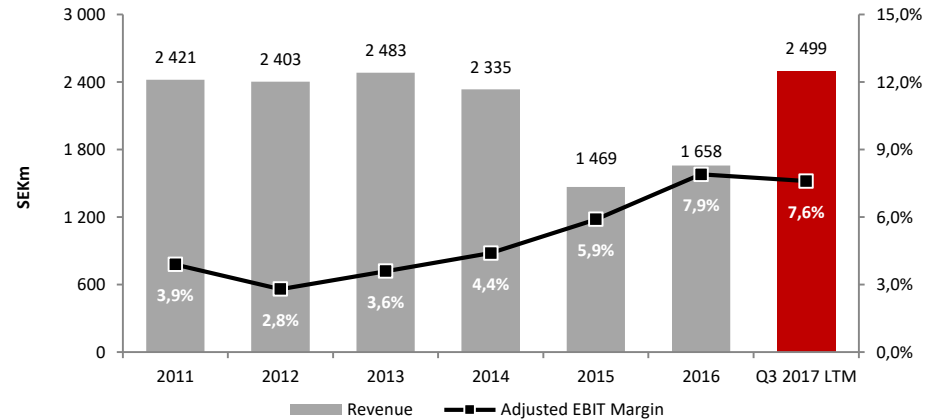


Introduction to Ferronordic

Overview

- Official dealer of Volvo Construction Equipment in all of Russia since 2010
- Authorised 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
- 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 and preference shares listed on Nasdaq First North Premier Stockholm

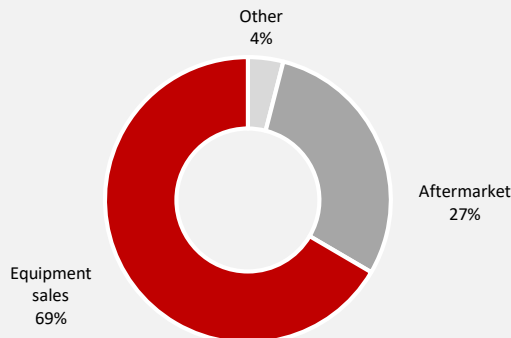
Financial development²⁾



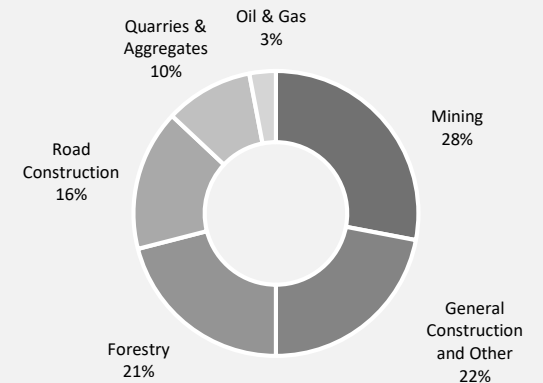
Development

	Start	LTM (Q3 2017)
Employees	~160	831
Revenue (SEKm)	1,184 ¹⁾	2,499
Outlets	6	74

Revenue per segment (LTM Q3 2017)



New machine revenue per customer type (2016)



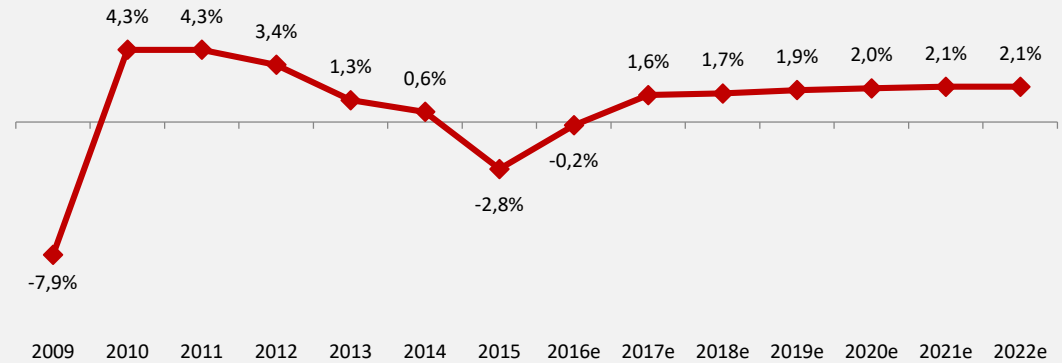
1) 2010 annualized 2) Adj. EBIT defined as: Reported EBIT excluding amortization of transaction related intangibles and writedowns of intangible and tangible assets in Q4 2016.

A huge market on the edge of recovery

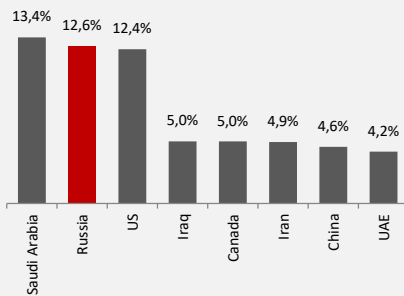
Russia at a glance

- 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
 - Approx. 52% of Federal Government income relates to oil and gas
- Approx. USD 401 billion²⁾ in international currency reserves

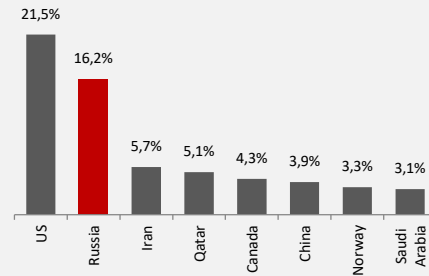
GDP growth in Russia⁵⁾



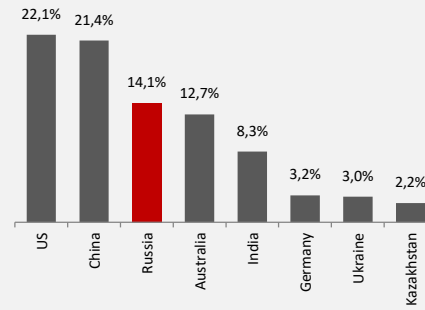
Oil production (% of total)³⁾



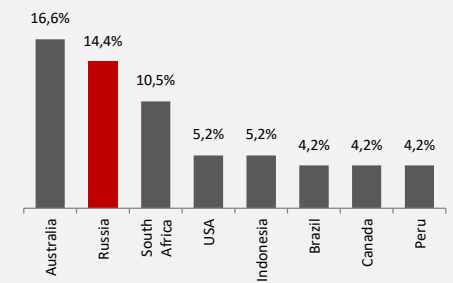
Natural gas production (% of total)³⁾



Coal reserves (% of total)³⁾



Gold reserves (% of total)⁴⁾

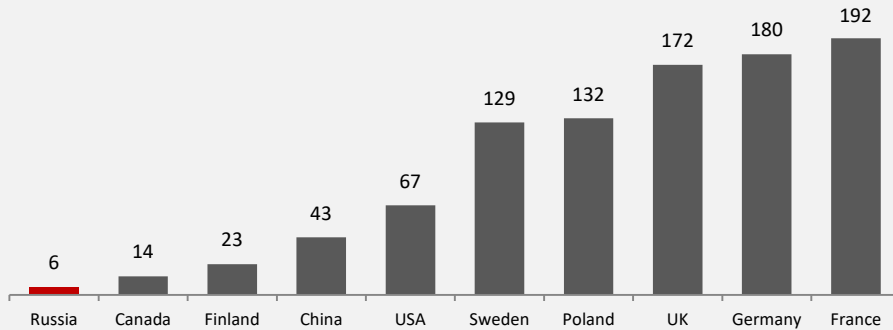


Sources: 1) World Bank. 2) Trading economics (<http://www.tradingeconomics.com>). 3) BP Statistical Review of World Energy, June 2017. 4) U.S. Geological Survey, Mineral Commodity Summaries, January 2017. 5) Including the World Bank, IMF, OECD and CEEMEA Business Group

Significant need to improve infrastructure

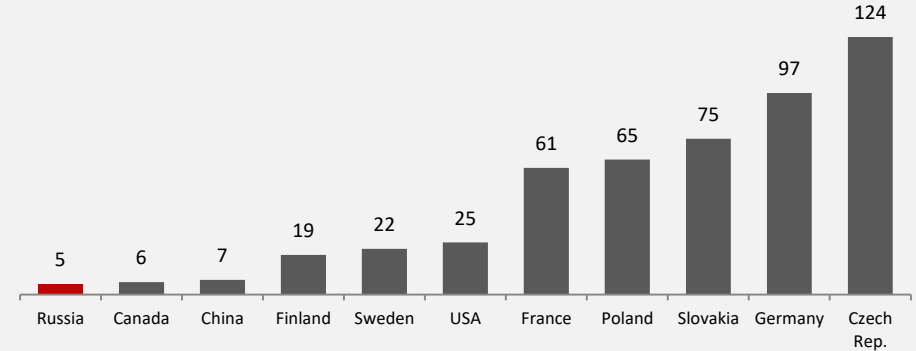
Road density in Russia is low

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



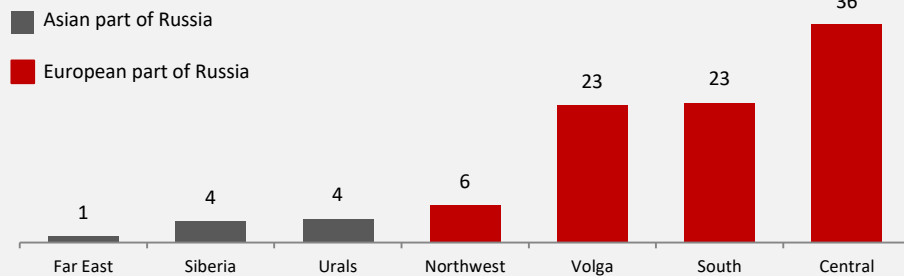
Rail density is also low

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



... and there are significant differences between federal districts

Road density 2016 (km road per 100 sq. km land area)²⁾



Comments

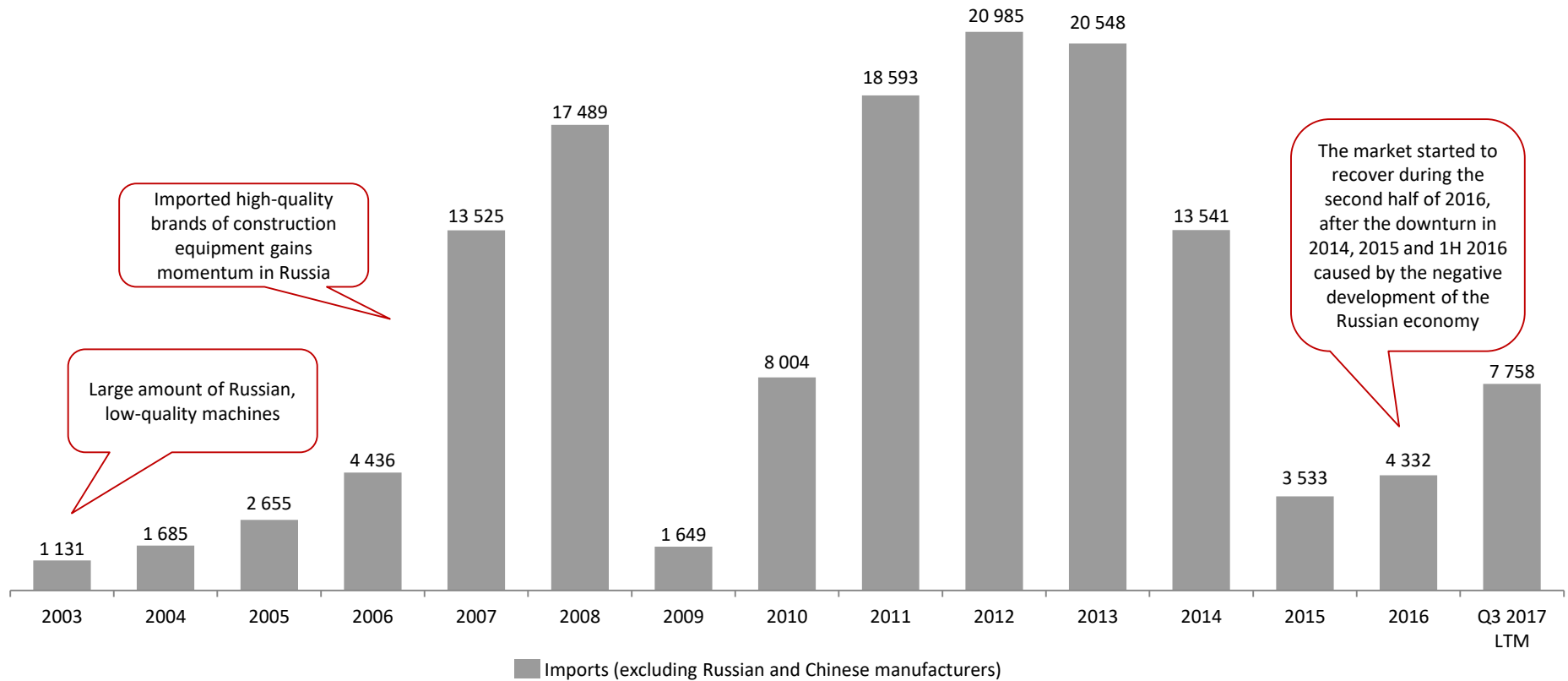
- The market for construction equipment is expected to capitalize on the long-term growth in Russia
- An important driver will be the need to improve its aging infrastructure, the bulk of which was built in the Soviet era and generally needs to be upgraded
- The improvement and expansion of the road network are expected to be important parts of the country's continued economic development
- Several major construction projects are planned or ongoing
 - In order to carry out these projects, the existing population of construction equipment in Russian must grow significantly

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

Pent-up demand

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















Imports of construction equipment to Russia (units)



Source: Russian import statistics provided by Volvo CE.

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

Brand and product overview

Brand							
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	8 locations	All of Russia	All of Russia	All Russia	All of Russia	All of Russia
	~82% of 2016 revenue	~18% of 2016 revenue				New since Q3 2017	

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

Focus on aftermarket

Aftermarket sales

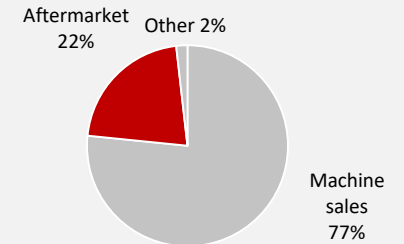
- Proactive and competitive offering of customer service and spare parts supply, based on real-time data from the existing machine population and long experience in the industry
- Proprietary system in place where signals from Volvo CE's telematics system, CareTrack are transformed into proposed sales 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

Offering

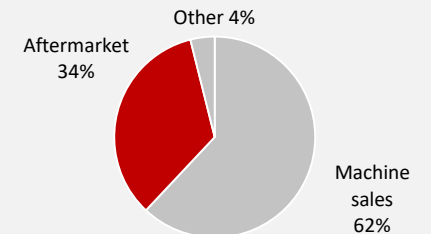
- Spare parts delivery
- Telematics - through CareTrack; fuel efficiency control, operator efficiency, fleet management
- Operator training
- Preventive maintenance service
- Planned and unplanned repair
- Overhaul
 - Providing new life to older machines
- Diagnostics of machines
- Remanufacturing of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

Share of sales

Share of sales 2013

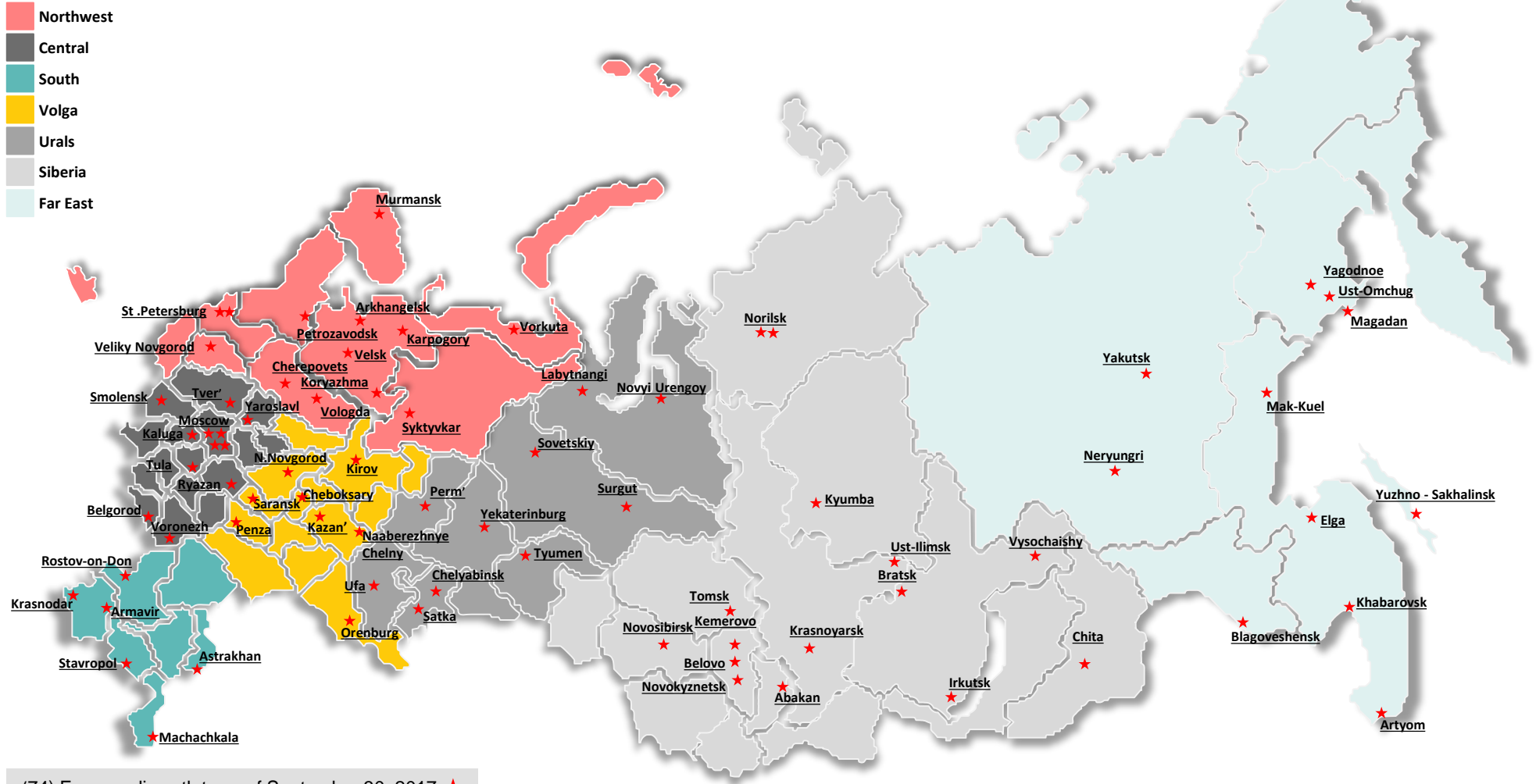


Share of sales 2016



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



(74) Ferronordic outlets as of September 30, 2017 ★

Fundamental principles



VISION

- To be the leading service and sales company within CIS markets

MISSION

- To support the growth and leadership of our customers

VALUES AND OPERATING PRINCIPLES

- Quality, respect and excellence

OUR OFFER

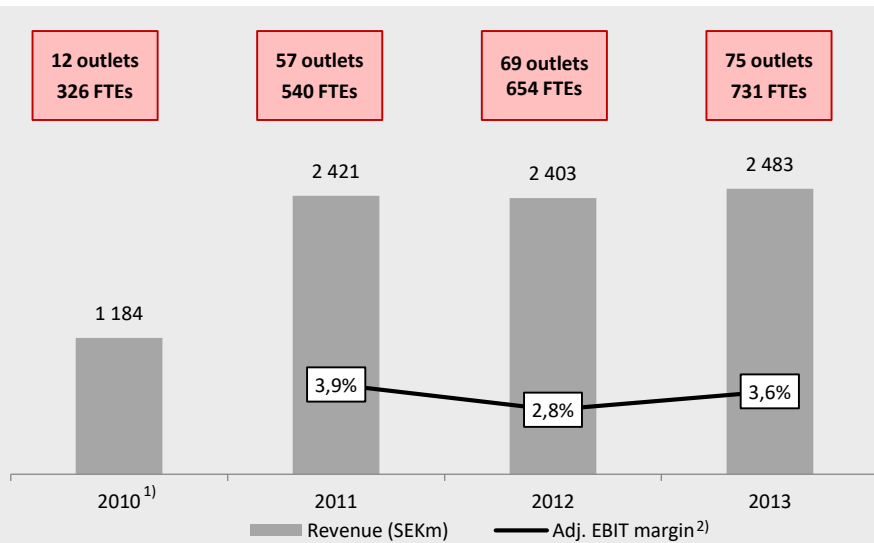
- Diversified experience, innovative solutions, complex approach and superior service

STRATEGY

- Great team, operational excellence, building on a strong brand, customer focus and superior infrastructure

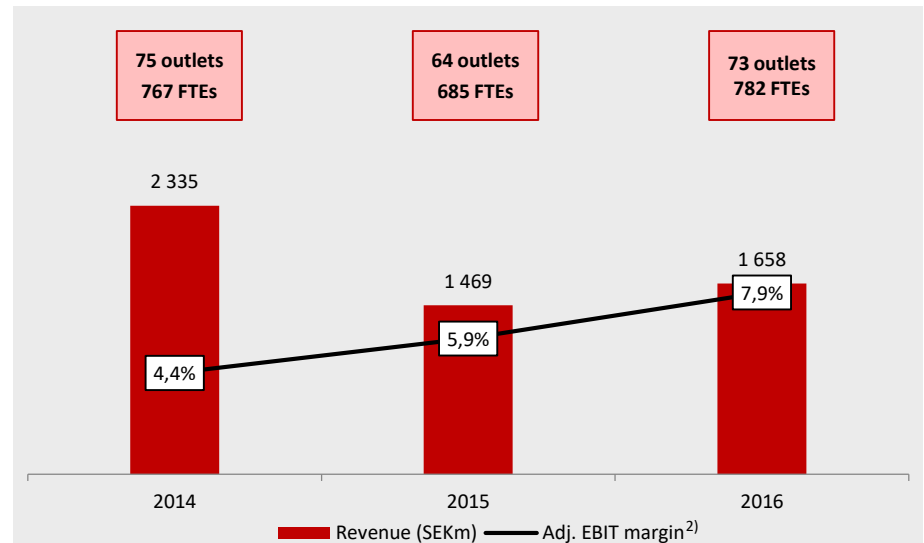
Strategic development

2010-2013: Phase I – establishing the platform



- ✓ Acquisition of Volvo CE's Russian distribution business
- ✓ Establish countrywide platform
- ✓ Network expansion
- ✓ Focus on building market awareness and gaining market share
- ✓ Develop aftermarket offering
- ✓ Processes and procedures put in place

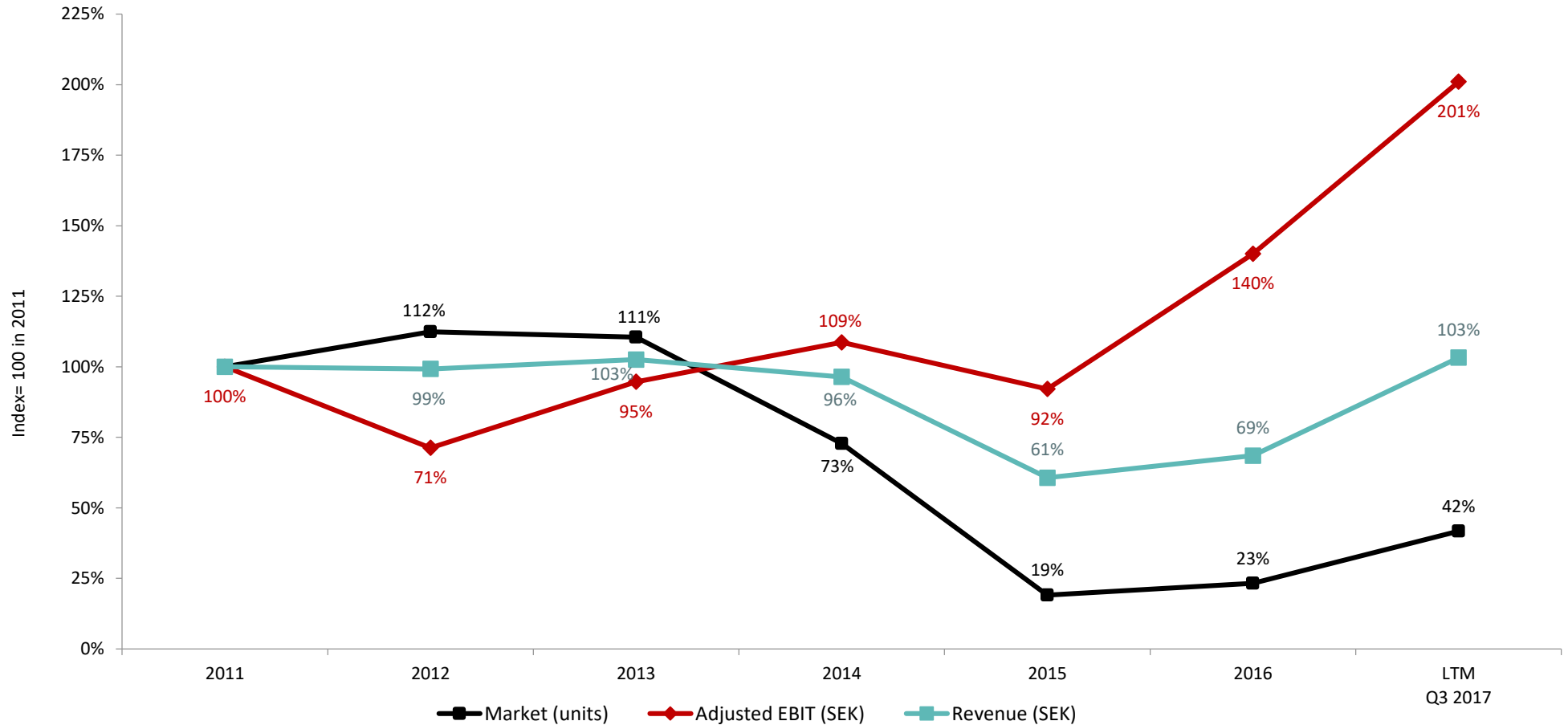
2014-2016: Phase II – streamlining to handle market decline



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

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.

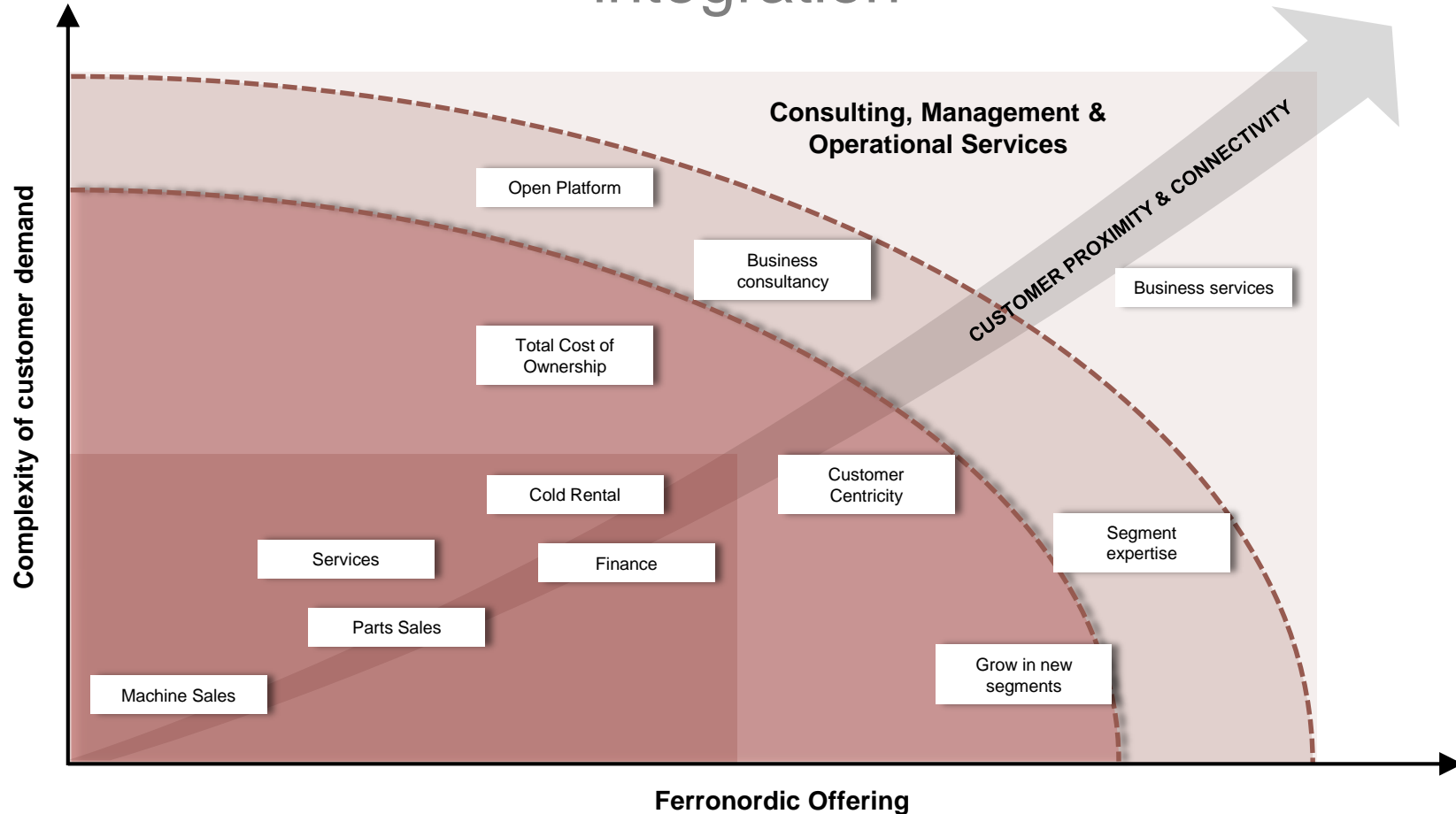
Strong development despite low market volumes



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

Market data based on Russian import statistics 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.)

- As part of its strategy of becoming further integrated in its customers' business, Ferronordic offers contracting services
- For contracting services, Ferronordic not only supplies and maintains machines but also provides the customers with machine operators to carry out specific tasks
- At present, the customers comprise mining companies who outsource to Ferronordic the excavation and transportation of ore and earth at their mining sites
- Payment is based on the volume transported
- This type of outsourcing is common in the mining industry in other parts of the world, particularly in Australia and South Africa
- In Russia, however, this is still a relatively underdeveloped business, which the Company believes will grow
- In the future, Ferronordic may also extend similar services to customers in other industries

Employees – The core asset of Ferronordic

Employees

- The competence level of our employees is a vital factor for customers
 - We invest significant time and resources in training (45,000 hours in 2016)
- Well-functioning recruitment routines
- Large focus on social responsibility and well-being of employees
 - Differentiating factor in Russia and highly appreciated by employees and drives high-quality recruitments
- Internal recruitment promoted – about 60% of all vacant positions are filled internally
- According to the latest survey, Ferronordic has an overall employee engagement score of 83% and an overall employee satisfaction of 79% (compared to 79% and 69%, respectively, according to the survey made in 2013)

Strong competence development focus

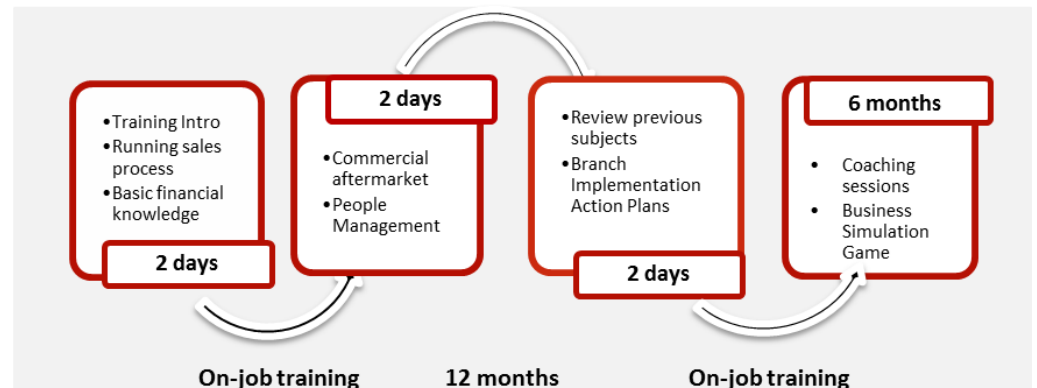
- Competence Development is built on a standard competence model, linked to Ferronordic’s business philosophy and covering all jobs at frontline and middle management
- Tailor-made training programs are executed and followed-up at individual level through regular and standard competence development cycle
- Strategic competence target is defined at central, regional and branch level



Frontline and Line Management Training

- Customer centric approach enables industry-tailored and customer experience-based training materials
 - Centralized Sales & Tech Support Centre
 - 7 regional training blocks
 - 50 internal courses
 - 15 000 pages of training materials
- In-house developed “mini-MBA program” for line managers on how to run construction equipment dealership

Ferronordic “Mini-MBA Program”



Strategic objectives

- Leadership in 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

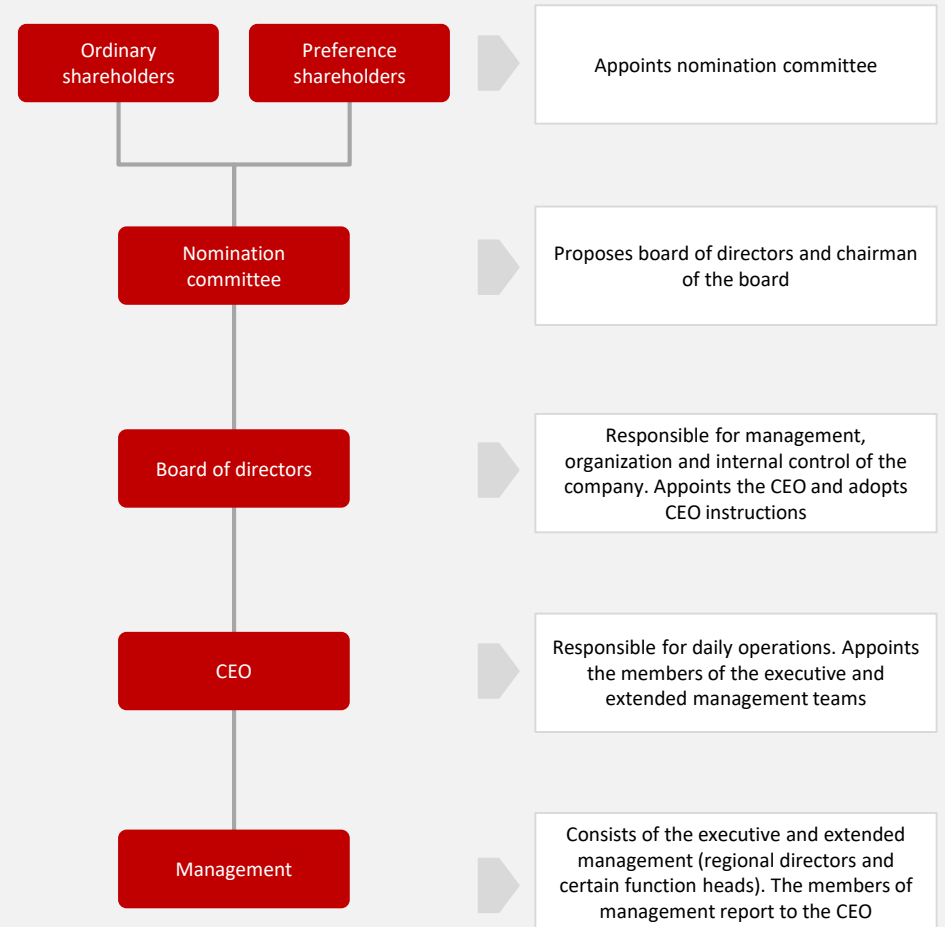


Corporate governance

- Swedish company with Russian operations
 - While the operations take place in Russia, Ferronordic is a Swedish public limited liability company
- Swedish top management and board of directors
- Swedish and western shareholder base
- Follows the Swedish Companies Act
- Ferronordic has applied the Swedish Code of Corporate Governance for several years
 - Bonds listed 2011, preference shares listed 2013 and ordinary shares listed 2017
 - The company's corporate governance report is prepared in accordance with the Code and published on the company's website



GOVERNANCE MODEL



Board of Directors



Staffan Jufors

*Chairman of the Board
Elected in 2017*

Education:

- M.Sc. in Business Administration
- Other current assignments:
- Board member: ÅF AB, Uniflex and Nordens Ark
- Selected professional experience:
- Managing director of Volvo Penta and Volvo Trucks
- Number of shares in Ferronordic:
- 50,000 ordinary shares



Magnus Brännström

*Board member
Elected in 2011*

Education:

- M.Sc. in Business Administration
- Other current assignments:
- CEO of Oriflame Cosmetics SA
- Selected professional experience:
- Managing director of Oriflame Russia
- Number of shares in Ferronordic:
- 0



Erik Eberhardson

*Board member
Elected in 2010*

Education:

- M.Sc. in Business Administration
- Studies in Applied Physics
- Other current assignments:
- CEO of ScandSib Group
- Selected professional experience:
- CEO and co-founder of Ferronordic, CEO, Chairman and president of OJSC GAZ, President of Volvo CE, CIS and Russia
- Number of shares in Ferronordic:
- 1,082,205 ordinary shares



Håkan Eriksson

*Board member
Elected in 2016*

Education:

- M.Sc. in Business Administration
- Other current assignments:
- Board member of Skandinavskonsult Holding i Stockholm AB with subsidiaries and Nivika Intressenter AB with subsidiaries
- Previous experience:
- Chairman of Kapitalkredit Sverige AB, and Clearcar AB
- Number of shares in Ferronordic:
- 2,260,774 ordinary shares



Annette Brodin Rampe

*Board member
Elected in 2017*

Education:

- M.Sc. in Industrial Chemistry
- Other current assignments:
- European Managing Partner of Brunswick Group LLP, Chairman of the Board at Stillfront Group AB
- Selected professional experience:
- Board member Peab AB, Vattenfall AB, Posten AB and Norske Skog A/S
- Number of shares in Ferronordic:
- 10,000 ordinary shares

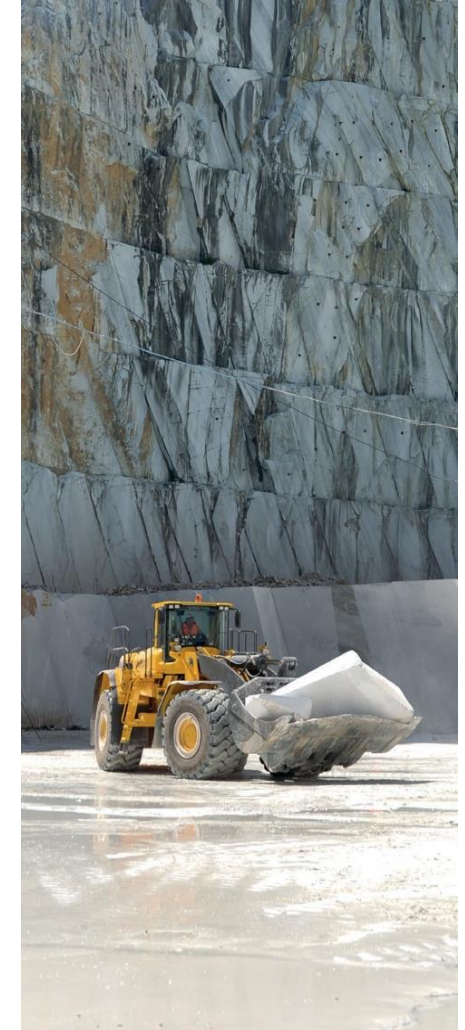


Lars Corneliusson

*Board member
Elected 2011*

Education:

- M.Sc. in Business Administration
- Current assignments:
- CEO of Ferronordic
- Selected professional experience:
- Managing Director of Volvo Group Russia and President of Volvo Trucks Russia
- Number of shares in Ferronordic:
- 935,749 ordinary shares



Management team

LARS CORNELIUSSON – *President and CEO*



- M.Sc. in Business Administration
- With Ferronordic since 2011
- Previous employment: MD of Volvo Group Russia and President of Volvo Trucks Russia
- Shares in Ferronordic: 935,749 ordinary shares (through companies)

ANDERS BLOMQVIST – *Group CFO*



- M.Sc. in Business Administration
- With Ferronordic since 2010 (Co-founder)
- Previous employment: Director at HSBC Bank and Credit Suisse
- Shares in Ferronordic: 510,410 ordinary shares (through companies)

NADEZHDA ARZUMANOVA – *Human Resources Director*



- Studies in Organisational Management
- With Ferronordic since 2010
- Previous employment: HR positions in BP and Shell
- Shares in Ferronordic: 1,596 ordinary shares (through companies)

HENRIK CARLBORG – *General Counsel*



- Master of Laws
- With Ferronordic since 2013
- Previous employment: Partner at Hannes Snellman
- Shares in Ferronordic: 290,400 ordinary shares (through companies)

ONUR GUCUM – *Commercial Director*



- B.Sc. in Economics and Mathematics
- With Ferronordic since 2012
- Previous employment: COO of Zeppelin Rus (CAT dealer in Russia) and various positions in Volvo CE
- Shares in Ferronordic: 139,780 ordinary shares (through companies)

ALEXANDER SHMAKOV – *Director Mining*



- Studies in Management
- With Ferronordic since 2010
- Previous employment: Regional sales Director Northwest at Ferronordic and Volvo CE
- Shares in Ferronordic: 1,596 ordinary shares (through companies)

ANTON ZHELYAPOV – *Director Trucks*



- Studies in International Relations
- With Ferronordic since 2015
- Previous employment: Commercial Director at Volvo Trucks Russia
- Shares in Ferronordic: 1,596 ordinary shares (through companies)

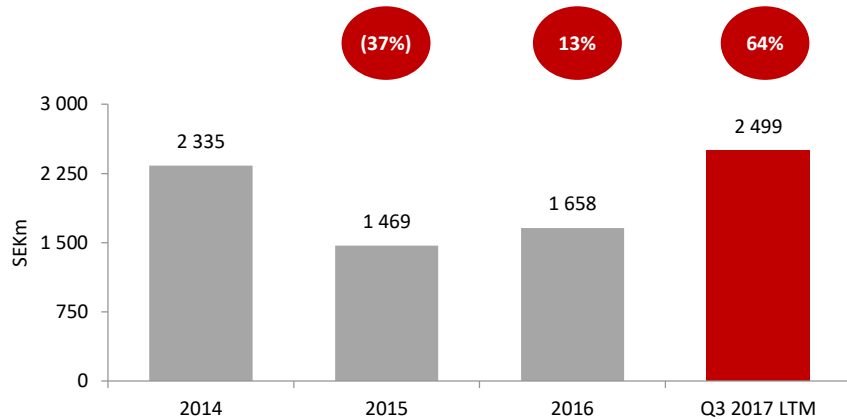
JONATHAN TUBB – *CFO of Ferronordic LLC*



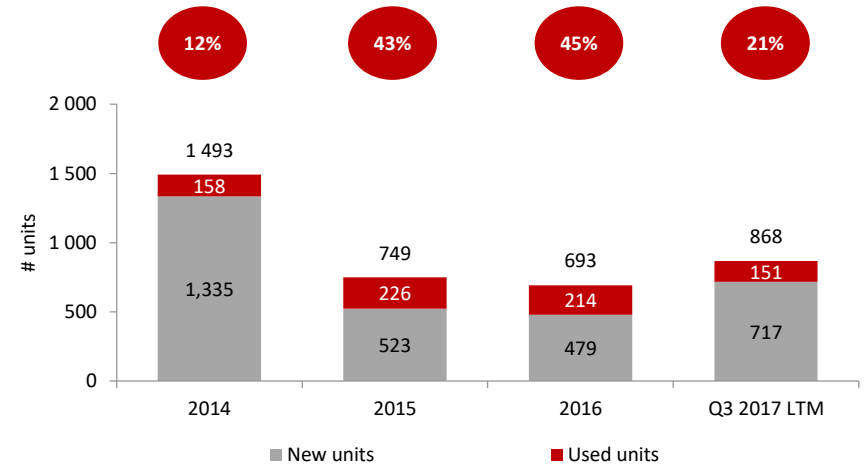
- Fellow of the Institute of Financial Accountants “FFA/FIPA”
- With Ferronordic since 2017
- Previous employment: CFO & Partner at EY and Deloitte CIS
- Shares in Ferronordic: 0

Revenue development

Revenue



New and used units sold



- During 9M 2017, revenue increased by 75% (46% in RUB)
 - Equipment sales increased by 103% while aftermarket revenue increased by 29%
- In 2016, Ferronordic achieved 13% sales growth (21% increase in RUB)
 - Equipment sales increased by 10% and aftermarket revenue increased by 13%
- In 2015, revenue decreased by 37%, largely affected by the weak market (19% decrease in RUB)
 - Equipment sales decreased by 46% while aftermarket revenue only decreased by 4% (24% increase in RUB)

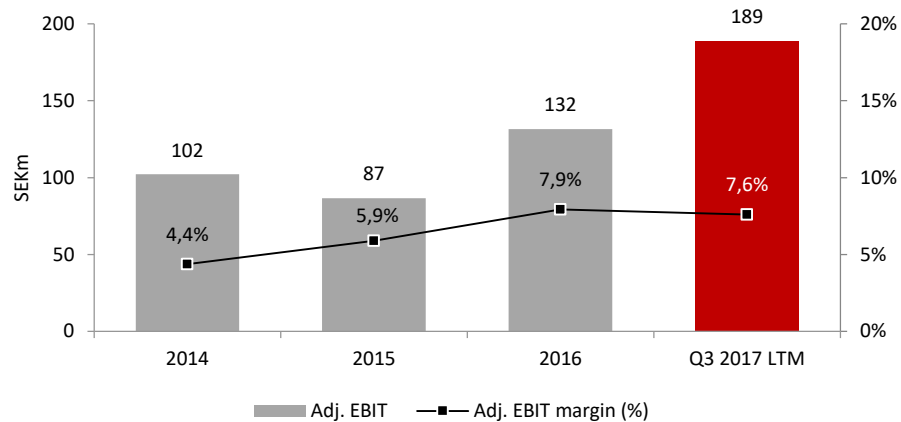
- The number of new units sold increased by 72% in 9M 2017 (YoY) while the number of used units sold decreased by 34%
- In 2016, the total number of units sold decreased by 7% to 693 units
 - New units sold decreased by 8% and used units sold decreased by 5%
- In 2015, the total number of units sold decreased by 50% to 749 units
 - New units sold decreased by 61% while used units sold increased by 43%
- There has been a clear shift in product mix towards larger machines during the last few years
 - Average revenue per machine has increased from SEK 1.2m in 2014 to SEK 2.0m in 9M 2017

● YoY growth (%)

● Share of used units to new units (%)

Adj. EBIT development

Adj. EBIT



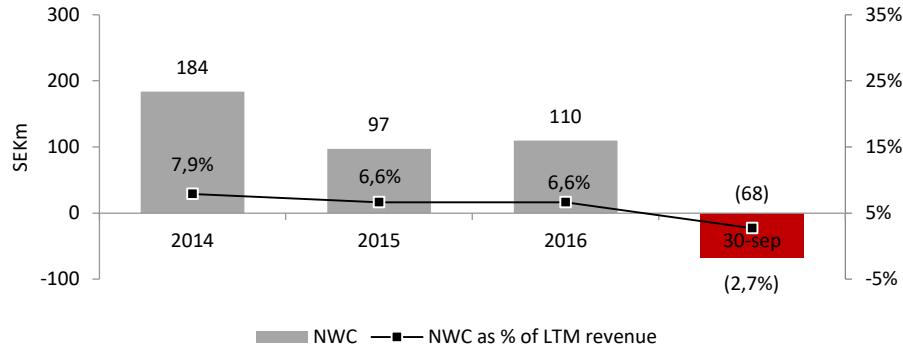
Comments

- Adj. EBIT increased during 2014-Q3 2017 LTM, despite volatile top-line development
 - Adj. EBIT margin has increased from 4.4% in 2014 to 7.6% in Q3 2017 LTM
- In 2016, Adj. EBIT grew 52% and the Adj. EBIT margin reached 7.9%
 - Mainly due to increasing gross profit and lower general and administrative expenses
- In 2015, Adj. EBIT decreased 15% but the Adj. EBIT margin increased to 5.9%
 - Primarily driven by lower revenue
 - Offset by higher gross margin and lower expenses
- Ferronordic has a strong operational platform that is capable of selling (and providing aftermarket services for) significantly more machines as the market recovers, without adding much new resources

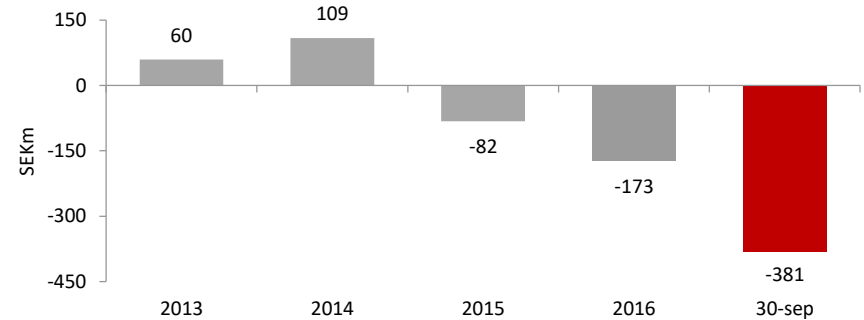
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Efficient capital usage

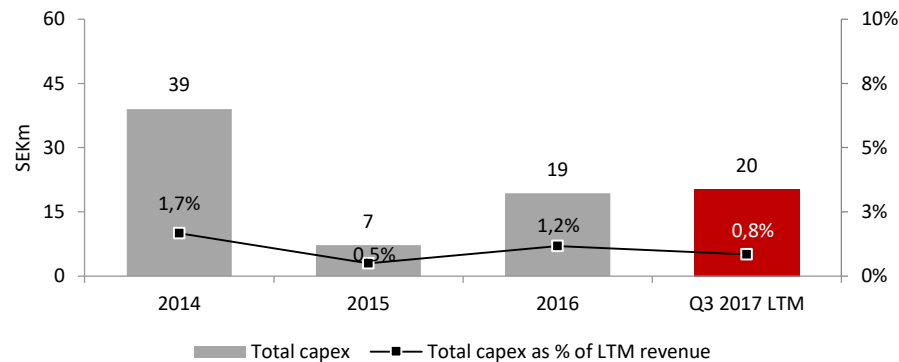
NWC development



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 during the first nine months of 2017 as well as the company's focus on working capital management, working capital was negative at the end of September 2017
- Ferronordic has been able to decrease leverage during the period to a net cash position
 - Net cash of SEK 381m as per 30 September 2017

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 0-2 times (over a business cycle)

DIVIDEND POLICY

- The ambition should be that at least 25% of the result (after dividends on the preference shares) 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
- Preference shares: ambition to pay dividends according to the articles of association

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. In the short-term, we believe that the market will continue to grow, however at a more modest pace than during the first nine months of 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.”

