



Company Description for Listing of
Preference Shares on
NASDAQ OMX First North
November 2013



DEFINITIONS

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| Articles of Association | the articles of association of the Company, a translation of which is attached hereto |
| Avanza Bank | Avanza Bank AB, org. nr 556573-5668 |
| Board | the board of directors of Ferronordic Machines |
| Company Description | this company description |
| Euroclear | Euroclear Sweden AB, org. nr 556112-8074 |
| Ferronordic Machines, the Company or the Group | Ferronordic Machines AB (publ), org. nr 556748-7953, or Ferronordic Machines AB (publ), org. nr 556748-7953, and when relevant its wholly owned Russian subsidiary Ferronordic Machines LLC and any other subsidiaries of Ferronordic Machines |
| First North | NASDAQ OMX First North Premier |
| IPO | a listing of ordinary shares in the Company on the NASDAQ OMX Stockholm Main List |
| Preference Shares | class A preference shares, as described in the Articles of Association |
| Volvo CE | Volvo Construction Equipment, a division in the Volvo Group |

IMPORTANT DATES

| | |
|--|-------------------------------|
| Application period for Preference Shares | 25 November – 1 December 2013 |
| First day of trading | 3 December 2013 |
| Year-end financial report | February 2014 |
| Audited annual report | April 2014 |

SHARE INFORMATION

| | |
|-----------------------------------|--------------------------------|
| Marketplace for Preference Shares | NASDAQ OMX First North Premier |
| Ticker for Preference Shares | FNMA PREF |
| ISIN-code for Preference Shares | SE0005465929 |

This Company Description has been prepared as information material for the listing of Preference Shares on First North. The Company Description does not constitute a prospectus, as defined by applicable rules and regulations. Avanza Bank has advised the Board in the preparation of this Company Description and has reviewed the information provided, but is not responsible for the correctness or completeness of the information provided. Avanza Bank shall not be liable for any decision made on the basis of this Company Description. Any dispute arising out of or in connection with this Company Description shall be resolved according to Swedish law and by the courts of Sweden.

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Background and reasons

Ferronordic Machines is the official authorized dealer of Volvo CE in Russia since June 2010. Over the last 3 ½ years the Group has expanded rapidly across Russia and is now well established in all federal districts with 75 outlets and over 700 employees. In addition to distributing and providing aftermarket support to Volvo CE machines, the Group has also been appointed aftermarket dealer for Volvo Trucks and dealer for Volvo Penta in certain parts of Russia. The Group has also signed up some other high quality brands such as LogSet and several attachment manufacturers. The vision of the Group is to be regarded as the leading service- and sales company in the CIS markets.

Since establishment, Ferronordic Machines has shown a strong development. Sales have increased from EUR 127 million in 2010 (annualized) to EUR 276 million on a last twelve month basis per September 2013. During the same period EBITDA has increased from negative EUR 2.3 million (annualized) to EUR 17.5 million. The number of own outlets has grown from 12 at the end of 2010 to 75 as of October 2013.

In October 2013 Ferronordic Machines introduced the Preference Shares as a new share class, of which the Company issued 500,000 and raised SEK 500 million.

The Company has applied for a listing of the Preference Shares at First North. In connection with the listing a secondary offering will take place with regard to some of the Preference Shares in order to increase the number of investors to the level set by NASDAQ OMX. The first day of trading for the Preference Shares is scheduled to be on or around 3 December 2013.

The Company has also decided to investigate a potential IPO to take place during 2014. The purpose of the future IPO would be to raise additional growth capital for the Company and to broaden the shareholder base further.

Liability Statement of the Board

We declare that, to the best of our knowledge, the information provided in this Company Description is accurate and that, to the best of our knowledge, the Company Description is not subject to any omissions that may serve to distort the picture the Company Description is to provide, and that all relevant information in the minutes of board meetings, auditors' records and other internal documents is included in the Company Description.

Stockholm, 22 November 2013

Ferronordic Machines AB
Board of Directors

Risk factors

Investing in Ferronordic Machines is associated with risks. A number of factors affect, or may affect, directly or indirectly, the business and operations of Ferronordic Machines. Below is a description of risk factors that are considered to be material for the Group's business and future development. The description of risk factors is not exhaustive and the order of the risk factors described is not an indication of the importance of the risk factors described. Additional risk factors which currently are not known for Ferronordic Machines, or which the Group at present considers insignificant, may in the future have a material negative effect on Ferronordic Machines' business, financial position or otherwise.

Risks related to the Group and its business

Investments in emerging markets

Investors in companies operating in emerging markets, such as Russia, should be aware that these markets are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Investors should also note that emerging markets, such as Russia, are subject to rapid change and that the information set out in this Company Description may become outdated quickly. These risks are applicable to any investment in Russia and are not specific to certain investments. Investments in Russia are suitable only for investors in a position to understand these risks and able to take the potential economic loss. As Russia is still an emerging economy, investments in Russia are subject to excessive fluctuations in value and performance and are influenced by other factors beyond the control of the Group that may have an adverse effect on the Group's market value. Political instability, both on a local and a federal level, could negatively affect the value of the Group's operations.

Political and legal environment

Political conditions in Russia were highly volatile in the 1990s. Over the past two decades the course of political and other reforms has in some respects been uneven and the composition of the Russian government has at times been unstable. The Russian political system continues to be vulnerable to popular dissatisfaction, including dissatisfaction with the results of the privatisations of the 1990s, as well as to demands for autonomy from certain ethnic and regional groups. During Vladimir Putin's and Dmitry Medvedev's tenure as presidents, the Russian government and the Russian parliament have generally been stable, although there have been public protests in Moscow and other urban areas following the elections for the State Duma in December 2011 and the re-election of Vladimir Putin as president in March 2012.

Additionally the potential for political instability resulting from the global financial and economic crisis and any associated worsening of the economic situation in Russia and deteriorating standards of living should not be underestimated. Any such instability could negatively affect the economic and political environment in Russia, particularly in the short term. Shifts in governmental policy and regulation in Russia are less predictable than in many Western countries and could disrupt or reverse political, economic, and regulatory reforms. Any significant change in the Russian

Government's program of reform in Russia could lead to the deterioration of Russia's investment climate that might limit the Group's ability to obtain financing in the international capital markets or otherwise have a material adverse effect on the Group's business, financial condition and results of operations.

Immaturity of the Russian legal system, processes and practises

Risks associated with the Russian legal system include, to varying degrees, inconsistencies between and among laws, presidential decrees, edicts and governmental and ministerial orders and resolutions; conflicting local, regional, and federal rules and regulations; the lack of judicial or administrative guidance regarding the interpretation of the applicable rules; the untested nature of the independence of the judiciary and its immunity from political, social and commercial influences; the relative inexperience of jurists, judges and courts in interpreting recently enacted legislation and complex commercial arrangements; a high degree of unchecked discretion on the part of governmental authorities; alleged corruption within the judiciary and governmental authorities; substantial gaps in the regulatory structure due to delays in or absence of implementing regulations; bankruptcy procedures that are not well-developed and are subject to abuse; and a lack of binding judicial precedent. All of these weaknesses may affect the Group's ability to protect and enforce its legal rights, including rights under contracts, and to defend against claims by others.

The relatively recent enactment of many laws, the lack of consensus about the scope, content and pace of political and economic reform and the rapid evolution of legal systems in ways that may not always coincide with market developments have resulted in legal ambiguities, inconsistencies and anomalies and, in certain cases, the enactment of laws without a clear constitutional or legislative basis. Legal and bureaucratic obstacles and corruption exist to varying degrees in each of the regions in which the Group operates, and these factors are likely to hinder the Group's further development. These characteristics give rise to investment risks that do not exist in countries with more developed legal systems. The developing nature of the legal systems in Russia could materially adversely affect the Group's business, financial condition and results of operations.

Corruption

The Russian and international media have reported high levels of corruption in Russia. Press reports have also described instances in which government officials have engaged in selective investigations

and prosecutions to further the interest of the government and individual officials or business groups. Although the Group adheres to a business ethics policy and strict internal compliance procedures to counteract the effects of corruption (including conducting annual compliance audits by an external auditing firm), instances of illegal activities, demands of corrupt officials, allegations that the Group or its management have been involved in corruption or illegal activities or biased articles and negative publicity could materially and adversely affect the Group's business, financial condition and results of operations.

Financial groups seeking to obtain control through economic or political influence

Well-funded, well-connected financial groups and so-called "oligarchs" have, from time to time, sought to obtain operational control and/or control over minority interests in attractive businesses in Russia by means that have been perceived as relying on economic or political influence or government connections. The Group may be subject to such efforts in the future and, depending on the political influence of the parties involved, the Group's ability to prevent such efforts may be limited.

Russian banking and financial system

Russia's banking- and other financial systems are less well developed and regulated than in some more developed markets, and Russian legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent application. Russian banks generally do not meet international banking standards, and the transparency of the Russian banking sector lags behind international norms. As a result, the Russian banking sector remains subject to periodic instability. Another banking crisis, or the bankruptcy or insolvency of banks through which the Group receive or hold funds, may result in the loss of the Group's deposits or adversely affect the Group's ability to complete banking transactions in Russia, which could have an adverse impact on the Group's business, financial position and results.

Russian tax system

There have been significant changes to the Russian taxation system in recent years as the authorities have gradually replaced legislation regulating the application of major taxes such as corporate income tax, VAT, corporate property tax and other taxes with new chapters of the Russian tax code. Russian tax authorities have also been aggressive in their interpretation of tax laws and their many ambiguities, as well as in their enforcement and collection activities. Technical violations of contradictory laws and regulations, many of which are relatively new and have not been subject to extensive application or interpretation, can lead to penalties. In practice, the Russian tax authorities generally interpret the tax laws in ways that do not favour taxpayers, who often have to resort to court proceedings against the tax authorities to defend their positions. The Group's tax liability may become greater than the

estimated amount that have been expensed to date and paid or accrued on the balance sheets. Any additional tax liability, as well as any unforeseen changes in Russian tax laws, could have an adverse impact on the Group's business, financial position and results.

Infrastructure

The physical infrastructure of Russia largely dates back to Soviet times and has not been adequately funded and maintained over the past decades. Particularly affected are the rail and road networks, power generation and transmission assets, communication systems and building stock. Road conditions throughout Russia are poor, with many roads not meeting minimum quality requirements. The deterioration of these physical infrastructures harm the national economy, disrupts the transportation of goods and supplies, increases the cost of doing business in Russia and can interrupt the Group's business operations. Any reorganisation regarding infrastructure may result in increased charges and tariffs in order to provide capital for the anticipated investment needed to repair, maintain and improve these systems which could have an adverse impact on the Group's business, financial position and results.

Inflation

A high inflation rate has previously characterised the Russian economy. Certain costs of the Group, such as costs for investments in machinery, equipment and labour, are sensitive to rises in the general price levels. A high inflation rate could increase the Group's costs and the Group may not be able to maintain or increase its margins to cover such costs which could have an adverse impact on the Group's business, financial position and results.

Corporate governance

The Russian legislation regarding corporate governance is underdeveloped in certain aspects. The concept of directors' fiduciary duties towards a company and its shareholders is also limited in comparison to the same concepts in some other jurisdictions. As a consequence the management of a Russian company may undertake significant actions without shareholder approval. Furthermore, under Russian law the general director of a Russian company has more extensive legal authority than in many other countries and may in many cases sign for the company without approval of the board of directors or shareholders.

Construction and industrial sector

The Group's products are principally used in connection with construction and industrial activities. Consequently, an economic downturn, and particularly a weak development of the road and the general construction industries and a decrease in industrial activity may lead to a significant decrease in demand for new and used equipment the Group sells. The Group's business may also be negatively impacted, either temporarily or long-term, by a reduction in spending levels by customers, unfavourable credit markets affecting end-user access to credit, adverse changes in

federal and local infrastructure spending, an increase in the cost of construction materials, and an increase in interest rates. Deterioration in the non-residential construction and industrial sectors caused by these or other factors may have an adverse impact on the Group's business, financial position and results.

Weather dependency

The Group's revenue and earnings follow a weather related pattern of seasonality. Construction and infrastructure activity is constrained in the winter months, especially January and February. A longer and colder winter than normal may therefore have an adverse impact on the Group's business, financial position and results.

Limited financial history

The Group's business was previously conducted by Volvo CE and the Group did not receive detailed financial records of Volvo CE prior to June 2010. Due to this, and because the Group is recently formed, the Group has a limited notable financial and operational history upon which investors may conjecture on the Group's future performance.

Dealer agreement with Volvo CE

On 27 April 2010, the Group and Volvo CE entered into a dealer agreement, replaced by a new dealer agreement on 12 July 2012, by which Volvo CE appointed the Group its official dealer for Volvo CE products in Russia. The products and services sold under the agreement with Volvo CE constitute a majority share of the Group's total revenue. The agreement runs for an initial period of six years until 27 April 2016. Thereafter the agreement will continue for an indefinite term until terminated by either party by giving 180 days' notice. There is no guarantee that the agreement will not be terminated or amended with terms affecting the Group's operations and profitability. A termination of the agreement or amendments to the same, for example as a result of changes in competition or other legislation, or the interpretation thereof, could have a material adverse impact on the Group's business, financial position and results. Furthermore, a change of control in the Group would require Volvo CE's prior approval.

Key employees

The Group's success depends on its ability to identify, attract and retain qualified and experienced senior management and other key personnel. The Group's ability to attract and retain qualified personnel is dependent on several external factors. Losing a key employee by retirement or to a competitor may cause the loss of critical knowledge not easily replaced and may delay or have an adverse effect on the Group's ability to execute its business plan and strategy. Inability to attract or retain senior management and other key employees may have an adverse impact on the Group's business, financial position and results.

Operational risks

Operational risk refers to risks relating to the Group's IT- and control system, human errors and natural disasters. The Group's data systems are evaluated, maintained and upgraded continuously. However, defected systems may have an adverse impact on the Group's business, financial condition and results of operations.

The Group is also expanding its capacity and has plans to continue this expansion. An unforeseen decline in the capacity utilization often results in a loss of revenue which cannot, in the short term, be compensated with a corresponding cost reduction. Such loss of revenue could therefore have an adverse impact on the Group's business, financial position and results.

Price risk

Volvo and the Group work closely together on monitoring market processes and market shares and addressing the prices the Group pays for machines and parts. Unforeseen variations in other input prices and prices charged by Volvo constitute a risk for the Group and may have an adverse impact on the Group's business, financial position and results.

Competition

The Group faces competition from several brands that offer a similar product range as the Group. Such brands may have access to superior financing, lower production costs and larger distribution networks etc. The Group may, as a consequence, face increasing competition which may have an adverse impact on its business, financial position and results.

Insurance risk in Russia

The insurance market in Russia is under development and several insurances which are customary in other countries are not yet available. The Group maintains insurance against some, but not all potential risks and losses affecting its operations, and the Group cannot assure that its insurance will be adequate to cover all of its losses or liabilities, which are regularly covered in other countries. Consequently, there is a risk that the loss or destruction of certain assets or that a claim is directed against the Group can have a material adverse impact on the Group's business, financial position or results until the Group receives adequate insurance coverage.

Exposure to currency risks

The Group generates most revenues and costs in RUB. However, the Group's reporting currency is EUR and the financing of the Group and the dividend payments related to the Preference Shares are in SEK. Therefore, the Group is exposed to currency exchange risk to the extent that the assets, liabilities, revenues and expenses of the Group are denominated in currencies other than EUR. Consequently, there is a risk that increases and decreases in the value of the EUR versus RUB and EUR versus SEK will affect the amount of these items in the Group's consolidated

financial statements, even if their value has not changed in the original currency.

Liquidity risk

The Group may not be able to meet future payment obligations as a consequence of insufficient liquidity. The Group may experience changing results and cash flows for a number of reasons, such as expenditure level, changes in inventory levels, potential conflicts with tax authorities, competitive environment, interest rates and currency fluctuations and general economic situation. It is not guaranteed that the Russian economy will continue its positive development and in case of an economic recession the value of the Group's assets may be adversely affected. In such a scenario, the Group's operating profit, financial position and general standing could be adversely affected and the Group may not be able to meet its financial undertakings.

Risk of funding

The Group's operation is to a large extent funded by shareholders equity and from the debt capital markets. The risk of funding relates to securing financing, refinancing of outstanding loans or securing additional loans at commercially viable terms at a specific point in time. These factors may infer risk for the Group's business, financial position and ability to meet its financial commitments.

Fluctuations in inventory

The inventory levels can change quickly and have significant cash flow impact. The predictability of the market and customer orders is normally fairly low while Ferronordic Machines has to order machines from Volvo CE several months before delivery. In addition, there are numerous different models being sold and matching expected sales and orders on a model by model basis is difficult and can lead to quick and large changes in inventory. The large changes in inventory may have an impact on the Group's cash flow situation and financial position.

Counterparty risks

Counterparty risk relates to the Group's counterparties ability to meet its obligations. Counterparty risk could adversely affect the Group's operations negatively. In addition, counterparties could act fraudulently and obstruct the Group to carry out its operations. In some circumstances, the Group could be held liable for the act of co- or third party investors. Risk may also arise from liquidity management and securing short and long term credit facilities. Counterparty risk may thus have an adverse effect on the Group's business, financial position and result.

Legal disputes

Ferronordic Machines may be involved in disputes or may subject to legal claims. Such disputes and claims may be time consuming and may disturb day-to-day operations, may involve significant amounts, and may result in material costs.

Predicting the outcome of complex disputes may be difficult, in particular in Russia.

Credit risk

Credit risk arises when counterparties fail to meet its obligations towards the Group which could have a negative effect on future cash flows. An increase of the Group's concentration of credit risk or counterparties' failure to meet their obligations towards the Group may have an adverse impact on the Group's business, financial position and results.

Risks related to Preference Shares

The market price of Preference Shares may fluctuate and decline below the offering price

Prior to the admission to trade the Preference Shares on First North, there was no public market for the Company's shares. There is no guarantee that an active trading market for the Preference Shares will develop or, if developed, will be sustained. The offering price may not be indicative of the market price for the Preference Shares after the listing on First North. Furthermore, following the admission to trade the Preference Shares, the liquidity and trading price of the Preference Shares may be subject to wide fluctuations in response to many factors.

Extensive selling or future issuances of Preference Shares may adversely impact the trading price

A sale of large quantities of Preference Shares, regardless of whether this is done by the sale of Preference Shares or by way of Preference Share issues, could have an adverse impact on the market price of the Preference Shares. There are no guarantees that further share issues or large transactions of shares will not take place in the future.

Shareholders with significant influence

Upon completion of the offering, certain shareholders (the "Principal Shareholders") will own and control approximately 89.7 per cent of the shares and 93.7 per cent of the votes in the Company. The Principal Shareholders will continue to retain the controlling interest in the Company and will consequently have the power to control the outcome of most matters to be decided by vote at a shareholders' meeting. Such matters include the election of directors, the issuance of additional shares or other equity securities, which may dilute holders of the Company's shares and Preference Shares, and the payment of any dividends.

The interests of the Principal Shareholders may differ significantly from or compete with the Company's interests or those of the holders of Preference Shares and there can be no assurance that the Principal Shareholders will exercise influence over the Company in a manner that is in the best interests of the holders of Preference Shares. For example, there could also be a conflict between the interests of the Principal Shareholders

of the Company on the one hand, and the interests of the Company or its other shareholders on the other hand with respect to dividend resolution or other fundamental corporate matters. Such conflicts could have a material adverse effect on the Company's business, financial position and results.

Dividends

According to the Articles of Association, holders of Preference Shares have a preferential right to dividends before dividends are distributed to the holders of ordinary shares. Both the occurrence and amount of future dividends is dependent on, *inter alia*, the Company's future business, prospects, financial position, results, cash flow, working capital requirements and customary financial and legal restrictions. There are many risks which may have a negative impact on the Company's business and there are no guarantees that the Company will be able to pay dividends in the future. Furthermore, the shareholders cannot, as a general rule, resolve upon higher dividends

than what the Board has proposed and the general meeting can only resolve on dividends upon request of the minority shareholders under certain conditions. In view of the above, dividends on the Preference Shares may be fully or partially absent.

Share conversion

The conversion of Preference Shares into ordinary shares in the Company requires that certain events occur, including an IPO. The conversion furthermore requires that the general meeting of the Company passes certain resolutions, including resolutions to redeem a certain number of Preference Shares and to issue a certain number of ordinary shares. A resolution to redeem shares also requires that the Company has sufficient unrestricted equity. There are no guarantees that these events occur or that the general meeting of the Company passes, or can pass, the required resolutions. Consequently, there is a risk that the Preference Shares may not be possible to convert into ordinary shares of the Company.

Brief information on the Preference Shares

The number of outstanding Preference Shares amounts to 500,000. Each ordinary share carries one voting right and each Preference Share carries a one tenth (1/10) voting right at the Company's general meeting.

Dividend

Each Preference Share entitles the holder to SEK 100 per year in dividend, with semi-annual payments of SEK 50 in addition to any Outstanding Amount (as defined below). The Preference Shares have no right to receive additional dividends.

Holders of Preference Shares will receive the first dividend payment of SEK 50 per Preference Share with the record date 25 April, 2014. As of the first record date after the Company's annual general meeting in 2016, the annual preferred dividend per Preference Share will increase by SEK 10 per year until the Preference Shares are either redeemed or until and including the first record date after the annual general meeting in 2023, when the annual preferred dividend per Preference Share will be fixed at SEK 180.

Failure to distribute dividend

If no dividends or dividends of less than SEK 50 per Preference Share and half-year are paid, any unpaid portion of the dividends will be added to other unpaid dividends (the "Outstanding Amount"). The Outstanding Amount shall be adjusted upwards by a rate equivalent to an annual interest rate of 20%. Adjustment shall be made from the semi-annual payment date until full dividends are received by the holders of Preference Shares. No dividend may be made to the holders of ordinary shares before the holders of Preference Shares have received full payment of any Outstanding Amount.

Redemption amount – Conversion option

CONVERSION OPTION

In connection with an IPO the holders of Preference Shares have the possibility to convert Preference Shares into ordinary shares. Each Preference Share will entitle its holder to subscribe for an amount of ordinary shares corresponding to SEK 575, divided by 50% of the price per each ordinary share offered in the IPO (in practice, the value in

the exchange then corresponds to 1,150). This right is combined with a lock-up of three months. The conversion at these terms implies a discount of approximately 11% to the IPO price (excluding compensation for accrued dividend and Outstanding Amount, if any). The technical procedure for converting the Preference Shares into ordinary shares is set out in the Articles of Association.

After 25 October 2014, should an IPO not have taken place, the amount used for exchange into ordinary shares will start to increase by SEK 5 per month until 25 January 2016, when the value to be used in an exchange will equal SEK 650, which would imply a discount of 21% to the IPO price (excluding compensation for accrued dividend and any Outstanding Amount).

CASH OPTION

If a holder of Preference Shares does not wish to participate in the conversion option, the Company has the right, at its sole discretion, to redeem the relevant Preference Shares at a redemption price in cash of SEK 1,050 (excluding compensation for accrued dividend and any Outstanding Amount) until 25 October 2014, after which the redemption premium will increase by SEK 10 per month until 25 January 2016 when the redemption price will be fixed at SEK 1,200 (excluding compensation for accrued dividend and any Outstanding Amount).

Liquidation

The Preference Shares have priority over ordinary shares to an amount per preference share of SEK 1,200 plus any Outstanding Amount.

Miscellaneous

For a complete description of the terms of the Preference Shares, please see the Articles of Association. Amendments to the terms and conditions of the Preference Shares require (i) a resolution by the general meeting of shareholders representing at least two-thirds of the votes cast and the shares represented at the general meeting and (ii) that the holders of at least half of the Preference Shares and nine-tenths of the Preference Shares represented at the general meeting agree to such amendments.

Ownership structure

The issued share capital of the Company amounts to EUR 105,000. The number of outstanding ordinary shares amounts to 10,000,000. The number of outstanding Preference Shares amounts to 500,000. Each ordinary share carries one voting right and each Preference Share carries a one tenth (1/10) voting right at the Company's general meeting. As of 1 November 2013, Ferronordic

Machines had 24 holders of ordinary shares and 235 holders of Preference Shares.

The tables on the following page set forth information regarding the 10 largest holders of ordinary shares and Preference Shares as of 1 November 2013:

ORDINARY SHARES

| Shareholder | Number of shares | Share capital percent | Voting rights percent |
|--|-------------------|-----------------------|-----------------------|
| Erik Eberhardson (through companies) ¹ | 2,661,000 | 25.3% | 26.5% |
| Russian CE Investors AB | 2,284,100 | 21.8% | 22.7% |
| Lars Corneliusson (through companies) ¹ | 2,022,800 | 19.3% | 20.1% |
| Mellby Gård AB | 647,100 | 6.2% | 6.4% |
| Anders Blomqvist (through companies) ¹ | 625,100 | 6.0% | 6.2% |
| Creades AB | 267,500 | 2.5% | 2.7% |
| Investment AB Öresund AB | 264,900 | 2.5% | 2.6% |
| Fastighetsaktiebolaget Granen | 261,100 | 2.5% | 2.6% |
| AltoCumulus SA | 190,300 | 1.8% | 1.9% |
| Konstruktör Development AB | 190,300 | 1.8% | 1.9% |
| Subtotal 10 largest shareholders | 9,414,200 | 89.7% | 93.7% |
| <i>Total (including 500,000 Preference Shares)</i> | <i>10,500,000</i> | <i>100.0%</i> | <i>100.0%</i> |

Source: Euroclear

PREFERENCE SHARES

| Shareholder | Number of shares | Share capital percent | Voting rights percent |
|---|------------------|-----------------------|-----------------------|
| Avanza Pension | 27,620 | 0.3% | 0.0% |
| Danica Pension | 25,200 | 0.2% | 0.0% |
| AB Stena Metall | 17,100 | 0.2% | 0.0% |
| Creades AB | 16,000 | 0.2% | 0.0% |
| Östersjöstiftelsen | 13,700 | 0.1% | 0.0% |
| Carnegie Investment Bank AB | 12,780 | 0.1% | 0.0% |
| Aktiebolaget Stena Finans | 12,000 | 0.1% | 0.0% |
| Nordnet Pensionsförsäkring | 10,260 | 0.1% | 0.0% |
| Crafoordska stiftelsen | 10,200 | 0.1% | 0.0% |
| Vätterleden AB | 10,000 | 0.1% | 0.0% |
| Subtotal 10 largest shareholders | 154,860 | 1.5% | 0.1% |
| <i>Total</i> | <i>500,000</i> | <i>4.8%</i> | <i>0.5%</i> |

Source: Euroclear

¹It can be anticipated that the management shareholders will sell a certain amount of ordinary shares before or in connection with an IPO in order to settle financial commitments made to acquire shares in the Company

Secondary offering of Preference Shares in connection with listing on First North

In connection with the listing on First North, a secondary offering targeted at a maximum of 7,000 Preference Shares will take place. The seller of the Preference Shares is Carnegie Investment Bank AB. The aim of the offering is to reach a larger group of investors due to regulations set by NASDAQ OMX prior to the listing on First North. The secondary offering of the previously issued shares is subject to the following terms:

Offering price per preference share

The offering price is SEK 1,025 per Preference Share. No commission will be charged. Applications to acquire Preference Shares shall comprise no less than 5 Preference shares.

Application period

Applications to acquire Preference Shares are to be submitted during the period 25 November – 1 December 2013. Carnegie Investment Bank AB reserves the right to both shorten and extend the application period.

Maximum level of the offering

No more than 7,000 Preference Shares will be sold. The total value of the Preference Shares to be sold will be SEK 7.2 million.

Allocation in case of over-subscription

The decision regarding allocation of Preference Shares in case of over-subscription will be taken by the Board after consultation with Avanza Bank. The aim will be to achieve a broad distribution of the Preference Shares among the general public. Note that individual applications may receive a smaller number of Preference Shares than indicated in the application.

Application

Avanza Bank customers should apply for Preference Shares on Avanza Bank's website. Other applicants should fill in, sign and send the application form "Anmälan om förvärv av preferensaktier i Ferronordic" to Avanza Bank using the following address:

Avanza Bank AB
Att: Emissionsavdelningen/Ferronordic
Box 1399
111 93 Stockholm

Visiting address: Regeringsgatan 103
Telephone: 08-56225122
Fax: 08-56225041

Applications must be received by Avanza Bank no later than 1 December 2013. Only one application

per person or company is permitted. In case several applications are received, the last application received by Avanza Bank will be regarded as the application and the previous applications will be disregarded. Incomplete and incorrectly completed application forms may be disregarded. Applications are binding.

The application form may be obtained at no cost from Avanza Bank.

If an application comprises a value larger than EUR 15,000 and the applicant does not live at its registered address, a certified copy of valid identification must be attached to the application form. A legal entity applying for a value larger than EUR 15,000 must attach a certified copy of valid identification from an individual authorized to sign for the firm and a valid certificate of registration which confirms the authorization.

Payment and delivery of Preference Shares

Avanza Bank customers will pay for allocated Preference Shares by withdrawal from the accounts at 5 December 2013 and the allocated Preference Shares will be registered at the customers' accounts 3 December 2013. The applications are binding and the customers undertake to have sufficient funds on the accounts no later than 1 December 2013.

Other applicants pay for allocated Preference Shares in accordance with instructions on the contract notes received via mail on or around 3 December 2013. Final payment date is estimated to be 5 December 2013. Allocated and paid Preference Shares are estimated to be registered to the recipient's VP account from 6 December 2013. Parties not being allocated any Preference Shares will not receive a notice. Failure to pay on time may result in Preference Shares being allocated or sold to a third party. In the event the price at such sale is lower than the offering price, the non-paying subscriber will remain liable for any losses incurred.

Restrictions of the offering

The offering is not directed at persons who are residents of and this material may not be distributed to certain jurisdictions, e.g. the U.S., Australia, Japan or Canada. Any failure to comply with these restrictions may constitute a violation of applicable securities legislation.

First day of trading on First North

Estimated first day of trading on First North is 3 December 2013.

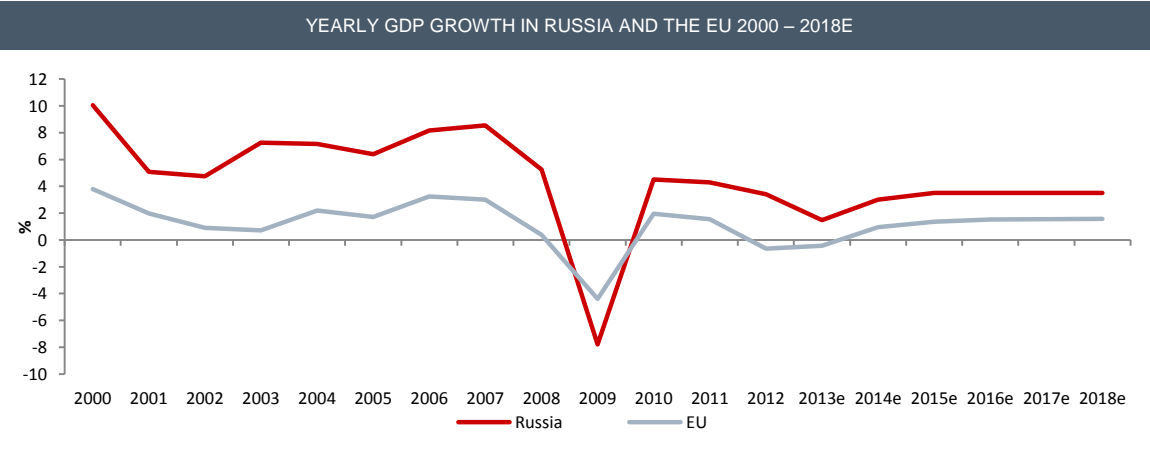
Market Overview

Ferronordic Machines is active in the Russian market for imported high quality construction equipment. Construction equipment is primarily used for infrastructure- and heavy construction but also used in operational activities such as the mining, quarry and forestry sectors.

The Russian economy

Russia is the largest country in the world in terms of area. It has a population of 143 million and is rich on natural resources. Forestry is one of the main resources with over 800 million hectares of forest land area, which is approximately 20% of the world's forest area. Russia also has the world's 8th largest reserves of oil and the second largest reserves of gas. These natural resources have and

will continue to be important for the Russian economy. Approximately 50% of revenues for the Federal Government in Russia relates to oil and gas. The average GDP growth between 2012 and 2018 is expected to be 3.1%, compared to the EU area which is expected to grow with 0.8% on average.



Source: IMF

Although total Russian growth is expected to be around 3%, growth will come in different magnitude in different geographical regions and have different drivers throughout Russia. Below is a table summarizing the size and population of each district, as well as a map of the Federal Districts in

Russia. Note that Russia has eight Federal Districts but since Ferronordic Machines internally reports the separate districts Caucasus and South as one single region, the map and table have been adjusted to reflect the Company's reporting and show seven districts.

| Federal District | Area (000s of km ²) | Population (million) |
|------------------|---------------------------------|----------------------|
| Central | ~650 | 38.4 |
| Northwest | ~1,700 | 13.6 |
| South | ~650 | 13.4 |
| Volga | ~1,000 | 29.9 |
| Urals | ~1,800 | 12.1 |
| Siberia | ~5,100 | 19.3 |
| Far East | ~6,200 | 6.3 |

Source: Rosstat

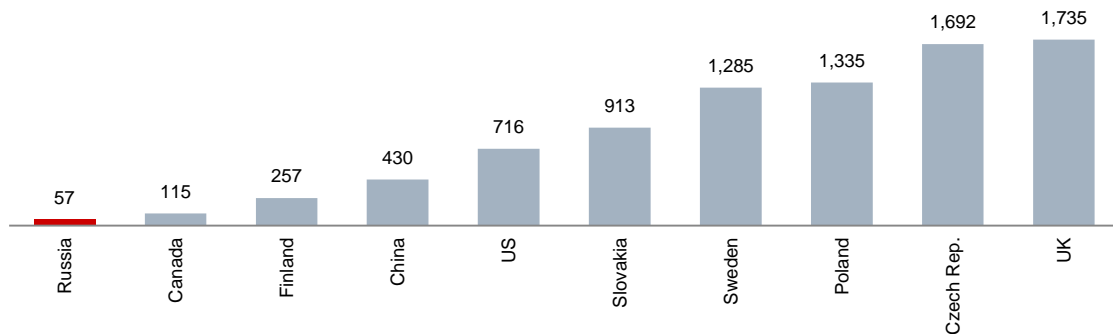
FEDERAL DISTRICTS IN RUSSIA



The market for construction equipment will capitalize significantly on the growth in Russia. An important driver of this will be infrastructure improvements. The bulk of the infrastructure in Russia was built during the Soviet era, and as much as 40% of the roads do not meet regulatory requirements according to Rosavtodor, the Russian Federal Road Agency. In addition to an

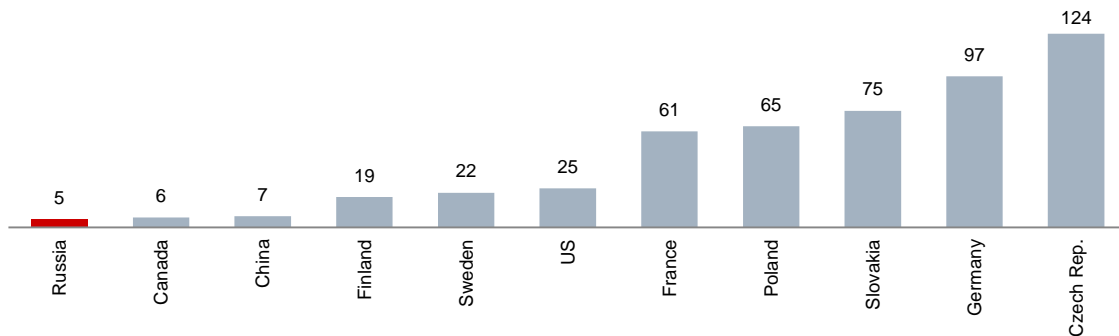
underdeveloped road network, the railroad density in Russia is low. Upgrading and expanding the Russian road and railway network will be an imported part of Russia's continued development, and several major construction projects are planned or on-going, for example Sochi Winter Olympics 2014 and FIFA World Cup 2018.

ROAD DENSITY IN SELECTED COUNTRIES (KM PER '000 SQ. KM LAND AREA)



Source: World Bank

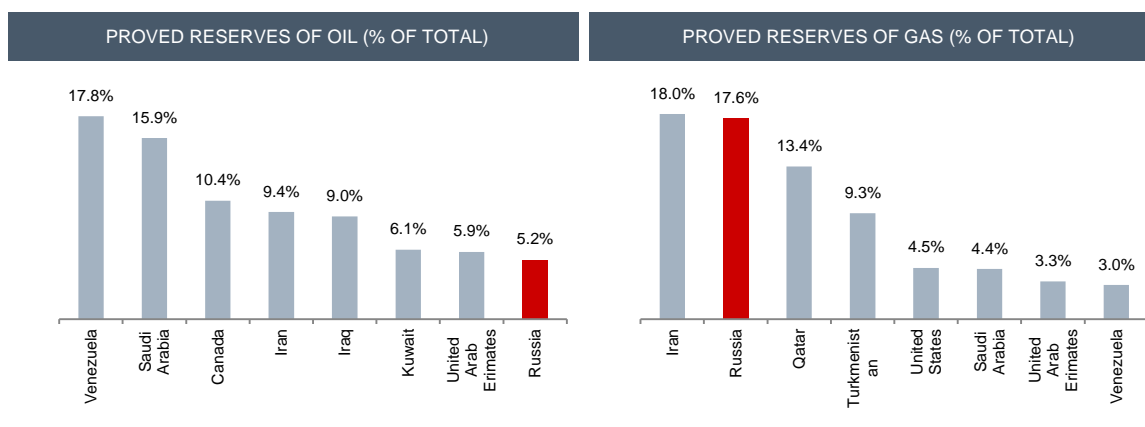
RAILWAY DENSITY IN SELECTED COUNTRIES (KM PER '000 SQ. KM LAND AREA)



Source: World Bank

An additional driver of both GDP growth and construction growth will be the continued extraction and refinement of natural resources, in particular oil

and gas. In the graph below, the world's largest proved reserves of oil and gas are presented.



Source: British Petroleum Statistical Review of World Energy, June 2013

The Russian construction equipment market

The market for construction equipment is affected by the construction developments described above. Construction equipment is used in a wide range of construction activities and also in certain operational activities. Areas of use include road construction and maintenance, construction of heavy industry, utilities and residential as well as oil

and gas infrastructure construction and maintenance. In the industries of mining, quarry, aggregates and forestry industries, construction equipment is often used for operational activities such as extraction of raw material and harvesting. Below is a description of the main areas of use for construction equipment in different industries.

| Industry | Main areas of use | Main geographical areas | Portion of Ferronordic Machines' sales |
|--------------------------------|--|---|--|
| Road construction | <ul style="list-style-type: none"> Construction of new roads Upgrading of existing roads Maintenance and repair of roads | <ul style="list-style-type: none"> All of Russia | ~22% |
| General construction and other | <ul style="list-style-type: none"> Heavy industry Utilities Residential construction Non-residential construction | <ul style="list-style-type: none"> All of Russia | ~44% |
| Oil and gas | <ul style="list-style-type: none"> Oil and gas infrastructure Site construction (e.g. refineries) Maintenance of infrastructure | <ul style="list-style-type: none"> Volga Urals | ~5% |
| Mining | <ul style="list-style-type: none"> Infrastructure On-site construction and maintenance Operational uses | <ul style="list-style-type: none"> Northwestern Siberia Far East | ~12% |
| Quarries and aggregates | <ul style="list-style-type: none"> Extraction and production of raw material for road and general construction | <ul style="list-style-type: none"> Northwestern South Siberia | ~11% |
| Forestry | <ul style="list-style-type: none"> Site construction and maintenance Harvesting Off-road transport | <ul style="list-style-type: none"> Northwestern Siberia | ~6% |

Note: General construction and other also include areas of use such as include agriculture and landscaping, demolition, industrial material handling, and recycling and waste

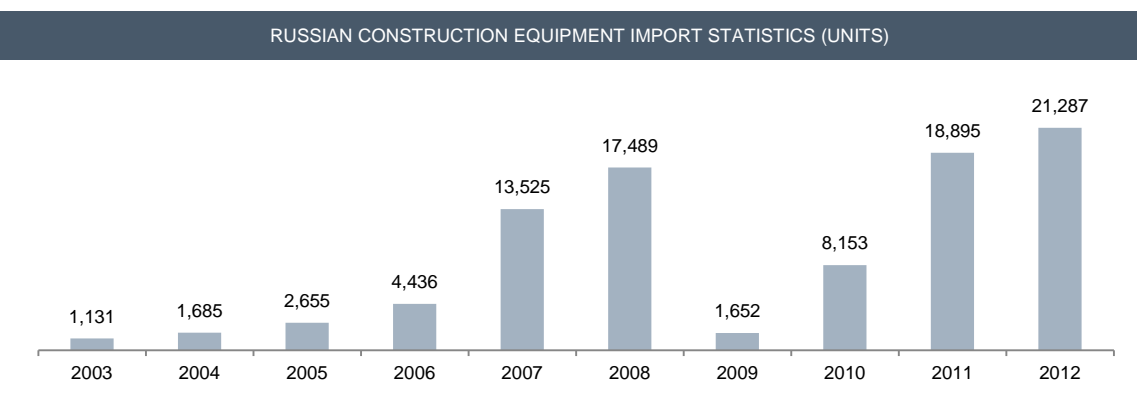
In addition to capitalizing on increasing infrastructure investments, construction equipment dealers will benefit from replacement of the current construction equipment fleet in Russia, which is underpinned by huge investment needs throughout Russia due to old and inefficient machinery. Hence

the growth drivers in the next years will be two-fold; urgent need of replacing old and inefficient machinery, as well as expanding the current fleet of construction equipment to increase its capacity.

Russian import of foreign construction equipment machinery has grown significantly during the recent 10 years. In addition to overall Russian construction growth, the replacement of the existing fleet of Russian machinery is an important market driver for western manufacturers. Among the imported equipment, there is a clear difference between western manufacturers, offering machines of higher quality and higher prices, and Chinese manufacturers offering less expensive, standardized and often small-type machines, such as smaller wheel loaders.

Ferronordic Machines mainly distributes Volvo CE machines, a well-known brand in Russia. The

product offering ranges from large machines such as articulated haulers with purchase prices of more than EUR 500,000, to small skid steer loaders with purchase prices below EUR 50,000. The Group's main competitors are other high-quality manufacturers such as Caterpillar, Komatsu, JCB and Hitachi. The Group estimates that these five companies have relatively similar market shares in revenue. Below is a graph showing the development of imported construction equipment (in number of units), excluding Chinese manufacturers as these are to a large extent not active within the same market segments as Ferronordic Machines.



Source: Ferronordic Machines

Description of Ferronordic Machines

This is Ferronordic Machines

Ferronordic Machines is the authorized dealer of Volvo CE in Russia since June 2010. Over the last 3 ½ years the Group has expanded rapidly across Russia and is today well established in all federal districts with 75 outlets and over 700 employees. In addition to distributing and providing aftermarket support to Volvo CE, the Group has also been appointed aftermarket dealer for Volvo Trucks and dealer for Volvo Penta in certain parts of Russia.

The Group has also signed up some other high quality brands such as LogSet and several attachment manufacturers. The vision of the Group is to be regarded as the leading service- and sales company in the CIS markets (countries of the former Soviet Union).

The Group has expanded rapidly throughout all federal districts of Russia since the end of 2010:

| | 2010 | 2011 | 2012 | 30 Sep '13 |
|-----------------------|------|------|------|------------|
| No. of outlets | 12 | 53 | 69 | 75 |
| Employees | 326 | 540 | 654 | 710 |
| Revenue (EUR million) | 74 | 268 | 276 | 276 |
| EBITDA (EUR million) | -1.4 | 12.3 | 13.4 | 17.5 |

Note: Revenue and EBITDA for 30 Sep '13 are on a rolling 12-month basis. Figures for 2010 are for the 7-month period June-December 2010.

The Ferronordic Machines business concept

In the construction industry, high utilization rate of equipment is vital for efficiency and profitability. Machines that are at stand-still, either because of poor planning or because of break-down, quickly have a deteriorating effect on a project's profitability. To mitigate this risk, construction companies need to optimize the utilization of its machinery fleet and make sure repair and other services can be provided quickly. In addition to delivery of high-quality machinery, Ferronordic Machines has developed a complete offering tailored to fit the high demands of these construction companies.

When tailoring its offering to customers, Ferronordic Machines provides extensive consultancy services regarding fleet management; simulation of sites and advice regarding optimal fleet and specification composition. These services make the Group an integrated part of customers' operations and more than just a supplier of machinery.

The cost of construction equipment in stand-still is very high, putting high demand on resellers' service levels and availability of spare parts. For Ferronordic Machines, it has been a clear target since the start to increase its presence throughout Russia for supply of repair and maintenance services as well as spare parts. The Group has also focused on commercialization of the after-market, i.e. a pro-active and competitive offering of customer service and spare-parts supply at the right time, based on data from the machine population and output from advanced equipment services computer programs as well as in-depth knowledge and long experience from the industry. The commercialization of after-market services increases the added value of Ferronordic Machines' concept, and increases the Group's market share of the important, high-margin after-market.

In construction industries of Western economies, customer focus has shifted from the purchase price of machinery to total life-cycle cost, including cost of repair, maintenance, services and cost of machinery stand-still. In Russia, focus is still often on the initial purchase price; however Ferronordic Machines is leading the evolution of the Russian market and the increased sophistication of Russian construction companies will further strengthen Volvo CE and other high-quality brands' market position.

Vision

Ferronordic Machines vision is to be regarded as the leading premium brand sales- and service company within its business areas in the CIS markets.

History

Ferronordic Machines was founded in 2010, and became the official authorized dealer of Volvo CE as of 1 June 2010. Russia was and is a strategic market for Volvo CE and the agreement was said to be a significant and exciting development of its activities in Russia which would give them a clear and consistent presence across the whole country.¹

The dealer agreement made Ferronordic Machines the distributor of Volvo CE branded machines, parts and after-sales services in the entire territory of Russia. In 2011, Ferronordic Machines appointed Lars Corneliusson as operational director and managing partner. During the 12 years prior to the appointment, Lars worked as CEO of CJSC Volvo Vostok (Volvo's Russian subsidiary) and as

¹ Volvo CE press release, 29 April 2010

President of Volvo Trucks Russia. Under Lars' leadership, Volvo became the first western manufacturer to build a full-scale truck production

facility in Russia. Lars was appointed CEO for Ferronordic Machines LLC as well as the Group in 2012.

Volvo Group in Russia

Volvo Trucks

The Volvo Group's success in Russia dates back approximately 40 years when the first 100 Volvo F89 trucks were delivered to the country in 1973. During the first decade of this century Volvo Trucks expanded its footprint in Russia significantly and opened a CKD-factory in Zelonograd in 2003, followed by the opening of a full scale production facility in Kaluga in 2009. With the opening of the factory in Zelonograd Volvo became the first western manufacturer with its own production of heavy trucks in Russia. In 2012, Volvo announced an additional investment of SEK 783 million in a new facility for cab production in Kaluga with an annual capacity of 15,000 cabs.

Volvo has a large and well-developed network of authorized workshops in Russia, and is the leader in availability of original parts for heavy commercial vehicles of foreign manufacturers.

Volvo Construction Equipment

Volvo CE is one of the world's largest manufacturers of construction equipment with a large product portfolio and is perceived as a premium brand in the market of construction equipment. Although Volvo CE established a Russian market presence fairly late, in 2002, it has built a strong position in Russia and is considered the number one brand within construction equipment¹ with competitive market shares in key premium segments. The import of Volvo CE machines into Russia has increased steadily since entering Russia, from 139 in 2002 to 1,370 in 2012. Manufacturers of construction equipment typically work with external distributors for sales and after-sales services, as they tend to focus their efforts on manufacturing and product development. Volvo CE's strategy in Russia up until 2010 was to grow and gain market share in Russia via a network of independent dealerships responsible for different regions. In 2010 however, Ferronordic Machines was appointed the official dealer of Volvo CE machines, parts and after-sales services throughout all of Russia.

Volvo CE Dealer Agreement

Ferronordic Machines and Volvo CE signed an initial dealer agreement in June 2010 (subsequently replaced by an amended dealer agreement in July 2012) by which Volvo CE appointed Ferronordic Machines the official dealer of Volvo CE machines,

parts and after-sales services in the entire territory of Russia. The dealer agreement is valid until 27 April 2016 after which the agreement will continue for an indefinite period with 180 days' notice – in line with the standard contract terms for Volvo CE dealers and customary in the industry. Ferronordic Machines is free to extend its product offering to include products that complement Volvo CE's products. Volvo CE continues to import the machines and parts to Russia; Ferronordic Machines buys and sells all products inside Russia. It is at the core of Volvo CE's global distribution strategy, including Russia, to appoint external dealers. Like Ferronordic Machines, dealers in other parts of the world are handpicked based on Volvo CE's evaluation of management's ability to increase sales and grow Volvo CE's market share in the relevant region. In exchange for being appointed a Volvo CE dealer, Ferronordic Machines made commitments to Volvo CE to invest in, open new and develop existing dealer outlets. The dealer agreement provides that a change of control of the Group would require Volvo CE's prior approval.

Volvo CE factory in Kaluga

In 2011, Volvo CE announced the construction of a new SEK 350 million, 20,660 m² excavator plant in Kaluga, a city 150 km southwest of Moscow. The Kaluga plant was inaugurated in 2013 and will initially manufacture five models of Volvo CE excavators. The investment is in line with Volvo CE's strategy to build machines where they are sold and further strengthens Volvo CE's commitment in Russia and to Ferronordic Machines, which currently is the only customer of the Kaluga factory.



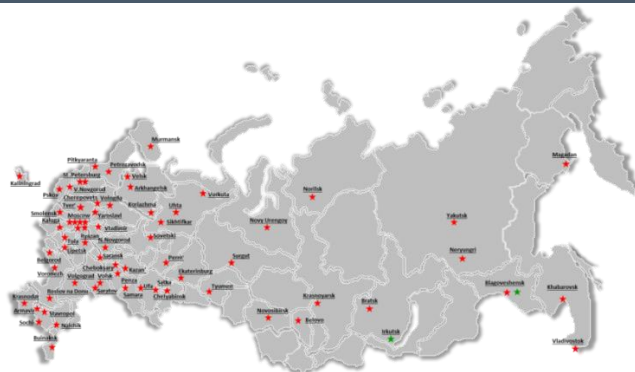
¹ According to the Volvo Construction Equipment Brand Track Survey in 2011

Operations overview

Even though Ferronordic Machines operates in a cyclical industry, it has customers in a number of different industries throughout all federal districts of

Russia. This diversification makes Ferronordic Machines less exposed to trends and business cycles which impact specific regions or industries.

FERRONORDIC MACHINES' NETWORK



To be successful, construction equipment dealers engaging in after-market activities need to be close to its customers. This is mainly due to two reasons; construction equipment generally has a low level of mobility (machinery cannot easily be taken to construction sites), and construction equipment must not be at stand-still due to its importance for operations at construction sites. Hence, proximity to customers and a large number of outlets in Russia is important. Another differentiating factor for construction equipment dealers is service and spare parts availability.

set up due to one of two reasons; either on strategic locations or due to customer demand. Strategic locations are often well-populated areas that have a history of, or are expected to have, large investments and high level of construction output. In addition to these strategic locations, Ferronordic Machines can set up facilities in connection to large construction sites, potentially at remote locations. These construction sites can often be of such large size and scale, and require a service level that makes it profitable for Ferronordic Machines to set up a repair and maintenance station as well as a small spare parts inventory at these sites.

As of October 2013, Ferronordic Machines had 75 outlets throughout Russia. New facilities are often

DIFFERENT TYPES OF FACILITIES

Owned dealer facility



- Medium- to large sized, purpose built facilities which include service and repair workshop areas, warehouse, offices and machine display areas
- The Group currently has 2 owned facilities in operation: a 2,382 sqm facility in eastern Moscow and a 2,620 sqm facility in Arkhangelsk
- The Group owns 2 land plots ready for construction in near time

Rented dealer facility



- To reduce time-to-market the Group initially often rents facilities
- The standards vary from basic to purpose-built and may have a purchase option
- The Group currently has 65 rented facilities in operation

Customer-based service depot



- To support large fleets of machines on customer sites, the Group is able to quickly organize modular service depots based on air-filled hangars and/or container concept
- This solution can also be used as temporary solution for the Group's construction sites
- The Group currently has 5 customer based outlets in operation

Home-based mechanic

- Mechanics working from home in remote locations or before rented facilities have been identified
- The Group currently has 3 home based mechanics in operation.

Geographical expansion

In 2010, 82% of Ferronordic Machines' units were sold in the Northwest and Central regions, two regions which currently represent approximately 40% of the construction output in Russia. However, Ferronordic Machines has been expanding its operations continuously to capitalize on the large

projects in the regions east of the Ural Mountains, e.g. infrastructure development and extraction of minerals. During the first half of 2013, the share of units sold in Northwest and Central regions had decreased to approximately 50%, from 82% in 2010.







Products and services

EQUIPMENT SALES

The principal products distributed by Ferronordic Machines are Volvo CE road construction equipment, backhoe loaders, excavators, articulated haulers, wheel loaders and skid steer loaders. Sales, distribution and service of Volvo CE machinery is the backbone of the Ferronordic

Machines' operations and contributed to about 96% of the Group's revenue in 2012.

Since the Group's foundation, its product portfolio has expanded to also include other brands, such as Logset which supplies machinery for the forestry industry.

| Product type | Example product | Units sold 2012 | Description |
|-----------------------------|---|-----------------|--|
| Backhoe loaders |  | 571 | <ul style="list-style-type: none"> Small and versatile machine, a tractor fitted with a shovel or bucket on the front and a backhoe on the back Wide range of applications, including deep trenching, heavy lifting, loading, craning, material handling and construction |
| Excavators |  | 384 | <ul style="list-style-type: none"> Excavators consists of a boom, stick, bucket and cab on a rotating platform and is often known as "diggers" (i.e. their main function) Excavators are used for site preparation, landscaping, trenching, excavation, demolition, truck loading, piping etc. |
| Articulated haulers |  | 138 | <ul style="list-style-type: none"> Volvo CE developed the articulated hauler concept and is still the undisputed leader of articulated hauling in the most demanding conditions Applications include quarrying, mining and waste handling |
| Wheel loaders |  | 82 | <ul style="list-style-type: none"> Used in construction and side walk maintenance to move aside or load materials into or onto another type of machinery Comes in several sizes, from mini loaders to large production machines, for load and carry operations, civil & building construction etc. |
| Road construction equipment |  | 126 | <ul style="list-style-type: none"> Pavers are used to lay asphalt in especially road construction Volvo CE pavers are offered both as tracked and wheeled Compactors are used to compact e.g. asphalt or soil in construction of roads Volvo CE offers both asphalt and soil compactors in various sizes |
| Skid steer loaders |  | 35 | <ul style="list-style-type: none"> The Volvo CE skid steer is one of the most versatile machines on the jobsite, a small rigid machine with lift arms which attaches a variety of tools Volvo CE offers a wide range of productive attachments to the skid steer for hauling earth, cutting trenches, digging postholes, palletizing material or breaking concrete |

EQUIPMENT RENTAL

During 2012, 2% of Ferronordic Machine's revenue came from rental agreements with customers. The rental fleet has, partly due to economies of scale, potential to be a very profitable revenue channel for Ferronordic Machines if volumes can be increased.

PRODUCT SUPPORT

Parts

Sale of parts is Ferronordic Machines' largest revenue stream from the important aftermarket. Parts availability is a fundamental attribute for construction equipment resellers, and can be a differentiating factor.

Ferronordic Machines keeps inventory of parts throughout Russia for convenient access to spare parts for customers. Proximity to customers is important for fast delivery, and Ferronordic Machines' continued expansion in all districts of Russia provides for excellent customer service. Ferronordic Machines also offers customers remanufacturing of vital parts, such as engines and gearboxes, which extends the machines' operating lifecycle.

Service

Service is essentially repair and maintenance work performed by Ferronordic Machines' mechanics on customers' machinery during its operating life. The aftermarket services include for example planned maintenance service and machine diagnostics as well as planned and unplanned repair. To be able to tailor its offering and satisfy each customer's need, Ferronordic Machines offers different levels of customer service through a range of different service contracts. These service contracts increase the stability of Ferronordic Machines' operations and the predictability of future revenues and cash flow.

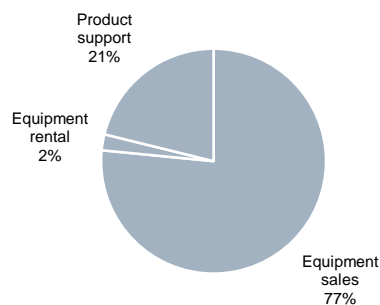
In addition to a high level of customer service in terms of repairs, service and maintenance, Ferronordic Machines offers its customers the Volvo CareTrack system. The CareTrack system is a state-of-the-art telematics system which gives Ferronordic Machines a wide range of monitoring information of the customers' fleets and enables Ferronordic Machines to give its customers advice on how to reduce fuel costs, optimize performance and manage the entire fleets' service plan in order to maximize uptime. The system uses the integrated GPS receiver, modem and antenna in the machines to transfer machine data via GPRS/GSM mobile network or satellite. Once CareTrack is activated, Ferronordic Machines receives useful information of its customers' fleets,

The rental equipment fleet is to be utilized during times of heavy customer demand or during uncertain economic conditions when customers may use rental fleets to defer capital expenditure.

such as machine utilization reports, fuel consumption reports, daily hour reports, location reports and service maintenance alerts. This information substantially increases the Group's ability to provide a high level of customer service, both in terms of technical service from mechanics as well as pro-active commercialized offers of spare parts at appropriate times. Additional soft products provided by Ferronordic Machines include:

- Fleet management services
 - Simulation of projects
 - Consultancy on optimal fleet and specification composition
- Financing service through Volvo Finance
- Operator training
- Insurance
- Warranties
- Logistics
- Consultancy on residual value management
- Trade-in of used machines
- Sales of used machines

REVENUE SPLIT 2012



Financial overview

The summarised financial information presented below for the financial years 2011–2012 has been extracted from Ferronordic Machines' audited consolidated financial statements, which were prepared in accordance with IFRS and have been audited by the Company's auditors. Information regarding the first nine months of 2012 and 2013 has been extracted from Ferronordic Machines' interim reports which were prepared in accordance with IFRS. The interim report has been subject to a review by the Company's auditors.

The below summary of the Group's financial statements should be read together with Ferronordic Machines' audited consolidated financial statements and accompanying notes for the years 2011 – 2012 and Ferronordic Machines' interim reports for the first nine months of 2013, which have been incorporated in this Company Description by way of reference and comprise a part of the Company Description.

Summary of income statement

| EUR million | Jan-Sep 2013 | Jan-Sep 2012 | 2012 | 2011 |
|-----------------------------------|--------------|--------------|--------|--------|
| Revenue | 207.6 | 207.9 | 275.8 | 268.0 |
| Cost of sales | -172.8 | -178.0 | -233.8 | -230.6 |
| Gross profit | 34.9 | 29.9 | 42.0 | 37.4 |
| Opex | -31.3 | -28.3 | -38.9 | -31.5 |
| EBIT | 3.5 | 1.6 | 3.1 | 5.9 |
| Financial items + FX gains/losses | -10.2 | -7.6 | -10.0 | -7.6 |
| EBT | -6.6 | -6.0 | -6.9 | -1.7 |
| Taxes | 0.3 | 0.6 | 1.1 | -0.0 |
| Net income | -6.3 | -5.3 | -5.8 | -1.8 |

Summary of balance sheet

| EUR million | 30 Sep '13 | 30 Sep '12 | 31 Dec '12 | 31 Dec '11 |
|-------------------------------------|--------------|--------------|--------------|--------------|
| Intangibles | 12.0 | 17.8 | 16.5 | 20.3 |
| PP&E | 25.0 | 27.6 | 27.3 | 18.0 |
| Other non-current assets | 1.4 | 0.9 | 1.3 | 0.9 |
| Total non-current assets | 38.3 | 46.3 | 45.1 | 39.2 |
| Inventory | 72.6 | 61.3 | 58.7 | 62.6 |
| Trade and receivables | 38.1 | 32.8 | 31.7 | 22.8 |
| Other current assets | 0.3 | 0.3 | 0.3 | 0.2 |
| Cash | 7.7 | 10.1 | 19.2 | 12.4 |
| Total current assets | 118.8 | 104.6 | 109.9 | 98.0 |
| Total assets | 157.1 | 150.9 | 155.0 | 137.2 |
| Loans and borrowings | - | 46.5 | 45.6 | 43.5 |
| Financial leases | 3.3 | 8.4 | 6.9 | 5.6 |
| Other non-current liabilities | 1.0 | 3.2 | 2.8 | 4.2 |
| Total non-current liabilities | 4.3 | 58.1 | 55.4 | 53.3 |
| Loans and borrowings | 57.1 | 27.5 | 27.3 | 24.0 |
| Trade and other payables | 79.4 | 42.3 | 50.5 | 34.0 |
| Financial leases | 3.8 | 3.4 | 3.2 | 2.3 |
| Other current liabilities | 4.3 | 4.2 | 3.4 | 3.6 |
| Total current liabilities | 144.6 | 77.4 | 84.5 | 63.9 |
| Total equity | 8.2 | 15.4 | 15.1 | 20.0 |
| Total equity and liabilities | 157.1 | 150.9 | 155.0 | 137.2 |

Summary of cash flow

| EUR million | Jan-Sep 2013 | Jan-Sep 2012 | 2012 | 2011 |
|--|--------------|--------------|------|-------|
| Cash flow from operating activities | 12.7 | 8.6 | 13.5 | 12.7 |
| Net interest and tax paid and other | -5.8 | -4.6 | -5.0 | -3.2 |
| Change in net working capital and provisions | 2.1 | -0.5 | 8.1 | -60.6 |
| Cash flow from investing activities | -1.4 | -7.3 | -8.9 | -4.7 |
| Cash flow from financing activities | -18.0 | 1.0 | -0.9 | 48.4 |
| Cash flow during the period | -10.5 | -2.8 | 6.8 | -7.3 |

Key figures

| EUR million | Jan-Sep 2013 | Jan-Sep 2012 | 2012 | 2011 |
|---------------------------|--------------|--------------|-------|-------|
| Gross margin (%) | 16.8% | 14.4% | 15.2% | 13.9% |
| EBITDA (EURm) | 12.9 | 8.8 | 13.4 | 12.3 |
| EBITDA margin (%) | 6.2% | 4.2% | 4.9% | 4.6% |
| Net debt (EURm) | 56.5 | 75.7 | 63.9 | 63.0 |
| Net debt / EBITDA (times) | 3.2x | 6.5x | 4.8x | 5.1x |

Comments on the financial development

The year 2010 was the Group's first operational period with sales commencing in June 2010. During 2011, the Group expanded its operations both in terms of number of sales and service locations as well as number of employees. During 2011, revenue increased by 263% compared to 2010, from EUR 74 million to EUR 268 million. The increase was to some extent due to only seven months of operations for the Group in 2010, however also due to increase in both number of units sold per month and average price for new machines. The price increase was a result of favourable product mix with strong demand for heavy machines such as articulated haulers and excavators.

During 2011, gross profit margin increased to 13.9% from 11.6% in 2010 and administrative expenses increased at a lower rate than sales, leading to an increase in results from operating activities (EBIT), which amounted to EUR 5.9 million in 2011.

In June 2011 the Company issued bonds with gross proceeds of SEK 400 million (EUR 43.7 million). The issue increased the Company's overall indebtedness as well as financial expenses.

In 2012, the Group continued to increase its presence throughout Russia. The number of sales and service locations increased from 53 to 69 and employees from 540 to 654. Revenue amounted to EUR 276 million, a 3% increase compared to 2011.

Significant events taking place after 30 September

On 9 October 2013 an extraordinary general meeting of shareholders resolved on the issue of Preference Shares. The issue of Preference Shares, amounting to SEK 500 million, was settled on 25 October 2013.

In connection with the issue of the Preference Shares, bondholders of 120 bonds, equal to SEK 120 million, used their bonds as payment for Preference Shares. After the issue of the Preference Shares the number of bonds outstanding amounts to 280, representing an amount of SEK 280 million.

The increase was mainly attributable to growth in parts and service revenue.

Gross profit during 2012 increased from EUR 37.4 million to EUR 42.0 million, corresponding to a margin expansion from 13.9% to 15.2% primarily related to larger share of revenue from service and parts as well as improved prize realizations. The increase in gross profit was however offset by higher operating expenses related to expansion as well as competency development measures such as establishment of the Group's own training centre. The resulting EBIT in 2012 was EUR 3.1 million compared to EUR 5.9 million in 2011.

Net financial items increased during the year due to 60% higher average outstanding debt compared to 2011 as well as increased borrowing cost (bond interest rate of 12% compared to previous shareholder loan interest rate of 10%).

During the first nine months of 2013, the Group has had stable revenue development (5% increase in local currency), however continued increase in gross margin resulted in an EBIT of EUR 3.5 million, compared to EUR 1.6 million during the corresponding period in 2012. The gross margin increased from 14.4% in the first nine months of 2012 to 16.8% in the same period in 2013. Financial indebtedness has also been lowered and was EUR 56.5 million at the end of September compared to EUR 75.7 million a year earlier.

On 22 October 2013, the Company notified the remaining bondholders that the remaining outstanding bonds will be redeemed early by the Company according to the terms and conditions of the bond. The redemption date is 22 November 2013, i.e. 31 days following the date of the notice. On the redemption date the Company will pay to the remaining bondholders an amount equal to SEK 280 million plus 2% redemption premium together with accrued interest from 28 June 2013 until and including the redemption date.

Pro forma financials based on the issue of Preference Shares and bond redemption

In the tables below is a summary of the Group's financial statements and key figures as of 30 September 2013, however adjusted for the Preference Share issue of SEK 500 million and redemption of all outstanding bonds ("the Transactions"). The tables below show illustrative income and cash flow statements if the Transactions had taken place in October 2012 and an illustrative balance sheet if the Transactions had taken place on 30 September 2013. The pro forma financial statements merely describe a hypothetical situation and have been completed to only show

information about the transactions in an illustrative way. The pro forma financials are not to be seen as the current or an estimate of the future financial situation in the Group.

The pro forma financials have not been subject to an audit or a review and are based on unaudited financial statements. An EUR/SEK exchange rate of 8.76 has been used.

| Income statement EUR million | 1 Oct '12 – 30 Sep '13 | Adjustments for Preference Share issue | Adjustments for redemption of bonds | 1 Oct '12 – 30 Sep '13 pro forma figures |
|------------------------------|------------------------|--|-------------------------------------|--|
| Revenue | 275.6 | | | 275.6 |
| EBITDA | 17.5 | | | 17.5 |
| EBITA | 9.6 | | | 9.6 |
| Net financial items | -9.2 | | 5.5 ¹⁾ | -3.7 |
| Result after net fin. items | 0.4 | | | 5.9 |

* Excluding amortization of transaction related intangibles

| Balance sheet EUR million | 30 Sep '13 | Adjustments for Preference Share issue | Adjustments for redemption of bonds | 30 Sep '13 pro forma figures |
|------------------------------|------------|--|-------------------------------------|------------------------------|
| Non-current assets | 38.3 | | | 38.3 |
| Other current assets | 111.1 | | | 111.1 |
| Cash | 7.7 | 57.1 ²⁾ | -48.0 ³⁾ | 16.8 |
| Total assets | 157.1 | | | 166.2 |
| Equity | 8.2 | 57.1 ²⁾ | -0.9 ⁴⁾ | 64.4 |
| Non-current liabilities | 4.3 | | | 4.3 |
| Loans and borrowings | 57.1 | | -45.7 ⁵⁾ | 11.5 |
| Current liabilities | 87.5 | | -1.4 ⁶⁾ | 86.1 |
| Total liabilities | 148.9 | | | 101.8 |
| Total equity and liabilities | 157.1 | | | 166.2 |
| Net debt | 56.5 | | | 1.7 |

| Cash flow statement EUR million | 1 Oct '12 – 30 Sep '13 | Adjustments for Preference Share issue | Adjustments for redemption of bonds | 1 Oct '12 – 30 Sep '13 pro forma figures |
|--|------------------------|--|-------------------------------------|--|
| Cash flow from operating activities | 17.6 | | | 17.6 |
| Net interest and tax paid and other | -6.2 | | 5.5 ¹⁾ | -0.7 |
| Change in net working capital and provisions | 10.7 | | | 10.7 |
| Cash flow from investing activities | -3.0 | | | -3.0 |
| Cash flow from financing activities | -19.9 | 57.1 ²⁾ | -48.0 ³⁾ | -10.8 |
| Dividends | 0.0 | -5.7 ¹⁾ | | -5.7 |
| Cash flow | -0.9 | | | 8.0 |

| Key ratios | 30 Sep '13 | 30 Sep '13 adjusted figures |
|---------------------------------|------------|-----------------------------|
| Equity to assets (%) | 5.2% | 38.7% |
| Net debt/EBITDA (times) | 3.2x | 0.1x |
| Interest coverage ratio (times) | 1.9x | 4.7x |

1) Decreased interest expenses due to lower outstanding debt. Excludes the 2% redemption premium paid for the bonds

2) Preference share issue of SEK 500 million, excluding transaction cost

3) Cash effect from the redemption of bonds, including accrued interest and the 2% redemption premium

4) Accounting effect on book value of equity due to early redemption of bonds (bondholders were paid principal amount plus a redemption premium of 2%)

5) Principal amount paid in connection to the redemption of bonds

6) Accrued interest paid in connection to the redemption of bonds

7) Dividend related to the Preference Shares

Organisation and Corporate Governance

Organisation

Ferronordic Machines has its registered address and office in Stockholm.

Ferronordic Machines is the sole shareholder of Ferronordic Machines LLC, which is the sole operating company in the Group. Ferronordic Machines LLC is a Russian limited liability company with its registered address and headquarters in the city of Khimki, Moscow Region.

Ferronordic Machines LLC has one subsidiary which functions as a holding company for local real estate in Arkhangelsk. The subsidiary is not operational.

Ferronordic Machines has two full-time employees, Anders Blomqvist (formal CEO of the Company) and one assistant. Ferronordic Machines LLC has over 700 employees, including Lars Corneliusson (Group President) and other members of the executive management team.

Corporate Governance

Companies listed on First North are not required to apply the Swedish Corporate Governance Code (Sw. *Svensk kod för bolagsstyrning*). As part of its

ambition to list its ordinary shares on the Main Market, Ferronordic Machines will, in most respects, act as if it already applied the Swedish Corporate Governance Code.

Board

In 2010, Ferronordic Machines received funding from several well-known and respected Swedish investors as well as an American investment company, which became the largest shareholder. At the same time, a highly experience Board was formed with knowledge of both Russia and the construction equipment industry.

The Board consists of eight members, elected by the general meeting of shareholders. The work of the Board is led by the chairman. Board members are elected at the annual general meeting based on the proposal of the Company's nomination committee, currently representing the three largest shareholders (excluding the management shareholders).



PER-OLOF ERIKSSON
 Chairman of the Board, Member of the Remuneration Committee and Audit Committee
Member since 2010

General Swedish citizen. Born 1938. M.Sc. in Applied Physics.

Relevant experience: Board chairman of Odlander, Fredriksson & Co AB, OFP Partners AB and Health Cap Advisor AB. Board member of Investment AB Öresund, Kamstrup AB, Kamstrup Karlskrona AB and Södersjukhuset AB. Previous positions include President and CEO of Sandvik AB, 1984-1994. President and CEO of Seco Tools AB, 1976-1984. Independent of the company, its management and major shareholders.

Number of shares in Ferronordic Machines: 64,700 shares (through Peolen AB) and 1,020 Preference Shares.



MARTIN LEACH
 Vice Chairman of the Board, Member of the Remuneration Committee and Chairman of the Audit Committee
Member since:2010

General British citizen. Born 1957. Dr.Sc.

Relevant experience: Board chairman of Magma Group. Board member of Auto XP Limited. Previous positions include Board chairman and CEO of GAZ International Limited, 2006-2008. Board chairman of LDV Holdings Ltd 2006-2008. CEO of Maserati Spa, 2004-2005. President and COO of Ford Europe, Ford Motor Company, 2002-2003. Vice President Product Development Ford Europe, Ford Motor Company, 2000-2002. Managing Director of Mazda Motor Company, Japan, 1997-1999. Director Mazda Motor Company Japan, 1996-1997. Independent of the company, its management and major shareholders.

Number of shares in Ferronordic Machines: 0



MARIKA FREDRIKSSON
 Member of the Board and the Audit Committee
Member since:2010

General Swedish citizen. Born 1963. M.Sc. in Business Administration.

Relevant experience: CFO and Executive Vice President of Vestas Wind System A/S. Board member of ÅF AB. Previous positions include CFO and Senior Vice President of Gambro AB, 2009-2012. CFO and Vice President of Autoliv Inc., 2008-2009. CFO and Senior Vice President of Volvo Construction Equipment, 2004-2008. Independent of the company, its management and major shareholders.

Number of shares in Ferronordic Machines: 30,400 ordinary shares and 1,020 Preference Shares.



TOM JÖRNING
 Member of the Board, the Remuneration Committee and the Audit Committee
Member since:2011

General Swedish citizen. Born 1950.

Relevant experience: Managing Director of Volvo Group Trucks, Sales & Marketing, Market Central East. Previous positions include Managing Director of Volvo Trucks, Region East, 1995-2004. Independent of the company, its management and major shareholders.

Number of shares in Ferronordic Machines: 0



MAGNUS BRÄNNSTRÖM
Member of the Board and the Audit Committee
Member since:2011

General Swedish citizen. Born 1966. M.Sc. in Business Administration.

Relevant experience: CEO and President of Oriflame Cosmetics SA. Previous positions include Managing Director of Oriflame Russia, 1997-2005. Independent of the company, its management and major shareholders.

Number of shares in Ferronordic Machines: 0



KRISTIAN TERLING
Member of the Board, the Remuneration Committee and the Audit Committee
Member since:2013

General Swedish citizen. Born 1969. M.Sc. in Electrical and Electronic Engineering.

Relevant experience: Managing Director and Head of Nordic Coverage at Houlihan Lokey. Board member of AH Automation AB. Previous positions include Managing Director at Credit Suisse, 2006-2012, Sector Head of Corporate Finance at Handelsbanken Capital Markets, 2003-2004 and Vice President of Technologies/Nordic Investment Banking, 1992-2003. Independent of the company, its management and major shareholders.

Number of shares in Ferronordic Machines: 0



ERIK EBERHARDSON
Executive Vice Chairman and Member of the Audit Committee
Member since:2010

General Swedish citizen. Born 1970. B.Sc. in Business Administration. Studies in Applied Physics.

Relevant experience: Founder and Head of Business Development of Ferronordic Machines. Board member of Lindab International AB. Previous positions include Chairman of OJSC GAZ, 2008-2009. CEO and President of OJSC GAZ, 2006-2007. Vice President of OJSC GAZ, 2005-2006. President of Volvo Construction Equipment, CIS and Russia, 2002-2005. President of Volvo Ukraine LLC, 1996-2000.

Number of shares in Ferronordic Machines: 2,661,000 ordinary shares through ScandSib Holding Ltd and Lövudden Holding AB.



LARS CORNELIUSSON
Member of the Board and the Audit Committee
Member since:2011

General Swedish citizen. Born 1967. M.Sc. in Business Administration.

Relevant experience: President and CEO of Ferronordic Machines Group. Managing Director of Ferronordic Machines LLC. Previous positions include Managing Director of ZAO Volvo Vostok and President of Volvo Trucks Russia, 1999-2011.

Number of shares in Ferronordic Machines: 2,022,800 ordinary shares through Portillus Resources Ltd and Porterix Investment AB.

Senior Management

The top management of Ferronordic Machines consists of several individuals, highly experienced and includes people with key roles in Volvo's establishment in Russia since the 90's. In recent years, the management team has grown and several recruitments have been added to increase competence as well as experience. The turnover of staff in the executive management has been insignificant since the foundation, and management's ownership of the Company aligns their interest with the interest of other shareholders.



LARS CORNELIUSSON
President and CEO
Employed since 2011

Relevant experience: *See Board*

Number of shares in Ferronordic Machines: 2,022,800 ordinary shares through Portillus Resources Ltd and Porterix Investment AB.



ERIK EBERHARDSON
Founder and Head of Business Development
Employed since 2010 (foundation)

Relevant experience: *See Board*

Number of shares in Ferronordic Machines: 2,661,000 ordinary shares through ScandSib Holding Ltd and Lövudden Holding AB.



ANDERS BLOMQVIST
CFO
Employed since: 2010 (foundation)

Relevant experience: 12 years of investment banking experience in London, Chicago and New York. Has worked for both Credit Suisse First Boston and HSBC Bank. Previously CFO and COO at Emeyu LLP. Co-founder of Ferronordic Machines.

Number of shares in Ferronordic Machines: 625,100 ordinary shares through Traxxenta Holding Ltd and LASH Investment AB.



HENRIK CARLBORG
General Counsel
Employed since: 2013

Relevant experience: Over 10 years' of legal practice in Sweden and Russia, specialized in corporate finance, private equity, real estate and general commercial law. Previously Partner at Hannes Snellman. Legal advisor in the foundation and initial capitalization of the Company.

Number of shares in Ferronordic Machines: 50,000 ordinary shares through Lelolg Holding AB.



ONUR GUCUM
Commercial Director
Employed since: 2012

Relevant experience: Over 15 years' experience in the construction equipment industry. Various international project and operational assignments with Volvo CE, including in Russia. Previously COO of Zeppelin, the main Caterpillar dealer in Russia.

Number of shares in Ferronordic Machines: 57,300 ordinary shares



NADIA ARZUMANOVA
HR Director
Employed since: 2010

Relevant experience: Over 10 years' combined HR and business experience. Has worked in BP and Shell focused on HR General and Organizational Development. Previously acted on business side in sales, marketing and procurement.

Number of shares in Ferronordic Machines: 0

Share-based incentive programs

The Company currently has two warrant programs; warrants series 2011/2016 for certain members of the Board (not including Lars Corneliusson and Erik Eberhardson), and warrants series 2013/2016 for certain key employees (not including Lars Corneliusson, Erik Eberhardson and Anders Blomqvist).

Warrant series 2011/2016 comprise 180 warrants which, upon execution, can lead to a maximum increase in the share capital amounting to EUR 3,133 (corresponding to 313,300 ordinary shares). The warrants are subject to certain terms and conditions and may be exercised during a 30 day period following, *inter alia*, the achievement of certain milestone conditions.

Auditors

At the annual general meeting of Ferronordic Machines, held on 20 May 2013, KPMG was appointed auditor, with Mattias Lötborn as the main responsible auditor and without deputy auditor, until the next annual general meeting.

Warrant series 2013/2016 comprise 2,382 warrants. The warrants can, upon execution, lead to an increase in the share capital amounting to EUR 2,382 (corresponding to 238,200 ordinary shares). The warrants are subject to certain terms and conditions and may be exercised from the earlier of (i) the day falling 18 months from the first day the Company's shares were admitted to trading on a recognized European stock exchange or other regulated market, or (ii) 1 May 2016, up until and including 31 May 2016.

The warrants have been adjusted for the recent share split (1:100).

Legal matters and miscellaneous information

Significant agreements

DEALER AGREEMENT

Ferronordic Machines and Volvo CE signed an initial dealer agreement in June 2010 (subsequently replaced by an amended dealer agreement in July 2012) by which Volvo CE appointed Ferronordic Machines the official dealer of Volvo CE machines, parts and after-sales services in the entire territory of Russia. The dealer agreement is valid until 27 April 2016 after which the agreement will continue for an indefinite period with 180 days' notice – in line with the standard contract terms for Volvo CE dealers and customary in the industry. Ferronordic Machines is free to extend its product offering to include products that complement Volvo CE's products. Volvo CE continues to import the machines and parts to Russia; Ferronordic Machines buys and sells all products inside Russia. It is at the core of Volvo CE's global distribution strategy, including Russia, to appoint external dealers. Like Ferronordic Machines, dealers in other parts of the world are handpicked based on Volvo CE's evaluation of management's ability to increase sales and grow Volvo CE's market share in the relevant region. In exchange for being appointed a Volvo CE dealer, Ferronordic Machines made commitments to Volvo CE to invest in, open new and develop existing dealer outlets. The dealer agreement provides that a change of control of the Group would require Volvo CE's prior approval.

SHAREHOLDERS AGREEMENT

Ferronordic Machines and holders of ordinary shares representing approximately 98 % of the votes in the Company have entered into a shareholders agreement. The agreement contains voting undertakings, provisions regarding influence on the composition of the board of directors, voting majority for certain resolutions and certain restrictions on share transfers. Consequently, the parties to the shareholders agreement have joint control of the Company. The shareholders agreement will terminate upon the earlier of (i) a listing of the Company's ordinary shares on NASDAQ OMX Stockholm or another recognized European stock exchange or other regulated market and/or the underwritten public offering of such shares, (ii) a sale of all or substantially all of the shares in the Company, or its subsidiary (or all or substantially all of their assets) to a person not being a member of the Company group or an affiliate thereof, or (iii) on 1 June 2021.

In addition to the shareholders agreement, shareholders representing more than two thirds of the votes in the Company have undertaken to represent their shares and vote in favour of necessary resolutions to implement the conversion option associated with the Preference Shares.

Transactions with related parties

The Group is involved in transactions with related parties which are entities under the control of the Company's shareholders. The transactions have since 2011 included minimal fees for professional services, revenue from related parties' rent of premises as well as interest related to a shareholders' loan and the repayment of such loan. In June 2011, the Group issued bonds with gross proceeds of SEK 400 million which were used to repay the shareholders' loan and to finance the Group's operating activities. Some of the Company's shareholders are also employees of the Company or other Group companies and receive customary salaries and other benefits from the Group.

For additional information on related party transactions, see note 26 in the annual report and note 3 in the interim report for the period ended 30 September 2013 incorporated through reference.

Disputes

Ferronordic Machines neither is nor has been a party to any disputes which may have a material effect on the Company's business, financial position or result, nor does it anticipate any such disputes.

Other information regarding the Board and Senior Management

No member of the Board or Senior Management has been involved in any bankruptcies, receivership, or liquidations in their respective capacity as director, alternate director or as a member of the management in the past five years. None of the directors or members of the management have during the last five years been convicted of fraud or been subject to public allegations or sanctions by supervising or legislative authorities and none of them have been prohibited to act as a director or in any other way be engaged in business activities in the last five years.

Documents incorporated by reference

The following documents earlier published shall be incorporated through reference and constitute a part of the Company description:

1. Ferronordic Machines' audited annual report for 2012
2. Ferronordic Machines' unaudited interim report for the period ended 30 September 2013

Certified advisor

The Company has appointed Avanza Bank as its Certified Advisor. As per 28 October 2013, Avanza Bank owned no shares or other securities in or issued by Ferronordic Machines.

Articles of Association

This is a translation of the Swedish original and in case of any discrepancies between the Swedish original and the English translation, the Swedish original shall prevail. The Swedish original is available at the Company's website www.ferronordic.ru as well as at the Company's offices.

Registration number: 556748-7953

§ 1 Company name

The Company name is Ferronordic Machines AB. The Company is a public limited company.

§ 2 Registered office

The registered head office of the Company is in the municipality of Stockholm, Stockholm County.

§ 3 Objects of the company

The Company shall directly or through subsidiaries mainly carry on business consisting of owning and managing holdings in companies operating within the area of distribution and thereto similar operations.

§ 4 Share capital

The share capital shall not be less than 100,000 euro and not more than 400,000 euro.

§ 5 Shares

Number of shares

5.1 The number of shares shall not be lower than 10,000,000 and not more than 40,000,000. The Company's shares may be issued in four classes, ordinary shares, ordinary shares of series 2, class A-preference shares and class B-preference shares. Each ordinary share and ordinary share of class 2 entitles the holder to one (1) vote and each class A-preference share and class B-preference share entitles the holder to one-tenth (1/10) of a vote. Shares of each class of shares may be issued up to a number corresponding to the total share capital.

5.2 If, and as long as, the preference share quota, defined as below, (the "Preference Share Quota") exceeds two-thirds (2/3), the general meeting may only resolve upon:

- i. any further issue of preference shares (class A-preference shares and class B-preference shares), or
- ii. any distributions of profits to ordinary shares and/or ordinary shares of series 2,

if at least two-thirds (2/3) of the total number of shares of each share class is represented at the general meeting and the resolution is supported by at least two-thirds of the votes cast for each share class.

The Preference Share Quota is:

$$\frac{(A + B) \times C}{D}$$

where:

A is 1,200;

B is the "Outstanding Amount" pursuant to paragraph 6.4 below;

C is the total number of outstanding preference shares (class A-preference shares and class B-preference shares) taking into account additional, resolved, but not registered issues, and preference

shares which may be issued due to the exercise of issued convertibles or warrants and other financial instruments which can lead to the issuance of further preference shares, excluding such preference shares which are subject to redemption following a resolution by the general meeting or the board of directors; and

D is the group's book value of equity according to the latest interim report by the board of directors.

Preferential rights

5.3 In the event that the Company issues ordinary shares, ordinary shares of series 2, class A-preference shares or class B-preference shares which are not paid in kind, holders of ordinary shares, ordinary shares of series 2, class A-preference shares or class B-preference shares shall have preferential right to subscribe for such shares of the same class in proportion to their existing shareholding in that class (primary preferential right). Shares not subscribed for with primary preferential right shall be offered to all shareholders (subsidiary preferential right). Should the number of shares subscribed for with subsidiary preferential right not be enough, said shares shall be apportioned among subscribers in proportion to their existing shareholdings, irrespective of whether their holding consist of ordinary shares, ordinary shares of series 2, class A-preference shares or class B-preference shares, and, to the extent that this cannot be done, by drawing of lots.

5.4 In the event that the Company only issues ordinary shares, ordinary shares of series 2, class A-preference shares or class B-preference shares which are not paid in kind, holders of shares of the same class as issued shall have preferential right to subscribe for new shares in proportion to their existing shareholding of that class (primary preferential right). Shares not subscribed for with primary preferential right shall be offered to all shareholders (subsidiary preferential right). Should the number of shares subscribed for with subsidiary preferential right not be enough, said shares shall be apportioned among subscribers in proportion to their existing shareholdings, irrespective of whether their holding consist of ordinary shares, ordinary shares of series 2, class A-preference shares or class B-preference shares, and, to the extent that this cannot be done, by drawing of lots.

5.5 In the event that the Company decides to issue warrants or convertibles which are not paid in kind, holders of ordinary shares or ordinary shares of series 2, class A-preference shares or class B-preference shares shall have preferential right to subscribe for warrants as if the issue was in respect of the shares that may be subscribed for by exercising the warrants and to subscribe for convertibles as if the issue was in respect of the shares that the convertibles may be exchanged for.

5.6 The aforesaid shall not limit the possibility to issue shares with deviation from the shareholders' preferential right.

5.7 An increase of share capital through a bonus issue of shares may only be made by issuing ordinary

shares and ordinary shares of series 2. This means that only holders of ordinary shares have preferential right to the new ordinary shares and that holders of ordinary shares of series 2 have preferential right to ordinary shares of series 2. The bonus shares will be allocated between holders of ordinary shares in proportion to the number of existing ordinary shares that they previously held. What has just been stated shall not imply any limitation in the possibility that through bonus issue, after appropriate alteration of the Articles of Association, issue shares of a new class.

Conversion

5.8 A class A-preference share may, at the request from a holder of such share, be converted to a class B-preference share. The request shall be made in writing to the Company on the form provided by the Company and specify the number of class A-preference shares to be converted. The form provided by the Company will include an authorisation for a person appointed by the Company to on behalf of the shareholder subscribe for shares in a Series 2-Share Issue (as defined in paragraph 7.5 below) and undertake the measures necessary to execute a resolution on Special Redemption (as defined in paragraph 7.1 below). A request for conversion may be made as from the board of directors' resolution, and when the Company has informed (by press release or another notice to the holders of class A-preference shares) that conversion may be made up until and including the fifth banking day thereafter, or the shorter or longer time resolved upon by the board of directors. Banking day refers to a day which, in Sweden, is not a Sunday, other public holiday or a day which in relation to the payment of debts is equal to a public holiday, e.g., Saturday, Midsummer's eve, Christmas eve and New Year's eve ("banking day"). In the event that the Company has not given notice, in accordance with the previous sentence, that conversion may be done, the holders of class A-preference shares may request, by following the same procedure set out above, conversion from the first day of trading of the Company's ordinary shares on NASDAQ OMX Stockholm or another regulated market up to and including the fifth banking day thereafter. The conversion shall without delay, however not before the first day of trading of the Company's ordinary shares on NASDAQ OMX Stockholm or another regulated market, be notified to the Swedish Companies Registration Office for registration and is effected upon registration and when registered in the CSD register.

5.9 The board of directors shall, within three months from the first day of trading of the Company's ordinary shares on NASDAQ OMX Stockholm or another regulated market, resolve on the conversion of all ordinary shares of series 2 into ordinary shares. In the event that the board of directors does not resolve on conversion according to the previous sentence all ordinary shares of series 2 shall be converted into ordinary shares three months after first day of trading of the Company's ordinary shares on NASDAQ OMX Stockholm or another regulated market. All ordinary shares of series 2 issued three months after the first day of trading of the Company's ordinary shares on NASDAQ OMX Stockholm or another regulated market, shall be converted into ordinary shares.

§ 6 Dividend

6.1 If the general meeting resolves on a dividend, the preference shares (class A-preference shares and class B-preference shares) shall have priority over

ordinary shares and ordinary shares of series 2 to an annual dividend corresponding to an amount which:

6.1.1 with effect from and including the first payment date and up to and including the final payment date prior to the 2016 annual general meeting, amounts to SEK fifty (50) per preference share and six months, although a maximum amount of SEK one hundred (100) per year, and

6.1.2 with effect from and including the first payment date after the 2016 annual general meeting and for the subsequent period up to and including the first payment date after the 2023 annual general meeting, shall increase by a total of SEK ten (10) per year, evenly divided into semi-annually payments. Adjustment shall be made in conjunction with the first payment date after each annual general meeting.

6.2 Payment of dividends on preference shares (class A-preference shares and class B-preference shares) shall be made semi-annually in accordance with the paragraphs 6.1.1–6.1.2 above. Record dates for the payments shall be 25 April and 25 October each year. In the event such day is not a banking day the record date shall be the closest preceding banking day. Payment of dividends will be made on the third banking day after the record date. The first time payment of dividends on preference shares (class A-preference shares and class B-preference shares) may be made is on the payment date that occurs after the first record date following the issuance of the preference shares (class A-preference shares and class B-preference shares) or the later or earlier date stipulated in the issue resolution or, as applicable, after the registration of conversion from class A-preference shares to class B-preference shares.

6.3 If the general meeting resolves on a dividend, preference shares (class A-preference shares and class B-preference shares) shall, in addition to dividends in accordance with the above, also have priority over ordinary shares and ordinary shares of series 2 to dividend on the Outstanding Amount (as defined in paragraph 6.4 below), equally divided on each preference share (class A-preference shares and class B-preference shares). The preference shares (class A-preference shares and class B-preference shares) shall not otherwise entitle to any dividend.

6.4 If no dividend is paid on preference shares (class A-preference shares and class B-preference shares) in connection with a record date in accordance with paragraph 6.2 above, or if the semi-annually payment is made with an amount less than the amount per preference share (class A-preference shares and class B-preference shares) to be made pursuant to paragraph 6.1 above, an amount constituting the difference between what should have been paid as dividend and the actual amount paid per preference share (class A-preference shares and class B-preference shares) shall be added to outstanding amount ("Outstanding Amount"). The Outstanding Amount shall be adjusted upwards cumulatively from day to day by a factor corresponding to an annual interest rate of 20 per cent, whereby upward adjustment shall start from the semi-annually date when payment of part of the dividend was made (or should have been made, in the event no dividend was paid at all).

6.5 In the event the number of preference shares (class A-preference shares and class B-preference shares) is changed through a reverse share split, share split or other similar company event, the amounts to which the preference share (class A-preference shares and class B-preference shares) carries entitlement according to paragraphs 6-8 in this Articles of Association shall be recalculated to reflect such change. Should a class A-preference share be

converted to a class B-preference share pursuant to paragraph 5.8 above, any Outstanding Amount regarding the class A-preference share shall be transferred to the class B-preference share.

6.6 All payments of dividends on preference shares (class A-preference shares and class B-preference shares) shall be made in SEK, however the resolutions on dividends shall, as long as the Company's accounting currency is euro, be denominated in euro as per the day of the resolution.

§ 7 Redemption

Redemption of class B-preference shares in connection with an issue of ordinary shares of series 2

7.1 Under the conditions set out in paragraph 7.5 below, the board of directors shall be entitled to resolve on reduction of the share capital by redemption of all class B-preference shares or, in the event that the Company does not have sufficient unrestricted equity to redeem all, a certain number off class B-preference shares ("Special Redemption").

7.2 The distribution of class B-preference shares that are to be redeemed following a resolution on Special Redemption of a certain amount of, but not all, class B-preference shares shall be made pro rata in relation to the number of class B-preference shares that each preference shareholder holds on the date of the board of directors' resolution on Special Redemption. If the allocation as set out above is not even, the board of directors shall resolve on allocation of surplus class B-preference shares that are to be redeemed. If the resolution to redeem shares is approved by all holders of class B-preference shares the board of director may, however, freely resolve which class B-preference shares that are to be redeemed.

7.3 The redemption price in case of Special Redemption shall be SEK five hundred and seventy five (575) (the "Basic Redemption Amount") including accrued share of dividends on preferential shares and any Outstanding Amount (together the "Redemption Amount"). The Redemption Amount shall be issued to the holders of redeemed class B-preference shares in the form of a claim on the Company (the "Redemption Claim"). The Redemption Claim can only be used to pay for subscribed shares in a Series 2-Share Issue (as defined below) by set-off and falls due in connection with the date of payment for shares subscribed in a Series 2-Share Issue. Should a Redemption Claim not be sufficient to subscribe for a full number of ordinary shares of series 2 in a Series 2-Share Issue, the exceeding amount shall be paid to the claimant within twenty (20) days from the final registration of the Series 2-Share Issue with the Swedish Companies Registration Office. The Redemption Claim cannot be transferred, does not carry interest and does not entitle to payment of the redemption price in any other way than described in this paragraph. In case a Series 2-Share Issue is resolved upon but not registered with the Swedish Companies Registration Office or is otherwise carried out within three months, and this has not been caused by actions or omissions of a shareholder, the persons, whose class B-preference shares have been redeemed by Special Redemption, shall in exchange for the Redemption Claim be entitled to receive an amount corresponding to the amount which would have been paid should the class B-preference shares been redeemed in accordance with paragraph 7.11 below.

7.4 In case a resolution on Special Redemption has not been passed at the latest on 25 October 2014, the Basic Redemption Amount, in the event of a Special Redemption, shall be increased by SEK five (5) per

month thereafter up to a maximum amount of SEK six hundred and fifty (650).

7.5 A resolution on Special Redemption can only be made if (i) the general meeting simultaneously resolves on; (ii) the general meeting resolves to approve a resolution by the board of directors on; or (iii) the board of directors, with authorisation from the general meeting simultaneously resolves on; a directed set-off issue or a cash issue of ordinary shares of series 2 to the shareholders whose class B-preference shares are to be redeemed by Special Redemption ("Series 2-Share Issue"). A resolution on Special Redemption may also be made if there is an existing resolution on a Series 2-Share Issue. The subscription price in a Series 2-Share Issue shall correspond to fifty (50) per cent of the subscription-/offer price of the shares which have been issued and/or been offered in connection with the Company's ordinary shares being admitted to trading on NASDAQ OMX Stockholm or another regulated market. The number of ordinary shares of series 2 issued in a Series 2-Share Issue shall equal the number of ordinary shares of series 2 that the holders of class B-preference shares that have been redeemed by a resolution of Special Redemption may pay for by virtue of their total Redemption Claims.

7.6 In the event that the Company has sufficient unrestricted equity, according to the most recently adopted balance sheet, in order to redeem all outstanding class B-preference shares and the Company's ordinary shares are listed on NASDAQ OMX Stockholm or another regulated market, and a resolution on Special Redemption and Series 2-Share Issue has not been passed on the fifth (5) banking day following the annual general meeting 2015, the holders of class B-preference shares are entitled to request redemption in accordance with the procedure set out in paragraphs 7.9–7.12 below. The Company shall, provided that the preconditions for redemption on this ground are met, be obligated to redeem class B-preference shares on the holder's request.

7.7 Unless Special Redemption cannot otherwise be effected without the authorisation from the Swedish Companies Registration Office or, in disputed cases, a court of general jurisdiction, an amount corresponding to the reduction of the share capital must be allocated to the statutory reserve.

7.8 In the event the number of ordinary shares or ordinary shares of series 2 is changed through a reverse share split, share split, rights issue or other similar company event (however excluding a directed new share issue), the subscription price in a Series 2-Share Issue shall be recalculated to reflect such change.

Cash redemption of class B-preference shares

7.9 A reduction of the share capital, although not below the minimum capital, may also be effected through redemption of a certain number or all class B-preference shares following a resolution by the board of directors. When a resolution on redemption is made, an amount corresponding to the reduction amount shall be allocated to the statutory reserve if the requisite funds for this purpose are available. The motive behind a resolution on cash redemption of class B-preference shares shall be to be able to redeem the class B-preference shares if a resolution on Special Redemption cannot be passed.

7.10 The distribution of class B-preference shares that are to be redeemed shall be made pro rata in relation to the number of class B-preference shares which each preference shareholder holds on the date of the board of directors' resolution on redemption. If the

allocation as set out above is not even, the board of directors shall resolve on allocation of surplus class B-preference shares that are to be redeemed. If the resolution to redeem shares is approved by all holders of class B-preference shares the board of director may, however, freely resolve which class B-preference shares that are to be redeemed.

7.11 The redemption price (the "Class B Redemption Price") shall be an amount, equally divided on each redeemed class B-preference share, as follows:

7.11.1 for the period until 25 October 2015, an amount of SEK one thousand one hundred and fifty (1,150) per class B-preference share plus any accrued part of preference share dividend and any Outstanding Amount,

7.11.2 with effect from and including 25 October 2014, an amount of SEK one thousand one hundred and fifty (1,150) per class B-preference share increased by SEK ten (10) per month up to a maximum amount of SEK one thousand three hundred (1,300) per B-preference share plus any accrued part of preference share dividend and any Outstanding Amount.

"Accrued part of preference share dividend" means such dividend accrued for the period beginning on (but excluding) the last record date constituting the basis for calculation of an Outstanding Amount and ending on (and including) the day of payment of the Class B Redemption Price. The number of days shall be calculated on the basis of the actual number of days divided by 180 days.

7.12 Holders of class B-preference shares which shall be redeemed shall be obliged to within three months of receipt of a written notification of the board of directors' resolution on redemption to accept the Class B Redemption Price or, where permission for the reduction is required from the Swedish Companies Registration Office or the court, after receipt of notification that a decision on such permission has become legally binding.

Redemption of class A-preference shares

7.13 A reduction of the share capital, although not below the minimum capital, may be effected through redemption of a certain number or all class A-preference shares following a resolution by the board of directors. When a resolution on redemption is made, an amount corresponding to the reduction amount shall be allocated to the statutory reserve if the requisite funds for this purpose are available.

7.14 The distribution of class A-preference shares that are to be redeemed shall be made pro rata in relation to the number of class A-preference shares which each preference shareholder holds on the date of the board of directors' resolution on redemption. If the allocation as set out above is not even, the board of directors shall resolve on allocation of surplus class A-preference shares that are to be redeemed. If the resolution is approved by all holders of class A-preference shares the board of director may, however, freely resolve which class A-preference shares that are to be redeemed.

7.15 The redemption price (the "Class A Redemption Price") shall be an amount, equally divided on each redeemed class A-preference share, as follows:

7.15.1 for the period until 25 October 2014, an amount of SEK one thousand and fifty (1,050) per class A-preference share plus any accrued part of preference share dividend and any Outstanding Amount, and

7.15.2 with effect from and including 25 October 2014, an amount of SEK one thousand and fifty (1,050) per

class A-preference share increased by SEK ten (10) per month up to a maximum amount of SEK one thousand two hundred (1,200) per class A-preference share plus any accrued part of preference share dividend and any Outstanding Amount.

"Accrued part of preference share dividend" means such dividend accrued for the period beginning on (but excluding) the last record date constituting the basis for calculation of an Outstanding Amount and ending on (and including) the day of payment of the Class A Redemption Price. The number of days shall be calculated on the basis of the actual number of days divided by 180 days.

7.16 Holders of class A-preference shares which shall be redeemed shall be obliged to within three months of receipt of a written notification of the board of directors' resolution on redemption to accept the Class A Redemption Price or, where permission for the reduction is required from the Swedish Companies Registration Office or the court, after receipt of notification that a resolution on such permission has become legally binding.

7.17 Redemption pursuant to paragraph 7 may only be done if the consolidated redemption price does not exceed the amount available pursuant to Chapter 17, Section 3 paragraph one of the Swedish Companies Act (2005:551).

§ 8 Liquidation of the Company

In the event the Company becomes subject to liquidation, preference shares (class A-preference shares and class B-preference shares) shall have priority over ordinary shares and ordinary shares of series 2 to receive from the Company's assets an amount of SEK one thousand two hundred (1,200), accrued part of preference share dividend and any Outstanding Amount per preference share, prior to distribution to holders of ordinary shares and ordinary shares of series 2. The amount shall be paid in SEK. The preference shares shall otherwise not carry any entitlement to a share of distribution. Ordinary shares and ordinary shares of series 2 will subsequently have equal rights to the Company's assets.

§ 9 Board of directors and company auditors

The board of directors shall consist of 3-10 members with a maximum of 5 deputy members.

The Company shall have 1-2 auditors, with not more than 2 deputy auditors, or a registered auditing company.

§ 10 Convening of shareholders' meeting

Notice of shareholders' meeting and extraordinary shareholders' meeting where a matter regarding changes to the Articles of Association shall be resolved shall be issued not earlier than six weeks and not later than four weeks prior to the meeting. Notice of other extraordinary shareholders' meetings shall be issued not earlier than six weeks and not later than two weeks prior to the meeting.

Notice of general meetings shall take place through an announcement in Post- och Inrikes Tidningar (the Swedish official gazette) and on the Company's website. An announcement that notice has been given shall be published in an advertisement in the daily newspaper Dagens Industri.

To be entitled to participate in the business of a general meeting, shareholders must be recorded in transcript or other presentation of the complete share register as of five weekdays before the general meeting and must have notified the Company of their intention to attend not later than at 15.00 on the day stipulated in the notice of the general meeting.

This day may not be a Sunday, any other public holiday, a Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve nor may it fall earlier than five weekdays prior to the general meeting.

A shareholder or a representative may be accompanied by two advisors at a general meeting, however only if the shareholder has notified the Company in the manner specified in the previous paragraph.

§ 11 Opening of a general meeting

The chairman of the board, or a person so appointed by the board, is to open the general meeting and preside over its proceedings until a chairman has been elected for the general meeting.

§ 12 Annual general meeting

The annual general meeting shall be held annually within 6 months after the end of the financial year.

The following business shall be considered at the annual general meeting:

1. Election of chairman of the meeting;
2. Drawing up and approval of the voting list;
3. Approval of the agenda;
4. Election of one or two persons to certify the minutes;
5. Determination of whether the meeting was duly convened;
6. Presentation of the submitted annual report and auditors' report and, where applicable, the consolidated annual report and the auditors' report for the group;

7. Resolutions

- a) regarding the adoption of the income statement and balance sheet and, where applicable, the consolidated income statement and balance sheet,
 - b) regarding allocation of profit or loss in accordance with the adopted balance sheet,
 - c) regarding the discharge from liability of the board members and, where applicable, of the managing director;
8. Determination of fees for the board and for the auditors;
 9. Election of the board and, where applicable, an auditing company or auditors and possible deputy auditors
 10. Other matters which rest upon the meeting according to the Swedish Companies Act or the Company's articles of association.

§ 13 Financial year

The Company's financial year shall be 0101-1231.

§ 14 Collection of proxies

The board of directors may collect proxies pursuant to the procedure stated in Chapter 7 Section 4 second paragraph in the Swedish Companies Act.

§ 15 CSD Clause

The Company's shares shall be registered in a CSD (central securities depository) register pursuant to the Financial Instruments (Accounts) Act (SFS 1998:1479).



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