

Press Release
Stockholm, 6 May 2019

Ferronordic to invest in component remanufacturing center

Ferronordic will invest SEK 35m in a center for remanufacturing of engines and gearboxes in Ekaterinburg. The center is expected to open by end of Q1 2020.

The investment relates to purchases of machinery, tools and equipment needed for the center. In addition, new engines and gearboxes will be purchased that will be sold to customers through trade-in deals to build an initial inventory of used components. The center will be used for components both from Volvo CE machines and trucks from Volvo and Renault Trucks. The investment is expected to have some negative impact on profitability and cash flow during 2019 and 2020, but is expected to contribute positively to the business from 2021.

Lars Corneliusson, CEO of Ferronordic, comments: *“The establishment of a component remanufacturing center is yet another step in broadening our customer offering. We will have a complete offering for customers already operating machines and trucks but with different requirements and preferences. The investment will also help us to grow our sales of used machines and trucks, and further increase our share of the total aftermarket sales. Furthermore, recycling components and giving them a “second life” is also good for the environment”.*

Ekaterinburg is chosen because of its location in the middle of Russia and its relative proximity to Ferronordic's branches across Russia and Kazakhstan. Land and premises are leased. The landlord has committed to make the required refurbishments and installations in order to start operations by the end of Q1 2020.

At the beginning of the remanufacturing process, the engine or gearbox is disassembled. Old parts are renovated or replaced with new ones. Each engine and gearbox is inspected in several steps during the process. Finally, the engine or gearbox is reassembled and tested. In principle, the remanufactured component must meet the same requirements as a newly manufactured product. Remanufactured engines and gearboxes will then be sold to customers with a warranty from Ferronordic, or be used in “Volvo Certified Rebuild”, a program where Ferronordic rebuilds used machines according to the specifications of Volvo CE and then sells them with a renewed warranty from Volvo CE.

About Ferronordic

Ferronordic is the authorized dealer of Volvo Construction Equipment, Terex Trucks, Dressta, Mecalac and Rottne in Russia, and for Volvo Construction Equipment and Mecalac in Kazakhstan. In parts of Russia, Ferronordic has also been appointed aftermarket dealer for Volvo and Renault Trucks and dealer for Volvo Penta. The company began its operations in 2010. It is established in all federal districts of Russia with 79 outlets and over 1,000 employees. Ferronordic's vision is to be regarded as the leading service and sales company in the CIS markets. The shares in Ferronordic are listed on Nasdaq Stockholm.

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