

ZEPPELIN RUSSLAND: MARKET SITUATION AND FORECAST

Moscow

December 2018

- Active market
- Close work with key clients, different large infrastructure projects, package deals

Challenges:

- Unstable situation in external political environment, currency instability, high financing costs, restrictions towards US goods, newly introduced utilization fee
- Liquidity in the market requires permanent attention

CE-Center



- Mining companies continue production at the same level as in 2017 with small improvement due to normal price for commodity.
- Market waiting new custom duties against American products.
- We win this year trucks deals for Severstal for KO. Great team work and Caterpillar support allowed us to do it.
- Severstal bought Yakovlevsky mine. We are set up service point on site.
- KO management will responsible for all mining operation in Severstal (OK, OK, Yakovlevsky mine). Opportunity to increase sale in OK
- Apatit continue to increase productions in underground.
- Alrosa have been cancel decision to buy 5x777.
- Kovdor introduce capital investment for 2 years. Very hard competition from Belaz, Komatsu and Liebherr.
- Agreed and signed service contract for 2 years in AGD.
- We lost tender for Kolskaya GMK. Main reason is long delivery time.
- In Multi-Brand initiative we still below plan, but should achieve target 2018.
- 100% participation rate for each and every deal / tenders for main mining equipment

Mining



- In general in Quarry the same situation with production level as in 2017. Only players with stable production discussing new purchasing (VKU, GU, Betta, Obninerudprom etc) and big international companies with longterm plans like Sibelco, Heidelberg, Severstal, NLMK.
- We are continue to develop special program for developing QCT business. We get good commercial support and win deal for 2x772 for VKU. Need to agree calculation for "try and buy" and demo options
- Signed dealer agreement with Airware. Need to develop and agree plan for this business. Pilot project with BAG.
- Good result in product support. We sold 5 industrial engines for drills (about 350 kUSD), good example of cooperation with ZepPS.
- Continue develop Multi-Brand initiative (crushers, buckets etc). Provide service for non-CAT machine (Hitachi, Komatsu).
- Increase PR, participate in each and every deal / tenders with quarry key accounts

Quarry



Market Business Situation: Challenges and Opportunities

- Purchase commission change - Focus on CCU & DCU
- Develop the appropriate financial simulation to understand appropriate size of the rental fleet and required support from Caterpillar for profitable rental business model and required number of roll-outs for CCU sourcing
- Develop Rent-to-Sell strategy: identify key segments and products to grow customer base and achieve Rental PINS contribution & dealer revenue targets
- Achieve agreed rental excellence level (Heavy Rents Certification) – 4* by 2020
- Develop a solution for "Rental with operator" market opportunities

Rental



- Spare parts inventory 2018
- Online Parts Store launched on the 1st of July on pilot mode
- Service excellence program 2018
- Focus and priorities in Product support : RI Undercarriage, RI GET, RI Hydraulic Solutions

Parts



- Sales in 2018 decreased compared to 2017
 - 2019 sales plan is 25% higher than 2018 forecasted sales
- Challenges:
- Sales and price process correction
 - Inventory management improvement
 - Machines inspection and preparation improvement
 - Marketing support improvement

Used



- Potential Addressed Market for 2018 estimate ~ 10 mio USD.
- Demand for MC is recovering following customers' fleet renovation.
 - Covered customers tend to equip newly purchased machines with MC soon after the purchase.
 - Mid and large contractors are absolutely used to free demo and extra long deferred payment terms provided by market participants.
 - Trimble EarthWorks MC generation released to the RF market and is currently available for the limited models of HEXMD incl. CAT320.
 - Trimble PCS solution - perspectives with PM620. Wirtgen CPLN is also in focus.
 - Potential of the landfill (garbage dumps) projects to be defined.
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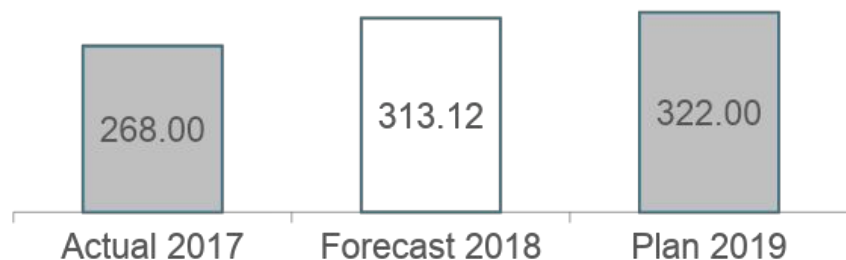
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FINANCIAL PERFORMANCE / FORECAST

ZRS DEVELOPMENT: operational business results and plans

Sales development [USD m]



EBT development [USD m]

