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Fourth Quarter 2019

20 February 2020

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Aftermarket and contracting services drive earnings

Growth in aftermarket but lower equipment sales

Continued growth in contracting services

Ferronordic awarded dealer of the year by Volvo CE

Expansion to Germany completed

Proposed dividend of SEK 4.25 per share

-6% revenue decrease	**13%** operating profit growth	**9.9%** operating margin	**-10%** EPS decrease

Best Q4 operating result to-date

- Revenue of SEK 960m
  - Revenue -6% Y-o-Y on lower equipment sales
  - Aftermarket up 23%
  - Other revenue up 106% (mainly contracting services)
- Operating profit increased 13% and net income decreased 10%
  - Best Q4 operating profit ever, 13% higher than Q4 2018
  - SG&A expenses to revenue of 11.1% vs. 8.8% in Q4 2018
  - Operating margin 9.9%

SEK 960m
(-6%)
revenue

SEK 95m
(+13%)
operating profit

9.9%
operating margin

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Growing aftermarket and contracting services

- Continued aftermarket growth driven by:
  - ➢ Digital sales support
  - ➢ Volvo and Renault Trucks

23%
increase in aftermarket sales

- Growth in contracting services
  - ➢ Other revenue up 106%, Y-o-Y driven by contracting services
  - ➢ Ramp-up of our biggest project in H1 2019 delivers results

106%
growth in other revenue
(mainly contracting services)

- Ferronordic awarded Dealer of the year
  - ➢ Volvo CE recognizes Ferronordic's investments to develop staff and digitize its service

Ferronordic awarded Dealer of the year by Volvo CE

Business development

- Roll-out in Kazakhstan continues as planned
  - ➢ 8 locations established
  - ➢ Continued expansion of local sales and service organization

Continued roll-out in Kazakhstan

- Component rebuild center opened in Q4 2019
  - ➢ Rebuild of engines and gearboxes
  - ➢ First component produced in Q1 2020

Investment in component rebuild center

- Continued development of contracting services

Volvo and Renault trucks Germany

(11) Ferronordic outlets in Germany as of January, 2019

- Transactions to expand to Germany to become dealer for Volvo and Renault Trucks completed
- Ferronordic covers approx. 20% of the German market for heavy trucks, the biggest in Europe
- The area includes
  - Big metropolitan areas, like Hannover and Frankfurt Rhine-Main
  - Large part of Eastern Germany with fast growing cities, like Leipzig and Dresden
- Intention to grow and improve network in the area
- Potential to apply Ferronordic's business model to increase Volvo and Renault trucks market shares and to increase share of aftermarket revenue to improve profitability

Volvo and Renault trucks Germany

- Purchase price for Volvo assets was SEK 96m

  Assets transferred in January 2020
  - SEK 71m real estate and improvements thereof in Property Plant & Equipment
  - SEK 25m mostly parts inventory in prepayments
  - No trucks inventory or receivables included
- Purchase price Auto-Haas shares was SEK 40m
  - Consolidated from 20 December
- Funded by Nordea credit facility
- Net debt increase of SEK 195m, including SEK 64m net debt assumed from Auto-Haas
- Headcount increase by approx. 230 people, mainly mechanics and sales representatives

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Economic development in Russia and Kazakhstan

- Russia's economy continued to recover, albeit at a modest pace
  - 1.3% GDP growth in 2019
  - 1.6-1.9% GDP growth expected in 2020
- Average annual inflation increased to 4.5% in 2019 from 2.9% in 2018 but is expected to trend lower in 2020[1)]
- Central bank cut key rate from 7.75% to 6.25% in 2019 and by another 25bps in February 2020[2)]
- Growth in 2020 will partly depend on effective execution of National Projects and increase in household consumption
- Kazakhstan's economy continues to grow
  - 4% GDP growth in 2019[3)]
  - 3.9% GDP growth expected 2020
- RUB strengthened 6% against SEK and 2% against EUR (average FY 2019 vs 2018)

Russian 2019 inflation up to 4.5%

Key rate decreased to 6.25% in 2019

Kazakhstan's economy grew 4% in 2019

1) http://www.cbr.ru/collection/collection/file/25844/inf_2019-12.pdf, World Bank forecast of 3.7% in 2020
2) https://www.imf.org/en/Countries/KAZ
3) https://www.cbr.ru/eng/hd_base/KeyRate/

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Q4 2019 Profit and loss

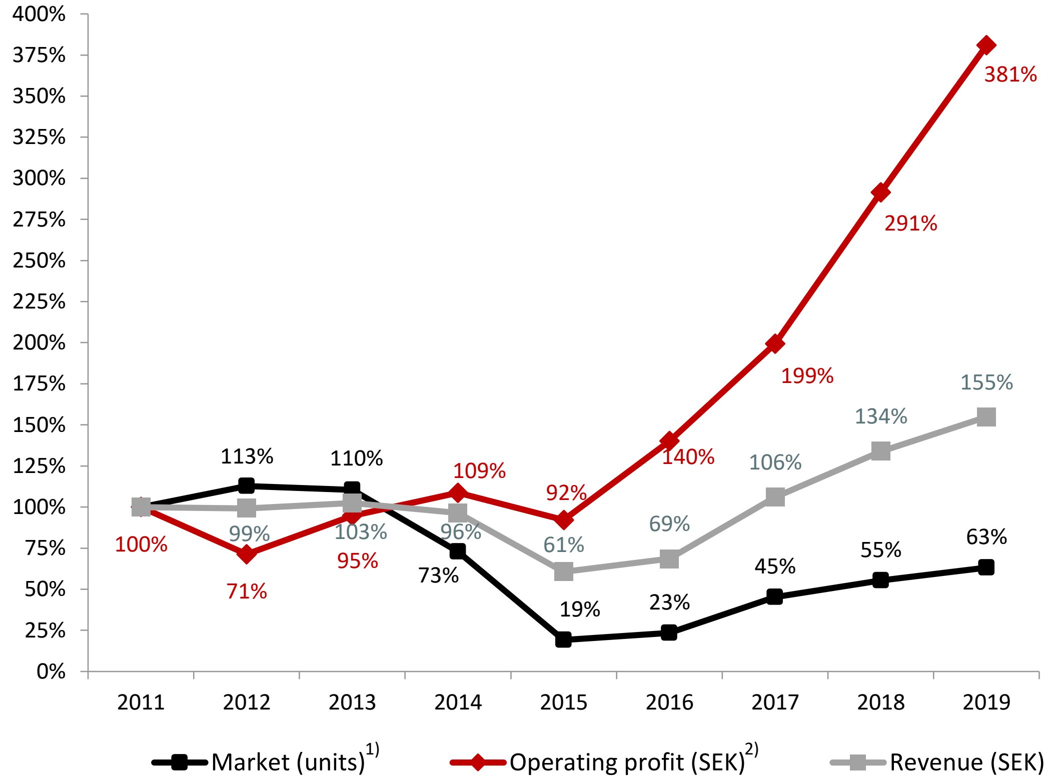
SEK MM	Q4 2019	Q4 2018	% Change SEK	% Change Local currency
New units sold	247	324		
Revenue	**960**	**1 019**	**-6%**	**-15%**
Gross Profit	**202**	**180**	**12%**	**1%**
% Margin	*21,0%*	*17,6%*		
Operating profit	**95**	**84**	**13%**	**2%**
% Margin	*9,9%*	*8,3%*		
Result	**57**	**64**	**-10%**	**-20%**
EPS	3,95	4,40	-10%	-19%
EBITDA*	136	105	30%	17%

** EBITDA positively impacted by IFRS 16 application from 1 January 2019*

- Revenue down -6% (-15% in RUB)
  - Equipment sales down -22%
  - Aftermarket sales up 23%
  - Other revenue up 106%
- Volume and average price changes
  - New units down -24%
  - Average new price down -7%
  - Market estimated as flat
- Gross margin supported by growth in aftermarket and contracting services
- SG&A expenses as of revenue at 11.1% in Q4 2019 vs. 8.8% in Q4 2018, partly on approx. SEK 7m expenses related to Germany
- Operating profit increased by 13% to SEK 95m
- Higher interest cost together with FX loss negative impacted net income
- Net income down 10% to SEK 57m
- Proposed dividend of SEK 4.25 per share

Market remains at low levels

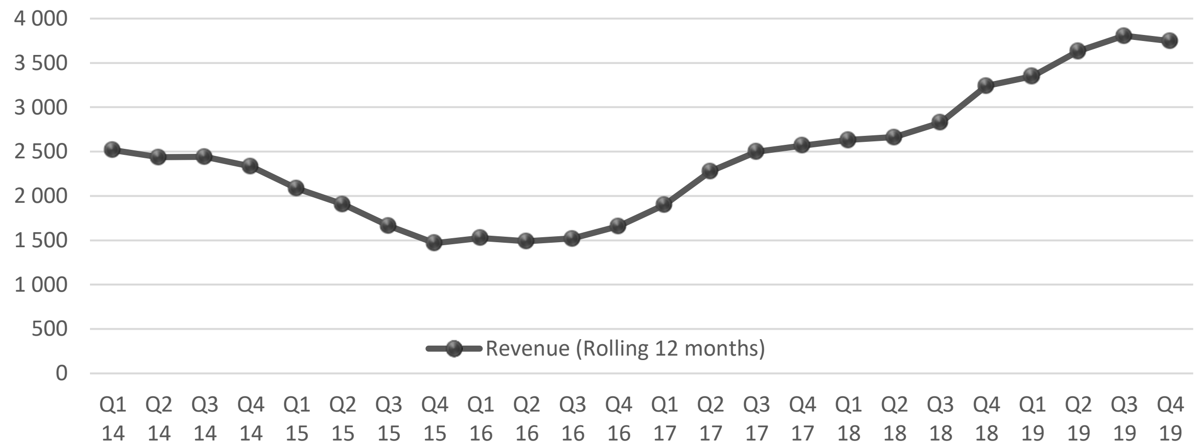
- Number of machines imported to Russia at 63% of 2011 level and 56% of 2012 level
- Revenue 55% higher than 2011 and 126% higher than 2016
- Operating profit 281% higher than 2011
- Growth in aftermarket and other revenue share
- Contracting services boost other revenue



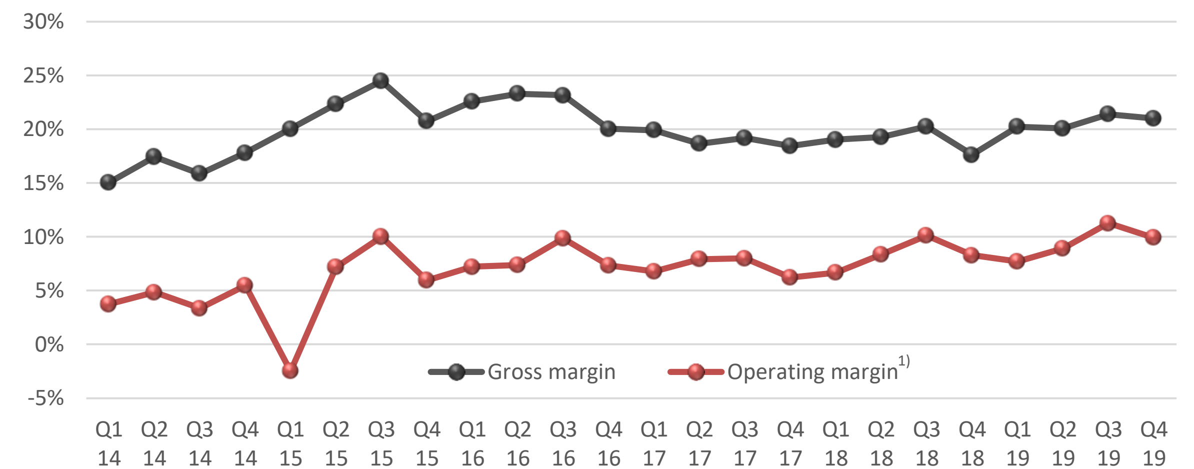
1) LTM refers to last twelve months as of end of December 2019.
2) 2011-2016 refer to adjusted EBIT, i.e. operating profit excluding amortisation of transaction-related intangible assets and write-downs of non-current assets in Q4 2016.

Revenue and margin development

- Q4 2019 revenue was -6% lower than Q4 2018
- First decline in LTM rolling revenue in 14 consecutive quarters



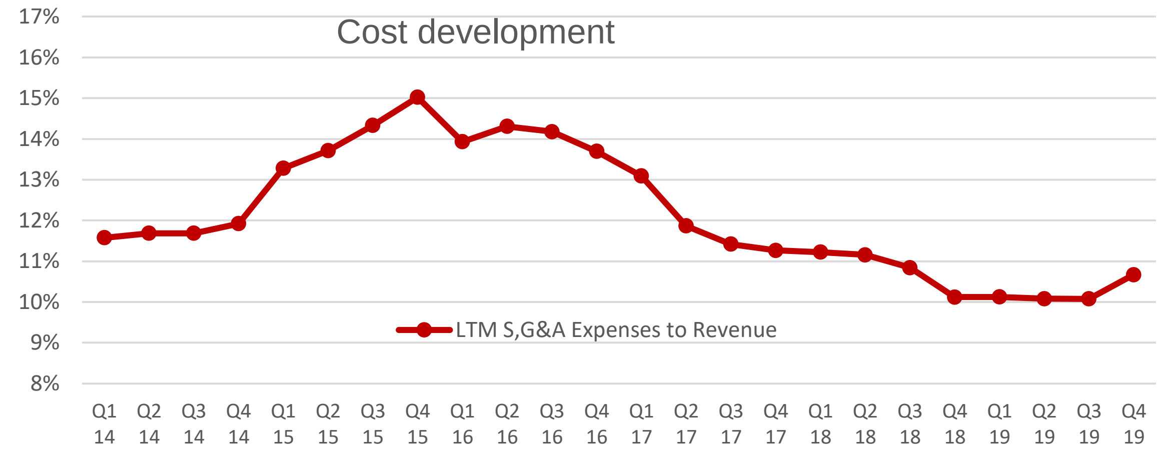
- Q4 2019 gross margin increased Y-o-Y on growth in aftermarket and contracting services revenue
- Q4 2019 operating margin grew 1.6pp Y-o-Y to 9.9%
- Highest Q4 operating margin and profit ever



1) 2014-2016 refer to adjusted EBIT, i.e. operating profit excluding amortization of transaction-related intangible assets and write-downs of non-current assets in Q4 2016.

Development of cost and return on capital employed

- LTM SG&A expenses to revenue up by 0.6pp YoY to 10.7%
- SG&A expenses partly affected by strong ruble and one-off costs related to expansion to Germany



- ROCE of 27% in Q4 2019
- Decrease in ROCE[1)] in 12M 2019 related to working capital build-up, effect of IFRS 16 and expansion to Germany

1) Operating profit plus financial income (LTM) in relation to capital employed (equity and interest-bearing liabilities) (average LTM)
Note: 2014-2016 refer to adjusted EBIT, i.e. operating profit excluding amortisation of transaction-related intangible assets and write-downs of non-current assets in Q4 2016.

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Q4 2019 Cash flows

SEK MM	Q4 2019	Q4 2018
Cash flows from:		
Cash flows from operating activities before changes in working capital	135	108
Change in working capital	(90)	(74)
Interest & Income tax paid	(43)	(23)
Net cash from operating activities	**3**	**12**
Investing activities	(105)	(12)
Cash flows before Financing Activities	(102)	0
Financing activities	409	15
Cash Flow (before FX fluctuations)	307	15

- Cash flow from operations before changes in working capital improved on higher margins
- Change in working capital had negative effect on cash flows due to increase in inventories and prepayments against a smaller increase in payables
- Inventories and prepayments partly increased as a result of the expansion to Germany
- Cash settlement of residual spare parts inventory reduced payables
- Higher tax and interest payments negatively impacted cash flows
- Capex increased mainly due to the acquisition of assets and business in Germany
- Cash flows from financing activities increased mainly due to loan to acquire assets and business in Germany

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Q4 2019 Balance sheet

SEK MM	31 December 2019	30 September 2019	31 December 2018
Property, plant & equipment	700	519	263
Cash & Cash Equivalent	519	210	357
Debt	845	397	0
Lease liabilities	268	224	54
Net Debt / (Cash)	**593**	**411**	**(303)**
Working capital	734	675	47
% of Revenue	*20%*	*18%*	*1%*
Shareholders Equity	890	837	656
Total Assets	**2,987**	**2,343**	**1,727**
Equity / Assets	*30%*	*36%*	*38%*

- PP&E grew YoY to SEK 700m mainly on machines for contracting services and rental, IFRS 16 and expansion to Germany
- Net debt increased YoY mainly as a result of higher working capital, capex, IFRS 16 and dividend payment
- Expansion to Germany contributed SEK 195m to net debt. Draw on facility draw increased cash position
- Working capital grew mainly on higher inventories, partly related to taking over importation from Volvo
- Expansion to Germany contributed SEK 27m in working capital
- Increase in lease liabilities includes SEK 95m related to application of IFRS 16 from 1 Jan 2019
- Working capital at 20% of revenue
- Net debt/EBITDA increased to 1.2 x

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Financial objectives and dividend policy

KPI	Objective	2019
Revenue	Triple 2016 revenue in Russia and CIS by 2021	More than 2 x 2016 revenue
Operating margin	6-8%	9.5%
Net Debt / EBITDA	0-2 x	1.2 x
Dividend Policy	• Ambition to distribute at least 25% of the result to shareholders • Board takes several factors into consideration when proposing the dividend level, including expansion opportunities, financial position and investment needs	

Outlook CEO comment

“Looking into 2020, we believe that the Russian market will grow at about the same pace as in 2019, with potential for additional growth if the National Projects pick up speed. In a longer perspective, we remain optimistic as the fundamentals in the machine markets in Russia and Kazakhstan are strong. As regards Germany, we believe that the demand for new trucks will remain high, although lower than in 2019.”

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Q & A