Annual report 2021

FERRONORDIC

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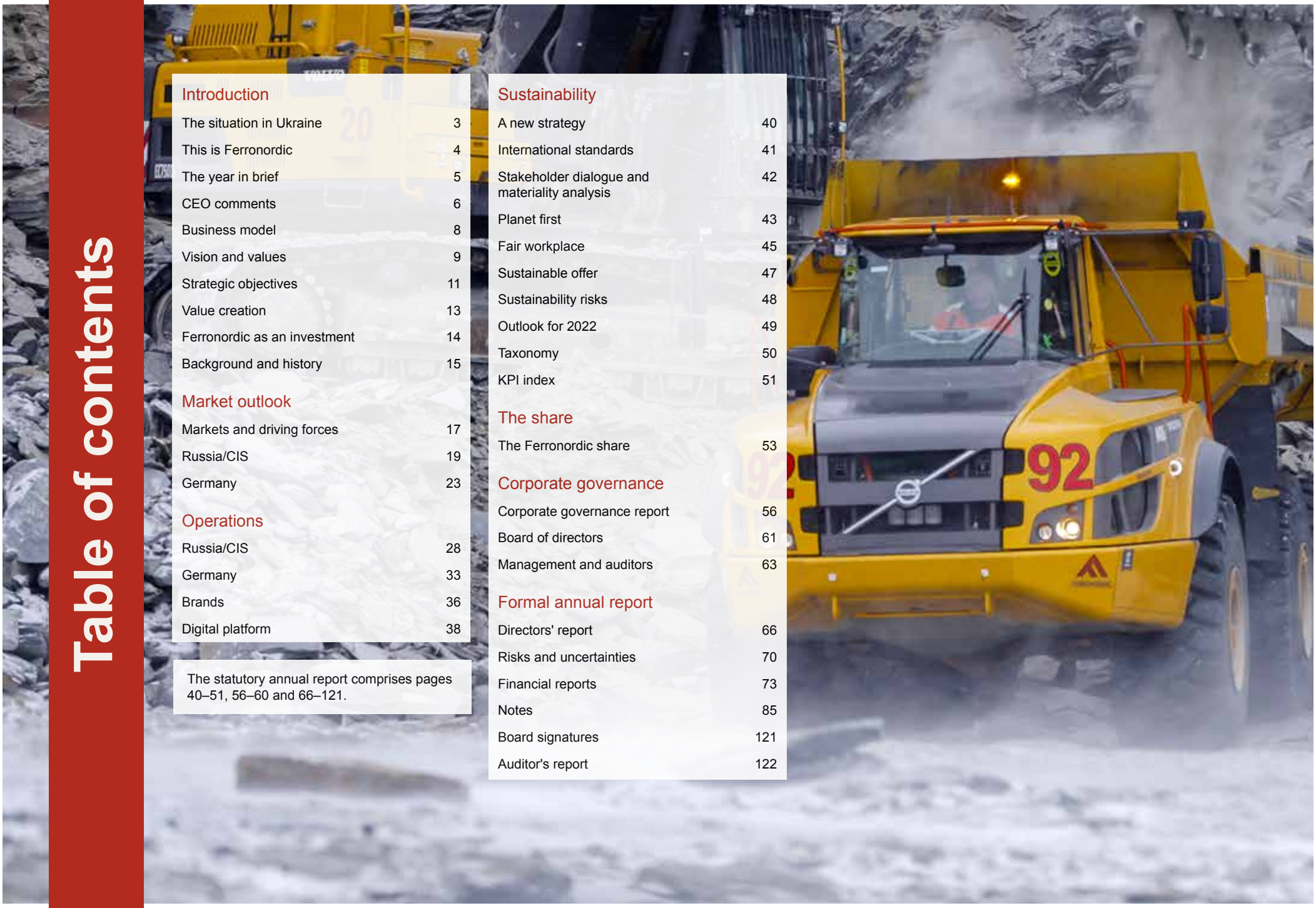


The situation in Ukraine

This annual report was prepared in the midst of an ongoing military conflict in Ukraine. Ferronordic regrets the tragic turn of events and the human suffering and hopes for a peaceful resolution to the conflict. The conflict situation negatively affects our business in Russia and creates significant risks for Ferronordic. We closely monitor the changes in our business environment but realise that any forecasts and other predictions about the Russian market and our operations there will be highly uncertain. We have therefore refrained from forward-looking commitments as far as possible in this report.

Our business model and vision however remain unchanged. We have always considered our mission to help our customers to achieve leadership in the broadest sense and to deliver value to all our stakeholders. We want to be an active player in local communities and a good and fair employer that offers our employees education, professional development and career opportunities. We want to be a positive force in the transition to a sustainable society and work for a better environment. We strive to increase efficiency and productivity, to reduce resource waste and improve safety in the workplace. Our business culture is based on high ethical standards and zero tolerance for corruption. It is through long-term investments in shared values and sustainable profitability that we can continue to make a positive contribution to people, society and the environment. Our businesses in Germany and Kazakhstan are not directly impacted by the situation in Ukraine and we continue to focus on growth and delivering value to our customers in these markets.

This is Ferronordic

Ferronordic is a service and sales company in the areas of construction equipment and trucks. The Company operates in Russia, Kazakhstan and Germany.

Russia/CIS

The Russia/CIS segment consists of the markets in Russia and Kazakhstan. In Russia, Ferronordic is the dealer of Volvo Construction Equipment, Sandvik (excluding Northwest and Central Russia), Rottne, Mecalac, Dressta as well as certain other brands. Ferronordic is also an aftermarket partner of Volvo Trucks and Renault Trucks in parts of Russia. The operations in Russia also include a centre for machine and component rebuild. In Kazakhstan, Ferronordic is the dealer of Volvo Construction Equipment and Mecalac.

Germany

Since 2020, Ferronordic is a dealer of Volvo and Renault Trucks in parts of Germany. Ferronordic's growing network covers approx. 20 percent of the total German truck market, including Frankfurt, Hannover and fast growing cities in the east part of the country like Dresden and Leipzig.

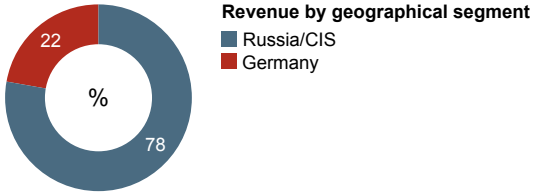
Contracting services

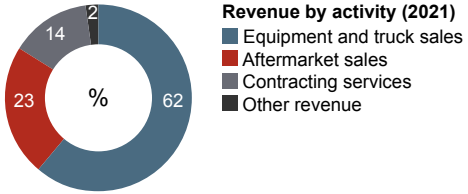
In addition to service, sales and rental, Ferronordic also offers contracting services where the Company owns the machines and hires the operators. Ferronordic operates the machines for its customers to excavate and transport overburden or rock and is paid based on the amount and distance of earth and rock transported. At present, Ferronordic only offers contracting services in Russia.

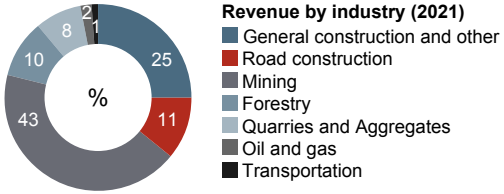
Headquarters in Stockholm, Sweden

Ferronordic is headquartered in Stockholm. Today, the Group has 109 facilities and employs approx. 1,800 people in Russia, Kazakhstan and Germany.

The shares in Ferronordic AB (publ) are listed on Nasdaq Stockholm since 2017.







3 Markets • 1,791 Employees • 109 Facilities • SEK 6,212 m Revenue • 7.8% Operating margin

The year in brief

Group

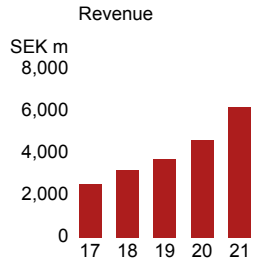
- Revenue increased by 34 percent due to strong demand, product mix and price development as well as positive development in the aftermarket and in contracting services.
- Operating margin amounted to 7.8 percent (7.1) and operating profit increased by 47 percent to SEK 483 m.
- Strong cash flow from operating activities. Working capital and net debt remained low.
- Earnings per share after dilution amounted to SEK 23.26 (15.25) and growth in earnings per share was 52 percent.
- Return on capital employed of 29 percent (20).
- Given the uncertain outlook, the Board has decided to recommend to the AGM in 2022 that a dividend should not be paid.
- Focus on sustainability and steps towards electromobility.

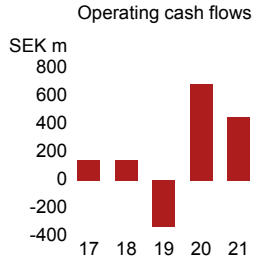
Russia/CIS

- Sales of construction equipments in units increased by 13 percent in a market that grew by 47 percent.
- Net sales increased by 33 percent, mainly due to machine product mix and growth in aftermarket and contracting services.
- Operating margin increased to 11.4 percent (10.8), mainly due to a better gross margin and a larger share of net sales from contracting services.
- Expansion of machine and component rebuild and contracting services.
- Ferronordic became dealer for Sandvik mobile and stationary crushers and screens.

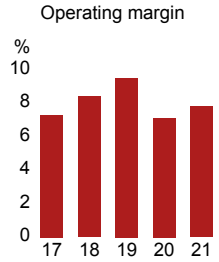
Germany

- Sales of trucks in units increased by 29 percent in a market that increased by 10 percent.
- Net sales increased by 39 percent with contributions from sales of used trucks and strong aftermarket sales.
- Operating profit was negatively affected by restructuring costs.
- Acquisitions and network integration of five workshops.
- Investments in organisation- and network development.





	2021	2020	2019	2018	2017
New units sold, SEK m	2,046	1,721	965	948	738
Revenue, SEK m	6,212	4,635	3,747	3,241	2,567
Growth, %	34	24	16	26	55
EBITDA, SEK m	698	504	494	322	214
Margin, %	11.2	10.9	13.2	9.9	8.3
Operating profit, SEK m	483	328	358	274	187
Margin, %	7.8	7.1	9.5	8.4	7.3
Result per share after full dilution, SEK	23.26	15.25	17.26	13.22	8.06
Net debt/(Net cash), SEK m	198	(20)	593	(303)	(312)
Return on capital employed, %	29	20	27	41	36
Working capital/Revenue, %	2	5	20	1	5
Total assets, SEK m	3,973	2,628	2,343	1,727	1,414
Equity/total assets, %	28	31	36	38	43



A record year followed by great uncertainty

When I summed up 2021 a couple of months ago, I concluded that it was our best year to date. Our operations in Russia/CIS increased both in net sales and profitability. We also continued to develop our businesses within contracting services and remanufacturing and expanded our collaboration with Sandvik. In Germany, we invested in our organisation and network to build a stronger platform for the future. At Group level, we continued to develop our sustainability strategy and took steps to promote electromobility. At the time, the outlook was positive, although the geopolitical situation was already tense. The military conflict in Ukraine and the subsequent sanctions against Russia have since fundamentally changed the situation and all forecasts are now uncertain.

Russia/CIS – an uncertain future

Despite operational disruptions and supply constraints, our business in Russia/CIS continued to grow both revenue and profitability and achieved record operating and net results in 2021. Revenue grew 33 percent and operating profit by 40 percent. Our digital sales system and dedicated service teams both contributed to strong aftermarket sales. Our contracting services project in Norilsk reached planned capacity, we expanded our project in Irkutsk and started a new project at an iron ore deposit in Russian Karelia. Our machine and component rebuild centre worked with high capacity utilisation. We continued to grow our footprint and business in Kazakhstan.

Following 24 February, our business in Russia faces unprecedented uncertainty. Our main partners have temporarily suspended deliveries to Russia, logistics are curtailed to and within the country, the banking system and currency is under pressure and the economy will likely deteriorate. Following our preliminary assessment of the sanctions, we will adapt our organisation but continue to sell products and services that are not restricted from our inventory and from partners that continue to supply. Our service and sales teams, contracting services organisation and machine rebuild center continue to work towards increased efficiencies and a circular economy. We also work to keep our organisation going and our people moving towards shared values.

Germany – building the platform

The German market for heavy trucks recovered in 2021 and grew in units by 10 percent compared to the pandemic year of 2020. Our sales grew by 29 percent and we gained market shares. Our aftermarket sales increased by 36 percent, of which 9 percentage points were organic.

In 2021, we invested in our people, organisation and workshop network. We appointed a new head of our German business at the beginning of the year. During the year, we completed the acquisition of five workshops in strategic locations and began the construction of a new sales hub facility in Hannover. We also invested significant resources in training our employees, with special emphasis on customer focus. We changed the organisation and compensation system to increase efficiency and results orientation. These investments cost money. During the year, we incurred acquisition and restructuring costs of SEK 25 m. We are however convinced that these investments will bring returns in the future. Overall, we made good progress during the year and are cautiously optimistic about the future. In 2022, we will continue to grow our network and develop our service organisation. My assessment is that we can achieve a positive operating result in Germany in 2022.

Sustainability – more important than ever

The transport sector is a significant source of emissions in terms of carbon dioxide. We are therefore facing a major shift to more climate-smart fuels. In this process, electrification will be a key factor.

Through our partnership with the Volvo Group, we have a great advantage in both trucks and construction machines. We can offer products to our customers that meet not only strict requirements for environmental performance, but also for quality and safety for the operators.

Electrification is a key part of our strategy for increased growth and profitability. By being a close partner to both suppliers and our customers, we can help them in their transition to emission free transport. This creates new business opportunities for both them and for us.

We have high ambitions and put the highest demands on ourselves when it comes to business ethics and anti-corruption. This may mean that we miss

business opportunities in the short term, but a strong business moral is part of our DNA. It strengthens our competitive position and offers superior business opportunities in a longer perspective.

A strong team – our key asset

The record year 2021 is the result of close teamwork by our many competent and committed employees. The result reflects their initiative, strive towards innovative solutions and close cooperation with our customers. This is what drives our mutual success and what always underpinned Ferronordic's growth and development. It is the importance of our employees and their relationship with our customers that drives us to constantly invest in the education and the development of our employees, which also means that we create value for the communities in which we operate.

Our ability to contribute to long-term positive change in all our markets is a key reason for us to continue our efforts, support our customers and stay with our people.

Outlook

As a result of the military conflict in Ukraine and the subsequent sanctions and counter-sanctions, the prospects for Ferronordic's operations in Russia have deteriorated significantly. Some of our partners, including the Volvo Group, have announced that they are temporarily stopping deliveries to Russia. If the supply suspension to Russia continues, it could have a significant impact on our revenues, earnings and cash flows. In addition, it is likely that the negative impact on the Russian economy and industry from the sanctions will be significant. Our operations in Kazakhstan continue but they are a smaller part of sales and may also be negatively affected by a worsening economic situation in Russia. In Germany, we believe that a recovery from the pandemic will lead to increased demand for trucks and service. The tense geopolitical situation may however also affect the German economy and market. In a longer perspective, we however believe that the underlying conditions and business opportunities in the German market are strong.

Lars Corneliusson, President and CEO

Ferronordic's business model

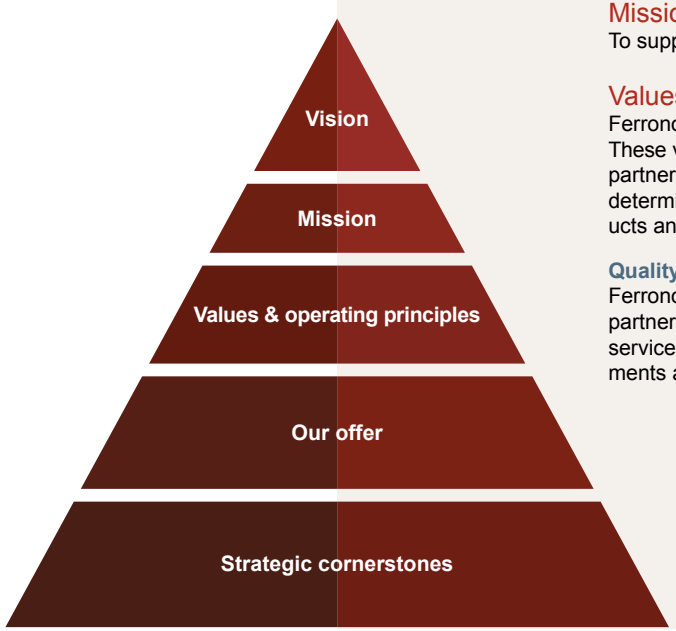
Ferronordic is a service and sales company in the areas of construction equipment and trucks. The business consists of selling, repairing and maintaining different types of machines, trucks, engines, spare parts and attachments. In addition, Ferronordic provides consultancy services such as machine operator trainings and also has a growing business in contracting services and remanufacturing. The vision of Ferronordic is to help its customers achieve industry leadership through an outstanding team, a strong brand portfolio and customer-focused solutions.

Ferronordic's business model consists of four main types of customer business relationships, where the trend is moving towards an integration with the customer. This translates into growing commitment in terms of service and aftermarket coverage, capital investment and expertise. It puts growing demands on financial strength and customer understanding, but also allows for higher margins. For the customer, this trend tends to imply higher operational reliability and productivity and thus more stable revenues and stronger margins. The business model is scalable and relatively easy to export to new geographic markets.

Business arrangement	Machine sales, aftermarket and service	Machine sales with service agreement	Rental of machine with or without operator	Contracting services
Description	The customer buys a machine or truck as well as service and spare parts if needed.	The customer buys a machine or truck as well as ongoing service and maintenance according to the agreed plan.	The customer rents a machine or truck with or without an operator and commits to ongoing service according to the agreed plan.	The customer purchases a service performed by Ferronordic. Ferronordic is responsible for equipment, staffing, service and maintenance.
Ferronordic's revenue	Margin on machine and revenue for service and spare parts.	Margin on machine and revenue for contracted service and spare parts.	Rental for machine, as well as possibly for contracted operator and related service and spare parts.	Remuneration for work performed, for example related to the number of tons and/or kilometers.

Vision, values and strategic cornerstones

Ferronordic has a clearly stated vision of where the Company is going and a mission that underpins the daily work. A clear picture of who we are, where we are going and what values lead us create conditions for business success while ensuring ethical and sustainable business practices.



Vision
To be the leading service and sales company in its markets.

Mission
To support the growth and leadership of its customers.

Values and principles
Ferronordic's core values are quality, excellence and respect. These values guide the Company when interacting with customers, partners, suppliers and each other. They define Ferronordic and determine what the Company invest in and how it delivers products and services to its customers.

Quality
Ferronordic value long-term partnerships with its customers and partners. This requires a consistent focus on quality in products, services and relationships. The Company lives up to its commitments and strive to exceed expectations in everything it does.

Excellence
Ferronordic and its team are passionate specialists and experts who create value for their customers and partners. The Company is continuously improving its processes and products to deliver a better customer experience.

Respect
Ferronordic deals fairly and openly with each other, customers, suppliers and the societies the Company works in. The Company and its employees show tolerance and promote equal opportunities for all - regardless of gender, ethnic and religious backgrounds or disability.

Offer
Feronordic's offer is based on a broad experience in its industry and on solving the challenges the customers face in their everyday operations. Furthermore, the offer is built on quality products, a well-developed infrastructure and a dense network of workshops but extends to bespoke professional solutions for the customers' businesses, such as contracting services.

Strategic cornerstones

Ferronordic's strategic cornerstones capture pillars and principles that underpin how the Company runs its business. The cornerstones also reflect Ferronordic's values and guide its employees in their daily work.

Great team

Ferronordic's success is based on a strong team working towards common goals. Working for Ferronordic means taking the initiative and making decisions, regardless of rank or position. The Company's employees are not afraid to make mistakes but see it as part of learning and growing. Ferronordic openly addresses problems and strives to be part of the solution. The teams are fast-paced, dynamic and determined to create value for the customers. Every employee understands that mutual trust, dialogue and openness are the best ways to improve results and move the business forward.

Operational excellence

Ferronordic and its empoyees have a quality mindset focusing on continuous improvements. The Company welcomes and drive change, is flexible and agile and always strives to improve its products and services for the benefit of both customers and environment. Ferronordic invests in the latest technology and develops new solutions. The Company manages resources and recycles machines and components. It is both economically and ecologically sustainable and contributes to a circular economy.

Building on strong brands

Ferronordic collaborates with world-leading suppliers of construction equipments and trucks. The Company offers premium products of uncompromising quality, world-class comfort, maximum efficiency, highest safety and minimum environmental impact. Each brand has a leading position in its segment, which Ferronordic contributes to developing and strengthening. The brands and products complement each other, which means that Ferronordic can deliver both broad and customised solutions to its customers.

Customer orientation

Ferronordic's mission is to support its customers' growth and contribute to their leading positions in their industries and markets. The Company does this by developing products and business solutions based on their unique needs, which contribute to better productivity, greater flexibility and higher cost efficiency. Ferronordic is keen to establish close collaborations, deliver high-quality services and products and offer customised and tailor made solutions.

Superior infrastructure

Ferronordic cares about its customers, their productivity, efficiency and the safety of their employees. The Company's offering and value creation are based on providing professional services and solutions whenever and wherever the customers need it. A prerequisite for this is Ferronordic's dense network of 109 facilities in Russia/CIS and Germany, some of which are on site at the operations of the customers. The Company's mechanics also travel to customers' facilities to minimise any downtime.

Strategic objectives

Ferronordic has a mature and diversified business. The Company operates in three markets and represents several leading manufacturers in addition to Volvo. Ferronordic has also developed vertically by investing in a machine and component rebuild centre, expanding its rental and used businesses and significantly growing its operations in contracting services.

Strategic goals

The strategic goals describe how Ferronordic believes that the Company can create growth and value for all its stakeholders.

Leadership in the market for construction machines and trucks

Ferronordic's success is based on successful customers. For customers to become leaders in their industries, Ferronordic's offering must be a leader in terms of performance, competence and products.

Aftermarket absorption rate of at least 1.0 x

An aftermarket absorption rate of at least 1 means that the gross profit from the aftermarket business covers all fixed costs and that Ferronordic is resilient even in sharp economic downturns and weak markets with small or no new sales.

Expansion to related business areas

Ferronordic has built a well-developed service network, a strong sales organisation and an innovative digital sales approach. This platform can be used to take on new brands and business models, which results in better capacity utilisation, higher returns and increased value to Ferronordic's customers. In 2020, Ferronordic expanded its business model to become dealer for Volvo Trucks and Renault Trucks in parts of Germany. In 2021, Ferronordic leveraged its Russian network to become dealer for Sandvik mobile and stationary crushers and screens.

Development of contracting services

In contracting services, Ferronordic integrates more closely with the customers. Instead of selling a machine to a mining customer, Ferronordic owns, services and operates the machine on behalf of the customer. The customer pays per cubic meter or kilometer in a transport-as-a-service model. The customer has more visibility on costs and pushes some of the operating risks to Ferronordic. Meanwhile, Ferronordic can operate the equipment more efficiently and also use the experience elsewhere in its business. Ferronordic believes that contracting services is an important part of the future of the industry and intends to further develop this part of the business.

Since launching contracting services, the business area has grown to 144 machines (of which 50 are subcontracted) in 2021 and 696 employees (of which 237 are subcontracted). In 2021 sales amounted of SEK 842 m (461).

Industry-leading digital service and sales platforms

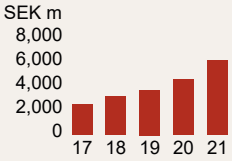
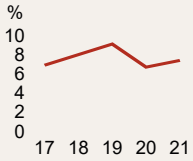
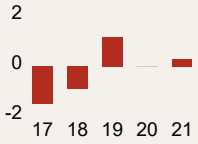
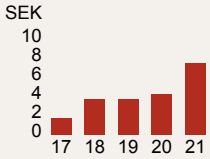
To further support its service and sales organisation and its customers, Ferronordic has developed a digital platform. This platform converts signals from the machines' so called telematics systems into different information about the operating status and conditions of the machines. This information is disseminated to the relevant customer service or sales person in Ferronordic's CRM system, which in turn allows Ferronordic to anticipate and prevent to predicted problems. Ferronordic will continue to invest in the digitisation of its sales. At the end of 2021, 5,099 out of 6,320 construction machines were connected to the Company's platform.

Geographical expansion

Russia/CIS is a demanding and difficult market. The know-how and the experiences accumulated in this market can be employed in other markets. Ferronordic see further opportunities to leverage its organisation and network infrastructure to offer complementary products and services for new brands or to expand its product offering in new markets.

Financial targets and dividend policy

Ferronordic's financial targets should follow from and support its strategic objectives.

KPI	Target	Historical outcome
Revenue	Double the 2020 revenue in its current markets by 2025 (in SEK)[1]	
Operating margin	Above 7%	
Net debt / EBITDA	Below 3 times (over a business cycle)	
Dividend policy	The ambition is to distribute at least 50% of net income if net debt/EBITDA is less than 1.0 x, post dividend payment, and to pay at least 25% if net debt/EBITDA is more than 1.0 x.[2] The Board will take several factors into account when proposing the level of dividend including legal requirements, the articles of association, the Group's expansion opportunities, its financial position and other investment needs.	

[1] Current markets are defined as Russia, the entire CIS and Germany.
[2] Previous year's IFRS results

Ferronordic's value creation

Resources

Trust capital
Relationships with 13,700 customers and partners as well as suppliers and decision makers.

Intellectual capital
Strong customer relationships and solution-oriented organisation. World-leading suppliers. A unique digital sales and service platform that generates sales leads and concrete proposals to customers based on data from the connected machines and trucks.

Manufactured capital
A machine and truck fleet with a value of SEK 584m for rental or use in contracting services.

A network of 109 service workshops and a centre for machine and component rebuild.

Human capital
1,791 employees with extensive experience and both broad and deep collective competence.

Financial capital
SEK 2,067 m in invested capital from customers, shareholders and credit institutions.

Business model

Ferronordic creates value for its customers by offering aftermarket services, machines, trucks and additional services that enable customers to conduct their business with the highest productivity and without disrupting production.

The business model consists of four types of business approaches where the development is moving towards an increasing commitment in terms of service, aftermarket, capital tied up and staffing. This puts demand on financial strength and a high degree of availability, while at the same time leading to higher margins. For the customer, this development means increased predictability, higher operational reliability and thus more secure revenues.

Value creation

For shareholders
Market capitalisation and dividend.

For the society
Opportunity to build infrastructure, extract raw materials and transport goods, i.e. activities that are crucial for modern society.

Jobs and tax revenues.

For customers
High-quality and efficient machines, trucks and related services that make it possible to conduct their business with the highest productivity and without interruptions in profitability.

Business development in collaboration with customers and partners.

For employees
Personal and professional development.

Competitive salary.

For financiers and suppliers
Growing market shares and payments for goods sold.

Created value 2021

For shareholders
SEK 109 m in dividend.
119% in total shareholder return.

For the society
SEK 112 m in taxes paid.
1,791 jobs.

For customers
1,246 machines sold.

800 trucks sold.

30 million cubic metre transported/handled.

For employees
SEK 674 m in salaries paid and other remuneration.

For financiers
SEK 49 m in interest and other finance costs.

For suppliers
SEK 4,829 m in payments to suppliers.

Ferronordic as an investment

Ferronordic combines growth opportunities with a robust business model.

1. Strong brand portfolio

Ferronordic's relationships with world-leading manufacturers of construction equipment and trucks provide the Group with a platform from which to offer premium products and services to current and new customers. By developing these relationships and complementing them with other strong brands, Ferronordic can develop its customer offering and grow based on its existing organisation and infrastructure.

2. Robust business model and experienced management

Ferronordic's business model is based on a strong team and a solid aftermarket business. The model has been tested and shown to withstand extreme market fluctuations. High absorption from the aftermarket business provides resilience. Continued service development, such as contracting services, has diversified the business model and increased integration with customers. In addition, Ferronordic has a management team and a Board with extensive experience within the industry and markets.

3. Innovation for increased customer value

The world is changing rapidly. Ferronordic wants to drive and be a leader in the development of its markets. The Company's own digital sales and service platform creates value throughout the value chain. Through contracting services, Ferronordic has built a business model where the Company becomes an integrated part of the customers' activities and helps them to achieve leadership in their respective industries.

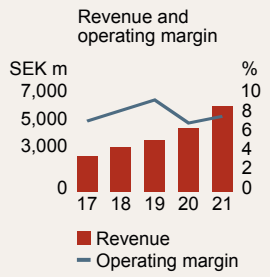
4. Sustainability a part of the business

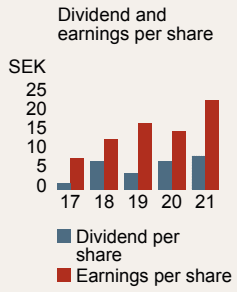
Ferronordic strives to help its customers to achieve leadership in the broadest sense. The Company aims to be an active player in local communities and a good and fair employer that offers its employees education, professional development and career opportunities. Ferronordic strives to be a positive force in the transition to a sustainable society and work for a better environment.

5. Conservative financial policy and potential for good returns

To ensure financial flexibility and strength, Ferronordic strives to maintain a strong balance sheet. The Company has delivered a strong cash flow over time, which provides opportunities for both reinvestments with good returns and dividends to shareholders.

Ferronordic has a well-balanced dividend policy that balances profitability and cash flow with financial strength. The goal is to distribute at least 50 percent of the net profit if the net debt / EBITDA is below 1.0x and at least 25 percent if the debt / equity ratio is above 1.0x.





Background and history

Ferronordic was founded in June 2010 when the Company acquired Volvo Construction Equipment's distribution business in Russia. At the time, the Company had six facilities and 160 employees. Since then, the Company has grown, despite crises and large fluctuations on the market. Ferronordics' development can be described in three phases.

Phase I 2010–2013

Building the platform

- Development of organisation, infrastructure and processes.
- Investments in marketing and education as well as growing market shares.
- Establishment of the first workshop for Volvo and Renault trucks in 2012.
- Issuance and listing of preference shares on Nasdaq First North Premier in October 2013.

At the end of 2013, the operations consisted of 75 facilities and more than 700 employees.

Phase II 2014–2016

Managing the downturn and building resilience

- Reduced Russian market by 83% during 2014–2015 and severely weakened Russian ruble due to sharply falling oil prices.
- Sharply reduced sales but maintained operating profit.
- Optimising networks and adaptation of organisation and business model, including increased focus on aftermarket and cost savings to increase the coverage ratio.
- Expansion of the offering contributed to a greater degree of utilisation of existing investments.
    - Official dealer of Terex Trucks 2014.
    - Agreement with Dressta and Rottne 2016.
- Launch of contracting services in 2014.
- Expanded aftermarket operations for Volvo and Renault Trucks.

At the end of 2016, the operations consisted of 69 facilities and more than 800 employees.

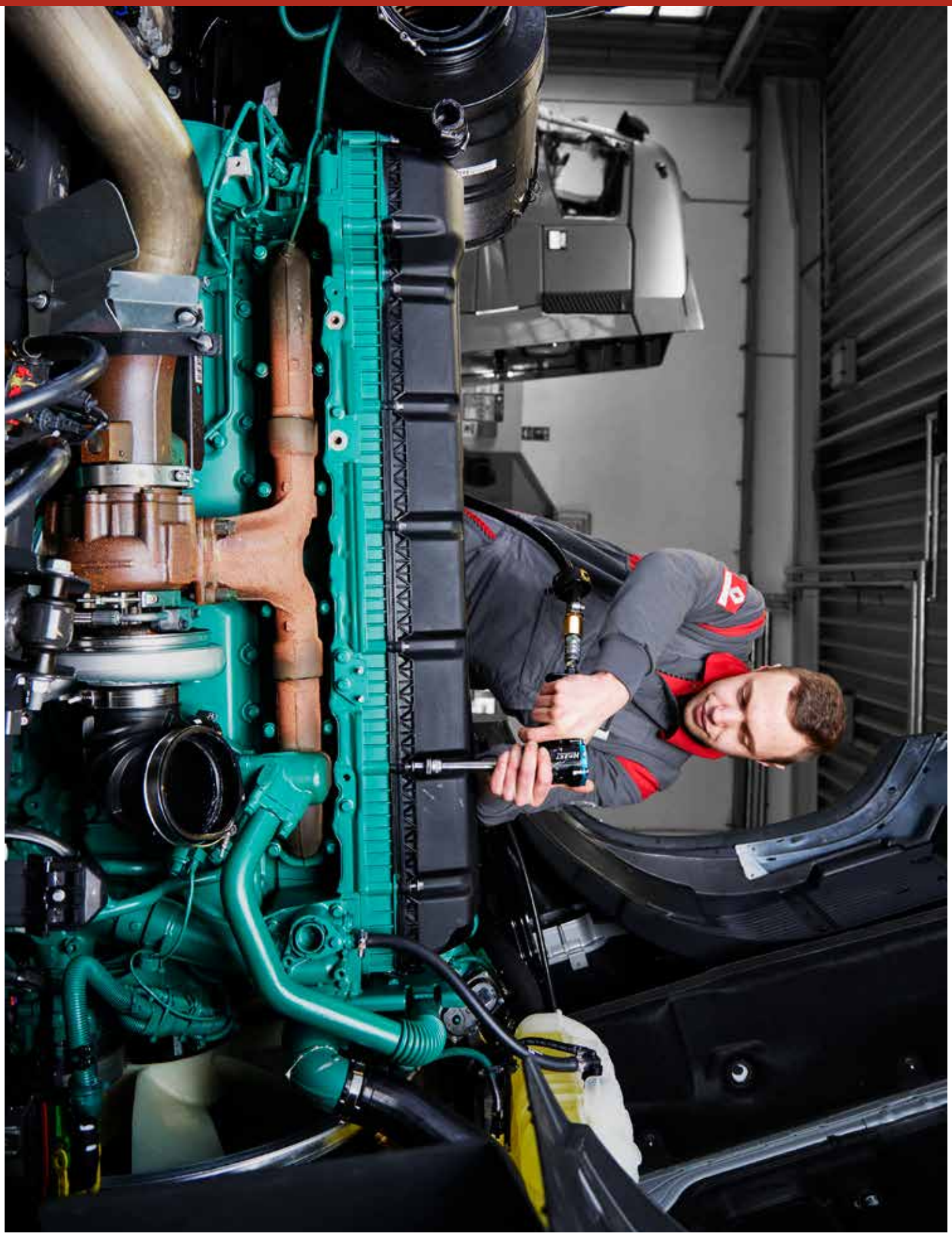
Phase III 2017–2021

Leveraging the platform

- Official dealer for Mecalac in Russia in 2017.
- Started the development of its own digital sales and service platform.
- Ordinary shares were listed on Nasdaq Stockholm at the end of 2017.
- The first major project in contracting services with GV Gold started at the end of 2018.
- In 2019, Ferronordic took over the import of machines and spare parts to Russia and Kazakhstan for Volvo CE.
- Geographical expansion.
    - Authorised dealer for Volvo CE and Mecalac in Kazakhstan in January 2019.
    - Authorised dealer for Volvo and Renault Trucks in approximately 20% of the German market in January 2020.
- Establishment of a centre for machine and component rebuild in December 2019.
- Development of contracting services through a new project as a general contractor for the development of a new mining deposit with platinum group metals.
- Appointed dealer for Sandvik stationary and mobile crushers and screens in 2021.
- Further expansion of the centre for machine and component rebuild.

At the end of 2021, the operations consisted of 109 facilities and approximately 1,800 employees.

Market outlook



Markets and driving forces

The world's population is steadily increasing and more people are moving to cities. At the same time, the volume of world trade continues to increase. This is increasing the demand for raw materials, transport, infrastructure and buildings - industries in which Ferronordic and its customers operate. The big challenge lies in meeting today's needs without compromising future generations' opportunities to meet theirs. A large part of the solution can be found in increased efficiency and productivity, digitisation, electrification and circular thinking.

Basic trends
- Population growth and urbanisation
- Globalisation
- Growing prosperity and consumption

→

Growing demands
- Raw materials
- Transports
- Infrastructure
- Buildings

→

The challenge
- Stress on the environment, climate and societies

→

The solutions
- Digitisation
- Electrification
- Circular thinking

Basic trends

Population growth and urbanisation

We are almost 8 billion people on earth today. In 2030, the world's population is estimated to amount to 8.5 billion. 70 percent of these people are expected to live in cities, which means a continued urbanisation process.

Globalisation

Countries in the world are increasingly closely connected in a network of distribution and communication chains. International trade continues to increase. Volumes are again at record levels. While the current geopolitical tension may slow this trade down in the short-run, Ferronordic believes the long-term trend is firm.

Growing prosperity

According to the IMF, the global economy grew by almost 6 percent 2021. This means that we are back on the growth curve that prevailed before the pandemic.

Growing demands

Raw materials

Commodity prices have risen sharply in recent years. In 2021, several types of raw materials hit record prices. Demand is driven by a growing population, increased prosperity and technological development.

Transports

The basic trends all lead to an increased need for transport, both within and between countries.

Infrastructure

Increased demand for transport leads to an increased need for investment in infrastructure. In addition, many countries have been neglecting the infrastructure for a long time and have a pent-up demand for investment.

Buildings

With more people, growing prosperity and urbanisation comes increased demand for housing, factories, schools and other buildings.

The challenge

The big, global challenge is to meet the growing demand for raw materials, transports, infrastructure and buildings without compromising future generations' ability to meet their needs. Sustainability has therefore become a leading consideration and driving factor when it comes to innovation and development of technology, products and services.

The solutions

Digitisation

By 2030, 90 percent of the world's population is estimated to have access to the Internet. At the same time, more and more machines, trucks, houses and other installations are connected digitally through what is referred to as the internet of things. This connectivity creates opportunities to harvest the data from people and machines to analyse consumption, utilisation and application. This can in turn be used to improve productivity and reduce resource consumption to increase efficiency and reduce wear and tear for the equipment to last longer.

Electrification

One of the most critical challenges in sustainability is climate change and the need to reduce our use of fossil fuels. One key factor for this is fuel efficiency and electrification of machines and vehicles. Together with digitisation, electrification also creates new business opportunities where companies such as Ferronordic can take more operational responsibility and offer tailor-made solutions with greater shares of electric and autonomous systems.

Circular thinking

The circular economy is based on an effort to utilise everything that is manufactured and consumed for as long as possible. When machines and components are worn down, they are recycled and rebuilt as much as possible and as many times as possible. This means that you maintain, repair, reuse, remanufacture and recycle equipment to minimise resource waste (see page 47 for a more detailed description).

Russia/CIS

Economic and political development

Russia's economy is characterised by the country's large natural resources. In 2021, the country was the world's third largest producer of oil, the world's second largest producer of natural gas and a leading producer and exporter of minerals and gold. Russia is also the world's largest forest country with 800 million hectares of forest land, which corresponds to 20 percent of the world's total.

From 2017 until 2020, Russia's economy grew on average by almost 2 percent per year. According to the IMF, Russia's economy shrank by 2.7 percent in 2020, mainly due to the Covid pandemic, and then grew by 4.5 percent in 2021.

Stronger commodity market and higher inflation

The oil price also recovered in 2021 after the big fall, especially in the first half of 2020. In October 2021, the oil price was over 80 USD/barrel and then fell back slightly. The average price per barrel was well above the 2019 level and ended up at 69 USD/barrel. Other raw materials also saw sharply rising levels during the year. These include natural gas, gold, silver and copper.

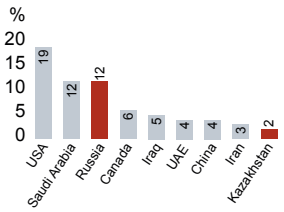
The Russian ruble strengthened slightly against the Swedish krona, from 9.0 RUB/SEK at the beginning of the year to 8.2 at the end of the year. Inflation increased to 8.4 percent in December 2021, compared with 4.9 percent a year earlier. The Russian central bank therefore implemented a number of interest rate increases during the year. Prior to the invasion of Ukraine, the World Bank considered inflation to be the biggest risk in the Russian economy. In addition, the country has a low vaccination rate, which increases the risk of new pandemic outbreaks. The conflict in Ukraine and the ensuing sanctions against Russia have hit the Russian currency hard. The sanctions are expected to negatively affect the Russian economy and public finances and hit most sectors and industries in the country.

Strong recovery in Kazakhstan

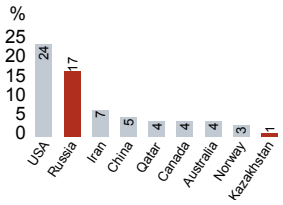
Kazakhstan is the largest economy in Central Asia, both in absolute terms and per capita. Like Russia, the country's economy is characterised by large production of oil and other raw materials. For example, Kazakhstan is the world's 12th largest oil producer, the world's largest producer of uranium and has the world's 9th largest copper reserves.

After several years of good economic growth, Kazakhstan also suffered a downturn in connection to the Covid pandemic. According to the World Bank's latest report (January 2022), the country's GDP decreased by 2.5 percent in 2020, but was expected to grow by 3.5 percent in 2021 and 3.7 percent in 2022.

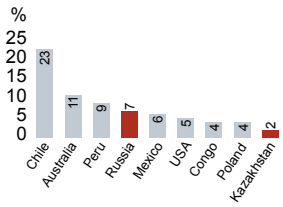
Oil production



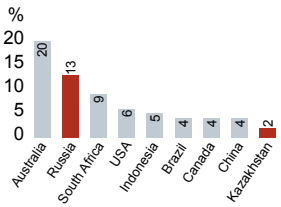
Natural gas production



Copper reserves



Gold reserves



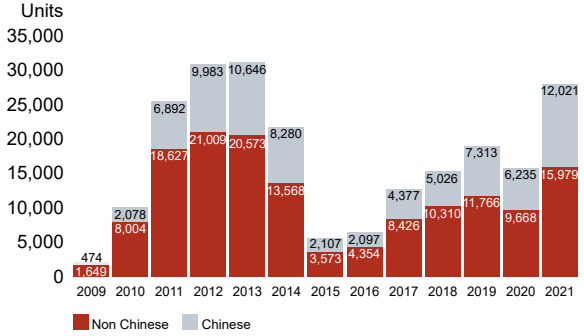
Source: British Petroleum Statistical Review of World Energy (2020) and U.S. Geological Survey, Mineral Commodity Summaries (2021).

Market development

Russian imports of high-quality foreign construction equipment has increased sharply since the early 2000s. Initially, the market was mainly driven by a pent-up demand to replace and upgrade the existing machine population. In addition, customers increasingly began to compare the total cost of ownership for different machines and brands. After a sharp decline in connection to the economic downturn in 2014 and 2015, the market partly recovered up until 2020, when the pandemic struck the economy.

Although the market for imported construction equipment has recovered after the pandemic, it is still only about two thirds of the market it was in 2012–2013.

Import of construction equipment to Russia



Source: Russian import statistics compiled by Volvo CE. Note: Excluding bulldozers, forestry machines and rigid haulers

Russia/CIS

Market segments

Industries	General construction and other	Mining	Road construction	Forestry	Quarries and aggregates	Oil and gas
Main area of use	Construction, maintenance and demolition of buildings, industrial facilities and infrastructure as well as other areas such as agriculture, recycling and waste management.	Excavation and transport of earth and rock. Construction and maintenance of roads and other infrastructure in connection to mines.	Construction and maintenance of roads, landing strips etc.	Logging, log transportation, stacking etc. Construction and maintenance of roads and other infrastructure in connection to forest operations.	Extraction and production of raw materials for the construction industry.	Construction and maintenance of pipelines, refineries and other infrastructure (e.g. roads within or to oil and gas fields).
Main geographic area	Whole Russia Kazakhstan	Ural, Siberia, Far East, Northwest, Kazakhstan	Whole Russia Kazakhstan	Northwest Siberia Volga The Far east Central	Northwest, South, Siberia, Central, Ural, Kazakhstan	Volga Ural Siberia Kazakhstan
% of new machines sales in 2021	37%	18%	19%	15%	8%	2%
Competitors	Caterpillar Hyundai Komatsu	Caterpillar Hyundai Komatsu	Wirtgen (in John Deer Group) Bomag JCB	John Deer Ponsse Komatsu	Caterpillar Komatsu Hyundai	Komatsu Caterpillar Hitachi
Comments	The customers range from large construction companies to smaller subcontractors. Demand includes all from larger production machines to smaller and simpler ones.	Customers' focus on productivity and efficiency creates high demands on spare parts availability and service quality.	Short season creates focus on productivity and demands spare parts availability and service quality. Large population of Volvo CE machines creates great demand for spare parts and service.	The core business within the forest industry (e.g. tree felling) is generally on higher technical level than e.g. transport of timber, which provides different purchasing strategies among customers.	Larger companies with a focus on productivity promotes premium brands. High machine utilisation requires regular and efficient service and repairs at the right time, preferably in the form of package solutions.	Dominated by a few large companies that often outsource contracts to sub-suppliers.

Russia/CIS

Trends and driving forces

Future demands for Ferronordic's products and services are mainly driven by:
- activity within the construction- and transport sector
- developments within the commodity and raw material industries
- pent-up demand for new and efficient machines
- higher demands from customers

In the current situation, it is not possible to tell how the Russian economy and the market will develop, nor if and when supplies of machines and parts may resume in partial or full extent.

Germany

Economic and political development

Germany is Europe's largest economy and among the five largest economies in the world. The country is also one of the world's leading exporting countries with vehicles, machinery, chemicals, electronics and pharmaceuticals as the largest export goods. In addition to its size, the German economy is characterised by a very high degree of maturity and a large degree of diversification. The service sector accounts for approx. 70 percent of the total economy.

Broad but weak recovery

Germany's economy grew by 2.7 percent in 2021 according to official German sources. It is a broad recovery since 2020 when the country's GDP decreased by 4.6 percent and higher than the average for the immediately preceding 10-year period. However, the economy has still not fully recovered from the fall of 2020. One factor that has held back the recovery is the disruption in the global distribution chains, especially for inputs to the export industry.

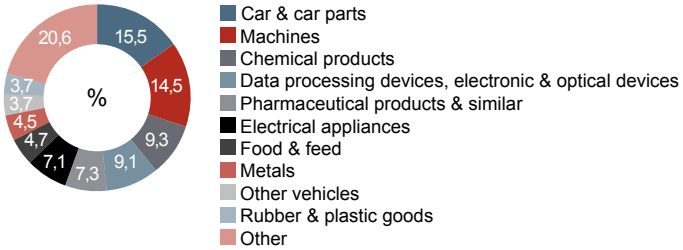
The German Bundesbank predicts that GDP will increase by 4.2 percent in 2022 and then level off somewhat in 2023 when the growth is expected to land at 3.2 percent.

Inflation in 2021 was 3.1 percent according to the German Federal Bureau of Statistics. This is the highest figure since 1993. High energy prices and bottlenecks in global distribution systems are cited as main reasons for growing price pressure.

New political leadership

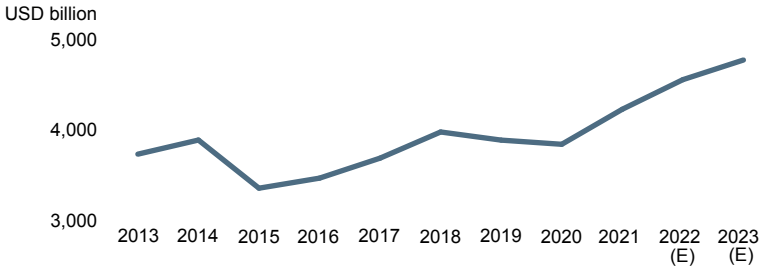
Following the federal elections in September 2021, Germany got a new government in December. For the first time in 17 years, the country is not governed by a Christian Democratic Chancellor. The new government is a three-party coalition consisting of Social Democrats, Greens and Liberals, with the Social Democrat Olaf Scholz as head of government. Economic policy is expected to end up in the middle of the political scale, but with greater investments in climate and the environment than before. Fiscal policy discipline is predicted to be maintained.

German exports (2020)



Source: IMF Database

GDP (current prices) Germany



Source: German Federal Ministry for Economic Affairs and Energy

Germany

The truck market

The truck market in Germany is mature and demanding, with customers who place great value on brand, tailor-made business solutions and dense and high-quality network coverage. Maximising the utilisation and minimising unplanned stops is crucial for customers' business and profitability.

Ferronordic's sales area corresponds to approx. 20 percent of the German market for heavy trucks. The area includes some of the busiest and most developed parts of Germany, such as Hanover and Frankfurt Rhein-Main, the second largest metropolitan region in the country. It also includes a large part of eastern Germany, with fast-growing cities such as Leipzig and Dresden. In addition to new sales, the market also consists of used trucks, service, maintenance and rental.

Europe's most important market

Germany's economic importance makes the country the largest market in Europe for heavy trucks. There is a strong correlation between the economic development and new sales of trucks.

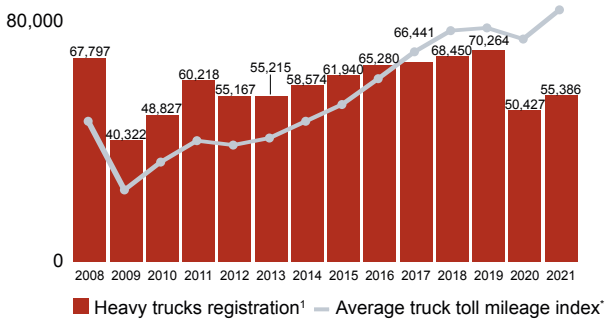
Germany's position in the EU also makes the country a logistics center serving over 82 million Germans, 150 million consumers in its nine neighboring countries and almost 500 million EU inhabitants. This has contributed to Germany having one of the most advanced transport infrastructures in Europe with the continent's second largest port, over 250 inland ports and 21 international airports.

Development 2021

Despite the economic upswing, component shortages and supply chain disruptions led to a weaker recovery of the truck market than expected. Total new sales was largely unchanged. However, in the heavy and medium segments, truck sales in units increased by 10.4 and 5.6 percent respectively compared with the previous year.

The supply constraints on new trucks had a positive effect on the market for used trucks – both in terms of truck sales in units and the price development. In addition, the total mileage increased significantly compared to 2020, which tends to increase the aftermarket business.

Heavy truck registrations in Germany



[1] Germany registrations data compiled by Volvo Trucks (until December 2020).
* Truck toll mileage index is a fixed base index that traces the development of the mileage of heavy trucks (with four or more axles) on German federal motorways and is calculated from digital process data from the truck toll collection system.

Germany

Market segment trucks

Size segment	Heavy trucks, >16 tons	Medium duty trucks, 7–16 tons	Light trucks, <7 tons
Main customer groups	Logistics and transport companies, construction and civil engineering companies etc.	Logistics and transport companies, construction and civil engineering companies etc.	Logistics and transport companies, construction and civil engineering companies, municipalities and municipal contractors etc.
Main areas of use	Long-distance driving and regional transports, timber transports, heavy transports, construction and civil engineering transports, mining and quarry transports etc.	Local and regional distribution, light construction, utility and refrigerated transport etc.	A lot of different transport assignments, including mobile workshops, freight transport, postal and courier services etc.
% of new truck sales in Germany	84.5%	10.5%	5.0%

Germany

Trends and driving forces

Many of the challenges faced by the German truck business in 2021 are likely to persist into the current year. This especially applies to the component shortages and global supply chain disruptions in the global distribution chains. Another challenge is the lack of truck drivers. The German economy and market may also be negatively affected by the geopolitical tensions around the situation in Ukraine and the sanctions and counter-sanctions. In a longer perspective, Ferronordic believes that the German truck industry will remain resilient for the following reasons:

A strong German economy

The German economy is expected to continue to play an important role for the whole of the EU and the rest of Europe. This means a continued demand for trucks and transport services.

Electrification and increased environmental requirements

Global climate challenges affect all markets and businesses. This factor is predicted to be extra important for the new German government in its priorities. This will increase the pace of conversion of the transport sector and the phasing out of fossil fuels. The transition to electric transport will start in the lighter segments, but in the long-run the entire transport sector is facing a shift.

With electrification comes not only a need to replace the truck fleet; it also leads to the demand for completely new services and complex solutions. Companies that can guarantee charging infrastructure and give advice on which trucks and equipment that best meets the needs of customers and requirements of the future will be able to take market shares.

Development of the transport industry

In parallel with the technical development and partly as a result of it, the transport industry is also developing. Ferronordic estimates that the fragmented German haulage industry will undergo a consolidation with fewer, but larger actors. This also brings a professionalisation that puts greater demands on

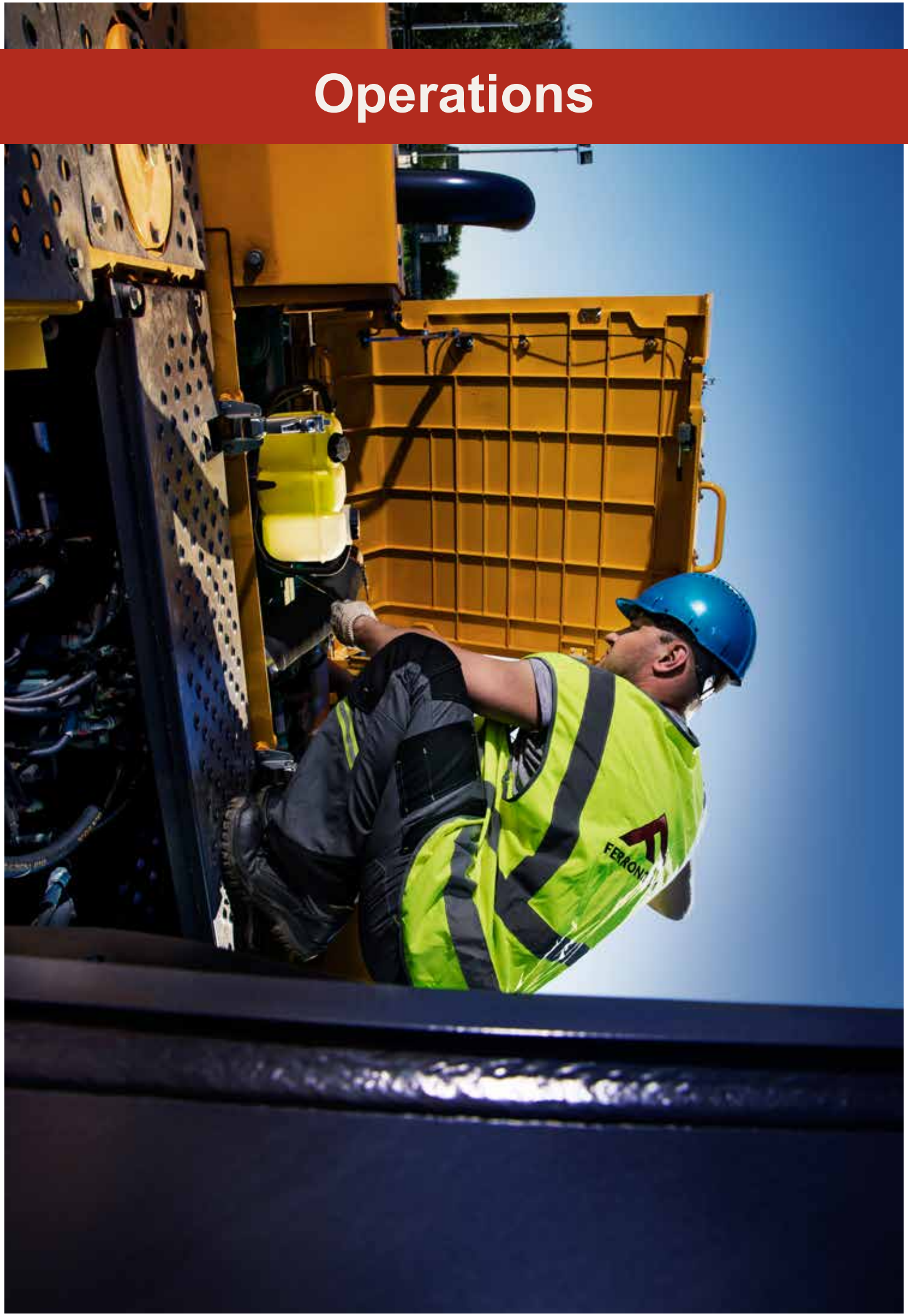
Ferronordic and other partners within the industry.

Continued growth in e-commerce

The rapid development of e-commerce puts new and higher demands on transports and logistics. The pandemic has accelerated this trend. The demand for fast deliveries increases the need for logistics and storage hubs in locations close to consumers and for efficient transport both to and from such facilities.

This has led several e-commerce operators to take a stronger grip on the entire transport chain to ensure increased delivery capacity to consumers. This increases the demand for reliable logistics operators and their partners.

Operations



Russia/CIS

The business segment Russia/CIS includes all of Ferronordic's operations in Russia and Kazakhstan, such as machine sales, repair, service, remanufacturing of machines and components and contracting services. At the core of the business is Ferronordic's network of 94 workshops and approximately 1,500 employees. The service network is complemented by mobile service teams, with which fully equipped van and trained mechanics can carry out a full range of service of repairs at the customers' site.

Machines sales

In Russia and Kazakhstan, Ferronordic sells new and used machines from various manufacturers. The Company's main partner is Volvo CE, which manufactures machines such as dump trucks, wheel loaders, excavators and pavers. In addition, Ferronordic sells bulldozers from Dressta, backhoe loader and compact equipment from Mecalac and forestry machines from Rottne. In 2021, sales of new Volvo CE machines, rental, attachments and Volvo CE aftermarket sales accounted for 68 percent of total sales in Russia/CIS. Ferronordic also sells machine attachments from various manufacturers, such as harvester heads for forestry machines.

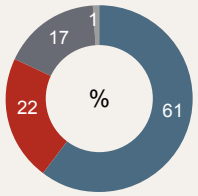
In 2021, Ferronordic was appointed authorised dealer for Sandvik mobile and stationary crushers and screens. These products are used in open pit mining and mining and recycling, often together with machines from Ferronordic's existing offering from Volvo CE.

In 2021, Ferronordic increased sales of new machines in units in Russia/CIS by 13 percent to 1,246 machines. Sales increased in most product groups, but especially in articulated haulers, forestry equipment, bulldozers and pavers. Mainly due to product mix, net sales of new machines in Russia/CIS increased by 29 percent to SEK 2,663 m.

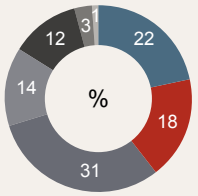
Sales of used machines in units increased by 22 percent to 328 machines and trucks. In terms of revenue, sales of used machines and trucks amounted to SEK 226 m, which is an increase of 4 percent compared to the previous year.

	2021	2020	2019	2018	2017
Units of new machines and trucks	1,246	1,102	965	948	738
Units of used machines and trucks	328	269	195	144	162
Revenue, SEK m	4,844	3,652	3,737	3,241	2,567
Gross profit, SEK m	961	714	775	614	489
Operating profit, SEK m	553	394	358	274	187
Gross margin, %	19.8	19.5	20.7	19.0	19.0
Operating margin, %	11.4	10.8	9.5	8.4	7.3
SG&A/Revenue LTM, %	1	3	19	2	5

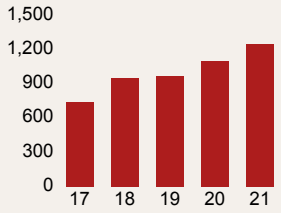
Net sales by activity



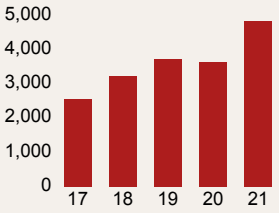
New machine net sales by industry



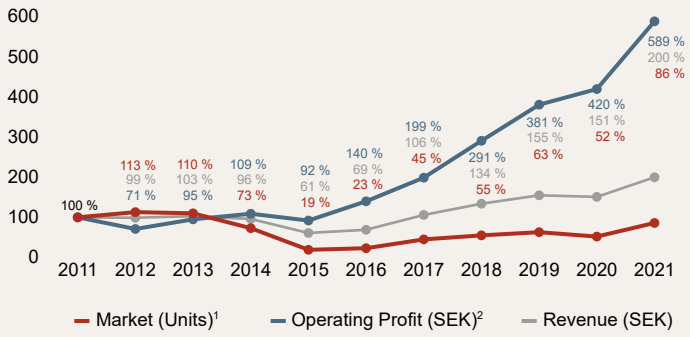
Number of machines sold



Revenue, SEK m



Strong development despite low market volumes in Russia/CIS



Source: Russian import statistics compiled by Volvo CE.
2) 2011–2016 refer to adjusted EBIT,i.e. operating profit excluding (i) amortisation of transaction-related intangible assets and (ii) write-downs of non-current assets in Q4 2016.

Aftermarket sales

Ferronordic's vision is to be the leading service and sales company. Professional service and timely supply of spare parts is critical to ensure uptime and productivity for the machines that the Company is responsible for and that are an integral part of its customers' production processes. Ferronordic's digital sales platform is an important part of securing this level of uninterrupted performance to our customers. Ferronordic performs planned maintenance, diagnostics and overhauls as well as planned and unplanned repairs. The work is often carried out within the framework of different types of service agreements to meet each customer's individual needs. The Company also offers training for machine operators. During 2021, aftermarket sales increased by 21 percent to SEK 1,042 m.

Component and machine rebuild centre

Ferronordic is also a supplier of Volvo Certified Rebuild for articulated haulers, excavators and wheel loaders. Volvo Certified Rebuild is a program where used machines are rebuilt in accordance with Volvo CE's requirements to have a second or even third life cycle. Rebuilt machines are sold with a new warranty from Volvo CE.

At the end of 2019, Ferronordic opened its own centre for remanufacturing of machines and components. The centre enables recycling of equipment and contributes to a circular economy for construction machines and trucks. The centre is rebuilding engines and gearboxes for Volvo CE, Volvo and Renault Trucks. The components are resold to customers with a warranty or are installed in used machines in the Volvo Certified Rebuild program. Ferronordic is also rebuilding machines in full and has a cutting line for recycling parts and utilising scrap metal.

In 2021, the capacity of the facility increased further. Through the year, Ferronordic rebuilt 16 machines and 305 components, compared to 4 machines and 132 components in 2020.

Contracting services

As part of the strategy of becoming increasingly integrated into the business of its customers and growing into related business areas, Ferronordic offers contracting services. In contracting services the Company owns the machines and employs the operators to perform specific work and tasks for customers. Contracting services is a way to sell the solution to the customer, rather than the product. It can be considered a transport-as-a-service solution.

Current projects include excavation and transportation of overburden and rock or ore for customers within the mining industry. Payment is mainly based on the amount and distance of earth and rock transported.

In 2021, Ferronordic continued to develop its operations in Norilsk and Irkutsk and started a new project at an iron ore site in Russian Karelia. At the end of the year, the Company was involved in five active projects that together employed 696 employees, including 237 employees via subcontractors, and 144 machines, including 50 machines via subcontractors. Revenues amounted to SEK 843 m, which was a 83 percent compared to the previous year.

	Machines	Parts	Service	Operators	Payment
Traditional methos	FERRONORDIC	FERRONORDIC or the customer	FERRONORDIC or the customer	Provided by the customer	Cost of machine, parts and service
Contracting services method	FERRONORDIC	FERRONORDIC	FERRONORDIC	FERRONORDIC	Volume based (per tonne, cubic meter, kilometer, square meters, etc)

Sales of new machines 2021

Type of product		Number of sold units	Description
Excavators		613	Used for a wide range of purposes, e.g. landscaping, excavation, trenching, demolition, loading etc.
Wheel loaders		156	Used to move or load materials. Available in different sizes and models, from compact to large production machines.
Road construction equipments		141	Pavers (tracked or wheeled) are used to lay asphalt in connection with the construction of roads, airports etc. Compactors are used to press surfaces, e.g. asphalt or earth, often in connection with road construction.
Articulated haulers		140	Articulated towing vehicles for demanding conditions. Areas of use include road construction, quarrying, mining and waste management.
Backhoe loaders		119	A tractor with a shovel or scoop in the front and excavator in the back. Used for a wide range of purposes, e.g.digging ditches, lifting, loading, material handling and construction.
Diesel generators		15	Power generators driven by a diesel engine from Volvo Penta. Assembled in Russia and sold under Ferronordic's own brand.
Forestry machines		25	Harvesters are used for felling, delimbing and bucking trees. Forwarders are used to transport logs from the stump to the roadside landing.
Bulldozers		20	Used to move earth, e.g. in road construction, aggregates and mining.
Rigid haulers		14	Massive trucks with payloads ranging from 41 to 91 tons. Used to move earth and other heavy loads in mining, aggregates, etc.
Crushers and screens		3	Mobile jaw crushers, cone crushers, impact crushers, coarse sorting plants and screening plants are used in areas such as open pit mining, mining and recycling.

Service network

Ferronordic has a well-developed network of 94 workshops throughout Russia and Kazakhstan, divided into eight regions.

It is critical for dealers of construction equipment to be close to their customers:

1. The equipments are often difficult or impossible to move to a workshop. Instead, the dealers' mechanics usually have to go to the customer sites where the machines are operating.
2. Since the construction equipment is so important for the production process and idle machines imply large opportunity costs and reduced profitability for the customer, it is crucial that the dealer's mechanics have good access to spare parts and can be on site rapidly to ensure machine uptime.

This means that proximity to customers, a large number of facilities and good access to spare parts are important success factors. Ferronordic's goal is to always have more than 90 percent of all spare parts available at all workshops.

The network facilities vary from simple workshops and sales offices to purpose-built service stations for both construction equipments and trucks. Mobile service units and on-site workshops at big customer production sites complement the network.

(94) Ferronordic outlets in Russia and Kazakhstan as of December 2021.

Region	No. of outlets	Description
Central	16	The area around Moscow and Russia's most densely populated region with 39 million inhabitants and the headquarters of many of Russia's larger companies.
Northwest	15	The area around St. Petersburg.14 million inhabitants.
South	7	The Federal Districts of the South and the North Caucasus. 24 million inhabitants.
Volga	10	The central parts of Russia. 30 million inhabitants.
Urals	11	Geographically large region with large natural resources. 12 million inhabitants.
Siberia	12	To the surface a very large region with many natural resources but poorly developed infra-structure. 19 million inhabitants.
Far East	16	To the surface a very large region with many natural resources but low population density. 6 million inhabitants.
Kazakhstan	7	The world's ninth largest country by area. 19 million inhabitants.

Germany

The operations in Germany consist of sales and rental of new trucks from Volvo Trucks and Renault Trucks, sales of used trucks and service and support of trucks and light commercial vehicles.

Ferronordic has been in the German market since January 2020 when Ferronordic became a dealer of Volvo and Renault Trucks in an area corresponding to about 20 percent of the German truck market. At the start in Germany, the Company took over nine of Volvo's workshops and two workshops from a smaller dealer in Ferronordic's sales area. The workshops are located in some of Germany's largest cities; Hanover, Leipzig, Dresden and Frankfurt.

In 2021, Ferronordic acquired five new workshops in Fulda, Limburg, Nordhausen, Bergstrasse and Bingen. Today, Ferronordic has 14 workshops and 284 employees in Germany.

Sales and rental of trucks

Ferronordic sells and offers rental of new trucks from Volvo Trucks and Renault Trucks with focus on heavy and medium-duty trucks. The trucks are employed in transports and logistics as well as in customers' own operations on construction sites and mines. The range also includes trucks for local and regional distribution as well as municipal services such as waste management.

The segment also includes sales of used trucks.

Ferronordic's sales of new trucks in units grew by 29 percent in 2021 to 800, including light commercial vehicles. Sales increased in all weight segments. In terms of revenue, sales of new trucks increased by 30 percent and amounted to SEK 781 m.

In the coming years, sales of electric trucks are expected to increase significantly. Together with digitisation, electrification also creates completely new business opportunities where Ferronordic can take greater overall responsibility of the service offering. At the end of 2021, Ferronordic ordered 32 all-electric medium-duty trucks, of which 11 from Volvo and 21 from Renault. The trucks will be used as demo vehicles for promotional purposes and will be sold and rented out to customers.

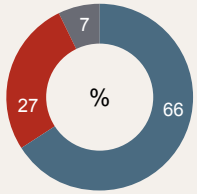
Sales of used trucks in units increased six times from a relatively low level in 2020. In terms of revenue, sales of used trucks amounted to SEK 127 m, an increase of 342 percent compared with the previous year. Ferronordic sees meaningful potential for the used trucks business to complement its product portfolio.

Aftermarket sales

Ferronordic offers maintenance and repairs of trucks. The work is often carried out within the framework of different types of service agreements to meet each customer's needs.

In 2021, aftermarket sales increased by 36 percent and amounted to SEK 365 m. A contributing factor behind the positive development is the acquisitions of workshops that Ferronordic made in 2021. The organic growth amounted to 9 percent, while the workshops acquired through the year contributed 36 percent of the growth. As a percentage of revenue, 19 percent came from sales within the framework of service agreements.

Net sales by activity

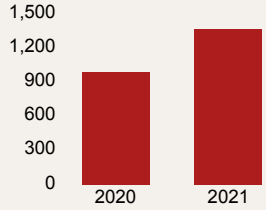


Truck sales
Aftermarket sales
Other income

Operating profit and operating margin

Operating profit
Operating margin

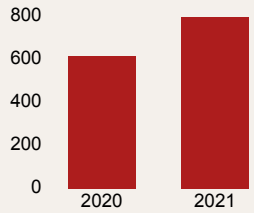
Revenue, SEK m



	2021	2020
Units of new machines and trucks	800	619
Units of used machines and trucks	241	34
Revenue, SEK m	1,368	983
Gross profit, SEK m	149	84
Operating profit, SEK m	-71	-66
Gross margin, %	10.9	8.5
Operating margin, %	-5.2	-6.7
SG&A/Revenue LTM, %	15.9	15.1

Segment	2021	2020
Rigid trucks	190	136
Tractor trucks	570	462
Light commercial vehicles	40	21
Total	800	619
New cars	48	61

Units of trucks sold



Sales of new trucks 2021

Type of product		Number of sold units	Description
Volvo FH16		14	The most powerful truck in the Volvo Trucks product portfolio. Suitable for a variety of applications including long haul, timber transport, heavy haulage and construction. Available with an electric engine.
Volvo FH		558	Long haul and regional haul truck mainly used in transportation and logistics. Usually comes as a semitrailer tractor, and also as a rigid for long and regional haul. The Volvo FH also comes with a liquefied gas (LNG) engine. Available with an electric engine.
Volvo FMX		26	Volvo Trucks' most robust construction truck. Typical areas of use are building and construction transport, as well as mining and quarry transport. Available with an electric engine.
Volvo FM		69	Versatile truck, suitable for a variety of purposes, including long haul, regional haul, building and construction. Available with an electric engine.
Volvo FE		5	Medium-duty truck used for distribution, light construction, utilities and refrigerated transport. Available with an electric engine.
Volvo FL		17	The smallest truck in Volvo Trucks product range. Used for local and regional distribution, refuse collection, light construction, and as a small format tractor. Also available with an electric engine.
Renault T		57	Renault truck for the long haul and regional haul. Also used in distribution transport and building and construction transport.
Renault D		10	Used widely in household and industrial waste collection, cleaning and sanitary services, firefighting and rescue services. Available with an electric engine.
Renault C		3	A versatile truck usually used for material transports in construction and civil engineering.
Renault K		1	Complementary truck for Renault C model. A heavy truck suitable for quarries, logging and various construction sites.
Renault Master		40	Light commercial vehicles that carry out a variety of transport assignments, including mobile workshops, freight transport and postal and courier services. Available with electric engine.

Service network

Ferronordic has 14 workshops in an area that represents 20 percent of the German truck market (based on registrations). The strategy is to continue to expand and improve the Company's network and organisation to increase the market share for Volvo Trucks and Renault Trucks as well as to increase Ferronordic's share of the total aftermarket in its sales area.

The need for a dense network of workshops is partly the same as in construction equipment. Trucks are central to customers' operations and any unplanned down-time quickly lead to a deterioration in the profitability of Ferronordic's customers. Proximity to customers, a large number of workshops and good access to spare parts are therefore important success factors.

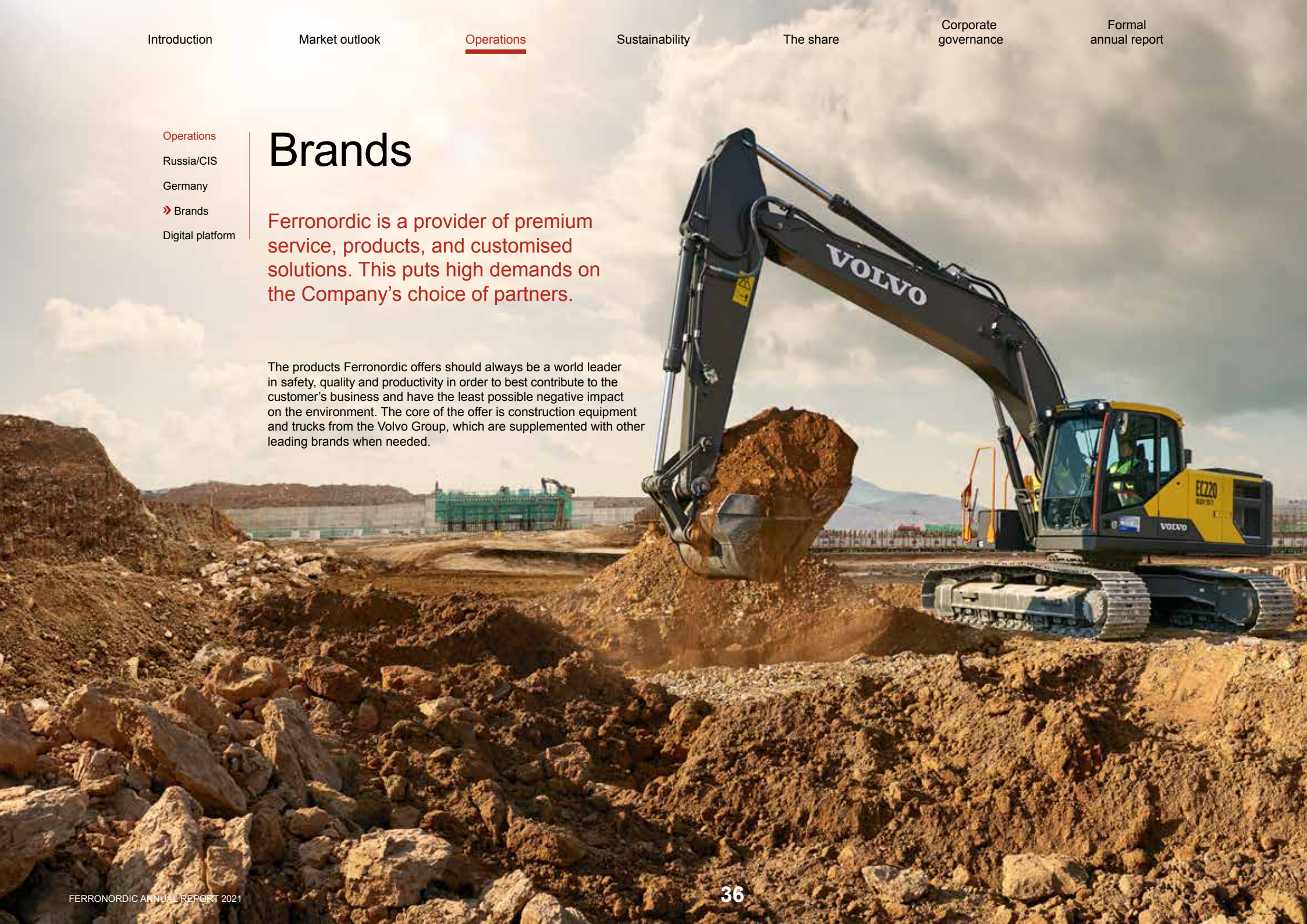
Most of the workshops are located in larger cities or at junctions along the Autobahn and maintain a high and uniform standard in terms of quality, treatment and environment.

Region	No. of workshops	Description
West	7	Includes Frankfurt, which is the main city in Rhine-Main metropolitan region, Fulda, Limburg, Bingen, Bergstrasse, Kassel and Haiger.
East	5	Includes fast-growing cities such as Dresden and Leipzig as well as Bautzen, Dessau and Görschen.
North	3	Includes Hannover, which is the largest city in Braunschweig-Göttingen-Wolfsburg metropolitan region, Nordhausen and Magdeburg.

Brands

Ferronordic is a provider of premium service, products, and customised solutions. This puts high demands on the Company's choice of partners.

The products Ferronordic offers should always be a world leader in safety, quality and productivity in order to best contribute to the customer's business and have the least possible negative impact on the environment. The core of the offer is construction equipment and trucks from the Volvo Group, which are supplemented with other leading brands when needed.



Brand	Descpription
	Volvo Construction Equipment **Profile**: Swedish Volvo CE is a leading manufacturer of construction equipment in the premium segment and one of the largest companies in the industry and the strongest brand for construction equipment in Russia. The company is part of the Volvo Group. **Business**: Ferronordic is an authorised dealer (including aftermarket) for Volvo CE throughout Russia and in Kazakhstan. **Offer**: A wide range of machines in different sizes segments and categories. **Sales 2021**: 1,062 new machines.
	Volvo Trucks **Profile**: Swedish Volvo Trucks is one of the world's largest truck manufacturers with customers in more than 140 countries. Volvo Trucks is a leader in areas such as quality, safety and environment. The company is part of the Volvo Group. **Business**: Ferronordic is an authorised dealer for Volvo Trucks in an area corresponding to 20 percent of the German truck market and an aftermarket dealer for Volvo Trucks in certain parts of Russia. **Offer**: A wide range of trucks in different sizes and categories. **Sales 2021**: 689 new trucks.
	Renault Trucks **Profile**: French Renault Trucks is one of the world's leading truck manufacturers with customers in more than 150 countries. The company is owned by the Volvo Group. **Business**: Ferronordic is an authorised dealer for Renault Trucks in an area corresponding to 20 percent of the German truck market and an aftermarket dealer for Renault Trucks in certain parts of Russia.. **Offer**: A wide range of trucks of different sizes segments and categories. **Sales 2021**: 111 new trucks including 40 light commercial vehicles.
DRESSTA	**Dressta** **Profile**: Polish Dressta is a global manufacturer of construction equipment with focus on machines for the most demanding environments such as mining, oil and gas extraction. **Business**: Ferronordic is the official dealer of Dressta bulldozers and pipelayers throughout Russia. Dressta bulldozers are often used side by side with Volvo CE products. **Offer**: Bulldozers and pipelayers. **Sales 2021**: 20 bulldozers.
MECALAC	**Mecalac** **Profile**: French Mecalac is a leading manufacturer of backhoe loaders, compact wheel loaders and other compact machines. **Business**: Ferronordic is the official dealer of backhoe loaders from Mecalac throughout Russia and Kazakhstan. **Offer**: Backhoe loaders and compact equipment. **Sales 2021**: 119 backhoe loaders and 2 compact wheel loaders.
ROTTNE	**Rottne** **Profile**: Swedish Rottne is a leading manufacturer of forwarders and harvesters for the forest industry. As part of the collaboration with Ferronordic, Rottne has developed a new series of products for the Russian market, equipped with engines from Volvo Penta. **Business**: Ferronordic is the official distributor of Rottne forestry machines throughout Russia. **Offer**: Forwarders and harvesters. **Sales 2021**: 25 forwarders and harvesters.
SANDVIK	**Sandvik** **Profile**: Swedish Sandvik is a premium brand and a global leading manufacturer of mobile crushers and screensThe products are used in, among other things, open pit mining, mining and recycling. **Business**: Ferronordic is the official distributor of mobile crushing and sorting plants throughout Russia. **Offer**: Mobile crushers and screens. **Sales 2021**: 3 mobile crushers and screens.
FERRONORDIC	**Ferronordic** **Business**: Ferronordic sells diesel generators (gensets) through its own brand. The generators are powered by engines from Volvo Penta. **Offer**: Diesel generators. **Sales 2021**: 15 diesel generators.

Connectivity increases operational reliability and efficiency

Ferronordic's services and products are often integrated into and directly crucial to customers' operations. Efficiency and reliability are therefore of central importance and places high demands on Ferronordic's aftermarket offering.

Through digital technology and connected machines, Ferronordic provides service and spare parts based on real-time data from the machines. Together with the accumulated experience of Ferronordic's mechanics and salespeople, as well as the Company's knowledge of its customers and their operations, this minimises the risk of unforeseen and costly downtime.

Ferronordic has further developed the connection between customer knowledge and machine data by creating its own system for digital sales support, both for machine sales and aftermarket. Thanks to the Company's self-developed "rule engine", based on know-how and experience, the signals from the machines' telematics systems are used to create automatic predictive and preventive service and sales offers to customers.

So far, digital sales support is only available in the operations in Russia/CIS. Ferronordic believes that the system is relatively unique among dealers, not only in Russia, and that it therefore has a great potential on other markets as well as products - including the Company's growing aftermarket business for trucks in both Russia and Germany.

Telematics system
The telematics systems (e.g. Volvo CE's CareTrack) monitor how the machines are used and send signals about engine hours, fuel consumption, geolocation etc.

Rule engine
The signals of the telematics systems flow through the rule engine and are automatically converted into "sales leads" and concrete customer offers.

Customer offer
The sales people get a notification with a recommendation of products/services based on output from the rules engine. The data is also collected in Ferronordic's CRM system.

Sales measure
Responsible salespeople contact customers and present the offers.

Follow-up
Customer offers generated by the rule engine are monitored continuously and updated systematically to ensure that they are effective and result in increased productivity and customer value.

Sustainability

A new strategy for sustainability

Sustainable development is necessary for the prosperity of the world - globally as well as nationally and locally. Sustainability is about employing and building natural, human and technological resources in a way that meets the needs of the present without compromising the ability of future generations to meet their own needs.

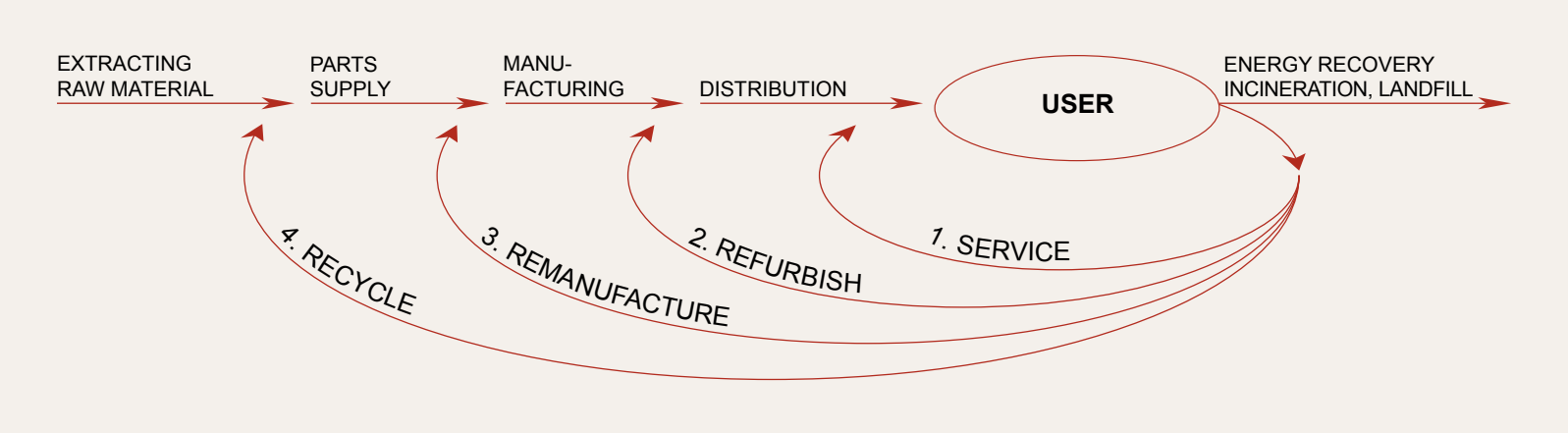
For Ferronordic, sustainability involves creating long-term value for all stakeholders of the Company. Ferronordic sees no long-term contradiction between sustainability and profitability, rather the opposite. Demand for sustainable and environmentally friendly business solutions is steadily increasing and companies that can take the lead in that development and help their customers meet their objectives will gain competitive advantages. Ferronordic works with partners and manufacturers who are focused on developing sustainable businesses and with customers who strive for resource efficiency and minimised environmental impact.

Sustainability is a central part of Ferronordic's strategy. It applies to everything the Company does, from culture to processes and operations. Sustainability is an essential part of Ferronordic's efforts to constantly improve and make its business more efficient and resilient.

A new sustainability strategy

In 2021, Ferronordic took further steps to deepen its sustainability work and to raise its ambitions. An extended materiality analysis was initiated and in-depth interviews were conducted with a number of stakeholders.

An important basis for the new strategy is greater emphasis on system thinking, which helps Ferronordic to understand how the Company's operations are connected to society, the planet and its inhabitants. One way to visualise these relationships is to study Ferronordic's value chain to identify risks and opportunities and what positive or negative impact the business can have on the environment. The illustration shows Ferronordic's journey from a linear to a circular approach.



In line with international standards

Ferronordic's sustainability work is based on international, national and local laws and standards. In 2021, a comprehensive survey was conducted which resulted in updates of several processes, policies and guidelines to ensure that the Company complies with international frameworks. Among the policies that were updated are:

- Human Rights Policy
- Environmental Policy
- Equality, Diversity and Non-Discrimination Policy

The review of the Company's policies are based on standards, declarations and guidelines sush as:

- UN Global Compact
- UN Global Development Goals (SDGs)
- ILO Basic Conventions
- UN Declaration of Human Rights
- OECD Guidelines for Multinational Enterprises

The new policies will ensure that Ferronordic's commitments are known to all employees and that all units within the organisation always work in accordance with these principles. Ferronordic also has a code of conduct and an anti-corruption policy.

UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) serve to develop shared knowledge, facilitate cooperation, produce, and harmonise regulation and drive technological development, which ultimately leads to impact and change.

Ferronordic is committed to all 17 goals, all of which have some connection to the Company's operations. The focus is on the goals where the Company's business activities can have the biggest immediate impact and the biggest effect on positive long-term trends.

6 13 14 15

- Clean water and sanitation
- Climate action
- Life below water
- Life on land

3 5 8 10 16

- Good health and well-being
- Gender equality
- Decent work and economic growth
- Reduced inequality
- Peace and justice strong institutions

5 11 12 17

- Gender equality
- Sustainable cities and communities
- Responsible consumption and production
- Partnerships to achieve the goal

Stakeholder dialogue and materiality analysis

The starting point for Ferronordic's sustainability work is to identify risks and opportunities and to prioritise. This is necessary to be able to take relevant measures and use its resources efficiently, as well as to meet stakeholders' expectations. Ferronordic therefore uses a materiality analysis, based on double materiality, as a tool in its sustainability work.

It should be noted that the analysis underlying this sustainability report was carried out before the ongoing conflict in Ukraine.

Stakeholder dialogue

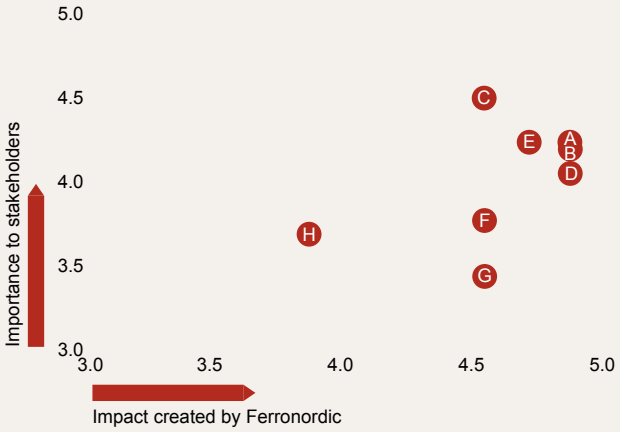
The materiality analysis is based on an ongoing stakeholder dialogue consisting of surveys, in-depth interviews, investor meetings, conversations with customers and employee surveys. In addition, customer feedback and complaints are handled in a structured way to contribute and increase knowledge and improvements. Other important groups participating in the dialogue are suppliers and partners, as well as authorities, municipalities and non-profit organisations.

Impact assessment

An important part of the materiality analysis is understanding Ferronordic's impact on the environment, climate, society and people. As a basis for this work, Ferronordic has taken part of internal and external surveys, current and future regulations and standards, as well as risk analyses at country and industry level. The Company has also studied how similar companies assess and report their impact on the environment. Together with the stakeholder dialogue, this provides a coherent picture of Ferronordic's impact and thus also on what the Company should focus on regarding its sustainability work.

The materiality analysis deepens the understanding of Ferronordic's impact on its environment at the same time as it confirms the Company's previous focus on sustainability. Thus, it also provides an opportunity to further increase its ambitions. Based on the materiality analysis, Ferronordic should primarily focus on the following sustainability aspects:

A. Reduced carbon dioxide emissions
B. Health and safety
C. Anti-corruption and ethics
D. A green customer offer
E. Diversity and equal opportunities
F. Recycling
G. Responsibility for the supply chain
H. Training and development of staff and organisation



As a result, Ferronordic has launched a new sustainability ambition with three focus areas:

- Planet first
- Fair workplace
- Sustainable offerings

Planet first

Volvo, Sandvik and Ferronordic's other partners have high ambitions in terms of sustainability. An environmental perspective therefore exists all the way from production, use, maintenance and repair, to reuse and recycling.

In 2021, Ferronordic updated its car policy in Germany to support electric vehicles. The employees were also offered charging infrastructure. The goal is to increase the proportion of electric vehicles in the Company's operations in relation to the proportion that runs on fossil fuels.

During the year, Ferronordic also measured its carbon footprint in cases where data were available. The mapping covered electricity use, fuel consumption and business travel. Additional data will be collected and added over time.

Towards the end of the year, Ferronordic acquired a renewable energy certificate for the German operations. In 2022, the certificate will be used for 9 of 14 workshops. Other German workshops will follow suit as current electricity contract expires. The nine workshops account for approximately 65 percent of the electricity use in the German operations. By the end of 2022, the goal is for all workshops in Germany to use 100 percent renewable energy.

During the year, Ferronordic also began to map its carbon footprint throughout the value chain. The information is initially limited to some emission categories but will gradually be complemented with additional data. The information on electricity consumption is in most cases based on estimates as electricity is often included in the rent. In cases where Ferronordic owns the facilities, the information from the electricity bills is used. Based on this, the Company's carbon footprint has been calculated using emission factors from the International Energy Agency (IEA). Business travel data come from the Company's travel agencies.

An important part of Ferronordic's sustainability work is the Company's centre for machine and component rebuild. By restoring older equipment and selling it with new guarantees, Ferronordic enables better resource

Electricity consumption	2021	2020	2019
Electricity, MWh*	3,250	2,501	2,123
Electricity rate**	3,19	-	-
Renewable energy share, %	0	0	0

* 2019 data refer only to Russia. The 2020 data refer to Russia and Germany. The 2021 data also refer to Kazakhstan.
** MWh/revenue. Applies to Germany only.

Tons of CO_2eq- emissions by source	2021	2020	2019
Electricity*	1,184	882	754
Fuel**	65,253	36,057	32,879
Business travel***	878	385	1,115
Total	67,314	37,324	34,747

* Includes Russia 2019, Russia and Germany 2020 and Russia, Germany and Kazakhstan 2021.
** Excluding car data from Germany. The increase is mainly due to increased business volumes in contracting services.
*** Excluding Germany 2019 and 2020 and domestic travel in Russia. In addition, strongly affected by the pandemic.

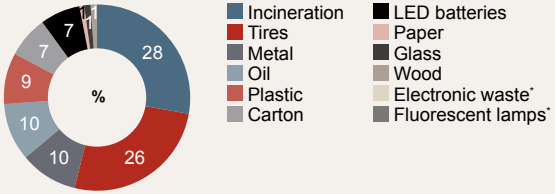
utilisation. The business includes repairing machines, manufacturing new components and recycling metal and parts of machines that can no longer be restored to usable condition. The facility was launched in December 2019, and its capacity was expanded during both 2020 and 2021.

For material that cannot be given a second life, the goal is to increase the proportion of recycling and reduce the proportion that goes to incineration or landfill. Ferronordic will therefore develop its systems to ensure reliable data on the proportion of materials recycled in all markets to improve resource efficiency. The information regarding waste generation in the Company's markets shows that the largest categories consist of mixed waste for incineration and used tires, oils and metals. Current data, which is not yet complete, provides an overview of which waste categories Ferronordic should focus on in order to increase the proportion of recycling.

As can be seen from the diagram, used tires make up a significant part of Ferronordic's total waste. Most of these tires are used in contracting services in projects in difficult conditions and remote parts of Russia, which poses major challenges in terms of waste management and recycling. In the coming years, this category will therefore be prioritised when it comes to investment in waste management.

Rebuilt categories	2021	2020
Articulated haulers	16	3
Engines	38	15
Gearboxes	50	19
Other components	158	45

Waste per category



*Electronic waste and flourescent lamps are less than 0.5 percent.

Fair workplace

Health and safety are core aspects of Ferronordic. Many of the Company's employees work in challenging and sometimes extreme conditions. Such work is associated with risks related to health and safety. It is Ferronordic's responsibility to ensure that working conditions are as safe as possible. The goal is of course zero injuries.

Ferronordic works systematically and proactively with the work environment of its employees. This includes, among other things, preventive checks at the Company's facilities and reporting of all incidents. This identifies deviations that could have led to accidents if they had not been noticed. This in turn helps to increase awareness of health and safety and to remind each employee of the importance of safety routines. In 2022 the incident reporting system implemented in Russia will also be introduced in Germany and Kazakhstan.

The transport industry is being transformed at a fast pace. Although it may take several years from the time a decision is made until the actual shift takes place, the technical conditions and business models are changing. For Ferronordic to remain relevant, innovation is a key factor and in order to be innovative, the employees constantly need to perform at their best, which in turn requires a diversity of skills and backgrounds as well as good working conditions. In 2021, Ferronordic introduced a new diversity KPI in order to focus management's attention and measure developments in this area.

Ferronordic's activities and projects cover a wide range of environments and conditions. From large cities to remote mountainous regions. While Ferronordic creates jobs in sparsely populated areas, it also brings challenges in terms of retaining employees in the long term. Ferronordic therefore prioritises its HR function and works with a wide range of tools to improve employee satisfaction and maintain diversity.

Health & Safety	2021	2020	2019
Hours training total	61,027	49,761	56,954
Hours training/employee	34,1	33,9	47,9
Safety hours training total	6,810	4,282	9,344
Sick days/employee*	5,9	4,9	2,6
Near-miss**	129	48	169
Minor injuries***	24	1	1
Major injuries	5	3	4
Fatalities	0	0	0
LTIFR Germany	3,87	-	-
LTIFR Russia	2	-	-

* The increase is mainly due to the pandemic.
** Refers only to Russia and Kazakhstan. The changes between the years are mainly due to the pandemic.
*** Minor and serious occupational accidents from 2021 also include Germany.

Diversity	2021	2020	2019
Women in Board, %	29	17	17
Women in management, %	32	28	-
Total women employee, %	12	10	13
Diversity, %[1]	21	-	-
Employee engagement, %[2]	77.2	-	-

[1] Calculated as 361 employees of diverse backgrounds/1,712 average total headcount.
[2] Gallup Q12 employee satisfaction survey methodology.

Anti-corruption

Since its start, Ferronordic has put significant efforts into measures to fight corruption and develop a culture of strong business integrity.

An important area is procurement, where a policy stipulates rules with different threshold values and ensures that decisions are made by at least two people of relevant level and competence. Ferronordic also runs an annual anti-corruption training that is mandatory for all employees in all markets.

To make it easier for employees to report signs of identified inaccuracies, Ferronordic has a whistleblower function where employees can report any suspicious activity anonymously.

Ferronordic's code of conduct is available in all relevant languages and for all employees. The Company operates under the Swedish Code of Corporate Governance and sustainability is a standing item at management group and Board meetings.

Anti-corruption and compliance	2021	2020	2019
Percentage of employees who have completed anti-corruption training,%	100	100	100
Number of training hours in anti-corruption/employee	1,08	1,06	1,04
Reported whistleblower incidents	1,930	1,556	1,239
Whistleblower incidents which led to action	1	0	1

Responsibility for the supply chain

Ferronordic's supply chain is associated with risks and opportunities related to sustainability. The largest part of the supply chain consists of manufacturers of trucks, heavy vehicles and construction equipment. Ferronordic has a close relationship with these stakeholders, which facilitates the understanding of the importance of our environmental footprint. Ferronordic only works with premium manufacturers who have long since been working to reduce their impact on the environment. This work and the close cooperation with its partners help Ferronordic to reduce its footprint in the supply chain.

Ferronordic's Rebuild Centre is certified according to the work environment management system ISO 45001. Parts of the activities in Russia are certified according to the quality management system ISO 9001 and the environmental management system ISO 14001. In 2022, the Company intends to expand its quality and environmental management systems throughout Russia and introduce them in Germany and Kazakhstan.

ISO-certifications	9001	14001	45001
Russia	Yes	Yes	Yes
Kazakhstan	2022	2022	-
Germany	2022	2022	-

Sustainable offer

The impact of customers

Customers are at the centre of all Ferronordic's operations. Ferronordic and its customers are part of each other's value chains. Ferronordic strives not only to meet customers' needs, but also to support their sustainability work. This means that Ferronordic always strives to offer the product that has the least environmental impact. The Company also offers support in extending the product life cycle through maintenance, repair and remanufacturing. At the end of the product's life, Ferronordic ensures that resources that can no longer be used by customers are recycled when possible or responsibly disposed.

Possibility

The transport industry is undergoing an enormous transformation with new types of fuels such as biodiesel, ethanol, fuel cell technology, biogas and electricity. This transformation requires large infrastructure investments, which means that most fuel types will likely be available for a number of years. Through its strategic partnerships, Ferronordic can offer solutions that provide a low environmental impact and fit the needs of the customers' operations. In addition, the transformation can lead to new partnerships and solutions for transport, freight and construction industries.

Ferronordic's products and services are often linked to critical infrastructure projects, which means that there are strict requirements on quality and sustainability. Both public and private actors are placing ever higher demands on the reduction of CO_2 emissions, the protection of human rights and biodiversity. This is an advantage for companies that conduct active sustainability work, which is an integral part of all Ferronordic's business activities.

Circular offering

Ferronordic's business model includes maintaining, repairing and renovating machines and components that customers buy or currently operate. This is good resource management that supports improved financial performance and reduced environmental impact for the customers. Ferronordic's IT solutions also make it possible to plan service and maintenance efficiently and thereby reduce the risk of unplanned downtime, which is associated with resource waste, additional costs and loss of revenue for customers.

Ferronordic also offers training in how to use machines and other equipment in an efficient way to minimise environmental impact. In order to drive incremental improvements in its own environmental performance, Ferronordic has established KPIs and will develop long-term targets for sustainable customer offerings. The KPIs include training on how to use the machines in an environmentally sustainable way, sales of remanufactured and rebuild units and sales of electric vehicles. These KPIs are designed to include more products and services over time.

Sustainable offerings KPI	2021	Target 2022
Share of total sales, %	0.95	6

Sustainability risks

Risk mapping

In order to identify and calibrate sustainability risks, Ferronordic carried out a renewed risk survey in 2021 on the industries and countries in which it operates. The majority of the survey was carried out with internal resources, but it was also complemented by an external consulting firm which ensured that no risks were overlooked or underestimated. The mapping of sustainability risks is naturally linked to Ferronordic's overall process for risk management.

Risk management (including areas of sustainability)

Ferronordic's risk review and management process is performed by Ferronordic's internal audit and control. Business managers and area experts work with the Ferronordic's risk officer to identify, describe and manage risks. The level of risk and the implementation of the controls are reported by the employees responsible for the relevant risks. The risks and controls are reviewed on an annual basis.

These risks are reported to Ferronordic's management team on a quarterly basis. As a result of the ESG risk mapping, the ESG risks area was expanded during the year. The Group's risk management process currently includes Russia, Kazakhstan and Sweden. In 2022, Germany will also be included in the group process as part of the overall onboarding plan.

Outlook for 2022

Mapping of the value chain's climate footprint

In 2022, Ferronordic intends to continue the mapping of the Company's CO_2 footprint throughout the value chain. The work will initially focus on procuring consistent data for purchased products and logistics, both of which are sources of CO_2 emissions.

Preparations for due diligence on human rights

Awareness of human rights is increasing among companies worldwide. The issue is central to both consumers and interest groups. Focus is mainly on the supply chain, where the biggest challenges are. More regulations are also expected at the national and EU levels to ensure that companies adequately deal with human rights issues.

In 2021, Ferronordic began identifying and resolving gaps in the Company's procurement process. The Company reviews the sustainability obligations associated with procurement. The procurement policy and the procurement process are areas that will be further developed in 2022. Ferronordic will also review other parts of the value chain where there are risks linked to human rights.

Impact assessment of climate change

Even though people and companies are working to reduce their environmental impact and limit climate change, there is still a need to prepare for a warmer and less predictable climate. In 2022, Ferronordic intends to continue an in-depth impact assessment of climate change to understand to what extent it will be affected and how it can mitigate the effects of climate change.

Taxonomy

This report contains Ferronordic's first reporting under the EU Taxonomy Regulation. The review of relevant economic activities within Ferronordic was carried out by mapping the Company's turnover against the NACE codes for classification of economic activities. The work was led by the finance department and the verification of the NACE codes was done together with Ferronordic's sustainability department. The taxonomy criteria were studied both to understand the aim of the framework and to identify applicable categories of activity.

As a result of the review, it was decided which financial activities Ferronordic will include in the taxonomy reporting. Capital and operational expenditures were determined by cross-checking the Disclosures Delegated Act against Ferronordic's accounting entries. The KPIs in the table below include the economic activities that fall into the two categories of manufacturing of low-carbon technologies for transport and freight transport services by road.

The review shows that Ferronordic can have an impact on climate change in its markets. The Company also concludes that its activities related to the circular economy may be included in the taxonomy in the next wave. However, conditions in Ferronordic's markets mean that it may be difficult and take time to reach 100 percent.

Although the reporting obligation for 2021 does not include a taxonomy adjustment declaration, Ferronordic was also reviewed on the basis of the "Do no harm" criteria. The Company's human rights policy was therefore evaluated to examine Ferronordic's approach to human rights with internal and external parties, and the entire value chain. The risk mapping process also supported the effort to provide an overview of risks and to reduce such risks. Further work is needed to identify the full potential impact of the Company's operations regarding human rights.

One of the main goals of EU Taxonomy is to prevent 'green washing'. Ferronordic respects this and has taken a conservative approach when reporting the taxonomy-eligible figures, thus not including items that are not specifically mentioned in the taxonomy. As part of Ferronordic's mapping of the taxonomy against its economic activities, the Company identified two eligible economic activities generating external turnover in:

- Freight transport services by road
- Manufacture of low carbon technologies for transport

To estimate the proportion of taxonomy eligible activities, Ferronordic included the IFRS based accounting amounts related to such activities in the revenue, capital and operational expenditure numerators, against the corresponding total revenue, capital and operational expenditure amounts in the denominators.

EU taxonomy eligibility	Proportion of revenue, %	Proportion capital expenditures, %	Proporation of operational expenditures, %
A. Taxonomy eligible activities			
- Freight transport services by road	0.1	7	1.3
- Manufacture of low carbon technologies for transport	0	0	0
B. Taxonomy non-eligible activities	99.9	93	98.7
Total (A+B)	**100**	**100**	**100**

KPI index

Indicator	Market	Unit	2019	2020	2021	2021 vs. 2020 YoY
Number of Board members	Group	#	6	6	7	17%
Number of Board meetings per year	Group	#	10	14	9	-36%
Board meeting attendance	Group	#	93%	98%	100%	2%
Women members of Board	Group	%	17%	17%	29%	71%
Nationalities present in Board	Group	#	1	1	1	0%
Independent members of Board	Group	%	4	4	5	25%
Electricity consumption	Group	MWh	2,123	2,501	3,250	30%
Fuel consumption	Group	1,000 l	12,894	14,140	25,589	81%
Flight miles	Group	1,000 km	9,980	3,549	8,034	126%
CO_2 emissions related to flights	Group	tons	1 115	385	878	128%
Lost Time Injury Frequency Rate	Ru/CIS	#			2	
Accidents at work (minor)	Group		1	1	24	2300%
Accidents at work (major)	Group		4	3	5	67%
Personal protective equipment	Ru/CIS	MRUB	28.2	27.1	42.8	58%
ISO 45001:2018 Certification	Ru/CIS	Y/N	Y	Y	Y	
Internal HSE inspections	Ru/CIS	#	52	15	72	380%
Number of violations discovered	Ru/CIS	#	618	315	855	171%
Number of violations closed on time	Ru/CIS	%	60	67	1	-99%
Safety walks	Ru/CIS	#	1,480	655	1,104	69%
Near-miss	Ru/CIS	#	169	48	129	169%
Closed Near-miss reportings	Ru/CIS	%	0	-1	1	-203%
Near-miss frequency rate	Ru/CIS	#	,	,	9	
Safety training	Group	hrs	6,810	4,282	9,344	118%
Anti-corruption training	Group	hrs	1,239	1,556	1,930	24%
Anti-corruption training/employee	Group	hrs/#	1.04	1.06	1.08	2%
Number of employees at end of year, Group	Group	#		12	17	42%
Employee turnover in	Group	%	13%	15%	14%	-7%
Average age of employees at end of year	Group	#	37	39	39	0%
Proportion of male/female employees	Group	%	13%	10%	13%	30%
Proportion of male/female employees in executive management	Group	%	11%	16%	15%	-6%
Proportion of male/female employees in management	Group	%	11%	17%	20%	18%
Nationalities in workforce	Group	#	7	19	20	5%
% of vacancies announced internally in year	Group	%	88%	93%	93%	0%
% of vacancies filled internally in year	Group	%	60%	20%	25%	25%
Number of internal promotions made in year	Group	%	268	187	273	46%
Number of training hours provided in year	Group	hrs	56,954	49,761	61,027	23%
Total training hours per Employee	Group	h/#	48	34	34	1%
Work-related serious accidents or fatalities in year	Group	#	4.0	3.0	5.0	67%
Number of sick-days in year	Group	#	3,097	7,189	10,502	46%
Average number of sick-days per employee	Group	#	2.6	4.9	5.9	20%
Number of partners that signed Code of Conduct	Group	#			4	
Number of partners that signed policy on Human Rights	Group	#			4	

The share

The Ferronordic share

Ferronordic's shares have been listed on Nasdaq Stockholm since October 2017. On 31 December 2021, the share price was SEK 337, which is an increase of 114 percent compared to the previous year. This corresponds to an increase in the market capitalisation of the Company to SEK 4,897 m (2,287). The listing refers to all shares in Ferronordic AB (publ), which is the Parent company of the Group. The shares are traded in the Mid Cap segment and belong to the Industrial Goods and Services sector. The ticker is FNM and the ISIN-code is SE0005468717.

Turnover and stock price development

In 2021, 9,267,690 shares (8,907,867) were traded at a total value of SEK 2,271 m (1,199). The average turnover was 36,631 shares (35,348) for SEK 9 m (4.8) per trading day. All listed shares were traded on Nasdaq Stockholm.

Share capital

Ferronordic has only one class of shares: ordinary shares. The number of shares on 31 December 2021 was 14,532,434. Each share carries one voting right at the Annual General Meeting. At the end of the year, Ferronordic owned 0 shares (0).

Dividend policy and dividend

In February 2021, the Board adopted a new dividend policy. According to this policy, Ferronordic's ambition is to distribute at least 50 percent of the net profit if the net debt / EBITDA is less than 1.0 x (after the dividend) and to distribute at least 25 percent of the net profit if the net debt/EBITDA is more than 1.0 x. In addition, the Board considers other factors when the level of dividend is proposed, including legal requirements, the Articles of Association, the Group's expansion opportunities, the Company's financial position and investment needs.

Ferronordic has not received any conditional state aid in connection with the Covid pandemic.

Ferronordic paid dividends during both 2020 and 2021 for 2019 and 2020 results, respectively.

Due to the conflict in Ukraine, the ensuing sanctions and restrictions imposed on Russia in February and March 2022 and the resulting uncertain outlook, the Board proposes that the 2022 Annual General Meeting resolves not to pay dividends.

Ownership

On 31 December 2021, the number of shareholders amounted to 9,611 (4,999). Foreign ownership amounted to 29 percent (21).

Among the ten largest shareholders, a few changes took place in 2021. Nordnet and Carnegie Fonder increased their holdings while Norges Bank IM and Per Arwidsson and related parties decreased their positions. Other changes are of a minor nature.

Data per share	2021	2020	2019	2018	2017
Operating profit, SEK	33.2	22.6	24.6	18.8	12.9
- after full dilution, SEK	33.1	22.6	24.6	18.8	12.9
Profit, SEK	23.3	15.3	17.3	13.2	8.1
- after full dilution, SEK	23.3	15.3	17.3	13.2	8.1
Operating cash flow, SEK	31.5	47.7	-22.7	10.4	10.2
- after full dilution, SEK	31.5	47.7	-22.7	10.4	10.2
Equity, SEK	75.8	55.5	61.3	45.1	42.1
- after full dilution, SEK	75.5	55.5	61.3	45.1	42.1
Stock price by year end, SEK	337	157	163	127	151
Highest share price, SEK	359	173	167	163	180
Lowest share price, SEK	154	73	125	113	145
Dividend, SEK[1)]	-	7.5	4.3	3.8	1.7

[1)] The Board's proposal 2021.

Significant shareholders as at end of 2021*

Shareholders	Number of shares	Share of capital and votes, %
Skandinavkonsult i Stockholm AB**	2,260,774	15.6
Lars Corneliusson (direct and through companies)	1,047,249	7.2
Per Arwidsson and related entities	812,961	5.6
Avanza Pension	756,741	5.2
Swedbank Robur	721,053	5.0
Unionen	575,000	4.0
Altocumulus	493,381	3.4
East Capital AB	434,942	3.0
Investor AM BVBA	420,955	2.9
Norges Bank IM	340,900	2.3
Other shareholders	6,668,478	45.9
Total	**14,532,434**	**100.0**

* Euroclear 31 december 2021.
** Associated person of Håkan Eriksson.

Share-based incentive program

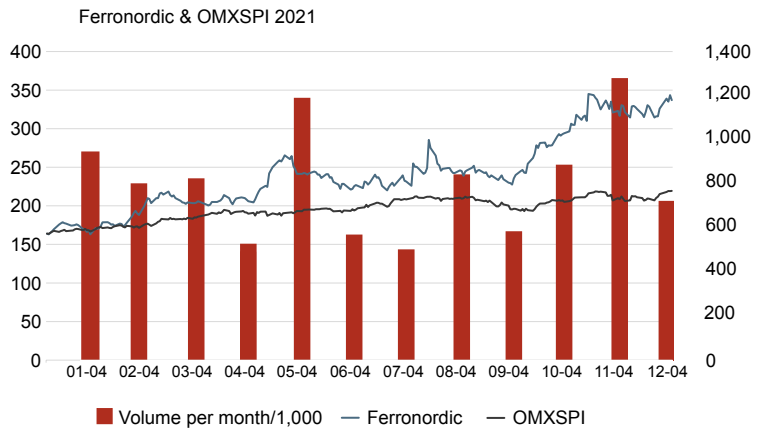
On 12 May 2021, the Annual General Meeting resolved on an incentive program for senior executives. The program is intended to create long-term incentives and align the interests of management and shareholders. According to the program, Ferronordic is permitted to issue up to 392,768 warrants and distribute these among approximately 30 people in the management of the Group and its subsidiaries. Each warrant entitles the participant to subscribe for one share in the Company not earlier than three years after the warrant has been issued.

On 28 May 28 2021, the Company issued 364,500 warrants to 27 senior executives and participants as part of the incentive program. In line with the program design, the participants received cash compensation from the Group which, after tax, covered 80 percent of the cost of acquiring the warrants. The remaining 20 percent was funded by the participants themselves.

Subscription of shares will take place against cash payment to the Company of an exercise price corresponding to 135 percent of the volume-weighted average share price during the ten trading days immediately preceding the valuation date of the warrants (28 May, 2021). In the event of a full allotment and a full subscription, the Group's equity would increase by approximately SEK 130 m. Participation in the program and subscription of shares requires the participants to remain employees of the Company or its subsidiaries for the duration of the program.

A similar program was launched in 2020. On 27 November 2020, the Company issued 332,000 warrants to 24 senior executives and participants in the incentive program. The total number of outstanding warrants on 31 December 2021 was 696,500.

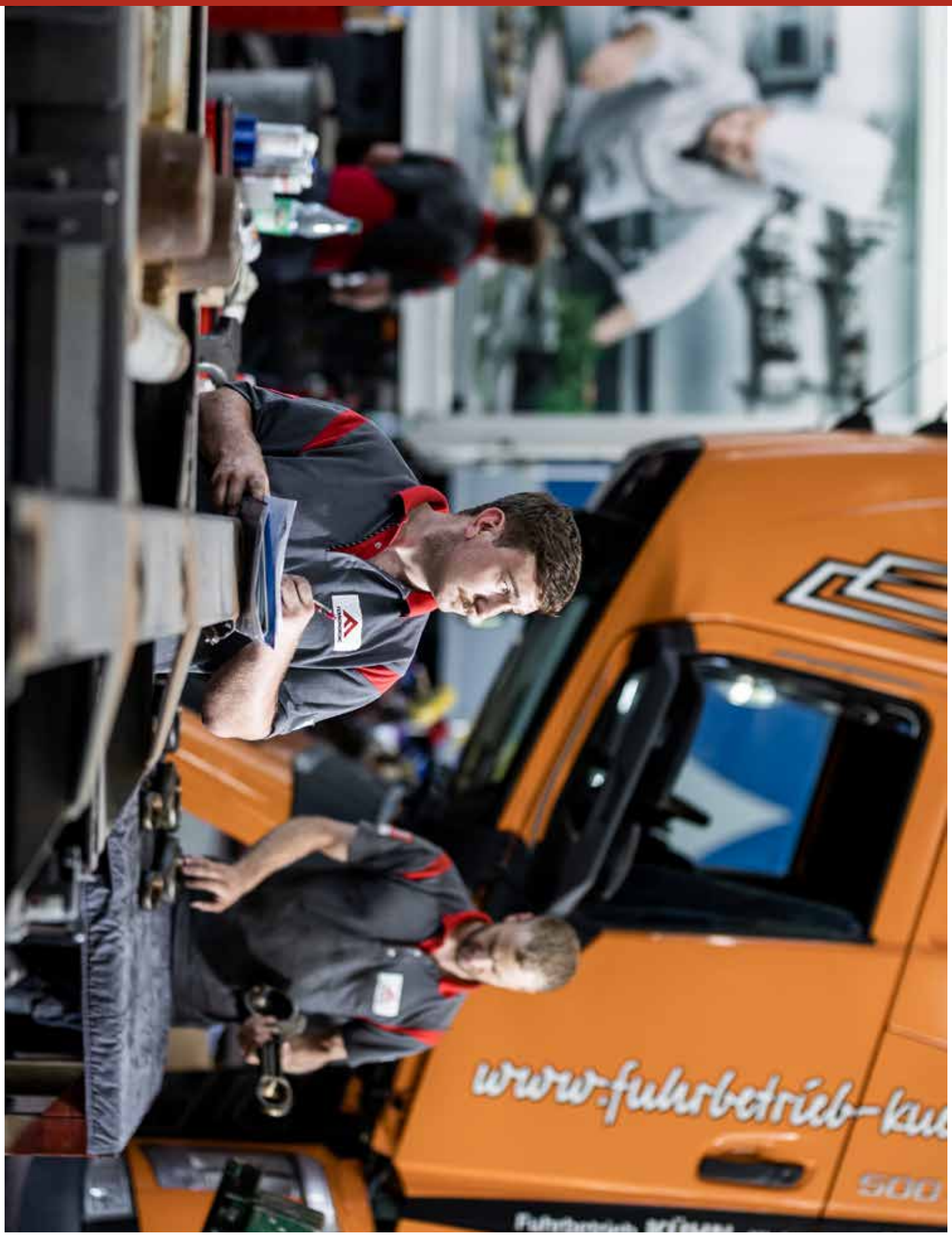
It is the Board's intention to repeat the 2021 warrant program for the management team in 2022. However, each year's program is independent of previous programs and will be presented at Ferronordic's Annual General Meeting. The cumulative potential dilution of the programs over three years, if fully implemented, shall not exceed 8.75%. The Board will present the long-term incentive program for 2022 in the notice convening the Annual General Meeting 2022.



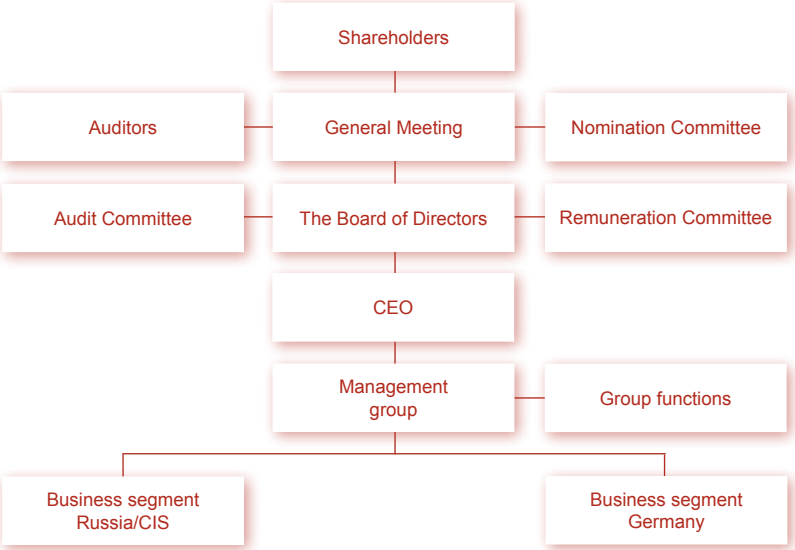
Share capital development

Year	Measure	Number of ordinary shares	Number of ordinary shares, of series 2	Number of A-preference shares	Number of B-preference shares	Change in share capital SEK	Total share capital, SEK
2008	New share issue	11,000	-	-	-	98,211	98,211
2010	New share issue	89,000	-	-	-	794,619	892,839
2013	Share split (100:1)	9,900,000	-	-	-	-	892,839
2013	New share issue	-	-	500,000	-	44,641	937,471
2017	Conversion	-	-	-366,544	366,544	-	937,471
2017	New share issue	1,333,333	-	-	-	119,044	1,056,515
2017	Redemption and new share issue	-	3,199,101	-	-366,544	252,899	1,309,414
2017	Redemtion of shares	-	-	-66,728	-	-5,958	1,303,456
2017	Conversion	3,199,101	-3,199,101	-	-	-	1,303,456
2018	Redemtion of shares	-	-	-66,728	-	-5,958	1,297,499
Outstanding shares 31 December 2021		**14,532,434**	**-**	**-**	**-**		**1,297,499**

Corporate governance



Corporate governance report



Ferronordic AB (publ) is a Swedish public company domiciled in Stockholm. The Company's shares have been listed on Nasdaq Stockholm since October 2017.

Ferronordic applies the Swedish Code of Corporate Governance (the Code). It is the Board's opinion that Ferronordic in 2021 has complied with the Code in all respects and therefore has no deviations to report or explain.

This corporate governance report is not included in the formal annual report but has nevertheless been reviewed by the Company's auditors.

Control structure

Ferronordic has a clear framework for corporate governance. The purpose is to achieve effective and efficient governance and to maintain and develop a trusting relationship with the Company's stakeholders. Shareholders exercise their influence by participating and voting at the general meeting. Management and responsibilities are divided between the Board and the CEO in accordance with Swedish legislation, the Code, Nasdaq Stockholm's listing requirements and internal instructions and policy documents.

Shareholders

Information about Ferronordic's share capital and owners can be found on pages 53–54.

General Meeting

The Annual General Meeting is the Company's highest decision-making body through which the shareholders exercise their right to make decisions regarding the Company's affairs.

The Annual General Meeting shall be held during the first half of the year after the end of each financial year. The Annual General Meeting makes resolutions regarding dividends, the election of the Board members, the election of auditors and other matters required by the Swedish Companies Act, the Articles of Association and the Code.

Notice convening a general meeting is published in the Swedish official gazette, Post- och Inrikes Tidningar, and on the Company's website. The fact that a notice has been issued is also announced in Dagens Industri. Notices are also communicated to the market through press releases. All shareholders are entitled to participate in the Annual General Meeting, either in person or by proxy, provided that they are recorded in the share register five working days prior to the Annual General Meeting and have given notice of their participation.

All shareholders are entitled to have an item dealt with at the Annual General Meeting, provided that they inform the Board in writing early enough so that the item can be included in the notice. At the Annual General Meeting, shareholders also have the opportunity to ask questions to the Board and the management.

Annual General Meeting 2021

The Annual General Meeting took place on 12 May 2021 and was held without physical presence of the participants in accordance with the Act on temporary exemptions to facilitate the execution of general meetings and other associations (SFS 2020:198). At the meeting, 39 percent of the shares and votes were represented in person or by proxy.

The Annual General Meeting made the following resolutions:
- to approve annual and consolidated accounts
- a dividend payment of SEK 7.50 per share, i.e. a total of SEK 108,993,255
- to discharge the Board members and the CEO from liability
- to determine the remuneration of the Chairman of the Board, Board members and the auditor
- to elect Annette Brodin Rampe, Lars Corneliusson, Erik Eberhardson, Håkan Eriksson and Staffan Jufors (all re-elected) and Aurore Belfrage and Niklas Florén (both new-elected) Board members
- to elect Staffan Jufors (re-election) as Chairman of the Board
- to elect KPMG AB (re-election) as auditor
- to approve the Nomination Committee's proposal for principles for the Company's Nomination Committee
- to adopt guidelines for remuneration to senior executives
- to approve the incentive program for the Company's management proposed by the Board, including the issuance of warrants

Minutes and other documents from the Annual General Meeting are available at the Company's website www.ferronordic.com.

Annual General Meeting 2022

Ferronordic AB's Annual General Meeting 2022 will take place on 12 May 2022 and will be held without physical participation in accordance with the temporary legislation. Further information is available at the Company's website www.ferronordic.com.

Nomination Committee

At the 2021 Annual General Meeting, the following principles were established regarding the Nomination Committee's appointment and composition:
- The Nomination Committee shall consist of four members.
- At the end of the third quarter, the Chairman of the Board shall contact the four largest shareholders and encourage them to appoint their respective representatives to the Nomination Committee.
- Shareholders who are employees of the Group shall in this respect be regarded as one shareholder.

If a member of the Nomination Committee resigns, the shareholder who appointed the resigning member shall be asked to appoint a new member. The Chairman of the Nomination Committee shall, unless the Nomination Committee decides otherwise, be the member appointed by the largest shareholder. The Nomination Committee shall act in the interests of all shareholders. Its duties also include evaluating the composition and work of the Board and submitting proposals for the Annual General Meeting regarding:
- election of chairman for the AGM
- decision on the number of Board members
- election of the Board and the Chairman of the Board
- election of auditor (in collaboration with the Board's audit committee)
- remuneration of Board members, Board committees and auditors
- determination of principles regarding the Nomination Committee for the next Annual General Meeting

The Nomination Committee's mandate applies until a new Nomination Committee has been constituted. In case of material ownership changes during the mandate period, the Nomination Committee shall ensure that a new large shareholder is represented in the Nomination Committee.

The composition of the Nomination Committee shall be announced no later than six months prior to the Annual General Meeting. The members of the Nomination Committee receive no compensation from the Company but are entitled to reimbursement for reasonable expenses.

Prior to the 2021 Annual General Meeting, the Nomination Committee consisted of Jörgen Olsson (Chairman), representing Skandinavkonsult i Stockholm AB, Peter Zonabend, representing Per Arwidsson and related parties, Anders Blomqvist, representing shareholders employed by the Group, and Caroline Sjösten, representing Swedbank Robur.

The Nominations Committee for the 2022 Annual General Meeting consists of the following persons:
- Jörgen Olsson (chairman), representing Skandinavkonsult i Stockholm AB
- Peter Zonabend, representing Per Arwidsson and related parties
- Anders Blomqvist, representing shareholders employed by the Group
- Caroline Sjösten, representing Swedbank Robur

All members are independent of the company and management.

The proposals of the nomination committee will be made public in connection with the notice of the Annual General Meeting, at the latest.

The Board of Directors

The Board is responsible for the Company's organisation and the management of the Company's operations.

The Board's tasks include:
- establishing goals and determine the Company's strategy
- appointing, evaluating and, if necessary, dismissing the CEO
- ensuring that there are effective systems to follow-up and control the Company's operations
- ensuring that there is sufficient control over the Company's compliance with laws and other regulations
- ensure that the Company's information disclosure is characterised by transparency and is correct, relevant and reliable

The Chairman of the Board ensures that the Board's work is conducted efficiently and that the Board fulfils its obligations.

In accordance with the Code, the Board evaluates its work each year through a systematic and structured process consisting of a questionnaire completed anonymously by each member. The results are compiled by the Board's secretary and presented to the entire Board. The result is discussed and additional comments are added. The results of the evaluation are documented and presented to the Nomination Committee.

Composition and work in 2021

Since the 2021 Annual General Meeting, the Board has consisted of seven members without deputies, all elected at the 2021 Annual General Meeting for the period up to the 2022 Annual General Meeting.

Detailed information about the Board members, including their shareholdings and other positions, can be found on pages 61–62.

According to the Code, a majority of the Board shall be independent in relation to the Company and the management, and at least two of the Board members who are independent of the Company and the management shall also be independent from the Company's major shareholders. The Board meets these requirements as six out of seven Board members are independent from the Company and management as well as major shareholders.

Board members, independence, number of meetings and attendance

	Elected year	Independent of the Company and company management	Independent of major owners	Total number of meetings
Annette Brodin Rampe	2017	Yes	Yes	9/9
Magnus Brännström	2011	Yes	Yes	3/3
Lars Corneliusson	2011	No	No	9/9
Erik Eberhardson	2010	Yes	Yes	9/9
Håkan Eriksson	2016	Yes	No	9/9
Staffan Jufors	2017	Yes	Yes	9/9
Aurore Belfrage	2021	Yes	Yes	6/9
Niklas Florén	2021	Yes	Yes	6/9

The Group's CFO and General Counsel attend the Board's meetings, but without voting rights. The General Counsel is also the Secretary of the Board.

In 2021, the Board held nine meetings. Over the year, the Board devoted particular focus to the following:

- The Group's earnings and financial position
- Interim reports
- The development of the Russian and German economies and their impact on the market and the Group's finances
- Corporate governance, risk management and internal control
- Strategy issues and business development, in particular the Group's expansion to Germany.
- Financial matters and ESG matters
- The Board continuously evaluates the work of the CEO. At least once per year, the Board discusses the evaluation of the CEO's work without the presence of the CEO or anyone else from the management.

As resolved at the 2021 Annual General Meeting, the remuneration of the Board amounted to SEK 2.8 m, of which SEK 800,000 was paid to the Chairman and SEK 400,000 to each of the other directors, except for Lars Corneliusson, who was employed by the Group. No additional compensation was paid for committee work.

Audit Committee

The Audit Committee shall ensure the quality of the financial statements, maintain ongoing contacts with the auditors, monitor the auditors' independence and objectivity, prepare the election of the auditors (in collaboration with the Nomination Committee), monitor the internal control within the Group as well as dealing with other related matters.

In 2021, the Audit Committee consisted of the following members:

- Annette Brodin Rampe
- Magnus Brännström (until the Annual General Meeting 2021)
- Håkan Eriksson (Chairman)
- Niklas Floren (newly elected at the 2021 Annual General Meeting)
- Staffan Jufors

All members of the Audit Committee are independent of the Company and the management. Except for Håkan Eriksson, all members are also independent of the Company's major shareholders. The members are deemed to have appropriate knowledge and experience of matters relating to executive remuneration.

In 2021, the Audit Committee held four meetings. The Audit Committee convenes regularly to review drafts of the Group's interim reports and make recommendations to the Board, as well as sort out any matters before the reports are prepared by the Board. The Group's CFO and General Counsel are usually present at these meetings.

Remuneration Committee

The Remuneration Committee prepares matters concerning remuneration principles, remuneration and other terms of employment, including share-related incentive programs for the CEO and other senior executives. The committee also monitors and evaluates ongoing and during the year completed programs for variable remuneration for management and the application of these guidelines. The follow-up assignment also includes following up and evaluating current remuneration structures and remuneration levels in the Group.

In 2021, the Remuneration Committee consisted of the following members:

- Aurore Belfrage (newly elected at the 2021 Annual General Meeting)
- Annette Brodin Rampe
- Magnus Brännström (until the Annual General Meeting 2021)
- Håkan Eriksson
- Staffan Jufors (Chairman)

All members are independent to the Company and the management. Except for Håkan Eriksson, all members are also independent to the Company's major shareholders. The members are judged to have the required knowledge and experience in matters of remuneration to senior executives.

In 2021, the Remuneration Committee held one formal meeting. In addition, the committee had continuous discussions by email and telephone in connection with the Board's meetings.

CEO and management

The Chief Executive Officer (CEO) is appointed by the Board and is responsible for the day-to-day management of the Group. In addition, the CEO has a management group that in 2021 consisted of nine people. The management convenes on a regular basis and deals with the Group's financial development, Group-wide development projects, business development, leadership, recruitment and other strategic issues. In 2021, the management consisted of:

- Lars Corneliusson, CEO
- Nadia Semiletova, Human Resources Manager
- Erik Danemar, Chief Financial Officer (Group) and Head of Investor Relations
- Dan Eliasson, General Counsel
- Henrik Carlborg, Head of Business Development
- Ceren Wende, Marketing and Communications Manager
- Onur Gucum, Commercial Manager
- Anton Zhelyapov, Head of Rental, Used and Trucks business
- Martin Bauknecht, Managing Director Germany

Information about management, including age, relevant education and shareholdings can be found on pages 63–64.

For certain matters, executive management is supplemented by the regional managing directors and certain other Group functions (Extended Management Team).

The Group has established functions that are responsible for Group-wide activities, such as financial reporting, treasury, IT, communications, legal, HR, purchasing, logistics, real estate, etc.

In 2021, Ferronordic's operations in Russia/CIS were divided into eight regions:

- Northwest (based in St. Petersburg)
- Central (with a hub in Moscow)
- Volga (with a hub in Kazan)
- South (with a hub in Krasnodar)
- Ural (with a hub in Yekaterinburg)
- Siberia (with a hub in Krasnoyarsk)
- Far East (with a hub in Khabarovsk)
- Kazakhstan (with a hub in Almaty).

Ferronordic's operations in Germany are divided into three regions:

- Region North (with a hub in Hanover)
- Region East (with a hub in Dresden)
- Region West (with a hub in Frankfurt)

Each region has its own manager with responsibility for the operations in the region as well as coordination and implementation of group-wide policies and processes. Each region also has a regional board consisting of parts of the management and the relevant regional manager.

Remuneration to senior executives

The 2021 Annual General Meeting approved the following guidelines for remuneration to the Company's senior executives:

- Remuneration to management shall be based on current market conditions in the markets in which Ferronordic operates and in the function in which the individual management person operates. In addition, remuneration shall be competitive to enable Ferronordic to attract and retain competent senior executives.
- Fixed remuneration is determined individually based on the criteria stated above and the individual executive's area of responsibility and performance. For senior executives living abroad with a salary in rubles, the fixed remuneration can be adjusted to reflect exchange rate changes.
- Management may, in addition to fixed remuneration, receive variable remuneration, which must be paid upon fulfillment of predetermined and measurable performance criteria, primarily based on the development for the entire Group or the development for the part of the Group for which the person in question is responsible. The variable remuneration for both the CEO and other management personnel may not exceed 100 percent of the fixed remuneration.
- Management is entitled to customary non-monetary benefits, such as company cars and health insurance. In addition to these benefits, company housing and other benefits can also be offered in individual cases, such as compensation for housing and school for executives living abroad.
- In addition to the pension benefits to which management is entitled by law, senior executives may be offered pension benefits that are competitive in the country where the person in question is or has resided or to which the person has a significant connection. Pension plans must be premium-based without a guaranteed pension level.
- Severance pay shall not exceed 12 months' salary.

Remuneration to the CEO and other members of the management is described in Note 29.

The Board may deviate from these guidelines if there are special reasons for doing so in an individual case.

Remuneration already decided for the management that has not fallen due at the 2021 Annual General Meeting falls within the framework of the guidelines.

Auditors

The Company's annual report and the Board and CEO's management are reviewed by the Company's auditor. The audit results in a report to the Audit Committee, where the auditor attends at least two meetings per year and in an audit report submitted after the end of the financial year to the Annual General Meeting.

The Company's auditor is elected at the Annual General Meeting. The current auditor is KPMG AB, re-elected at the 2021 Annual General Meeting for the period until the next Annual General Meeting. The authorised public accountant Mats

Kåvik is the auditor-in-charge. In addition to its assignment as auditor, KPMG has assisted Ferronordic in assignments regarding tax and accounting matters.

The compensation paid to KPMG is described in Note 30.

Report on internal control

According to the Swedish Companies Act and the Code, the Board is responsible for ensuring that the Company has good internal control. The Board shall also ensure that the Company has formalised routines to ensure that established principles for financial reporting and internal control are complied with and that the Company's financial reports are prepared in accordance with law, applicable accounting standards and other requirements for listed companies.

Control environment

The control environment constitutes the basis for the internal control as well as the corporate culture that exists within the Group and within which the Group's managers and employees are operating. The control environment is built around the Group's policies and procedures, as well as the Group's divisions of responsibilities and authorities.

The Group's Code of Conduct is an important document that aims to ensure that the organisation is characterised by integrity and good morals and ethics. Important documents for internal control over financial reporting include the Group's financial handbook, with instructions for accounting and reporting, and the Group's financial policy. The Group's responsibility and authority structure is established in the Board's instructions to the CEO and in the Group's signature policy, including authorisation and approval levels for different areas. The Group's insider policy regarding insider matters and the Group's information policy regarding external communication and press releases are other important policies and guidelines that aim to ensure proper internal control.

Risk assessment

Ferronordic has established an annual process for reviewing and assessing the Group's risks relating to financial reporting. The risk assessment also includes risks related to fraud and other irregularities, as well as the risk of loss or misappropriation of assets. Identified risks are prioritised and actions to manage and mitigate the identified risks are established.

The risk assessment also forms the basis for the Board's annual plan for internal audit, through which risks related to financial reporting are evaluated on an ongoing basis. Based on the risk assessment, the Group's rules are evaluated continuously. The Board is updated continuously on material risks as well as actions planned or taken to manage and mitigate such risks.

Control activities

The purpose of the control activities is to identify and prevent errors and guarantee the quality of financial reporting.

Based on the risk assessment, various control activities have been established. These aim to ensure that the requirements on the external financial reporting are fulfilled. The activities are both manual and automatic and include e.g. reviews and approvals of various types of transactions, analysis of key figures, verification of accounts and checklists and the application of controls for financial information in the IT systems used for the financial reporting. In addition, the Board and its audit committee, as well as management and the Group's internal audit function, constitute the general control bodies that carry out various control measures.

Information and communication

The annual report, year-end report, interim reports and current information are prepared in accordance with law and practice. The provision of information shall be reliable and characterised by transparency and openness.

Information on the policies and procedures regarding financial reporting is given to all relevant employees at the beginning of their employment. Subsequent updates of applicable policies and procedures are communicated on an ongoing basis to all relevant employees. Policies and procedures regarding financial reporting are also available on the Group's intranet, available to all employees. The Board regularly receives financial updates and reports. Financial information can only be communicated by the CEO or CFO.

Monitoring

All process descriptions, policies and control documents are updated as needed. In addition, all policies are reviewed once a year.

The Company's financial development is reviewed at every Board meeting. All interim reports, the annual report and the administration report are also reviewed and approved by the Board before they are made public. The efficiency of the assessment and management of risks are followed up at various levels within the Group, including during the management group's meetings and regional board meetings as well as within the internal audit process. The monitoring includes both formal and informal processes, e.g. comparisons between result and budget, monthly reviews of overdue accounts receivable etc.

Internal audit

Ferronordic has established an internal audit function. The role of the internal audit function is to independently and objectively assess and improve the efficiency of Ferronordic's internal control, risk management and governance processes. The head of internal audit reports functionally to the audit committee and administratively to the CEO. The internal audit function carries out regular reviews based on an annual internal audit plan, established by the Board based on the Group's risk assessment.

Stockholm, April 2022

The Board of Directors

The Board

	Staffan **Jufors**	Annette **Brodin Rampe**	Lars **Corneliusson**	Erik **Eberhardson**
Function	Chairman of the Board, Chairman of the Remuneration Committee and member of the Audit Committee.	Board member and member of the Remuneration- and Audit Committee.	Board member	Board member
Nationality/born	Swedish citizen. Born 1951.	Swedish citizen. Born 1962.	Swedish citizen. Born 1967.	Swedish citizen. Born 1970.
Member since	2017	2017	2011	2010
Education	Master's degree in business administration.	Master's degree in industrial chemistry.	Msc. in Business Administration.	B.Sc. in Business Administration. Studies in Applied Physics.
Other assignments	Board member of the Nordens Ark foundation.	CEO of ImagineCare AB, Board member of Poolia AB and Episurf Medical AB.		President of Scandsib Group. Board member of the Stockholm School of Economics in Russia. COB of IMZ Avtokran. Founding shareholder of NECST Motors East Africa Ltd. COB of Emune AB.
Previous assignments and positions	CEO of Volvo Trucks, CEO of Volvo Penta and board member of Akelius Residential Property AB, ÅF AB, Uniflex AB and Haldex AB.	CEO of the International English School. Board member of Peab AB, HerCare AB, Enströmgruppen AB and Stillfront Group AB.	Managing Director of CJSC Volvo Vostok and Head of Volvo Trucks Russia.	CEO of Ferronordic. Chairman and CEO of OJSC GAZ. Head of Volvo CE Russia.
Shares in Ferronordic	60,747 shares.	-	926,590 shares and 66,000 warrants (through companies).	-

The board, cont.

	Håkan **Eriksson**	Aurore **Belfrage**	Niklas **Florén**
Function	Board member, chairman of audit committee and member of the remuneration committee.	Board member	Board member and member of the Audit Committee.
Nationality/born	Swedish citizen. Born 1962.	Swedish citizen. Born 1979.	Swedish citizen. Born 1974.
Member since	2016	2021	2021
Education	M.Sc. in Business Administration.	Master of Business Administration.	M.Sc. in Computer Science and Engineering.
Other assignments	Managing director of Planch AB, Board member of Skandinavkonsult i Stockholm AB, Skandinavkonsult Holding i Stockholm AB, Nivika Fastigheter AB, DWG Sweden AB and Winefinder AB.	Several board assignments (incl. My Telescope, Bubbleroom and Startup Sweden) and roles as investors in start-up companies in the technology sector.	COO for Wireless Car.
Previous assignments and positions	Board chairman and CEO of Kapitalkredit Sverige AB and board chairman of ClearCar AB.	Head of early stage EQT Ventures, co-founder Wrapp, columnist SvD Näringsliv.	Several positions within Sigma IT & Management and Volvo IT.
Shares in Ferronordic	2,100,000 shares (through companies).	-	50 shares

Management and auditors





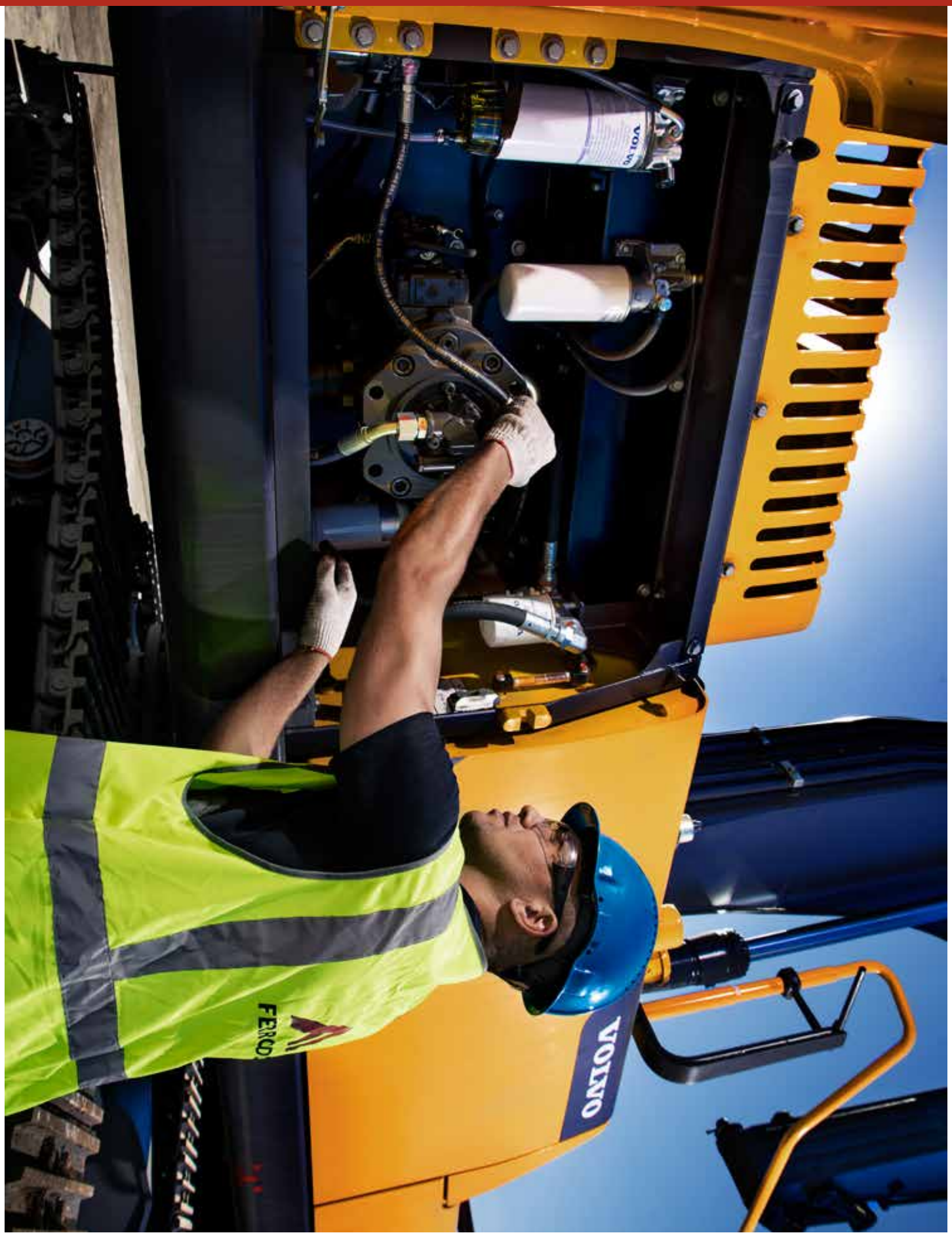
	Lars **Corneliusson**	Nadia **Semiletova**	Henrik **Carlborg**	Erik **Danemar**	Dan **Eliasson**
Function	President and CEO.	Human Resources Director.	Business Development Director.	Group CFO and Head of Investor Relations.	General Counsel.
Nationality/born	Swedish citizen. Born 1967.	Russian citizen. Born 1979.	Swedish citizen. Born 1975.	Swedish citizen. Born 1976.	Swedish citizen. Born 1971.
Education	Msc. in Business Administration.	Studies in Organisational Management.	LL.M.	MBA (LBS) and BAs in Economics & Management and International Business.	Master's degree in law and financing.
Previous positions	Managing Director of CJSC Volvo Vostok and Head of Volvo Trucks Russia.	Leading positions at British Petrol and Shell.	Lawyer with a focus on acquisitions at various law firms. Partner Hannes Snellman Advokatbyrå.	Senior positions for EF Education First, Black Earth Farming and Deutsche Bank in Russia.	Associate Lawyer at Linklaters. Senior positions for Nordea, Swedbank, Ikea and Catella in Russia.
Shares in Ferronordic	926,590 shares and 66,000 warrants (through companies).	3,770 shares and 32,500 warrants (through companies).	137,000 shares and 32,500 warrants (through companies).	30,000 shares and 32,500 warrants.	26,597 shares and 32,500 warrants.
Employed since	2011	2010	2013	2019	2020

Management and auditors, cont.

	Onur **Gucum**	Anton **Zhelyapov**	Ceren **Wende**	Martin **Bauknecht**
Function	Commercial Director.	Director of rental and used business.	Marketing & Communications Director.	Managing Director Germany.
Nationality/born	Turkish citizen. Born 1973.	Belarusian citizen. Born 1977.	German citizen. Born 1984.	German citizen. Born 1978.
Education	B.Sc. in Economics and Mathematics.	MBA at Stockholm School of Economics	Master's degree in political science and history.	Degree in Economics and Business Administration.
Previous positions	COO of Zeppelin caterpillar in Russia and various positions within the Volvo Group.	Various positions at Volvo Trucks.	Marketing and communications positions within Volvo Trucks, Siemens and Ogilvy Public Relations.	CEO of ZG Raiffeisen Technik GmbH and various positions within MAN Truck & Bus and Mercedes-Benz.
Shares in Ferronordic	17,000 warrants (through companies).	768 shares and 32,500 warrants (through companies).	254 shares and 21,500 warrants.	5 000 shares and 15,500 warrants.
Employed since	2012	2015	2020	2021

Auditor
At the AGM 2020, KPMG was re-elected as the Company's auditor with Mats Kåvik (born 1962) as auditor-in-charge and without a deputy auditor, for a term of office until the next AGM. Mats Kåvik is an authorised public accountant and a member of FAR (the professional institute for authorised public accountants in Sweden).

Formal annual report



Directors' report

The Board of Directors of Ferronordic AB (publ), corporate registration number 556748-7953 (the "Parent Company"), hereby presents its annual report and consolidated financial statements for the financial year 2021. Unless otherwise stated, all amounts are indicated in SEK m (SEK m). Amounts in brackets refer to the financial year 2020, unless otherwise stated.

This annual report has been prepared in the midst of an ongoing conflict in Ukraine. This makes all forecasts and other predictions about the Russian market and the Company's operations there very uncertain. Ferronordic has therefore in this report chosen to refrain as far as possible from forward-looking statements.

The business

The Parent Company (together with its subsidiaries referred to as the "Group" or "Ferronordic") is a Swedish public limited liability company with its seat in Stockholm. The Parent Company is the holding company of the Group and provides financing, support and management services for the Group's operational companies. To a certain extent, the Parent Company purchases goods that are resold to the subsidiaries. The Parent Company is also the holder of the "Ferronordic" trademark.

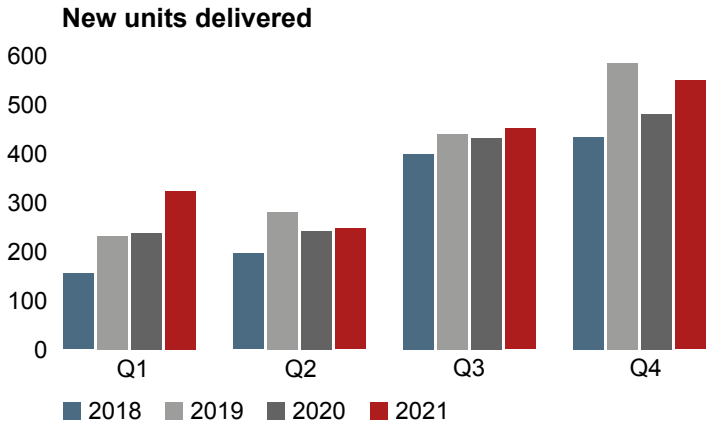
The Group was created in 2010 to acquire and operate Volvo CE's distribution business in Russia. In connection therewith, the Group was appointed the official dealer for Volvo CE in all of Russia. Since then, the Group's business has expanded in several stages. In 2019, a geographical expansion began when Ferronordic became the official dealer for Volvo CE and Mecalac in Kazakhstan. The biggest change to date took place in 2020 when Ferronordic became the official dealer for Volvo Trucks and Renault Trucks in parts of Germany. The latest addition to the Group's offering is mobile and stationary crusher and screens from Sandvik for the Russian market. Since 2020, the Group recognises two reportable operating segments: Russia/CIS and Germany (see also Note 3 on page 85).

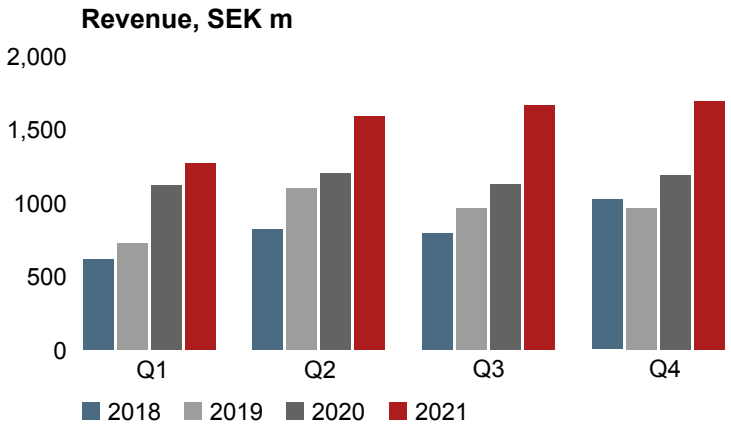
The operations consist of selling new and used construction equipment and trucks, spare parts and attachments and providing service of equipment, technical support and other professional services. The Group also provides contracting services, where the Group owns and services equipment and employs operators to carry out work for customers and where compensation is typically calculated based on the volume and distance of transported earth and rock.

Ferronordic's customers of construction equipment in Russia and Kazakhstan operate in a number of different industries, such as the construction industry, the mining and the forestry industries. Ferronordic's customers in Germany include transport operators and logistics companies of various sizes, operating in a wide range of segments including long-haul transport, construction, last-mile delivery and communal services.

Net sales and results

In 2021, unit sales of new construction equipment in Russia/CIS increased by 13 percent to 1,246 (1,102). At the same time, the market grew by 47 percent. In Germany, Ferronordic's sales of new trucks and light commercial vehicles increased by 29 percent to 800 (619), while the market grew by 10 percent.





Net sales

The Group's net sales increased by 34 percent to SEK 6,212 m (4,635). Machine and truck sales increased by 31 percent while aftermarket sales (spare parts and service) increased by 24 percent. Net sales in contracting services increased by 83 percent and other income, mainly rental operations and sales of passenger cars, increased by 12 percent.

Net sales in Russia/CIS increased by 44 percent in RUB and by 33 percent in SEK to SEK 4,844 m (3,652), mainly as an effect of a good product mix with a higher average price and strong growth in the aftermarket and contracting services. In Germany, net sales increased by 39 percent to SEK 1,368 m (983), mainly due to strong truck and aftermarket sales.

Gross profit and operating profit

Gross profit for the year amounted to SEK 1,111 m (797), an increase of 39 percent. The gross margin increased from 17.2 to 17.9 percent, mainly due to a good product mix and a larger part of sales from contracting services.

Selling and administrative expenses increased by 27 percent but decreased as a share of net sales to 9.9 percent (10.4), mainly due to higher net sales. Other costs were higher in 2021 than in 2020, partly due to higher acquisition and restructuring costs in Germany.

Operating profit increased by 47 percent from the previous year to SEK 483 m (328). The increase was mainly due to higher net sales and a better gross margin.

Result before income tax

Net financing costs decreased and result before income tax increased by 63 percent to SEK 451 m (276).

Result for the year

Profit for the year increased by 53 percent to SEK 339 m (222), despite higher tax.

Earnings per share

Earnings per share before dilution amounted to SEK 23.33 (15.25). After dilution, earnings per share were SEK 23.26 (15.25).

Cash flow and investments

Cash flow from operating activities after changes in working capital, financial expenses and taxes decreased to SEK 457 m (693). The decrease was mainly due to a larger reduction in working capital in 2020.

Cash flow from investing activities amounted to SEK -370 m (-47), mainly due to investments in machinery for contracting services in Russia and acquisitions of workshops in Germany.

The Group's cash flows resulted in a net debt position, which at the end of 2021 amounted to SEK 198 m (-20).

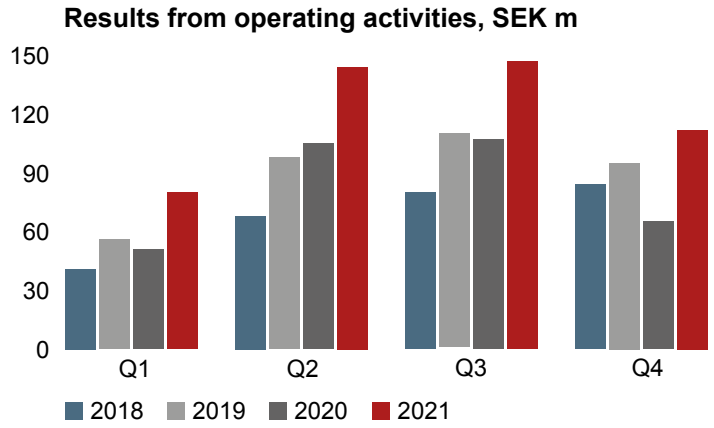
Financial position

Cash and cash equivalents on 31 December 2021 amounted to SEK 768 m (604). The stronger financial position was a result of positive cash flows from operating activities, which covered increased investments.

Interest-bearing liabilities (including financial leasing) amounted to SEK 966 m (583). The increase was mainly due to increased leasing commitments in contracting services in Russia and increased loans to finance Ferronordic's development of the operations in Germany.

Tangible fixed assets increased by SEK 499 m (194). This was mainly a result of investments in machinery in contracting services in Russia and acquisitions of workshops in Germany.

Equity on 31 December 2021 amounted to SEK 1,101 m (806). The increase was mainly due to a positive result and only partly offset by a dividend payment.



Financial objectives and dividend policy

Ferronordic's financial objectives should be aligned with and support its strategic objectives, which are:

- Leadership in the market for construction equipment and trucks
- Geographical expansion
- Expansion into related business areas
- Expansion and development of contracting services
- Industry leading digital service and sales platforms
- An aftermarket absorption rate of at least 1.0 x

By executing this strategy, Ferronordic has become a more mature and diversified business. It operates in several markets and with a broader offering. The Company has developed vertically by investing in a center for machine and component rebuild, expanding its rental and secondary market business and by significantly expanding its contracting services business. The Group has developed a digital service and sales platform to support its service organisation and its customers. Ferronordic has the potential to continue to grow with significant contributions from contracting services and Germany. As contracting services and leasing tie up more capital in machinery and as network infrastructure in Germany is owned or leased for long periods, Ferronordic's business model becomes more asset and capital intensive.

Ferronordic's financial targets:

- Doubled revenue in its current markets from 2020 to 2025
- Operating margin above 7 percent
- Net debt / EBITDA below 3.0 times (over a business cycle)

According to the dividend policy, the ambition should be to pay at least 50 percent of the net income if the net debt/EBITDA is less than 1.0 x (after the dividend) and to pay at least 25 percent if the net debt/EBITDA is more than 1.0x. The Board will take several factors into account when proposing dividend levels, including legal requirements, the Articles of Association, the Group's expansion opportunities, its financial position and other investment needs.

These goals currently remain fixed but may be revised as a consequence of the current conflict in Ukraine, its impact on Ferronordic and its partners' operations in Russia.

Dividend

At the 2021 Annual General Meeting, a dividend of SEK 7.50 per share was decided, corresponding to a total dividend of SEK 108,993,255. Due to the conflict in Ukraine and the uncertain outlook at the beginning of 2022, it is proposed that the 2022 Annual General Meeting resolves not to pay dividends.

Changed credit facilities

As a result of strong cash flows in Russia/CIS in 2021, all outstanding credit facilities in Russia/CIS were repaid. At the beginning of 2022, Ferronordic opened new credit facilities of RUB 2bn for working capital purposes.

Employees

At the end of 2021, the number of full-time equivalent employees in the Group was 1,791 (1,469), of which 1,495 (1,200) operated in Russia/CIS, 284 (257) in Germany and 12 (12) had various Group functions. The increased number of employees in Russia/CIS was a result of more employees in contracting services and in the machine and component rebuild centre, but fewer employees in support and administrative functions. In Germany, the increase mainly consisted of mechanics and employees who were part of Ferronordic's acquisitions of workshops during the year.

Policy on remuneration for senior executives

Remuneration to the CEO and other members of the management is described in more detail in the Corporate Governance Report and in Note 29.

The Company's remuneration committee handles policies and matters concerning the remuneration of the Company's senior executive management. The AGM adopts policies for remuneration to senior executives as and when needed but not less frequent than every four years.

The basic principles imply that remuneration to the Company's executives shall be based on market terms in the markets where Ferronordic operates and the environment in which the individual executive operates. In addition, remuneration shall be competitive in order to enable Ferronordic to attract and retain competent executives.

Fixed salaries

Fixed salaries are established individually based on the criteria specified above, as well as the individual executive's areas of responsibility and performance.

Variable salaries

Executives may receive variable salaries in addition to fixed salaries. Variable salaries shall be paid upon fulfillment of predetermined and measurable performance criteria, primarily based on the development of the Group as a whole or the development of the part of the Group for which the individual is responsible.

Other benefits

The Company may offer its senior executives other customary benefits such as pension plans, company cars, health insurances and allowances for expatriated executives.

Severance pay shall not exceed 12 months' salary.

The guidelines proposed for 2022 are the same as those that applied for 2021.

Outlook

As a result of the military conflict in Ukraine and the subsequent sanctions against Russia and the Russian counter-sanctions, the prospects for Ferronordic's operations in Russia have deteriorated significantly. Some of our suppliers, especially the Volvo Group and Sandvik, have informed that they are temporarily stopping sales to Russia. If the delivery disruption to Russia continues, it could have a significant impact on our revenues, earnings and cash flows. In addition, it is likely that the negative impact on the Russian economy and industry will be significant.

Operations in Kazakhstan continue but are a smaller part of sales and may also be negatively affected by the deteriorating situation in Russia. In Germany, we believe that a recovery from the pandemic will lead to increased demand for trucks and service. However, the strained geopolitical situation may also affect the German economy and market. In a longer perspective, we believe that the underlying fundamentals and business opportunities in the German market are strong.

Shares and shareholders

Please see the section Shares and shareholders on page 53–54.

The work of the board

Please see the Corporate Governance Report on page 56–60.

Parent company

In 2021, the revenue of the Parent Company increased to SEK 239 m (116), mainly due to higher sales of machines from the Parent company to its subsidiaries. Sales and administrative expenses amounted to SEK -39 m (SEK -30 m), mainly due to professional services, travel and staff changes. The result amounted to SEK 427 m (-2), mainly as a result of higher financial income from Ferronordic's subsidiaries in Russia/CIS in the form of dividends.

Events subsequent to the reporting date

In February and March 2022, the EU, the US and other countries imposed additional sanctions against Russia, including further export restrictions, suspension of selected banks from SWIFT and measures to prevent the Russian central bank from using their international reserves. In April, these countries extended their sanctions against Russia and the EU introduced broader export restrictions.

Based on Ferronordic's preliminary assessment of the legal documents issued so far, some of the products and services that Ferronordic offers in Russia are subjects to the new export restrictions. Ferronordic has thus discontinued the sales of such products and services and will continue to limit its activities in accordance with existing sanctions as new ones enter into force. This will have a negative effect on the Company's revenues, earnings and cash flows in Russia.

Some of Ferronordic's suppliers, in particular the Volvo Group, have informed that they are temporarily stopping sales to Russia. To Ferronordics understanding, this is partly related to the new export restrictions that need to be analysed thoroughly. If the delivery disruption to Russia continues, it could have a significant impact on revenues and cash flows. In addition, transport and logistics to, from and within Russia are considerably limited. To the extent that products are not affected by export restrictions, Ferronordic continues to sell products from its inventory and from partners who continue to deliver. Due to the new situation, the outlook for Russia and Ferronordic's operations in Russia are very uncertain.

As regards payments, Ferronordic can currently still make payments both domestically in Russia and internationally to and from Russia. The Russian ruble has devaluated significantly and Ferronordic expects the ruble to remain volatile. The Russian Central Bank has also significantly increased the reference interest rate. Ferronordic's main outstanding payables for purchased machines and spare parts are, however, denominated in rubles. This means that when it comes to currently outstanding payables, Ferronordic is not significantly affected by a potential further devaluation. The funding costs in Ferronordic's local credit facilities are however based on the Central Bank key rate and would therefore, if and when utilised, reflect the higher interest rate level. The broader impact of the volatile market conditions on the demand for Ferronordic's products and services in Russia is at this point highly uncertain

The situation in Russia has no direct impact on our operations in Kazakhstan and Germany, which continues as before.

In January, Ferronordic opened two revolving credit facilities in total 2 RUB bn at Sberbank. The facilities will function as local financing alternatives for working capital purposes.

At the end of December, Ferronordic's operations in contracting services were negatively affected by severe weather and operating conditions in Norilsk and Siberia. These production disruptions continued during the first quarter of 2022.

Proposed allocation of profit

Considering the uncertain outlook, the Board proposes that the 2022 Annual General Meeting resolves not to pay dividends.

The following amount is available for allocation by the Annual General Meeting (SEK)	502,360,622
Dividend on shares	0
Amount carried forward	502,360,622
of which the following to the Share Premium fund	630,025,300
Total	502,360,622

Sustainability report

The Group's sustainability report can be found on pages 39–51.

Alternative performance measurements

Definitions of alternative performance measurements are described on page 22 of the 2021 Year-End Report.

Risks and uncertainties

The Group is exposed to various types of operational and financial risks. Operational risks are associated with the Group's daily operations and relate to, inter alia, changes in business cycles, procurement, capacity utilisation and price risks. Business risks also include supply and demand disruptions. Financial risks are associated with the amount of capital tied up and the Group's long- and short-term capital requirements, but also changes in interest rate and exchange rate movements in the currencies to which the Group is exposed and credit risks to the Group's customers.

Risk management

The management of operational risks consists of a large number of daily routines and standardised processes that are regulated in policy documents, for example regarding the purchase of machines and parts, approvals of discounts and buy-back offers and tendering for larger purchases.

Financial risks and credit risks are managed centrally to effectively consolidate and balance the Group's total risk exposure. To the greatest extent possible, the Group uses natural hedging to reduce currency risks both in terms of matching cash flows and balance sheet exposures across the Group. In the Russian operations, the majority of both accounts receivable and accounts payable are thus in rubles. Where possible, the Group also procures different types of insurance.

The Group's risk management processes have been developed over time and are continuously evaluated and improved. It is important that the Group's employees consistently follow current routines and processes to ensure that operational risks are managed efficiently. The Group conducts an annual risk review to evaluate how risks have changed, to develop a culture of risk awareness and to improve risk management.

Operational risks

Political environment and sanctions

A large part of the Group's operations is connected to Russia where the political conditions have historically been volatile. In recent decades, political trends have been inconsistent in certain respects and the Russian government has at times been unstable.

The Russian political system can be vulnerable to new political trends. Changes in government policy and legislative work are less foreseeable in Russia than in many Western countries and can disrupt or prevent political, economic and regulatory reforms. Similar risks also exist in Kazakhstan.

In February 2022, Russia launched military operations in Ukraine. As a result of the ensuing military conflict, the United States, the European Union and other Western countries decided to impose extensive economic sanctions on Russia. Sanctions include stricter export restrictions, the suspension of selected banks from SWIFT, measures to prevent the Russian central bank's access to its reserves abroad, and sanctions against certain individuals and organisations.

In connection to this, many American and European companies withdrew from the Russian market. Some of our suppliers, especially the Volvo Group and Sandvik, have announced that they are temporarily suspending the sale of machines, components and spare parts to Russia. In addition, the conditions for logistics to and within Russia have been negatively affected.

The payment system is subject to severe disruptions, but at present Ferronordic can still make payments both domestically in Russia and internationally to and from Russia. Russia, in turn, has imposed counter-sanctions, including restrictions on the sale of Russian assets by foreign investors, a temporary ban on certain dividends and interest payments on Russian securities for the benefit of foreign investors, and export restrictions on certain products and commodities.

Russia's economy and industries are under severe pressure and the ability to make large investments may be adversely affected. The Russian ruble has weakened considerably and the Russian central bank has sharply raised its policy rate. These factors can lead to higher inflation, increased capital costs and higher expenditure levels.

The situation is constantly changing and it is difficult to determine how long the prevailing conditions will continue. As a result, the conditions for conducting business in Russia have become very difficult and the risks have increased significantly. Given the unstable situation and the changes in the business environment, there are considerable uncertainties which can have significant negative direct and indirect impact on Ferronordic's operations and financial position.

Increased protectionism

Against the backdrop of sanctions and the more challenging economic conditions, there have been signs of increased protectionism in Russia. This trend can be

expected to continue as a result of the current conflict and the sanctions against Russia. As early as 2014, the Russian government introduced a decree that prevents state and municipal organisations from buying foreign construction machinery if there are Russian produced equivalents. The decree has had only a limited impact on the Group's operations, but similar and more comprehensive regulations can be introduced in response to sanctions and as part of an economic and industrial economic policy and have a significant negative impact on the Group's operations, financial position and results.

Russia has also warned that assets of companies that choose to leave Russia may be administered by Russian authorities to reduce negative effects on Russian business and employment. Rules and regulations for such administration can leave wide scope for different interpretations and entail significant risks for companies operating in Russia.

Legal system and legal procedures

The legal systems of Russia and Kazakhstan are relatively unstable. Many laws and regulations are relatively new. Some of these contain ambiguous wording and their application can be interpreted in different ways. In addition, there are often discrepancies between laws and regulations at different levels.

Lack of legal or administrative guidance to interpret applicable rules, lack of legal precedents, relatively unstable and immature legal systems, lack of independence vis-à-vis political and commercial interests, relatively untested application of recently adopted legislation and its impact on complex commercial agreements, corruption in the legal system, gaps in the legal regulatory environment due to delays in or lack of implementation of legislation, and undeveloped bankruptcy proceedings can all affect the Group's ability to protect and enforce its legal rights, as well as to protect itself against legal claims.

Corruption

Media have reported on widespread corruption in Russia and Kazakhstan. Media reports have also described cases where government officials have initiated targeted investigations and prosecutions to promote the interests of the government or certain individuals or companies.

Ferronordic adheres to the Group's code of conduct and to strict standards of business ethics. The Group has procedures to counter risks of corruption, cases of illegal activity, demands from corrupt officials, allegations that the Group or its management has been involved in corruption or illegal activities and biased articles and negative publicity. Notwithstanding such procedures, corruption and unethical behaviour can have adverse negative effect on the Group's operations, earnings and financial position.

Environmental risks

Environmental legislation may impose obligations or fines on property owners and business operators that violate certain standards or cause certain harm to the environment. Ferronordic strives to be a leader and set the standards in terms of sustainability and minimising ecological footprint. No guarantees can however be given that the Group's properties do not contain undetected pollution or that authorities could claim that its operations conflict with licenses or environmental regulations. New and changing regulation could result in the Group's properties (or properties that have previously been owned or operated by the Group) being subjected to stricter audits than previously. Ferronordic may become subject of claims for damages regarding environmental liability. An unfavourable outcome of such proceedings may result in civil, administrative or criminal law liability for the Group or its executives. Changes to laws and their application regarding the environment, health and safety may entail costs and obligations and have adverse negative effect on the Group's operations, earnings and financial position.

Tax system

For information on risks associated with the Russian and Kazakh tax systems, please see Note 25.

Variations in economic activity

The Group's products are to a large extent used in connection with construction and industrial operations. An economic downturn, and in particular a weakened development in the road and construction industry or reduced industrial activity could consequently lead to a significant reduction in demand for the Group's products.

Furthermore, the Group's market is affected by changes in the price of commodities as well as the market for extraction and processing of natural resources. Declining commodity prices or a weaker market for natural resources could therefore have an adverse effect on the Group's operations.

The Group's business could also be adversely affected (either temporarily or in the long term) by a decline in customers' expenditure and investment levels, unfavourable credit markets that negatively affect end customers' financing opportunities, reduced investments in infrastructure projects at local and federal level, increased costs for building materials, as well as increased interest rates. Downturns in the construction and industrial sectors as a result of the above-mentioned or other factors may have an adverse impact on the Group's business, earnings and financial position. Demand for spare parts and service is less sensitive to the economic cycle than machine sales. The new and far-reaching sanctions imposed on Russia following the conflict in Ukraine and Russia's counter-sanctions have created significant economic uncertainty and intensified such risks.

Since the outbreak of the Covid-19 pandemic, authorities have issued recommendations and regulations to restrict mobility and social contacts to limit the spread of the virus, which has had an adverse effect on the Group's business. Companies, including Ferronordic's suppliers, competitors and customers, have taken measures to adapt to an uncertain business environment. Extensive vaccination programs have reduced such risks, but vaccination levels in Russia and Kazakhstan are lower than in many other countries, which increases the risk of new outbreaks. The path of the virus and measures to stop it cannot be predicted and Ferronordic cannot rule out further disruptions on the supply or demand side of the Group's business.

Capacity utilisation

The Group has continuously expanded its network and infrastructure. An unforeseen decline in capacity utilisation, e.g. as a result of economic downturn, discontinuation of certain products etc., generally results in decreased sales which in the short term cannot be offset by a corresponding cost reduction.

The collaboration with Volvo

Sales of Volvo products accounts for the absolute majority of Ferronordic's sales. Ferronordic is thus highly dependent on maintaining good relations with the Volvo Group. A deterioration in such relations could have a significant adverse effect on Ferronordic's business. In the current situation, Volvo, like many other companies, has completely suspended sales of products and services to Russia.

Dependence on suppliers

The Group is dependent on strategic decisions taken by its suppliers, including the launch of new products or the discontinuation of existing products, which could affect the Group's product range and sales. Volvo's and Sandvik's decision to temporarily suspend deliveries to Russia could, if the situation persists, have a significant adverse impact on the Group's business, financial position and result.

Dependence on key employees

The Group is dependent on its ability to identify, recruit and retain qualified executives and other key employees. The Group's ability to recruit and retain qualified personnel is dependent on a number of external factors. Should key employees leave the Group due to retirement, acceptance of employment with a competitor or for any other reason, this may result in a loss of important know-how and experience which may be difficult to replace, and which may delay or adversely impact the Group's ability to implement its business plan and strategy. Inability to recruit or retain such executives and other key employees could thus have an adverse impact on the Group's business, result and financial position.

Price risk

The prices that Ferronordic pays for products from Volvo and other suppliers are important for the Group's profitability and competitiveness. Too high prices may result in loss of sales, lost market share and/or significantly decreased profitability. The Group strives to manage this price risk by, together with its suppliers, continuously monitoring the development of price positioning and market shares, and continuously adjusting the prices that the Group pays for machines and parts.

Insurance coverage

The insurance markets in Russia and Kazakhstan are underdeveloped. Several types of insurance that are common in other countries are not available or cannot be procured at a reasonable cost. The Group holds insurance against some, but not all, risks relevant to its operations. Hence, there is a risk that loss of assets or claims against the Group may not be covered by the Group's insurance.

Financial risks

For information about financial risks, please see Note 22.

Material disputes

No material disputes took place during the year.

Consolidated statement of comprehensive income

SEK m	Note	2021	2020
Revenue	6	**6,212**	**4,635**
Cost of sales		-5,101	-3,837
Gross profit		**1,111**	**797**
Selling expenses	7	-256	-219
General and administrative expenses	7	-358	-264
Other income	8	12	24
Other expenses	8	-27	-11
Operating profit		**483**	**328**
Finance income	9	23	12
Finance costs	9	-49	-59
Net foreign exchange gains/(-losses) (net)		-5	-5
Result before income tax		**451**	**276**
Income tax	10	-112	-54
Result for the year		**339**	**222**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation difference for foreign operations		60	-247
Other comprehensive income for the year, net of income tax		**60**	**-247**
Total comprehensive income for the year		**399**	**-25**
Earnings per share			
Basic earnings per share (SEK)	31	23.33	15.25

The consolidated statement of comprehensive income forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Consolidated statement of financial position

SEK m	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant, and equipment	11	1,006	507
Intangible assets	12	81	8
Deferred tax assets	13	105	65
Total non-current assets		**1,192**	**579**
Current assets			
Inventories	14	1,432	1,014
Trade and other receivables	15	535	393
Prepayments		46	37
Cash and cash equivalents	16	768	604
Total current assets		**2,781**	**2,048**
TOTAL ASSETS		**3,973**	**2,628**

The consolidated statement of financial position forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Consolidated statement of financial position, cont.

SEK m	Note	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Equity	17		
Share capital		1	1
Additional paid in capital		620	615
Translation reserve		-309	-369
Retained earnings		789	559
TOTAL EQUITY		**1,101**	**806**
Non-current liabilities			
Borrowings	18	490	351
Deferred income	19	22	1
Deferred tax liabilities	13	7	5
Long-term lease liabilities	18	97	71
Total non-current liabilities		**617**	**428**
Current liabilities			
Borrowings	18	317	84
Trade and other payables	21	1,809	1,188
Deferred income	19	28	19
Provisions	20	39	26
Short-term lease liabilities	18	62	77
Total current liabilities		**2,255**	**1,393**
TOTAL LIABILITIES		**2,872**	**1,821**
TOTAL EQUITY AND LIABILITIES		**3,973**	**2,628**

The consolidated statement of financial position forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Consolidated statement of changes in equity

		Attributable to the Parent Company's equity holders				
SEK m	**Note**	**Share capital**	**Additional paid in capital**	**Retained earnings**	**Translation reserve**	**Total equity**
Balance 1 January 2021		1	615	559	-369	806
Total comprehensive income for the year						
Result for the year		0	0	339	0	339
Other comprehensive income						
Foreign exchange differences		0	0	0	60	60
Total comprehensive income for the year		**-**	**-**	**339**	**60**	**399**
Contribution by and distribution to owners						
Dividends on shares	17	0	0	-109	0	-109
Warrant issue		0	5	0	0	5
Total contributions and distributions		**-**	**5**	**-109**	**0**	**-104**
Balance 31 December 2021		1	620	789	-309	1,101

		Attributable to the Parent Company's equity holders				
SEK m	**Note**	**Share capital**	**Additional paid in capital**	**Retained earnings**	**Translation reserve**	**Total equity**
Balance 1 January 2020		1	612	399	-122	890
Total comprehensive income for the year						
Result for the year		0	0	222	0	222
Other comprehensive income						
Foreign exchange differences		0	0	0	-247	-247
Total comprehensive income for the year		**-**	**-**	**222**	**-247**	**-25**
Contribution by and distribution to owners						
Dividends on shares	17	0	0	-62	0	-62
Warrant issue		0	3	0	0	3
Total contributions and distributions		**0**	**3**	**-62**	**0**	**-59**
Balance 31 December 2020		1	615	559	-369	806

The consolidated statement of changes in equity forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Consolidated statement of cash flows

SEK m	Note	2021	2020
Cash flows from operating activities			
Result before income tax		451	276
Adjustments for:			
Depreciation and amortisation	11, 12	215	176
Impairment (reversed impairment) of trade receivables	8	10	1
Loss (gain on disposal of property, plant, and equipment)		0	1
Finance costs	9	49	59
Finance income	9	-23	-12
Net foreign exchange losses (gains) (net)		5	5
Cash from operating activities before changes in working capital and provisions		**708**	**507**
Change in inventories		-381	-93
Change in trade and other receivables		19	-175
Change in prepayments		-5	36
Change in trade and other payables		336	543
Change in provisions		2	8
Change in deferred income		4	-3
Cash flows from operations before interest paid and tax paid		**683**	**823**
Income tax paid		-170	-71
Interest paid		-55	-59
Cash flows from operating activities		**457**	**693**

The consolidated statement of cash flows forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Consolidated statement of cash flows, cont.

SEK m	Note	2021	2020
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		8	3
Interest received		23	12
Acquisition of property, plant and equipment		-247	-60
Acquisition of intangible assets		-1	-2
Acquisition of business	32	-153	0
Cash flows from investing activities		**-370**	**-47**
Cash flows from financing activities			
Dividends		-109	-62
Proceeds from borrowings		371	466
Repayment of loans		-118	-869
Leasing financing paid		-81	-114
Warrant issue		1	0
Cash flows from financing activities		**64**	**-578**
Net change in cash and cash equivalents		**151**	**68**
Cash and cash equivalents at start of the year		604	519
Effect of exchange rate fluctuations on cash and cash equivalents		13	16
Cash and cash equivalents at year-end	16	**768**	**604**

The consolidated statement of cash flows forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Parent company income statement

SEK m	Note	2021	2020
Revenue		**239**	**116**
Other income		2	2
Cost of sales		-203	-96
Gross profit		**37**	**22**
Administrative expenses	7	-39	-30
Operating profit		**-2**	**-8**
Finance income	9	433	13
Finance costs	9	-2	-1
Net foreign exchange gains/(-losses) (net)		-1	-9
Result before income tax		**427**	**-5**
Income tax	10	0	3
Result for the year		**427**	**-2**

Parent company statement of comprehensive income

SEK m	Note	2021	2020
Result for the year		427	-2
Total comprehensive income for the year		**427**	**-2**

The income statement forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Parent company balance sheet

SEK m	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Intangible assets	12	1	1
Financial assets			
Holdings in group companies	26, 28	175	164
Loans to group companies	26	149	3
Deferred tax assets	13	20	20
Total financial assets		**345**	**187**
Total non-current assets		**345**	**187**
Current assets			
Trade and other receivables	15	63	36
Prepayments		0	1
Cash and cash equivalents	16	241	17
Total current assets		**304**	**54**
TOTAL ASSETS		**649**	**241**

The balance sheet forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Parent company balance sheet, cont.

SEK m	Note	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Equity	17		
Restricted equity			
Share capital		1	1
Unrestricted Equity			
Share Premium Reserve		630	625
Retained earnings		-555	-444
Result for the year		427	-2
TOTAL EQUITY		**504**	**180**
Non-current liabilities			
Borrowings		31	0
Total current liabilities		**31**	**0**
Current liabilities			
Borrowings		0	33
Trade and other payables	21	115	28
Total current liabilities		**115**	**61**
TOTAL LIABILITIES		**145**	**61**
TOTAL EQUITY AND LIABILITIES		**649**	**241**

The balance sheet forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Parent company statement of changes in equity

SEK m	Note	Share capital	Share premium reserve	Retained earnings	Total equity
Balance 1 January 2021		1	625	-446	**180**
Total comprehensive income for the year					
Result for the year		-	-	427	**427**
Total comprehensive income for the year		**-**	**-**	**427**	**427**
Contribution by and distribution to owners					
Dividends on shares	17	-	-	-109	**-109**
Warrant issue		-	5	-	**5**
Total contributions and distributions		**-**	**5**	**-109**	**-104**
Balance 31 December 2021		1	630	-128	**504**

SEK m	Note	Share capital	Share premium reserve	Retained earnings	Total equity
Balance 1 January 2020		1	622	-382	**241**
Total comprehensive income for the year					
Result for the year		-	-	-2	**-2**
Total comprehensive income for the year		**-**	**-**	**-2**	**-2**
Contribution by and distribution to owners					
Dividends on shares	17	-	-	-62	**-62**
Warrant issue		-	3	-	**3**
Total contributions and distributions		**-**	**3**	**-62**	**-59**
Balance 31 December 2020		1	625	-446	**180**

The statement of changes in equity forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Parent company statement of cash flows

SEK m	Note	2021	2020
Cash flows from operating activities			
Result before income tax		427	-5
Adjustments for:			
Depreciation and amortisation	11, 12	0	0
Finance costs	9	2	1
Finance income	9	-433	-13
Net foreign exchange losses (gains) (net)		1	9
Cash from operating activities before changes in working capital and provisions		**-2**	**-8**
Change in trade and other receivables		-29	49
Change in prepayments		0	0
Change in trade and other payables		87	-32
Cash flows from operations before income tax and interest paid		**57**	**9**
Interest paid		-2	0
Cash flows from operating activities		**54**	**9**

The statement of cash flows forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Parent company statement of cash flows, cont.

SEK m	Note	2021	2020
Cash flows from investing activities			
Repayment of loan by subsidiary		3	0
Interest received		2	0
Dividend from subsidiary		429	11
Loan to subsidiary		-147	-12
Contributions to subsidiaries		-11	-5
Cash flows from investing activities		**276**	**-5**
Cash flows from financing activities			
Repayment of loans to subsidiaries		-33	0
Loans from subsidiaries		0	33
Loans received		31	0
Dividend		-109	-62
Warrant issue		5	3
Cash flows from financing activities		**-106**	**-26**
Net increase/(decrease) in cash and cash equivalents		**224**	**-23**
Cash and cash equivalents at start of year		17	39
Effect of exchange rate fluctuations on cash and cash equivalents		-	-
Cash and cash equivalents at year-end	16	**241**	**17**

The statement of cash flows forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Notes

Content of notes

Notes

NOTE 1 » General information

Ferronordic AB, reg. nr 556748-7953 (the "Parent Company") is a Swedish public limited liability company, having its address at Nybrogatan 6, 114 34 Stockholm. The Parent Company together with its subsidiaries comprise the "Group" or "Ferronordic". The shares in Ferronordic AB (publ) are listed on Nasdaq Stockholm. http://www.ferronordic.com/

Ferronordic is a service and sales company in the areas of construction equipment and trucks. It is the dealer of Volvo Construction Equipment, Sandvik Rock Processing Solutions, Rottne, Dressta, Mecalac and certain other brands in all of Russia. It is aftermarket partner of Volvo Trucks and Renault Trucks in part of Russia. It is the dealer for Volvo Construction Equipment and Mecalac in Kazakhstan. Ferronordic is also dealer of Volvo Trucks and Renault Trucks in parts of Germany. The company also offers contracting services where it owns and operates equipment to carry out works for customers. Ferronordic began its operations in 2010 and now has approx. 100 outlets and approx. 1,800 employees. Ferronordic's vision is to be regarded as the leading service and sales company in its markets.

NOTE 2 » Basis for preparation

Ferronordic's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Financial Standards Board (IASB) as well as the interpretations of the IFRS Interpretations Committee, as adopted by the European Union. RFR 1 on Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, is applied. The annual accounts of the Parent Company are prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities, issued by the Swedish Financial Reporting Board.

Basis of measurement

The financial statements of the Group are prepared on the basis of historical cost.

Functional and presentation currency

Items included in the various units of the Group are valued in each Group company's functional currency. The functional currency for the Parent Company is the Swedish krona (SEK). The functional currency for all Group companies in Russia is the Russian rouble (RUB). The functional currency for the Group company in Kazakhstan is the Kazakh tenge (KZT). The functional currency of the Group companies in Germany is the euro (EUR).

Note 2, Basis for preparation, cont.

The Group and the Parent Company have selected SEK as presentation currency. Except if otherwise noted, all amounts have been rounded to the nearest thousand.

Estimates and judgments

The preparation of the Group's financial statements in conformity with IFRS requires management to make various estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates and assumptions. Estimates and assumptions are reviewed on an ongoing basis. Changes in estimations and assumptions are recognised in the period when they occur and in future periods affected by the changes. The judgments that have the most significant effect on the amounts recognised in the Group's financial statements are set out in Note 4 *(useful life and the residual value of property, plant, and equipment; recognition of deferred tax assets; obsolescence provisions in relation to inventories),* Note 20 *(recognition and measurement of provisions and contingencies)* and Note 22 *(allowance for expected credit losses).*

NOTE 3 » Changed accounting policies

No significant changes in accounting policies occurred in 2021.

NOTE 4 » Significant accounting policies

The accounting policies set out below have been applied consistently by all Group companies for all periods presented.

Business combinations

The Group accounts for business combinations using the acquisition method when control is passed over to the Group. The consideration transferred in the acquisition, as well as the identifiable net assets acquired, are measured at fair value. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred.

A contingent consideration is measured at fair value at the date of acquisition.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control over the entity until the date when the Group ceases control over the entity.

Elimination of intra-group transactions

Intra-group balances and transactions (and unrealised income and expenses arising from such transactions) are eliminated in the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, unless there is a need for impairment.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the transaction date.

Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate on the reporting date.

Foreign currency gains or losses on monetary items comprise the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in foreign currencies that are measured that are measured on the basis of historical cost are translated to the functional currency at the exchange rate at the date of the transaction.

Foreign currency differences are recognised in profit or loss.

Foreign operations

Assets and liabilities of foreign operations are translated to SEK at the exchange rates on the reporting date. Income and expenses of foreign operations are translated to SEK at the exchange rate on the transaction date.

Foreign currency differences on the balance sheet are recognised in other comprehensive income and included in the translation reserve in equity.

If the Group's control, significant influence or joint control over a foreign operation is lost, the accumulated translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests.

Foreign exchange gains and losses arising from receivables or payables to a foreign operation which are not expected to be settled in the foreseeable future form part of net investment in foreign operations and are recognised in other comprehensive income and presented in the translation reserve in equity.

Financial instruments

Financial instruments within Ferronordic are financial assets and financial liabilities which all, except for contingent consideration, are measured at amortised cost.

Except for trade receivables, which are recognised when they originate, all financial assets and financial liabilities are recognised when Ferronordic becomes bound by the provisions of the relevant instrument.

Trade receivables are initially recognised at the transaction price. Other financial assets and financial liabilities are initially recognised at fair value, plus transaction costs directly attributable to the acquisition or issue of the relevant instrument.

A financial asset is measured at amortised cost if it meets both of the following conditions and if it is not designated as at fair value through profit or loss ("FVTPL"):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are derecognised when the rights to the cash flows from the assets expire, or when the rights to receive the cash flows, and substantially all risks and rewards of ownership of the assets, are transferred. Financial liabilities (or a part thereof) are derecognised when the obligations specified in the contract are discharged or cancelled or expire.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities, except for contingent consideration, are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Note 4, Significant accounting policies, cont.

Share capital

Shares in the Parent Company are classified as equity since their holders cannot demand dividends and the shares do not entail obligations on the Group to deliver cash or other assets. Costs that are directly attributable to the issue of shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends are recognised as equity distributions when they are approved by the general meeting of shareholders.

Property, plant and equipment

Except for land, property, plant, and equipment is recognised at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self- constructed assets includes the cost of materials and directly attributable labour costs, other costs directly attributable to bringing the asset to a working condition, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Components of an item of property, plant and equipment with different useful lives are accounted for as separate items.

Gains or losses on disposals of property, plant and equipment are determined by comparing the proceeds from the disposal of the asset with the asset's carrying amount and are recognised net within other income/ other expenses in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the asset's carrying amount if it is probable that the future economic benefits of the asset will flow to the Group and the cost can be measured reliably. The carrying amount of the replaced component is derecognised.

Costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation of property, plant and equipment is based on the cost of the asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the useful life of each individual asset or group of assets. This reflects how the Group is expected to consume the future economic benefits of the assets. Land is not depreciated.

The estimated useful life of certain significant items of property, plant and equipment

• buildings	2–45 years
• machinery and equipment	2–16 years
• contracting services machines	3 years
• rental machines	3 years
• office equipment	2–10 years
• cars	3–7 years
• rental trucks	5 years

The residual value for machines in contracting services and machines and trucks in rental is 25% of the cost of the assets. For all other property, plant and equipment, the residual value is zero.

Depreciation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Intangible assets

Intangible assets acquired by the Group with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditures are capitalised only if they increase the economic benefits of the asset. Other expenditures, including expenditures on internally generated goodwill and brands, are recognised in profit or loss when incurred.

Amortisation

Amortisation of intangible assets is based on the cost of the asset less its residual value. Estimated useful lives of the Group's intangible assets:

• software and software licenses	2–5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Leases

Leases

As of 1 January 2019, new leases are accounted for according to IFRS 16. This means that leases are reported as right-of-use assets and corresponding lease liabilities on the commencement day of the lease. Each lease payment is divided between a repayment of the lease liability and an interest expense. The interest expense is distributed over the lease term so that each accounting period is expensed with an amount corresponding to a fixed interest rate for the liability recognised during the respective period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the length of the lease. Liabilities arising from leases are initially recognised at present value, discounted at the implicit interest rate if that rate can be determined, and otherwise at the Group's incremental borrowing rate. Lease liabilities include fixed payments and variable lease payments depending on an index or a rate, initially measured using the index or rate as at the commencement date. The incremental borrowing rate is decided based on contract length and contract transaction currency. Payments for short-term contracts and leases of low value are expensed on a straight-line basis in the income statement. In respect of some short-term contracts the Group has a high degree of certainty that the possibility to extend the contract will be used for a longer period (at least three years) due to economic or other reasons. Leases under such contracts are reported as right-of-use assets and corresponding lease liabilities. Short-term contracts are contracts with a lease term of 12 months or less. Contracts of low value include various IT-equipment and smaller office furniture.

Note 4, Significant accounting policies, cont.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Each machine and truck in inventory has specifically identified cost.

The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Impairment

Financial instruments

The Group uses a matrix of loss rates to measure its expected credit losses of trade and other receivables. Loss rates are calculated as the probability of a loss for each group of receivables, based on the period of delinquency within the Group's different revenue types (i.e. equipment sales, aftermarket sales, contracting services and other revenue). Loss rates are calculated as a proportion of actual average losses to the average amount of receivables for a given revenue type and category of ageing during the twelve months period preceding the reporting date (the Group considers this sufficient to determine whether a loss is likely to happen).

Non-financial assets

Except for inventories and deferred tax assets (please see corresponding sections on the accounting for these items), the carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

Assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The recoverable amount is the higher of an asset's value in use and its fair value, less selling costs. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the present value and the risks specific to the asset.

An impairment loss is recognised in profit and loss if the carrying amount exceeds the estimated recoverable amount.

Employee related liabilities

Termination costs

Termination costs are recognised as an expense when the Group becomes committed to either terminate an employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary resignation. Termination benefits for voluntary resignations are recognised as expenses provided that the Group has made such an offer, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits that are payable for more than 12 months after the reporting date are discounted to present value.

Salaries and other short-term benefits

Obligations related to salaries and other short-term employee benefits are measured on an undiscounted basis and are expensed as incurred. Liabilities related to short-term cash bonus plans (e.g. bonuses to sales personnel & vacation balances) are recognised when the Group becomes obligated to pay the bonus, and the bonus amount can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans (e.g. the Russian State Pension Fund) are recognised as employee benefit expenses in profit or loss in the periods during which related services are rendered.

Share-based payments

The fair value of options granted is reported as a personnel cost with a corresponding increase in equity over the vesting period for the options. The amount reported as an expense is adjusted to reflect the number of options for which related service terms and non-market terms are expected to be met so that the amount finally reported is based on the number of options that meet related service terms and non-market terms at the time of vesting.

Warranties

The Group provides warranties on new machines and components. The Group's suppliers reimburse the Group for costs incurred as a result of these warranties at agreed rates and amounts. Both the gross provision amount for the warranties and the related receivable from the suppliers are recorded. Provisions for warranties are based on historical data and recognised when the relevant products are sold.

The Group also offers extended warranties for an additional charge. When extended warranties are sold to customers, the Group also purchases a corresponding extended warranty from the relevant supplier. These are recognised as other receivables and amortised to profit and loss evenly during the contract term.

Revenue

Ferronordic categorises revenue as equipment sales, aftermarket sales (parts and service), contracting services, and other revenue. Revenue is recognised when control has been transferred from Ferronordic to the customer. Control refers to the customers' ability to use machines, spare parts or services in its operations and to obtain the associated cash flows.

Equipment sales includes sales of new and used construction machines, trucks, light commercial vehicles and attachments. Control over the equipment typically transfers to the customer upon delivery, i.e. when the equipment has been accepted by the customer and the equipment has been physically transferred (although in some cases Ferronordic may allow that the equipment is stored at its premises until it can be moved to the customer). If the equipment is transferred at the customer's premises but the customer does not accept the equipment, no revenue is recognised and the equipment is instead considered to be stored at the customer's premises. The revenue for each unit of equipment sold is specified in the relevant sales contract.

Note 4, Significant accounting policies, cont.

Aftermarket sales includes sales of spare parts, service (maintenance and repairs) and other aftermarket service (e.g. extended warranties). As for parts sales, control transfers to the customer upon delivery, i.e. when the part has been transferred to and accepted by the customer. As for service sales, control transfers when Ferronordic incurs the associated cost to deliver the service and the customer can benefit from the use thereof. As most services rendered are short-term repairs, this typically occurs when the rendered services are completed. Sales of extended warranty contracts is recognised evenly during the contract period. The revenue for each transaction of parts or service sales is specified in the relevant contract or in the individual specification signed by the customer.

In contracting services control transfers to the customer when the customer can benefit from the use of the rendered service, i.e. when the transported material (e.g. earth or rock) has been physically delivered to and accepted by the customer. Revenue is measured as the volume of contracted units that are delivered and confirmed by the customer, multiplied by the price per volume of unit agreed (e.g. cubic meter, distance moved or surface prepared).

Other revenue mainly consists of rental revenue and car sales.

The Group does not have significant contract assets from contracts with customers. Information on receivables from contracts with customers is presented in Note 15. Information on contract liabilities from contracts with customers is presented in Note 21.

Disaggregation of revenue is presented in Note 6.

Finance income and costs

Finance income consists of interest income and dividends received. Interest income is recognised as it accrues, using the effective interest method.

Finance costs consist of interest expense on borrowings and leases. Borrowing costs directly attributable to the acquisition, construction or production of property, plant and equipment are capitalised to the cost of the asset. Other borrowing costs are recognised in profit or loss using the effective interest method.

Currency gains and losses are reported on a net basis, depending on the currency movements (net gain or net loss).

Income taxes

Income tax consists of current and deferred tax and is recognised in profit or loss (unless the tax relates to a business combination or items recognised directly in equity or other comprehensive income).

Current tax is the expected tax payable on the taxable result for the period, using applicable tax rates, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is based on the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and deferred tax liabilities are only offset if the Group has a right to offset current tax assets and tax liabilities and the tax assets and tax liabilities relate to income taxes levied by the same tax authority on the same legal entity.

In Russia, Kazakhstan and Germany, the tax losses and current tax assets of one Group company cannot be offset against taxable profits and current tax liabilities of other Group companies.

Unused tax losses, tax credits and deductible temporary differences are recognised as deferred tax assets if it is probable that there will be taxable profits available in the future against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the relevant tax benefit will be realised.

Standards and interpretations not yet adopted

There are no new or revised accounting standards or interpretations that have been published which are effective from 2021 and later that are considered to have a material impact on the Group's financial statements.

Information about the Parent Company

Parent Company accounting principles

The annual accounts of the Parent Company are prepared in accordance with the Swedish Annual Accounts Act and RFR 2, *Accounting for Legal Entities,* as issued by the Swedish Financial Reporting Board. According to RFR 2, the Parent Company's annual accounts shall be prepared by applying all IFRS statements adopted by the EU insofar as this is possible under the Swedish Annual Accounts Act and with regard to the relationship between accounting and taxation. The stated accounting policies have been applied consistently for all periods presented.

Differences between the accounting policies applied for the Group and the Parent Company

The Parent Company's income statement and balance sheet are presented according to the structure following from the Swedish Annual Accounts Act.

For the Parent Company, holdings in subsidiaries are recognised at cost (less potential impairment losses). Expenses attributable to business combinations are included in the cost.

The Parent Company does not apply IFRS 9 *Financial Instruments*. However, parts of the principles in IFRS 9 are still applicable - such as principles regarding impairment, recognition/derecognition and the effective interest rate method for interest income and interest expenses.

In the Parent Company, financial fixed assets are valued at acquisition cost less any impairment and financial current assets according to the lower of acquisition cost and fair value less cost to sell. IFRS 9's impairment rules are applied to financial assets that are reported at amortised cost.

The Parent Company classifies all leases as operating leases.

Shareholders´ contributions are recognised in the Parent Company's balance sheet as an increase of the carrying value in the shares.

NOTE 5 » Determination of fair value

To measure the fair value of an item, the Group uses market observable data as far as possible. Fair values are categorised into different levels as follows:

- **Level 1**: quoted prices (unadjusted) in active markets for identical items
- **Level 2**: other observable inputs, either directly (i.e. prices) or indirectly (i.e. derived from prices)
- **Level 3**: other inputs that are not based on observable market data (unobservable inputs)

If the fair value measurement can be categorised at different levels, the measurement is categorised entirely at the lowest level that is used for the measurement. Changes in levels are recognised at the end of the period when the changes occurred.

Fair values of borrowings and finance leases are calculated based on the present value of future cash flows from principal and interest, discounted at the market rate of interest at the reporting date (level 2).
For leases, the market rate of interest is determined by reference to similar lease agreements.

The Group does not disclose the fair values of short-term receivables and payables since it reasonably can be assumed that the carrying amounts are the same as the fair values.

NOTE 6 » Segment reporting and revenue

a) Segment reporting and disaggregation of revenue:
The Group recognises two separate reportable segments: Russia/CIS and Germany. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The chief operating decision-maker, who is responsible for allocating resources and assessing financial performance of the operating segments, has been identified as the Group Executive Management Team.

The segments are partly managed separately due to differences in markets, logistics, supply chains, products, customers and marketing strategies. For each segment, the Group's management reviews internal reports on at least a monthly basis. Russia/CIS comprises of sales of new and used construction and other equipment, aftermarket sales, rental, contracting services and other services in Russia and CIS (the Commonwealth of Independent States) and currently only in Russia and Kazakhstan. Germany comprises of sales of new and used trucks, aftermarket sales, rental and other services in Germany. Group overhead costs, such as Group executive management costs, are allocated between the segments using principles set forth by the chief operating decision-maker (CODM). Information regarding the results of each segment is included in this report. The performance of each segment is mainly evaluated based on revenue, gross profit, EBITDA, operating profit and operating margin, as included in internal management reports that are reviewed by the Group's Executive Management Team. The Group had no inter-segment revenues during the periods presented.

SEK m	Russia/CIS 2021	Russia/CIS 2020	Germany 2021	Germany 2020	Total 2021	Total 2020
External revenue	**4,844**	**3,652**	**1,368**	**983**	**6,212**	**4,635**
Equipment and truck sales	2,934	2,306	909	629	3,843	2,934
Aftermarket sales	1,042	864	365	269	1,407	1,133
Contracting services	842	461	0	0	842	461
Other revenue	25	21	94	85	119	106
Gross profit	961	714	149	84	1,111	797
EBITDA	713	533	-15	-29	698	504
Depreciation and amortisation	-159	-138	-56	-37	-215	-176
Operating profit	553	394	-71	-66	483	328
Finance items					-31	-53
Profit (loss) before tax					451	276
Result for the period					**339**	**222**

Note 6, Segment reporting and revenue, cont.

In Russia/CIS, equipment and trucks sales include sales of new and used construction equipment, used trucks, attachments and diesel generators. Aftermarket sales include sales of service and parts. Contracting services include only revenue from contracting services operations. Other revenue consists mainly of rental revenue.

In Germany, equipment and trucks sales include sales of new Volvo and Renault trucks, Renault light commercial vehicles and used trucks. Aftermarket sales include sales of service and parts. Other revenue consists mainly of rental revenue and sales of passenger cars.

SEK m	Russia/CIS 2021	Russia/CIS 2020	Germany 2021	Germany 2020	Intersegment 2021	Intersegment 2020	Total 2021	Total 2020
Deferred tax assets	61	46	44	19	0	0	105	65
Intersegment contributions and loans	134	8	0	0	-134	-8	0	0
Other non-current assets*	645	328	441	187	0	0	1,087	515
Total assets	**3,213**	**2,172**	**895**	**464**	**-134**	**-8**	**3,973**	**2,628**
Additions to non-current assets*	466	108	319	38	-	-	784	146

*Except for financial instruments and deferred tax assets

Revenue by country

SEK m	2021	2020
Russia	4,700	3,556
Kazakhstan	143	96
Germany	1,368	983
Total	**6,212**	**4,635**

Other non-current assets by country

SEK m	2021	2020
Russia	637	319
Kazakhstan	8	9
Germany	441	187
Intersegment	134	8
Total	**1,221**	**523**

Select balance sheet items by country as of 31 December 2021

	2021					2020				
SEK m	Russia	Sweden	Kazakhstan	Germany	Total	Russia	Sweden	Kazakhstan	Germany	Total
Cash and cash equivalents	418	242	31	78	768	484	29	20	71	604
Trade and other receivables	315	0	38	181	535	303	0	23	67	393
Inventory and prepayments	1,279	0	50	150	1,478	918	0	26	107	1,051
Trade and other payables	1,369	115	91	234	1,809	1,047	26	46	68	1,188

Number of units sold	Russia/CIS 2021	Russia/CIS 2020	Germany 2021	Germany 2020	Total 2021	Total 2020
New units	1,246	1,102	800	619	2,046	1,721
Used units	328	269	241	34	569	303
Total units	**1,574**	**1,371**	**1,041**	**653**	**2,615**	**2,024**

In 2020, attachments from one manufacturer (SP Maskiner) were included in new unit sales. This has been corrected in this report. As a result, the number of new units sold in 2020 decreased by 4 from 1,106 to 1,102 in Russia/CIS. In 2020 an incorrect number of new units sold in Germany was reported, the number should be 619, instead of 631.

No customer represented more than 7% of the revenue in 2021 (6% in 2020).

NOTE 7 » Selling, general and administrative expenses

Selling expenses

GROUP

SEK m	2021	2020
Personnel expenses	233	204
Depreciation	8	9
Other selling expenses	15	6
	256	**219**

General and administrative expenses

GROUP

SEK m	2021	2020
Personnel expenses	213	154
Depreciation and amortisation	37	32
Rent	29	19
Other general and administrative expenses	78	58
	358	**264**

PARENT COMPANY

SEK m	2021	2020
Personnel expenses	23	21
Other general and administrative expenses	16	9
	39	**30**

NOTE 8 » Other income and expenses

SEK m	2021	2020
Other income	12	24
	12	**24**

Other income in 2020 included a one-off customs duty recovery in the amount of 11m SEK and reversal of impairment of trade receivables in the amount of SEK 5m.

GROUP

SEK m	2021	2020
Bank services	0	2
Impairment of trade receivables	10	6
Sundry expenses	17	4
	27	**11**

NOTE 9 » Finance income and finance costs

GROUP

SEK m	2021	2020
Interest income on bank deposits	23	12
Finance income	**23**	**12**
Interest expense on lease obligation	-11	-19
Interest expense on bank loans	-30	-40
Other finance costs	-8	0
Finance costs	**-49**	**-59**
Net finance income/(costs) net	**-26**	**-47**

No interest income or interest expenses relate to financial instruments measured at fair value through profit or loss.

PARENT COMPANY

SEK m	2021	2020
Interest income on loans to subsidiary	3	1
Dividends from subsidiary	429	11
Interest income on bank deposits	0	0
Interest income	**433**	**13**
Interest cost on loans from subsidiary	-2	-1
Other finance costs	0	0
Interest costs	**-2**	**-1**
Interest income (net)	**430**	**12**

NOTE 10 » Income taxes

The Parent Company is a tax resident of Sweden where the applicable tax rate for 2021 was 20.6% (21.4%).

The other Group companies that were operational in the presented periods are tax residents of Russia, where the applicable tax rate for 2021 was 20% (same as the previous year), Kazakhstan 20% and Germany 30% correspondingly.

Income tax is calculated separately for each Group entity by multiplying the applicable tax rate with the taxable results for the period. The average tax rate of the Group in 2021 was 24.9% (19.6%).

In 2021 the Group paid internal group dividends. The withholding tax on the dividends is included in income tax at applicable tax rate in the reconciliation of effective tax rate in the reconciliation of effective tax rate for the Group.

SEK m	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Current tax expense	-147	-77	-	-
Deferred tax benefit / (expense)	35	23	-	3
Total income tax	**-112**	**-54**	**-**	**3**

Reconciliation of effective tax rate:

GROUP

SEK m	2021	%	2020	%
Result for the year	339		222	
Total income tax	-112		-54	
Result before tax	451	100	276	100
Income tax at applicable tax rate	-110	-24.3	-51	-18.6
Revaluation of tax loss carryforwards	-	-	0	-
Non-deductible expenses	-3	-0.6	-3	-0.9
	-112	**-24.9**	**-54**	**-19.6**

PARENT COMPANY

SEK m	2021	%	2020	%
Result for the year	427		-2	
Total income tax	-		3	
Result before tax	427	100	-5	100
Income tax at applicable tax rate	-88	-20.7	1	-20.6
Dividends from subsidiary (non-taxable)	88	20.7	-	-
Non-recognised tax-loss carryforwards	0	-0.1	-	-
Revaluation of tax loss carryforwards	0	0	-	389.3
Other items	0	0	2	-38.9
	0	**0**	**3**	**-59.5**

NOTE 11 » Property, plant and equipment

GROUP

SEK m	Land	Buildings	Machinery and equipment	Contracting services machines	Rental machines	Office equipment	Cars	Under con-struction	Right of use assets related to facilities rent	Total
Cost										
Balance 1 January 2021	26	93	67	236	134	16	123	6	116	818
Additions	16	15	14	0	91	3	63	5	73	279
Transfers from invento-ry	0	0	0	302	70	0	0	0	0	372
Acquisition of business	7	28	8	0	16	0	0	0	0	59
Disposals	-3	0	-4	0	-29	-1	-17	0	0	-54
Transfers to inventory	0	0	0	-101	-17	0	0	0	0	-118
Transfers	0	2	0	0	0	0	0	-2	0	0
Translation difference	7	11	6	90	16	-1	13	-5	11	148
Balance 31 December 2021	54	148	91	527	280	17	182	4	200	1,504
Depreciation and impairment losses										
Balance 1 January 2021	2	23	41	90	28	9	60	5	54	312
Depreciation	0	10	11	80	55	2	28	0	29	215
Disposals	0	0	-3	0	-6	-1	-12	-5	0	-29
Transfers to inventory	0	0	0	-75	-18	0	0	0	0	-93
Translation difference	6	3	2	58	12	1	6	0	6	93
Balance 31 December 2021	8	35	50	152	71	11	82	0	88	498
Carrying amounts										
1 January 2021	25	70	27	146	105	7	63	1	62	507
31 December 2021	46	113	41	375	209	6	101	4	112	1,006

Note 11, Property, plant and equipment, cont.

SEK m	Land	Buildings	Machinery and equipment	Contracting services machines	Rental machines	Office equipment	Cars	Under con-struction	Right of use assets related to facilities rent	Total
Cost										
Balance 1 January 2020	14	51	75	277	163	15	155	81	120	951
Additions	0	14	4	0	0	6	15	1	26	65
Transfers from inventory	0	0	0	53	56	0	0	0	0	108
Disposals	0	-1	-2	0	0	0	-5	-1	0	-9
Transfers to inventory	0	0	0	-14	-68	0	0	0	0	-82
Transfers	18	48	11	0	0	0	0	-77	0	0
Translation difference	-6	-18	-20	-79	-18	-4	-41	4	-31	-214
Balance 31 December 2020	26	93	67	236	134	16	123	6	116	818
Depreciation and impairment losses										
Balance 1 January 2020	4	24	42	68	13	9	53	7	29	250
Depreciation	0	7	12	54	35	3	27	0	36	174
Disposals	0	-1	-1	0	0	0	-4	-1	0	-7
Transfers to inventory	0	0	0	-9	-14	0	0	0	0	-23
Translation difference	-3	-7	-12	-24	-6	-3	-17	0	-12	-83
Balance 31 December 2020	2	23	41	90	28	9	60	5	54	312
Carrying amounts										
1 January 2020	10	27	33	208	150	5	102	74	91	700
31 December 2020	25	70	27	146	105	7	63	1	62	507

Additions of machines in contracting services in Russia/CIS are reflected in investment activities as outflows when payment for the machines is made to the supplier. These machines were initially purchased as inventory for equipment sales but then transferred from inventories to property, plant and equipment.

Depreciation was allocated as follows:
- Cost of sales: SEK 170m (SEK 135m)
- Selling expenses: SEK 8m (SEK 9m)
- General and administrative expenses: SEK 34m (SEK 30m)

Note 11, Property, plant and equipment, cont.

Right of use assets:

SEK m	Rental machines	Contracting services machines	Cars	Right of use assets related to facilities rent	Total
Cost					
Balance 1 January 2021	**0**	**70**	**51**	**116**	**237**
Additions	0	0	34	73	108
Disposals	0	0	0	0	0
Buy-out from lease	0	-40	-14	0	-54
Translation difference	0	8	-4	11	16
Balance 31 December 2021	**0**	**39**	**68**	**200**	**307**
Depreciation and impairment losses					
Balance 1 January 2021	0	28	18	54	100
Depreciation	0	20	14	29	62
Disposals	0	0	0	0	0
Buy-out from lease	0	-25	-6	0	-31
Translation difference	0	3	-2	6	7
Balance 31 December 2021	0	26	23	88	138
Carrying amounts					
1 January 2021	0	42	33	62	138
31 December 2021	0	13	44	112	169

SEK m	Rental machines	Contracting services machines	Cars	Right of use assets related to facilities rent	Total
Cost					
Balance 1 January 2020	5	96	87	120	308
Additions	0	0	10	31	41
Disposals	0	0	0	-5	-5
Buy-out from lease	-5	0	-25	0	-31
Translation difference	0	-26	-20	-31	-77
Balance 31 December 2020	0	70	51	116	237
Depreciation and impairment losses					
Balance 1 January 2020	2	14	21	29	66
Depreciation	1	20	14	39	74
Disposals	0	0	0	-2	-2
Buy-out from lease	-3	0	-11	0	-14
Translation difference	0	-7	-6	-12	-24
Balance 31 December 2020	0	28	18	54	100
Carrying amounts					
1 January 2020	3	81	66	91	242
31 December 2020	0	42	33	62	138

Note 11, Property, plant and equipment, cont.

PARENT COMPANY

SEK m	Office equipment
Cost	
Balance 1 January 2021	0
Balance 31 December 2021	0
Depreciation and impairment losses	
Balance 1 January 2021	0
Depreciation	-
Balance 31 December 2021	0
Carrying amounts	
Balance 31 December 2021	0

SEK m	Office equipment
Cost	
Balance 1 January 2020	0
Balance 31 December 2020	0
Depreciation and impairment losses	
Balance 1 January 2020	0
Depreciation	-
Balance 31 December 2020	0
Carrying amounts	
Balance 31 December 2020	0

NOTE 12 » Intangible assets

GROUP

SEK m	Software and software licenses	Goodwill	Total
Cost			
Balance 1 January 2021	9	3	12
Acquisitions – separately acquired	1	-	1
Business acquisition	-	73	73
Disposals	-4	-	-4
Translation difference	3	1	5
Balance 31 December 2021	9	77	87
Amortisation			
Balance 1 January 2021	3	-	3
Amortisation	3	-	3
Disposals	-1	-	-1
Translation difference	0	-	0
Balance 31 December 2021	6	-	6
Carrying amounts			
31 December 2021	4	77	81

SEK m	Software and software licenses	Goodwill	Total
Cost			
Balance 1 January 2020	13	3	15
Acquisitions – separately acquired	2	-	2
Disposals	-3	-	-3
Translation difference	-3	-	-3
Balance 31 December 2020	9	3	12
Amortisation			
Balance 1 January 2020	4	-	4
Amortisation	2	-	2
Disposals	-1	-	-1
Translation difference	-1	-	-1
Balance 31 December 2020	3	-	3
Carrying amounts			
31 December 2020	6	3	8

Amortisation of SEK 3m (SEK 2m) was recognised as general and administrative expenses.

Based on impairment tests conducted by the Group no impairment of goodwill was recognised in 2021 (same as 2020).

Note 12, Intangible assets, cont.

PARENT COMPANY

SEK m	Software and software licenses
Balance 1 January 2021	1
Acquisitions	-
Balance 31 December 2021	1
Amortisation	
Balance 1 January 2021	0
Amortisation	0
Balance 31 December 2021	0
Carrying amounts	
31 December 2021	1

SEK m	Software and software licenses
Balance 1 January 2020	1
Acquisitions	-
Balance 31 December 2020	1
Amortisation	
Balance 1 January 2020	0
Amortisation	0
Balance 31 December 2020	0
Carrying amounts	
31 December 2020	1

NOTE 13 » Deferred tax assets and liabilities

(a) Deferred tax assets and tax liabilities:

GROUP

	31 December 2021			31 December 2020		
SEK m	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	**-**	**-7**	**-7**	**9**	**-4**	**5**
Intangible assets	-	0	0	-	0	0
Inventories	11	-	11	-	0	0
Trade and other receivables	-	-4	-4	-	-1	-1
Prepayments	3	-	3	0	-	0
Provisions	8	-	8	0	-	0
Deferred income	4	-	4	3	-	3
Trade and other payables	14	-	14	11	-	11
Tax loss carryforwards	69	-	69	43	-	43
Tax assets/ (liabilities)	109	-11	98	65	-6	59
Set off of tax	-4	4	-	0	0	-
Net tax assets/(liabilities)	**105**	**-7**	**98**	**65**	**-5**	**59**

Note 13, Deferred tax assets and liabilities, cont.

PARENT COMPANY

	31 December 2021			31 December 2020		
SEK m	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Tax loss carryforwards	20	-	20	20	-	20
Net tax assets/(liabilities)	**20**	**-**	**20**	**20**	**-**	**20**

Starting from 2021, if profit before tax in the Parent company excluding dividend from subsidiary is negative, no additional deferred tax asset is recognised in relation to this tax loss. The amount of such non-recognised tax loss carry-forwards amounted to SEK 0.3m at the end of 2021 (0 at the end of 2020).

b) Changes in deferred tax:

GROUP

SEK m	1 January 2021	Recognised in profit or loss	Effect of movement in exchange rates	31 December 2021
Property, plant and equipment	4	-8	-3	-7
Intangible assets	0	0	0	0
Inventories	0	11	0	11
Trade and other receivables	-1	-4	1	-4
Prepayments	0	1	2	3
Trade and other payables	11	5	-1	14
Provisions	0	5	3	8
Deferred income	3	0	1	4
Tax loss carryforwards	43	25	1	69
Net tax assets/(liabilities)	**59**	**35**	**3**	**98**

PARENT COMPANY

SEK m	1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movement in exchange rates	31 December 2021
Tax loss carryforwards	20	-	-	-	20
Net tax assets/(liabilities)	**20**	**-**	**-**	**-**	**20**

Note 13, Deferred tax assets and liabilities, cont.

GROUP

SEK m	1 January 2020	Recognised in profit or loss	Effect of movement in exchange rates	31 December 2020
Property, plant, and equipment	-6	12	-1	4
Intangible assets	-2	0	0	0
Inventories	6	-5	-1	0
Trade and other receivables	1	-2	0	-1
Prepayments	0	0	0	0
Trade and other payables	14	0	-4	11
Provisions	0	0	0	0
Deferred income	6	-2	-1	3
Tax loss carryforwards	24	20	-1	43
Net tax assets/(liabilities)	**45**	**23**	**-8**	**59**

PARENT COMPANY

SEK m	1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movement in exchange rates	31 December 2020
Tax loss carryforwards	17	3	-	-	20
Net tax assets/(liabilities)	**17**	**3**	**-**	**-**	**20**

NOTE 14 » Inventories

SEK m	Group 31 December 2021	Group 31 December 2020	Parent Company 31 December 2021	Parent Company 31 December 2020
Raw materials and consumables	7	20	-	-
Work in progress	28	10	-	-
Goods for resale	1,398	984	-	-
	1,432	**1,014**	**-**	**-**

Inventories of SEK 4,250m (SEK 3,245m) were sold during the year and recognised as cost of sales. Write-down of inventories to net realisable value of SEK 2.0m (SEK 7.0m) was recognised as cost of sales.

NOTE 15 » Trade and other receivables

SEK m	Group 31 December 2021	Group 31 December 2020	Parent Company 31 December 2021	Parent Company 31 December 2020
Trade receivables	365	314	-	-
Trade receivables due from subsidiaries	-	-	62	36
VAT receivable	20	4	0	0
Warranty claims	26	12	-	-
Prepaid income tax	29	5	-	-
Other receivables	94	59	1	0
	535	**393**	**63**	**36**

Credit risks, currency risks and losses related to trade and other receivables are presented in Note 22 *(Financial instruments and risk management).*

NOTE 16 » Cash and cash equivalents

SEK m	Group 31 December 2021	Group 31 December 2020	Parent Company 31 December 2021	Parent Company 31 December 2020
Bank balances	471	205	241	15
Call deposits	297	399	0	1
Cash and cash equivalents	**768**	**604**	**241**	**17**

Interest risk, currency risk and a sensitivity analysis for financial assets and liabilities are presented in Note 22 *(Financial instruments and risk management).*

NOTE 17 » Capital and reserves

a) Share capital and additional paid-in capital

	Shares	
Number of shares	**2021**	**2020**
In issue 1 January	14,532,434	14,532,434
Issue of ordinary shares	-	-
Conversion of preference shares	-	-
Redemption of preference shares	-	-
In issue 31 December, fully paid	14,532,434	14,532,434
Par value per share, SEK	**0.089**	**0.089**

Each share carries one vote.

b) Translation reserve

The translation reserve comprises foreign currency differences arising out of the translation of financial information of foreign operations from functional currency to presentation currency.

c) Dividends

At the general meeting on 12 May 2021, it was decided to pay dividends on shares in an amount of SEK 7.5 per share, in total SEK 109m.

SEK m	**2021**	**2020**
Dividends paid on shares	109	62

Proposed allocation of profit

SEK 502,360,622 is available for distribution by the AGM. The Board proposes that this amount be allocated as follows:

SEK	
Dividend on shares	0
Amount carried forward	502,360,622
of which to the Share Premium Reserve	630,025,300
Total amount allocated	**502,360,622**

Due to the uncertain situation related to the conflict in Ukraine, the Board has recommended that the AGM 2022 decides not to pay a dividend.

d) Share based incentive program

In 2020, the Board proposed to introduce a long-term incentive program for Ferronordic's ("the Company") management and certain other senior employees. The program is intended to provide long-term incentives and align the interests of senior management and the shareholders. The program is designed to run over a three year horizon and to be repeated three years in three rounds. The maximum potential dilution to the Company's shareholders over the full program was supposed to be approx. 2.5% per year and no more than 7.5% in total. While the intention was to repeat the program over three years, each year's program was separate and required a separate approval by the AGM. As part of the program, the Company would be allowed to issue up warrants to be distributed between approximately 30 persons forming the senior management of the Company and its subsidiaries. Each warrant would entitle the participant to subscribe for one share of the Company at the earliest three years after the warrant was issued. The subscription price was set equal to 135% of the volume-weighted average share price during the 10 trading days immediately preceding the date of valuation of the warrants. As per the program, the participants received a cash compensation from the Group that, net of tax, covered 80% of the cost for acquiring the warrants under the program. The remaining 20% of the cost for acquiring the warrants was borne by the participants themselves. The warrants were acquired at fair value. Subscription of shares would be done against cash payment to the Company at the strike price. Participation in the program and subsequent subscription requires that a participant remains an employee of the Company or its subsidiaries. Should a participant terminate his employment before the end of the program, the Company reserves the right to repurchase 20% of the participant's warrants at original cost.

The EGM on 5 November 2020 approved the first round of the long-term incentive program. On 30 November 2020, the Company issued 332,000 warrants to 24 management participants. 142,000 or 43% of these warrants were issued to 8 executives in the Group management. The market value of the warrants at the time of transfer to the participants was determined by an independent financial advisor on the basis of the Black-Scholes option pricing model is estimated at approximately as SEK 9.04. The valuation was based on a 10-day volume-weighted average share price of SEK 152.75, a subscription price of SEK 206.21, a volatility of 30%, an interest rate of -0.4% and an expected dividend yield of 3.1 % (according to market estimates) and a dilution effect of approx 2.6%. In case of full program retention and subsequent subscription, the Company's equity would increase with approximately SEK 71m.

The AGM on 12 May 2021 approved the second round of the long-term incentive program. On 28 May 2021, the Company issued 364,500 warrants to 27 management participants. 140,500 or 39% of these warrants were issued to 8 executives in the Group management. The market value of the warrants at the time of transfer to the participants was determined by an independent financial advisor on the basis of the Black-Scholes option pricing model is estimated at approximately as SEK 13.38. The valuation was based on a 10-day volume-weighted average share price of SEK 254.88, a subscription price of SEK 344.08, a volatility of 30%, an interest rate of -0.2% and an expected dividend yield of 4.1% (according to market estimates) and a dilution effect of approx. 2.6%. In case of full program retention and subsequent subscription, the Company's equity would increase with approximately SEK 130m.

NOTE 18 » Borrowings

a) Short-term borrowings

GROUP

SEK m	31 December 2021 Outstanding balance	31 December 2021 Credit facility limit	31 December 2020 Outstanding balance	31 December 2020 Credit facility limit
Current liabilities				
Unsecured short-term borrowings	317	870	84	637
	317	**870**	**84**	**637**

PARENT COMPANY

SEK m	31 December 2021	31 December 2020
Loan from subsidiary	-	33
	-	**33**

b) Long-term borrowings

GROUP

SEK m	31 December 2021 Outstanding balance	31 December 2021 Credit facility limit	31 December 2020 Outstanding balance	31 December 2020 Credit facility limit
Non-current liabilities				
Unsecured long-term borrowings	490	490	351	352
	490	**490**	**351**	**352**

PARENT COMPANY

SEK m	31 December 2021	31 December 2020
Loan Nordea	31	-
	31	**-**

On 1 January 2021, Ferronordic Machines LLC had four credit facilities open with two banks in Russia for a total of RUB 5bn (approx. SEK 608m as at 31 December 2021). These included a RUB 2bn (SEK 243m) and a RUB 1bn (SEK 122m) facility with Sberbank and two RUB 1bn (SEK 122m) facilities with Bank Otkritie. At the beginning of 2021, these facilities were unutilised. As part of the arrangement of Ferronordic AB's EUR 40m (approx. SEK 409m) working capital facility in April 2021 (see also below), Ferronordic agreed to reduce the local funding lines to RUB 2bn (SEK 243m). As a result, in 2021, Ferronordic closed its old credit lines with Sberbank but in 2022 arranged two new lines for RUB 1bn (SEK 122m) each and with maturities in January and February 2024. The lines with Otkritie were closed in November 2021 and February 2022.

Interest-bearing liabilities also include liabilities in the German operations amounting to SEK 87m that were transferred from payables to borrowings, in 2021, mainly to Volvo Financial Services. The liabilities mature when the trucks to which the payables are related to are sold, but not later than 2023 (one and a half year after invoicingin-ception). As such transfers were non-cash, they are not reflected in cash flows.

In 2021, the Group used borrowings from Volvo Financial Services in the Russian operations to finance machines in contracting services. In these transactions the Group transfers title for the machines to Volvo Financial Services and gets financing in return. The outstanding amount of such borrowings at the end of 2021 was SEK 268m (SEK 74m). In the consolidated statement of cash flows, the financing received in these transactions was shown as increase in borrowings. The maturity years for of the currently outstanding such contracts are 2022–2024.

In 2021, the Group used borrowings from Volvo Financial Services in the German operations to finance machines in rental fleet. In these transactions the Group transfers title for the machines to Volvo Financial Services and gets financing in return. The outstanding amount of such borrowings at the end of 2021 was SEK 68m (SEK 32m). In the consolidated statement of cash flows, the financing received in these transactions was shown as increase in borrowings. The maturity years forof the currently outstanding such contracts are 2022-2024.

At the end of 2021, the Group also had several outstanding credit and lease obligations with different years of maturity in Germany, which in total amounted to SEK 49m (SEK 25m in 2020).

On 30 April 2021, it was announced that Ferronordic and Nordea Bank had agreed on a credit facility, consisting of a EUR 40m revolving credit facility and a EUR 30m term loan. The facility is running for three years. The purpose of the facility is partly to finance the Group's working capital, and partly to finance the group's continued investments in Germany. The facility were also used to refinance the loan that was drawn from Nordea Bank in connection with Ferronordic's establishment in Germany in December 2019.

The outstanding amount of the loan as at the end of 2021 was SEK 336m, including SEK 31m drawn by the Parent company.

The loan from Nordea to the Parent company Ferronordic AB in the amount of SEK 31m was repaid in February 2022.

The interest rate on the Group's loans and borrowings in 2021 varied between 1–3% in the German operations to 9-11% in the Russian operations. As a result of the geopolitical tensions and sanctions and countersanctions in the beginning of 2022, interest rates have increased sharply in Russia.

Note 18, Borrowings, cont.

c) Lease liabilities

At the end of 2021, the Group had a lease limit from RB Leasing in the amount of RUB 600m. In 2021, the limit with RB Leasing was partly used to finance cars in the carpool. At the end of 2021, the Group had leases from Volvo Financial Services and Raiffeisen Leasing which commenced in 2018-2019 and were used to finance machines in contracting services.

The weighted-average rate applied for discounting lease payments when measuring lease liabilities was 6.2% (8.7%).

The repayment of lease liabilities is reflected in the consolidated statement of cash flows as leasing financing paid.

Future minimum lease payments (where Group is a lessee):

GROUP

	31 December 2021			31 December 2020		
SEK m	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	73	-11	62	93	-15	77
Between one and five years	97	-10	87	77	-6	71
More than five years	12	-2	10	0	0	0
	182	**-23**	**159**	**169**	**-21**	**148**

d) Reconciliation of movements of liabilities to cash flows from financing activities

GROUP

	Liabilities		
SEK m	Lease liabilities	Borrowings	Total
Balance 1 January 2021	148	435	583
Changes in cash flows from financing activities			
Proceeds from borrowings	0	371	371
Repayment of loans	0	-118	-118
Leasing financing paid	-81	0	-81
Total	**-81**	**253**	**172**
Other changes related to equity			
Effect of changes in foreign exchange rates	-16	18	1
Total	-16	18	1
Other changes related to liabilities			
New leases	108	0	108
Reclassification from payables	0	87	87
Business acquisition	0	14	14
Disposals	0	0	0
Total	108	101	209
Balance 31 December 2021	159	808	966

GROUP

	Liabilities		
SEK m	Lease liabilities	Borrowings	Total
Balance 1 January 2020	268	845	1,112
Changes in cash flows from financing activities			
Proceeds from borrowings	-	466	466
Repayment of loans	-	-869	-869
Leasing financing paid	-114	-	-114
Total	-114	-402	-516
Other changes related to equity			
Effect of changes in foreign exchange rates	-42	-7	-49
Total	-42	-7	-49
Other changes related to liabilities			
New leases	41	-	41
Disposals	-5		-5
Total	36	-	36
Balance 31 December 2020	148	435	583

NOTE 19 » Deferred income

SEK m	Group 31 December 2021	Group 31 December 2020	Parent Company 31 December 2021	Parent Company 31 December 2020
Deferred income short-term due to lease back and buy back transaction	12	6	-	-
Deferred income short-term relating to service contracts	16	13	-	-
Total	**28**	**19**	**-**	**-**

SEK m	Group 31 December 2021	Group 31 December 2020	Parent Company 31 December 2021	Parent Company 31 December 2020
Deferred income long-term due to lease back and buy back transaction	22	1	-	-
Total	**22**	**1**	**-**	**-**

The increase in deferred income due to lease back and buy back transactions is related to new buy back transactions in Germany in 2021 of SEK 30m.

NOTE 20 » Provisions

GROUP

SEK m	Warranties	Other	Total
Balance 1 January 2021	12	13	26
Provisions made	33	11	45
Business acquisition	-	4	4
Provisions used	-20	-18	-38
Translation difference	2	1	2
Balance 31 December 2021	**27**	**12**	**39**
Non-current	-	-	-
Current	27	12	39
	27	12	39

GROUP

SEK m	Warranties	Other	Total
Balance 1 January 2020	17	6	22
Provisions made	21	9	30
Provisions used	-21	-1	-21
Translation difference	-4	-1	-5
Balance 31 December 2020	**12**	**13**	**26**
Non-current	-	-	-
Current	12	13	26
	12	13	26

Warranties on new machines and components
The Group's suppliers provide warranties on new machines and new components, which the Group extends to its customers. The suppliers also offer extended warranties for an additional charge, which the Group offers its customers, also for an additional charge. The suppliers compensate the Group for costs related to the warranties at pre-agreed rates and amounts.

Both the gross provision amount of the standard warranties and the receivables from the suppliers are recognised. Provisions for standard warranties are recognised when the products that the warranties relate to are being sold. Warranty provisions are based on historical data. Amounts of expected reimbursement as of 31 December 2021 and 31 December 2020, respectively, are disclosed in Note 15.

NOTE 21 » Trade and other payables

SEK m	Group 31 December 2021	Group 31 December 2020	Parent Company 31 December 2021	Parent Company 31 December 2020
Trade payables	1,416	947	103	18
Advances from customers	149	100	-	-
Other payables and accrued expenses	176	91	11	9
Payables to subsidiaries	-	-	-	-
Income tax payable	1	1	-	-
Other taxes payable	68	49	1	1
	1,809	**1,188**	**115**	**28**

The Parent Company's trade payables related to machines from Dressta, Rottne and Mecalac, and machines and spare parts from Sandvik purchased by the Parent Company and resold to its subsidiaries.

Currency and liquidity risks related to trade and other payables are disclosed in Note 22.

Advances from customers of SEK 149m (SEK 100m) and deferred income relating to service contracts of SEK 16m (SEK 14m) (see Note 19) relate to contract liabilities under the contracts with customers.

Out of contract liabilities at the end of 2020, SEK 60m was recognised as revenue during 2021 (SEK 32m in 2020).

NOTE 22 » Financial instruments and risk management

The Group is exposed to various types of credit risk, liquidity risk and market risk. The Group has established policies and procedures to identify, analyse and minimise these risks, as well as to establish appropriate limits and control mechanisms to monitor that these are adhered to. Employees are trained to understand the risks at hand and the requirements of applicable policies and procedures. Policies and procedures are reviewed regularly and amended to reflect changed market conditions or changes in the business.

The purpose of the Group's policies and procedures is to develop a control environment where employees understand their roles and obligations. The Board also oversees how management monitors compliance with the Group's policies and procedures and reviews the adequacy of the risk management framework in relation to relevant risks.

The Group's internal auditor evaluates the Group's risks, monitors that established policies and procedures are complied with and suggests how the Group's control environment can be improved. The internal auditor reports to the Board's audit committee.

Credit risk

General

The Group to a certain extent sells products and services on credit and is thus exposed to certain credit risk. The risk is influenced mainly by the characteristics of the individual customers, but management also considers the demographics of the Group's customer base as a whole, such as general default risk in the customers' different industries.

At the end of 2021, the 20 largest trade receivables comprised 50% of the total trade receivables (at the end of 2020 the corresponding figure was 46%).

To minimise credit risk, the Group first and foremost strives to sell as much as possible without credit.

For machine sales, customers are usually financed by leasing companies that purchase the machines from the Group in cash. For aftermarket sales, the Group typically require payments in advance. However, there are cases where the Group itself offers credits to its customers, both for machine sales and sales of parts and services.

For machines, the Group can provide credits up to 12 months, but typically with a relatively large down-payment and always with retention right or pledge to the sold machines (in some cases, additional collateral can be requested, usually in the form of sureties from the customers' owners). To meet the customers' financing needs, the Group may also offer short-term rental agreements, also up to 12 months, where the Group retains ownership in the machine. Often the customer then purchases the machine from the Group at the expiry of the rental agreement.

For sales of spare parts and service the Group typically does not require any collateral, but in some cases, personal sureties are requested.

Credit approvals

The Group has a structured process for approving credits and settling credit limits where all customers are screened and assessed individually by both the finance and the security department before any credit is approved.

The credit review typically includes external ratings (when available) and the use of credit databases. New credit and/or new limits are then referred to the regional management and/or to the Group's credit committee for approval, depending on the size of the credit and the recommendation of the finance and security departments.

Note 22, Financial instruments and risk management, cont.

i) Exposure to credit risk

GROUP

SEK m	Note	2021 Carrying amount	2020 Carrying amount
Trade receivables	15	365	314
Cash and cash equivalents	16	768	604
		1,133	**917**

Cash and cash equivalents are held with banks, which are rated AA(RU) (ACRA), BBB (Fitch), BBB- (S&P) in Russia and AA-, A- (S&P) in Sweden and Germany. Expected credit losses from cash and cash equivalents were at 31 December 2021 considered not material and were thus not accounted for.

The credit risk in the periods presented by geographical region is:

SEK m	Note	2021 Carrying amount	2020 Carrying amount
Russia		242	238
Kazakhstan		19	19
Germany		103	56
		365	**314**

ii) Impairment of receivables

Ageing of trade receivables

GROUP

	31 December 2021		
SEK m	Gross amount	Average loss rate, %	Impairment
Not past due	176	0.0	0
Past due 0–30 days	114	0.9	-1
Past due 31–120 days	55	3.6	-2
Overdue above 120 days	42	45.2	-19
	387		**-22**

	31 december 2020		
SEK m	Gross amount	Average loss rate, %	Impairment
Not past due	190	0.2	0
Past due 0-30 days	65	0.9	-1
Past due 31-120 days	52	2.3	-1
Overdue above 120 days	25	64.3	-16
	332		**-18**

Movement in expected credit losses in respect of trade receivables

GROUP

SEK m	2021	2020
Balance 1 January	-18	-25
Net change during the year	-10	-1
Business acquisition	-	-
Amounts written off against trade receivables	0	0
Translation differences	6	8
Balance 31 December	**-22**	**-18**

Liquidity risk

The Group strives to maintain sufficient cash and cash equivalents to meet its operational needs and financial commitments.

The Group's treasury department monitors liquidity risk continuously and controls that financial liabilities are discharged on time, using a payment calendar tool. The treasury department performs annual, monthly and daily planning to control cash flows.

Note 22, Financial instruments and risk management, cont.

Maturities of financial liabilities (including estimated interest payments)

GROUP

	31 December 2021								
SEK m	**Carrying amount**	**Contractual cash flows**	**0–6 mths**	**6–12 mths**	**1–2 years**	**2–3 years**	**3–4 year**	**4–5 year**	**Over 5 years**
Lease liabilities	159	182	48	25	41	31	18	7	12
Borrowings	808	872	190	162	227	292	0	0	0
Trade and other payables	1,141	1,141	1,141	-	-	-	-	-	-
	2,108	2,196	1,380	187	269	324	18	7	12

GROUP

	31 December 2020								
SEK m	**Carrying amount**	**Contractual cash flows**	**0–6 mths**	**6–12 mths**	**1–2 years**	**2–3 years**	**3–4 year**	**4–5 year**	**Over 5 years**
Lease liabilities	148	169	49	43	54	14	8	1	0
Borrowings	435	472	51	50	150	220	0	0	0
Trade and other payables	1,038	1,038	1,038	0	0	0	0	0	0
	1,621	**1,679**	**1,138**	**94**	**205**	**234**	**8**	**1**	**0**

The cash flows presented are not expected to occur significantly earlier or in amounts that differ significantly. The amount of cash and cash equivalents is disclosed in the credit risk section of this note and current available credit lines are disclosed in note 18 *(Borrowings)*.

Currency risk

While most of the Group's sales and purchases are made in RUB and KZT, the Group is exposed to currency risk on purchases and borrowings that are denominated in other currencies. These transactions primarily occur in EUR, USD, GBP or SEK.

Interest on borrowings is denominated in the same currency as the borrowings. In respect of other financial assets and liabilities denominated in foreign currencies, the policy is to minimise net exposure and to keep residual net exposure at an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. The Group uses forward exchange contracts to a certain extent.

Exposure to currency risk related to change of rate of USD, EUR, SEK, GBP against RUB and KZT

SEK m	**USD 2021**	**USD 2020**	**EUR 2021**	**EUR 2020**	**SEK 2021**	**SEK 2020**	**GBP 2021**	**GBP 2020**
Cash and cash equivalents	-	-	20	80	8	5	22	14
Trade and other payables	-4	-1	-35	15	-2	-2	-6	-12
Net exposure	**-4**	**-1**	**-15**	**95**	**5**	**2**	**15**	**3**

Note 22, Financial instruments and risk management, cont.

Applied exchange rates

IN SEK	Average rate 2021	Reporting date spot rate 2021	Average rate 2020	Reporting date spot rate 2020
EUR	10.1449	10.2269	10.4867	10.0375
GBP	11.8022	12.1790	11.7981	11.0873
RUB (per 100)	11.6549	12.1603	12.8049	11.0561
USD	8.5815	9.0437	9.2037	8.1886

Sensitivity analysis
The Group is mainly exposed to movements in RUB, EUR, KZT, USD and GBP. The Group considers the main currency risk to be related to its Russia/CIS segment.

A strengthening (weakening) of the RUB and KZT against other currencies would at 31 December 2021 have increased (decreased) profit or loss before taxes by the amounts shown below.

The analysis assumes that other variables, in particular interest rates, remain unchanged. The analysis was performed on the same basis as for 2020.

A strengthening (weakening) of the RUB and KZT by 20% against SEK would at 31 December 2021 have increased (decreased) foreign currency translation difference for foreign operations in other comprehensive income by SEK 145m (SEK 137m).

31 December 2021	Strengthening	Weakening
USD (20% movement)	1	-1
EUR (20% movement)	3	-3
GBP (20% movement)	-3	3
SEK (20% movement)	-1	1

31 December 2020	Strengthening	Weakening
USD (20% movement)	0	0
EUR (20% movement)	-19	19
GBP (20% movement)	-1	1
SEK (20% movement)	0	0

Interest rate risk
The Group seeks to borrow funds at variable interest rates and is therefore normally exposed to interest rate risk during the term of its credit facilities. Part of the Group's borrowings is based on a fixed interest rate. However, as is common in Russia, most of the Group's credit agreements allow the banks to increase interest rates in case of exceptional changes in the key rate of the Russian Central Bank or exceptional economic circumstances.

Profile of interest-bearing financial instruments at the reporting date:
The Group has fixed rate borrowings and borrowings at rates calculated on the basis of the variable central bank key rate in the country of borrowing. These instruments are included in the table below.

GROUP

SEK m	31 December 2021	31 December 2020
Fixed rate instruments		
Bank deposits	297	399
Borrowings	-808	-435
Lease liabilities	-159	-148
	-670	**-185**

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. A change in interest rates at the reporting date would therefore not affect profit and loss or equity.

Carrying values and fair values
The carrying amounts of the Group's financial assets and liabilities as of 31 December 2021 approximate their fair values.

Capital management
Debt to capital ratio

GROUP

SEK m	31 December 2021	31 December 2020
Total liabilities	2,872	1,821
Cash and cash equivalents	-768	-604
Net debt	**2,104**	**1,218**
Total equity	1,101	806
Debt to capital ratio	**1.91**	**1.51**

Note 22, Financial instruments and risk management, cont.

The Group has no formal policy for capital management but seeks to maintain a sufficient capital base for meeting its operational and strategic needs, and to maintain the confidence of market participants. This is achieved by efficient cash management, constant monitoring of the Group's revenues and profit, and a long-term investment plan, mainly financed by the Group's operating cash flows.

Offsetting financial assets and liabilities
The Group may enter into sales and purchase agreements with the same counterparty in the normal course of business. The related amounts receivable and payable do not always meet the criteria for offsetting in the statement of financial position. This may be because the Group lacks a currently legally enforceable right to offset the recognised amounts or because the right to offset may be enforceable only on the occurrence of certain future events. Under Russian law, an obligation can only be offset against a similar claim if it is due, has no maturity or is payable on demand.

Financial instruments subject to the above agreements

GROUP

SEK m	Trade and other receivables	Trade and other payables
31 December 2021		
Gross amounts	82	1,015
Net amounts presented in the statement of financial position	82	1,015
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria	-24	-24
Net amount	**58**	**991**

SEK m	Trade and other receivables	Trade and other payables
31 December 2020		
Gross amounts	35	825
Net amounts presented in the statement of financial position	35	825
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria	-25	-25
Net amount	**9**	**799**

The net amounts presented above are recognised in the statement of financial position and form part of trade and other receivables and trade and other payables, respectively. Other amounts included in these line items do not meet the criteria for offsetting and are not subject to the agreements described above.

NOTE 23 » Leases

a) Leases as lessee
The Group rents premises and facilities used for workshops, warehouses and offices. Right-of-use assets under IFRS 16 related to these rental contracts are presented in Note 11 *(Property, plant and equipment)*. Interest expenses on lease liabilities are disclosed in Note 9 *(Financial expenses)*. The future minimum lease payments are disclosed in Note 18 *(Borrowings)*.

The table below summarises expenses relating to short-term leases and expenses relating to variable lease payments not included in the measurement of lease liabilities.

GROUP

SEK m	2021	2020
Short-term lease of premises and facilities	10	9
Short-term lease of equipment	107	47
Variable lease payments	20	13
	137	**69**

The Group had no significant expenses relating to the lease of low value assets.

Cash outflow for leases during 2021 amounted to SEK 229m (SEK 201m), including short-term leases and expenses relating to variable lease payments. The amount for 2020 was recalculated correspondingly.

The Group has an option to purchase one of its rented outlets for RUB 200m (increased by the rate of Russian inflation since the option became exercisable in September 2017).

b) Leases as lessor
The Group to some extent makes short-term and long-term operating leases of equipment to customers. The rental income during 2021 from such arrangements amounted to SEK 119m (SEK 70m).

The table below shows maturity analysis of lease payments to be received after the reporting date (not discounted):

GROUP

SEK m	31 December 2021	31 December 2020
Less than one year	10	6
1-5 years	52	51
	62	**57**

NOTE 24 » Capital commitments

At the reporting date the Group had no significant capital commitments.

NOTE 25 » Contingencies

Taxation contingencies
Significant changes to the Russian and Kazakh tax systems have taken place in recent years as previous legislation regarding important taxes (e.g. corporate income tax, transfer pricing, taxing at source and VAT) has been gradually replaced. The application of the legislation is, in many aspects, still unclear. The application of established tax rules, such as existing double-taxation treaties, is also subject to regular review. Furthermore, the Russian tax authorities can be unpredictable in their interpretation of tax legislation and their enforcement and collection of tax.

The current geopolitical tensions, sanctions and countersanctions do not improve the situation. Technical violations of contradictory laws and edicts may lead to severe penalties. In practice, the tax authorities often interpret legislation to the disadvantage of the taxpayers, which thus are required to turn to the courts to defend their positions. Consequently, the Group's tax liability may come to significantly exceed the amounts which thus far have been booked, paid, or reported in the Group's financial statements.

Additional tax liability, as well as unforeseen changes in Russian and Kazakh tax legislation, could have an adverse effect on the Group's business, result, and financial position.

The Covid-19 coronavirus pandemic has further increased uncertainty in the business environment across Ferronordic's markets.

NOTE 26 » Related party transactions

Control relationships
The Group's consolidated annual and interim financial statements are publicly available.

At the end of the year, members of management and the Board controlled 25 % of the shares and votes in the Parent Company (28% in 2020).

Transactions with employees
Except for regular salary payments and similar, there were no transactions between the Group and its employees during the year.

Remuneration to management is included in personnel costs and presented in Note 29.

Transactions with other related parties

PARENT COMPANY

Revenue

	2021		2020	
SEK m	**Transaction value**	**Outstanding balance**	**Transaction value**	**Outstanding balance**
Services and other income:				
Subsidiaries	30	9	18	8
Interest accrued:				
Subsidiaries	3	-	1	-
Equipment sold				
Subsidiaries	211	35	100	17
Dividends received:				
Subsidiaries	429	-	11	-
	673	**43**	**131**	**25**

Expenses

	2021		2020	
SEK m	**Transaction value**	**Outstanding balance**	**Transaction value**	**Outstanding balance**
Cost of sales:				
Subsidiaries	-	-	-	-

Other balances

SEK m	**31 December 2021**	**31 December 2020**
Contributions to subsidiaries	175	164
Loans to subsidiaries	149	3
Loans from subsidiaries	-	-33
Short-term loans to subsidiaries	19	11
	343	**145**

Note 26, Related party transactions, cont.

Services provided constitute compensation from subsidiaries to the Parent Company for the usage of the Ferronordic trademark and compensation for sureties provided by the Parent Company to secure the subsidiaries' obligations. The outstanding balance as at 31 December 2021 represents accrued royalties under an intra-group trademark license agreement.

Interest accrued relates to loans from the Parent Company to its subsidiary in Kazakhstan.

In 2021, equipment sold related to machines from Dressta, Rottne and Mecalac and machines and parts from Sandvik purchased by the Parent Company and sold to the subsidiaries in Russia.

NOTE 27 » Events subsequent to the reporting date

In February and March 2022, the EU, the US and other countries imposed additional sanctions against Russia, including further export restrictions, suspension of selected banks from SWIFT and measures to prevent the Russian central bank from using their international reserves. In April, these countries extended their sanctions against Russia and the EU introduced broader export restrictions.

Based on Ferronordic's preliminary assessment of the legal documents issued so far, some of the products and services that Ferronordic offers in Russia are subjects to the new export restrictions. Ferronordic has thus discontinued the sales of such products and services and will continue to limit its activities in accordance with existing sanctions as new ones enter into force. This will have a negative effect on the Company's revenues, earnings and cash flows in Russia.

Some of Ferronordic's suppliers, in particular the Volvo Group, have informed that they are temporarily stopping sales to Russia. To Ferronordics understanding, this is partly related to the new export restrictions that need to be analysed thoroughly. If the delivery disruption to Russia continues, it could have a significant impact on revenues and cash flows. In addition, transport and logistics to, from and within Russia are considerably limited. To the extent that products are not affected by export restrictions, Ferronordic continues to sell products from its inventory and from partners who continue to deliver. Due to the new situation, the outlook for Russia and Ferronordic's operations in Russia are very uncertain.

As regards payments, Ferronordic can currently still make payments both domestically in Russia and internationally to and from Russia. The Russian ruble has devaluated significantly and Ferronordic expects the ruble to remain volatile. The Russian Central Bank has also significantly increased the reference interest rate. Ferronordic's main outstanding payables for purchased machines and spare parts are, however, denominated in rubles. This means that when it comes to currently outstanding payables, Ferronordic is not significantly affected by a potential further devaluation. The funding costs in Ferronordic's local credit facilities are however based on the Central Bank key rate and would therefore, if and when utilised, reflect the higher interest rate level. The broader impact of the volatile market conditions on the demand for Ferronordic's products and services in Russia is at this point highly uncertain

The situation in Russia has no direct impact on our operations in Kazakhstan and Germany, which continues as before.

In January, Ferronordic opened two revolving credit facilities in total 2 RUB bn at Sberbank. The facilities will function as local financing alternatives for working capital purposes.

At the end of December, Ferronordic's operations in contracting services were negatively affected by severe weather and operating conditions in Norilsk and Siberia. These production disruptions continued during the first quarter of 2022.

NOTE 28 » Interests in group companies

As of 31 December 2021, the Group consists of the following legal entities:

			2021		2020	
Subsidiary	**Corporate identity number**	**Country of incorporation**	**Ownership/ voting, %**	**Carrying amount**	**Ownership/ voting, %**	**Carrying amount**
Ferronordic AB	556748-7953	Sweden	Parent Company	-	Parent Company	-
Ferronordic Machines LLC	-	Russia	100	138	100	138
Ferronordic Machines Arkhangelsk LLC		Russia	100	13	100	13
Ferronordic Torgovaya Kompaniya LLC		Russia	100	0	100	0
Ferronordic Torgoviy Dom LLC		Russia	100	1	100	1
Ferronordic Kazakhstan LLP		Kazakhstan	100	14	100	14
Ferronordic Torgoviy Dom Kazakhstan LLP		Kazakhstan	100	0	-	0
Ferronordic Germany Holding AB		Sweden	100	11	100	11
Ferronordic GmbH		Germany	100	26	100	26
Ferronordic Immobilien GmbH		Germany	100	1	100	1
Ferronordic Auto GmbH		Germany	100	27	100	27
Ferronordic Charter GmbH		Germany	100	11	100	11
				243		**242**

NOTE 29 » Employees, board and management

a) Number of employees (average)

	2021	**of which female, %**	**2020**	**of which female, %**
Parent Company – Citizenship				
Sweden	6	28	4	33
Germany	1	100	-	-
Total in Parent Company	**7**	**38**	**4**	**50**
Subsidiaries – Citizenship				
Russia	1,404	11	1,108	11
Sweden	4	0	2	0
Kazakhstan	32	25	28	25
Germany	252	20	256	15
Other	33	9	26	15
Total in subsidiaries	**1,698**	**13**	**1,419**	**13**
Total Group	**1,705**	**13**	**1,423**	**13**

Note 29, Employees, board and management, cont.

b) Breakdown between men and women in management

	Group Female representation		Parent Company Female representation	
	2021	2020	2021	2020
Board, %	17	17	17	17
Management, %	18	18	0	0

c) Personnel costs

	2021		2020	
SEK m	Salaries and other remuneration	Social security expenses	Salaries and other remuneration	Social security expenses
Parent Company	17	6	16	5
(of which pension costs)		1		1
Subsidiaries	567	87	417	95
(of which pension costs)		48	-	54
Total	**583**	**93**	**433**	**100**
of which pension costs		**50**	**-**	**55**

The personnel costs included in cost of sales in the subsidiaries amounted to SEK 260m (SEK 179m).

The Parent Company's personnel costs include remuneration to the members of the Board.

The table below shows salaries and other remuneration (excluding pension costs) distributed between the Parent Company and its subsidiaries and between management and other employees.

The members of the Board and management in the Parent Company, the subsidiaries, and the Group in 2021 amounted to 11 (10), 8 (6) and 16 (16), respectively.

During 2021 and partly following the expansion to Germany and the change in the Group's corporate structure, the Group recruited new executives to the Parent company and also transferred several executives from Group subsidiaries to the Parent company.

	2021		2020	
SEK m	Board and management	Other employees	Board and management	Other employees
Parent Company	**16**	**1**	**15**	**0**
(of which bonuses)	6	0	8	0
Subsidiaries	**33**	**534**	**28**	**389**
(of which bonuses)	14	199	11	103
Total	**49**	**535**	**43**	**390**
(of which bonuses)	19	199	19	103

Note 29, Employees, board and management, cont.

d) Remuneration to the Board

Remuneration paid to the Board in 2021 was fixed and amounted to SEK 2.4m (SEK 1.8m). At the AGM 2021, it was resolved that the remuneration to the Board should be paid in an amount of SEK 2.4m. Of this amount, SEK 766,667 should be paid to the chairman and SEK 383,333 to each of the other Board members, except for Lars Corneliusson, who is employed by the Group. No additional remuneration is paid for work on the Board committees.

e) Remuneration to management

Remuneration to management consists of fixed and variable salaries, with the variable part based on achieved results and individual targets. Potential severance pay to the CEO shall not exceed 12 months' salary while severance pay for other senior executives ranges from three to 12 months' salary. The principles for remuneration to management, as adopted by the AGM, are described in the corporate governance report. A long-term share-based incentive program was introduced for senior management and repeated in 2021. For more information on this program, please refer to Note 17, Capital and reserves.

The CEO's remuneration in 2021 amounted to SEK 13,393,403 (SEK 11,830,864). The right to pension contributions amounted to 10% (13%) of the fixed gross salary.

Remuneration to the Board (SEK)

Name	2021	2020
Staffan Jufors	766,667	600,000
Aurore Belfrage	233,333	-
Magnus Brännström	25,000	300,000
Annette Brodin-Rampe	383,333	300,000
Lars Corneliusson	-	-
Erik Eberhardson	358,333	300,000
Håkan Eriksson	383,333	300,000
Niklas Florén	233,333	-
Total	**2,383,333**	**1,800,000**

Management

Name	2021	2020
Martin Bauknecht	From January	-
Henrik Carlborg	full year	full year
Lars Corneliusson	full year	full year
Erik Danemar	full year	full year
Dan Eliasson	full year	from January
Onur Gucum	full year	full year
Nadia Semiletova	full year	full year
Ceren Wende	full year	from August
Anton Zhelyapov	full year	full year

Remuneration to CEO and other executives

	2021			2020		
SEK	**CEO**	**Other executives**	**Total**	**CEO**	**Other executives**	**Total**
Fixed salary	6,963,574	19,427,665	26,391,238	5,767,004	16,027,066	21,794,070
Variable salary	5,720,884	14,415,725	20,136,609	5,323,559	13,674,795	18,998,354
Pension costs	708,945	339,888	1,048,833	740,301	153,902	894,203
Total	**13,393,403**	**34,183,278**	**47,576,681**	**11,830,864**	**29,855,763**	**41,686,627**

NOTE 30 » Auditors' fees and expenses

	Group		Parent company	
SEK m	**2021**	**2020**	**2021**	**2020**
KPMG				
Audit assignments	3	3	2	2
Other assignments	-	0	-	0
	3	**4**	**2**	**2**

NOTE 31 » Earnings per share

The calculation of earnings per share is based on the result attributable to holders of shares and is thus calculated as the result for the year divided by the average number of shares outstanding. Below is the calculation of basic and diluted earnings per share for the Group. The dilutive effect on shares was due to the warrant programs described in Note 27 Capital.

	2021	2020
Result attributable to shareholders, SEK m	**339**	**222**
Average number of shares during the period before dilution, thousand	14,532	14,532
Earnings per share before dilution, SEK	**23.33**	**15.25**
Dilution effect	47	0
Average number of shares during the period after dilution, thousand	14,580	14,532
Earnings per share after dilution, SEK	**23.26**	**15.25**

NOTE 32 » Acquisition of subsidiaries

In line with Ferronordic's strategy to expand and improve its service network in Germany, the Group completed five acquisitions in 2021.

On 28 December 2020, it was announced that Ferronordic had agreed to acquire Truck Center Röhn GmbH ("TCR"), an authorised Volvo and Renault Trucks workshop in Fulda, Hessen. In 2019, TCR generated revenue of approx. EUR 3.9 m (SEK 40 m) with an operating profit of approx. EUR 0.6 m (SEK 6 m) and 15% operating margin. The purchase price amounted to EUR 4.2m (SEK 43m), based on EUR 2.5 m (SEK 25 m) of expected net asset value and EUR 1.7 m (SEK 17 m) of goodwill. The transaction was completed in January 2021. Ferronordic also agreed with the seller to build an additional workshop for Ferronordic in Bad Hersfeld, Hessen.

On 4 February 2021, it was announced that Ferronordic had signed an agreement to purchase the business of Bus und Truck Service GmbH, an authorised Volvo and Renault Trucks workshop in Nordhausen in central Germany. Over the last three years, Bus und Truck Service GmbH generated average revenue of around EUR 1.5 m (SEK 15 m) per year, with an estimated adjusted operating margin of approx. 10%. The transaction was structured as an asset deal, where Ferronordic purchased inventories, tools and equipment from the seller. The real estate was not included in the transaction and will be leased by Ferronordic. The total purchase price amounted to EUR 0.65 m (SEK 6.6 m), of which EUR 0.45 m (SEK 4.6 m) corresponded to the expected net value of the purchased assets and EUR 0.2 m (SEK 2.0 m) is goodwill. The transaction was completed in May 2021.

On 3 March 2021, it was announced that Ferronordic had signed an agreement to acquire Thomas Nutzfarzeuge GmbH ("Thomas") and the related real estate. Thomas is an authorised Volvo and Renault Trucks workshop in Limburg, Hessen. During 2019 and 2020, Thomas had an average annual revenue of EUR 4.8 m (SEK 49 m) with an average operating profit of approx. EUR 0.8 m (SEK 8 m). The total investment including real estate amounted to EUR 6.4 m (SEK 64 m). The purchase price for the shares in Thomas was approx. EUR 2.9 m (SEK 29 m), based on EUR 0.5 m (SEK 5 m) of expected net asset value and EUR 2.4 m (SEK 24 m) of goodwill. In addition, Ferronordic paid EUR 3.5 m (SEK 35 m) for the real estate. The transaction was completed in April 2021.

On 29 September, Ferronordic announced that it had signed an agreement to acquire Truckservice Bergstrasse GmbH & Co KG, an authorised Volvo and Renault Trucks workshop in Lorsch, Hessen. In 2019 and 2020, Bergstrasse had an average revenue of approx. EUR 7.0 m (SEK 71 m) with an average operating profit of approx. EUR 0.7 m (SEK 7 m). The purchase price amounted to EUR 4.0 m (*SEK 41 m), based on net assets of EUR 0.8 m (*SEK 8 m) and goodwill of EUR 3.2 million (*SEK 33 m). The property where the business is conducted was not included in the transaction but will be leased for a period of at least five years. The expected purchase price for the shares in Bergstrasse amounted to EUR 4.0 million (*SEK 41 m), based on net assets of EUR 0.8 m (*SEK 8 m) and goodwill of EUR 3.2 m (*SEK 33 m). The transaction was completed in October 2021.

On 30 November, Ferronordic announced that it had acquired Truck Center Krämer GmbH, an authorised Volvo and Renault Trucks workshop in Bingen, Rhineland Pfalz. During 2019 and 2020, Truck Center Krämer had an average annual revenue of approx. EUR 5.3 m (SEK 54 m) and an estimated normalised operating margin of approx. 10%. The purchase price amounts to EUR 2.7 m (SEK 28 m), based on expected net assets of EUR 0.9 m (SEK 9 m) and goodwill of EUR 1.9 m (SEK 19 m). In addition, Ferronordic has acquired the property where the operations in Bingen are conducted for a purchase price of EUR 3.7 m (SEK 38 m). In all cases 100% of ownership in companies was acquired by Ferronordic.

Amounts have been translated using the exchange rates from the date of announcement.

The tables on page 120 detail the considerations paid, the net assets acquired and the goodwill related to potential synergies and intangible assets to Ferronordic in the integrations of the acquired workshops into Ferronordic's German operations.

The Group believes that the book value of the assets (including provisions) acquired and liabilities assumed represent their fair value. The fair value of receivables at the date of acquisition was EUR 2.6 m (SEK 27 m), which is derived from a gross amount EUR 2.6 m (SEK 27 m) as no provision for credit losses was recognised. The Group believes that the gross amount is an appropriate estimate of cash flows expected to be collected. Most of the receivables are from customers.

Costs in the amount of EUR 0.6 m (SEK 6 m) related to the acquisitions have been included in "general and administrative expenses" in the condensed consolidated statement of comprehensive income.

Goodwill of EUR 8.9 m (SEK 91 m) was recognised in the acquisitions. Goodwill is not expected to be deductible for tax purposes.

The contribution of the acquired subsidiaries to the revenue and net result from the time of acquisition up to the reporting date was approx. EUR 6.7 m and EUR 0.7 m (SEK 68 m and SEK 7 m). The estimated revenue and net result of the acquired entities before acquisition was EUR 10.4m and EUR 1.2 m (SEK 105 m and SEK 12 m).

Note 32, Acquisition of subsidiaries, cont.

Net cash outflow

SEK m	TCR	Thomas	Bus and truck service	Truckservice	TC Kramer	Total
Cash consideration transferred	31	67	7	37	27	169
Cash acquired	6	3	0	3	4	16
Net cash outflow	**25**	**64**	**7**	**34**	**24**	**153**

Goodwill

SEK m	TCR	Thomas	Bus and truck service	Truckservice	TC Kramer	Total
Consideration total	43	67	7	37	27	181
Fair value of net assets acquired	25	42	5	7	11	90
Goodwill	**17**	**24**	**2**	**30**	**17**	**91**

Net assets

SEK m	TCR	Thomas	Bus and truck service	Truckservice	TC Kramer	Total
Property, plant and equipment	8	45	0	4	2	59
Inventories	4	3	5	6	9	27
Trade and other receivables	11	5	0	5	7	27
Cash and cash equivalents	6	3	0	3	4	16
Borrowings	-2	-5	0	-3	-6	-16
Trade and other payables	0	-6	0	-8	-5	-19
Provisions	-2	-1	0	0	0	-4
Net assets	**25**	**42**	**5**	**7**	**11**	**90**

Consideration

SEK m	TCR	Thomas	Bus and truck service	Truckservice	TC Kramer	Total
Cash	31	67	7	37	27	169
Contingent consideration	12	0	0	0	0	12
Consideration total	**43**	**67**	**7**	**37**	**27**	**181**

Board signatures

The Board of Directors and the Managing Director warrant that the annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The annual accounts and consolidated financial statements give a true and fair view of the Parent Company's and Group's financial positions and results. The audit report for the Parent Company and Group gives a true and fair overview of the development of the Parent Company's and Group's activities, their financial positions and results, and describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

The annual accounts and consolidated financial statements were approved for release by the Board of Directors on 12 April 2022. The consolidated statement of comprehensive income and the consolidated statement of financial position and the Parent Company income statement and the Parent Company balance sheet will be submitted for adoption at the Annual General Meeting on 12 May 2022.

Stockholm, 12 April 2022

Staffan Jufors
Chairman

Aurore Belfrage
Director

Annette Brodin Rampe
Director

Erik Eberhardson
Director

Håkan Eriksson
Director

Niklas Florén
Director

Lars Corneliusson
Director and CEO

Our audit report was submitted on 13 April 2022

KPMG AB

Mats Kåvik
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Ferronordic AB (publ), corp. id 556748-7953

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Ferronordic AB (publ) for the year 2021, except for the corporate governance statement on pages 56-60 and the sustainability report on pages 40-51. The annual accounts and consolidated accounts of the company are included on pages 40–51, 56–60 and 66–121 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 56–60 and sustainability report on pages 40–51. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of inventory
See disclosure 14 and accounting principles on page 89 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter
The consolidated statement of financial position includes inventory amounting to SEK 1,432m as at 31 December 2021. Inventory represents 36% of total assets.

Inventory mainly represents goods for resale with a mix of new and used construction machines, spare parts and attachments. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out method (FIFO). The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The valuation of inventory is presented as a key audit matter as the valuation contain several elements of estimates and judgements from management. This is an effect of the general uncertainty in the Russian economy and due to variable demand over time for construction equipment and spare parts within different geographical areas and segments throughout Russia. There is therefore a risk that the net realisable value of inventory could be lower than the book value and that a write-down will have an impact on the reported result.

Response in the audit
We have assessed design and implementation of controls and processes implemented by the group over valuation of inventory.

We have performed the following substantive audit procedures

- Review of Group's model for inventory provision and assessment of the application thereto
- Retrospective review of net realizable value of inventories estimated by the Group as at previous reporting dates by comparing estimate to actual outcome;
- Reconciliation of write-down to net realisable value to supporting schedules and testing of data for accuracy and completeness
- Analysis of sales with negative margin after the reporting date
- Inquiries to sales staff about possibility to sell items, which were without movement for significant period of time and discount relevant to sale these items;
- Attendence at inventory counts

We have also evaluated the completeness of the information in the annual report and assessed whether they correspond to applied accounting principles.

Valuation of accounts receivables
See disclosure 15 and 22 and accounting principles on pages 87 and 89 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter
Consolidated statement of financial position includes accounts receivables amounting to SEK 365m after provision for bad debts by SEK 22m as at 31 December 2021.

The Group performs regular assessments of outstanding accounts receivables and provision for bad debts.

The provision for bad debts is based upon an individual assessment of customers ability to pay invoices and is also based upon the number of days of outstanding receivables and payment history.

The valuation of accounts receivable is presented as a key audit matter as the valuation contain several elements of estimates and judgments from management. This is one of the key areas of estimation uncertainty, because Russian economic environment in general and construction industry, where significant portion of Group's customers operate, are unstable. There is therefore a risk that the recoverable amount could be lower than the book value and that a write-down or provision will have an impact on the reported result.

Response in the audit
We have assessed design and implementation of controls and processes implemented by the group over valuation of accounts receivable.

We have performed the following substantive audit procedures:

- We reviewed the Group's analysis of the allowance for doubtful debts as at 31 December 2021 based on expected credit losses in accordance with the requirements of IFRS 9. We also evaluated the historical result of creditprovisions and credit losses to assess the reliability ofdoubtful debts at the reporting date
- Review of ageing list of receivables as at 31 December 2021 to verify its accuracy and completeness;
- We examined significant balances overdue more than 90 days at reporting date, but not included in the provision and investigated reasons for non-inclusion.
- We have also considered effect of payments from customers received after year end on valuation of trade receivables as at 31 December 2021
- Retrospective review of the provision recognised as at 31 December 2020 by comparing the amount of provision to actual outcome to obtain information regarding the effectiveness of Group's estimation process and identify potential bias

We have also evaluated the completeness of the information in the annual report and assessed whether they correspond to applied accounting principles.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-65. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report.[The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.
We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements
Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Ferronordic AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Ferronordic AB (publ) for year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #ValLjf8kV0FVfVM= has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Ferronordic AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 56–60 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 40-51, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Ferronordic AB (publ) by the general meeting of the shareholders on the 12 May 2021. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2010.

Stockholm 13 April 2022

KPMG AB

Mats Kåvik
Authorised Public Accountant

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