

Annual report 2023



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The statutory annual report comprises pp. 43–60, 65–69 and 74–126.

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This is Ferronordic

Ferronordic is a service and sales company operating in the areas of construction equipment and trucks in the USA, Germany and Central Asia (CA). Ferronordic also has a used and rental business. The Group has 42 outlets and approx. 800 employees.

USA

On 30 November 2023, Ferronordic completed the acquisition of Rudd Equipment Company Inc. ("Rudd"). Rudd is one of the largest dealers of Volvo CE in the United States with operations in all or parts of nine states in the eastern USA. The Company also represents other brands, such as Hitachi, Sandvik and Link-Belt. Rudd is based in Kentucky but covers an extensive sales area with several large cities, such as Cincinnati, Columbus, St. Louis, Cleveland and Pittsburgh. In 2023, Rudd had sales of USD 258.1m (based on preliminary US GAAP accounts converted to IFRS).

Germany

Since 2020, Ferronordic is a dealer of Volvo and Renault Trucks in parts of central and eastern Germany. Ferronordic's sales area covers approx. 20 percent of the total German truck market and

includes large commercial hubs such as Frankfurt and Hannover, as well as fast-growing cities in the east part of the country, such as Dresden and Leipzig. Ferronordic is also responsible for sales, service and repairs of Sandvik mobile crushers and screens in most of Germany.

Central Asia (CA)

The CA segment currently consists of Kazakhstan, where Ferronordic is the dealer of Volvo Construction Equipment and Mecalac. The Company is also responsible for sales, service and repairs of Sandvik mobile crushers and screens throughout Kazakhstan.

Contracting services

In addition to service, sales and rental, Ferronordic also offers contracting services. In contracting services, Ferronordic owns and operates machines

or trucks to provide efficient and sustainable transport solutions to its customers. For such transport-as-a-service solutions, Ferronordic is typically paid per cubic meter or kilometer. Ferronordic has, for example, worked in the mining industry to excavate and transport overburden or rock for customers. Ferronordic sees great potential in employing electric trucks to deliver sustainable transport services.

Headquarters in Stockholm, Sweden

Ferronordic was founded in 2010 and is headquartered in Stockholm. The shares in Ferronordic AB (publ) are listed on Nasdaq Stockholm since 2017.



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The year in brief

Group

- 2023 was a year of building a new Ferronordic.
- After hard work to expand our business to new markets, Ferronordic acquired a major VCE dealer in the eastern USA in November 2023.
- The purchase price of Ferronordic's US business, and two related workshop properties, was SEK 1,093m.
- The US business segment performed strongly in December 2023.
- Continued investment in service network and transition to electric transport in Germany.
- Efficiency program launched in Germany to improve resilience and profitability in a weaker market.
- The Kazakh business in the Central Asia business segment continued to develop, albeit slower than expected growth.
- Working capital increased in all segments, mainly as a result of higher inventory.
- Initiatives to bring down inventory launched and expected to deliver results in the first half of 2024.
- Net cash position of SEK 957m changed to a net debt position of SEK 1,349m, mainly due to acquisition in the USA but also due to higher working capital.
- Continued focus on electric trucks and a sustainable offer to our customers.
- Total revenue for the continuing Group increased by 45 percent to SEK 2,863m¹ (1,973).
- The operating result for the continuing Group was SEK -115m¹ (233).
- Given the negative result, the Board recommends no dividend be paid in 2024.

¹ Including the effect of the compensation payment from Volvo of SEK 321m.

USA (December only)

- New machine sales and rental conversions of 47 units.
- SEK 308m revenue contribution.
- Operating result of SEK 25m, including SEK 11m of acquisition costs.
- Operating profit margin of 8 percent.

Germany

- Three additional workshops launched in the year.
- Network of 22 workshops at year end.
- Further investments to promote electric transport and government subsidies received for investment in electric trucks.
- Sales of new trucks in units decreased by 2 percent in a market that increased by 25 percent, mainly as supply normalised.
- Trucks sales grew by 32 percent as a result of product mix, higher sales of used trucks and foreign exchange effects.
- Aftermarket sales increased by 27 percent on a mix of organic and acquired growth.
- Selling, general and administrative costs increased by 36 percent.
- Much work at the end of 2023 was directed towards cutting costs and increasing efficiency in the German segment.
- Management changes in Germany include operational roles for Group executives.
- Impairment of SEK -11m on select Sandvik crushers and screens in inventory.
- Total revenue increased by 28 percent to SEK 2,271m (1,770).
- Operating result decreased to SEK -72m (-21), partly due to restructuring and impairment costs of SEK -34m.
- Operating margin decreased to -3.2 percent (-1.2).

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Central Asia (CA)

- Management changes to drive improved new equipment and aftermarket sales.
- Investments in capabilities to offer contracting services in Kazakhstan.
- Sales of new construction equipment in units increased by 20 percent in a market that is estimated to have declined by approx. 23 percent.
- Strong growth in used equipment.
- Aftermarket sales increased by 14 percent, partly on better market penetration.
- Total revenue increased by 40 percent to SEK 284m (203).
- Inventory impairments of SEK -2m negatively impacted gross margin.
- Operating profit decreased to SEK 9m (16).
- Operating margin declined to 3.1 percent (7.6).

	2023	2022	2021	%
New units sold	1,094	1,052	854	-3
Revenue, SEK m	2,863	1,973	1,511	45
<i>Growth, %</i>	45	31	40	14
EBITDA adjusted, SEK m	-7	-17	-52	60
<i>EBITDA margin adjusted, %</i>	-0.2	-1	-3	0.6
Operation profit, SEK m ¹	-115	233	-112	-149
<i>Operation margin, %</i>	-4	12	-7	-16
Operation profit adjusted, SEK m	-115	-88	-112	-30
<i>Operation margin adjusted, %</i>	-4	-4	-7	0
Result per share after full dilution, SEK	-7.39	30.28	23.26	-124
Net debt/(Net cash), SEK m	1,349	-957	198	-241
Return on capital employed, %	-3	11	29	-14
Working capital/Revenue, %	20	11	2	9
Total assets, SEK m	4,705	3,217	3,973	46
Equity/total assets, %	34	58	28	-24

¹ Including the effect of the compensation payment from Volvo of SEK 321m.



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2023 was a year of reset and restart for Ferronordic. We worked hard to expand our business into new markets and in November we acquired Rudd Equipment Company, a major construction equipment dealer in the US. After this deal, the US will be our biggest market and business segment. Meanwhile, we continued work to improve our service network and to invest in the transition to electric transport in Germany. Our costs in Germany, however, were too high as the market began to slow down and, by the end of the year, we streamlined the organisation to ensure a stronger position as we entered 2024. In Kazakhstan, the business continued to grow, but less than expected. In Kazakhstan we also made changes to the organisation to strengthen our position for the future. At the Group level, we enhanced our sustainability efforts which is a core element of our strategic objectives. In summary, 2023 was a challenging year, but also a year of changes that will bring exciting opportunities for the future.



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CEO comments, cont.

” 2023 was a year of reset
and restart for Ferronordic. ”

US

Geographic expansion is one of our strategic objectives and for some time we have been looking for opportunities to expand into new markets that fit our company profile. In November 2023, we announced the acquisition of Rudd Equipment Company inc, a major dealer of construction equipment in eastern USA. In 2023, Rudd had a revenue of USD 258m with an operating profit of USD 21m. Including two real estate assets, Ferronordic paid USD 106m with a combination of own cash and debt. Since the acquisition, we have got to know our 360 new employees and visited our 13 new workshops. Rudd is a great strategic fit for us and provides the platform and scale we have been looking for. The acquisition gives us a strong base in a dynamic market and opens potential for further expansion in North America. This is a major step towards rebuilding Ferronordic as a leading service and sales company.

Germany

In Germany, 2023 was a setback. After achieving a positive operating result in the first quarter of 2023, our performance deteriorated as we continued to build our organisation while the demand slowed. We were not able to get the expected returns on our platform and must become more efficient. It becomes particularly clear in a declining market but is equally important for increasing long-term resilience and profitability. We have thus taken measures to reduce the number of administrative functions while improving the efficiency of the productive organisation. We have reduced the number of sales areas and removed a number of middle-management positions. The German management has to a large extent been changed and now includes Group executives, including myself. The efficiency program is expected to result in savings of approximately SEK 60m per year starting from the second quarter of 2024. During the year, we opened three new workshops in Germany. With a total of 22 workshops in our network, we can shift focus from expanding to further improving performance in our workshops. Aftermarket sales grew by 27 percent on a mix of organic and acquisitions. This is positive and we expect aftermarket growth to continue in 2024. Long delivery lead times from suppliers and declining demand contributed to a growth in inventory and debt during the second half of 2023. We expect inventory levels to normalise in the first half of

2024. To further strengthen our operations in Germany and free up capital, we have also decided to reduce our used inventory and rental fleet of diesel trucks. Meanwhile, we continue to invest in our electric truck rental fleet. We feel confident in our investments and want to continue to be a driving force in the electrification of the market.

Kazakhstan

In Kazakhstan, we changed our segment head and continued to build our organisation to further drive industry segmentation and customer orientation. We also built and maintained the organisational capacity needed to offer contracting services in Kazakhstan. The inventory remains too high in Kazakhstan. We expect the inventory to normalise during the first half of 2024.

Our sales of construction equipment in units increased by 20 percent in a market that decreased by 23 percent. Used equipment sales grew by 125 percent. Aftermarket sales increased by 14 percent and continue to lag machine sales but will pick up as the population increases.

Outlook

After a transformative 2023, we look forward with confidence to a restart in 2024. We are optimistic about our expansion in the USA and the opportunities there. Demand in the USA is supported by a dynamic economy and extensive support programs for infrastructure investment. The German economy is slowing, and the truck market is expected to decrease in 2024. We have taken steps to adapt our organisation and cost structure to a weaker market. We believe in continued strong demand in the aftermarket business. We are confident that we will emerge stronger from current challenges and remain optimistic about the long-term potential in Germany. Our operations in Kazakhstan continue to develop, even if they will constitute a smaller part of the Group's total operations in the future.

Lars Corneliusson
CEO and President

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Business model

Ferronordic is a service and sales company operating in the areas of construction equipment and trucks. The business consists of selling, repairing and maintaining construction equipment, trucks, engines and attachments. In addition, Ferronordic provides consultancy services such as machine operator training and offers contracting services and sustainable transport solutions. The vision of Ferronordic is to help its customers achieve industry leadership through an outstanding team, a strong brand portfolio, an excellent network and customer-focused solutions.

Ferronordic's business delivers value through four main types of customer business relationships, where the trend and strategic direction is to move towards closer integration with the customer. This translates into a growing commitment in terms of service and aftermarket coverage, expertise and capital investment. This commitment places increasing demands on customer understanding and financial

strength, but also allows for higher margins. For the customer, this trend leads to higher operational reliability and productivity, and thus more stable revenues and stronger margins. It also allows for higher safety, lower emissions and greater financial flexibility. The business model is scalable and can be applied in different industries and geographic markets.

Business arrangement	Truck and machine service, sales and aftermarket	Truck and machine sales with service agreement	Rental of truck and machine with or without operator	Contracting services
Description	The customer buys a truck or machine as well as service and spare parts if needed.	The customer buys a truck or machine as well as on-going service according to an agreed bespoke maintenance plan.	The customer rents a truck or machine with or without an operator and commits to ongoing service according to an agreed bespoke maintenance plan.	The customer purchases a service performed by Ferronordic. Ferronordic is responsible for equipment, operators, service and maintenance.
Ferronordic's revenue	Revenue from machine, service and spare parts.	Revenue from machine, contracted service and spare parts.	Rent for machine and possibly for contracted operator, related service and spare parts.	Remuneration for work performed, mainly based on the amount and distance of earth and rock transported.

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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 workshops and 160 employees. By 2019, the business had grown to 90 workshops and approx. 1,300 employees. Over this period, Ferronordic also broadened its product portfolio and expanded its contracting services operations. In 2019, Ferronordic expanded to Kazakhstan and in 2020 to Germany. Following the conflict in Ukraine in 2022, Ferronordic sold its Russian business and exited the Russian market. In 2023, Ferronordic acquired Rudd Equipment Company, one of the largest dealers for Volvo CE in the US. Ferronordic currently has 42 workshops and approx. 800 employees.

Phase I 2010–2013

Building the business

- Development of organisation, infrastructure and processes.
- Investments in marketing, training and 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

- The Russian market declined by 83 percent during 2014–2015 and the Russian ruble was severely weakened due to sharply falling oil prices.
- Sales declined sharply but operating profit remained strong.
- Network optimisation and adaptation of organisation and business model. Increased focus on aftermarket and cost savings to increase the coverage ratio.
- Expansion of the product offering contributed to a greater degree of utilisation of existing investments.
 - Became an official dealer of Terex Trucks 2014.
 - Agreement with Dressta and Rottne reached in 2016.
- Launch of contracting services in 2014.
- Expanded aftermarket operations for Volvo Trucks and Renault Trucks.

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

Ferronordic's history started in June 2010, when the Group took over the construction equipment distribution business from Volvo CE in Russia. At the time, the business had six facilities and approx. 160 employees

Establishment of the first workshop for Volvo Trucks and Renault Trucks.

Issuance and listing of preference shares on Nasdaq First North Premier.

Launch of contracting services.

Ferronordic has a network of 69 facilities and more than 800 employees.

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Phase III 2017–2021

Leveraging the platform

- Became an official dealer for Mecalac in 2017.
- Development of a proprietary digital sales and service platform.
- Listing of ordinary shares on Nasdaq Stockholm at the end of 2017.
- Growth in the contracting services business.
- In 2019, Ferronordic took over the import of machines and spare parts to Russia and Kazakhstan for Volvo CE.
- Geographical expansion.
 - Became an authorised dealer for Volvo CE and Mecalac in Kazakhstan in January 2019.
 - Became an authorised dealer for Volvo Trucks and Renault Trucks in approx. 20 percent of the German market in January 2020.
- Establishment of a centre for machine and component rebuild in Russia in December 2019.
- Appointed dealer for Sandvik stationary and mobile crushers and screens in Russia in 2021.
- Expansion of networks and investments in organisations in Kazakhstan and Germany.

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

Phase IV 2022–

Rebuilding and restarting the business

- Ferronordic sells and exits its Russian business in the end of 2022, receiving SEK 1,097m (EUR 99m).
- Further expansion of network in Germany by acquiring and opening workshops in Bingen, Peine, Coswig, Bad Hersfeld, Hanover and Northeim during 2022 and 2023.
- Efficiency enhancement program launched in Germany in late 2023 to cut administrative costs and change the regional management team to improve resilience and profitability.
- Investment in electric trucks, infrastructure and organisation to deliver sustainable transport solutions, starting in Germany.
- Management changes in Kazakhstan to better leverage the platform to drive growth in equipment and aftermarket sales.
- In 2023, Ferronordic acquired Rudd Equipment Company, one of the largest dealers for Volvo CE in the US for a net purchase price of SEK 1,093m.
 - Rudd is the dealer for VCE, Hitachi, Sandvik and Link-Belt in all or parts of nine states in the eastern US.
 - Based on preliminary 2023 US GAAP results, the US business will become Ferronordic's biggest segment

At the end of 2023, the operations consisted of 42 facilities and approx. 800 employees.

Listing on
Nasdaq Stockholm.Authorised dealer for
Volvo CE and Mecalac
in Kazakhstan.Authorised dealer for Volvo
Trucks and Renault Trucks in
approx. 20 percent of the German
market in January 2020.Investment in electric trucks,
infrastructure and organisation
to deliver sustainable transport
solutions.Ferronordic becomes
distributor for Sandvik
mobile crushers and
screens in Germany
and KazakhstanFerronordic sells its Russian
business, receiving
SEK 1,090m (EUR 99m)Ferronordic acquired
Rudd Equipment Inc, one
of the largest dealers for
Volvo CE in the US for
a net purchase price of
SEK 1,093m.

2017

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Vision, values and strategic cornerstones

Ferronordic has a vision that the Company strives towards and a mission that underpins its daily operations. A clear picture of who we are, where we are going and the values that lead us creates conditions for business success while ensuring ethical and sustainable business practices.



Vision

To be the leading service and sales company in our markets.

Mission

To support the growth and leadership of our customers.

Values and principles

Ferronordic's core values are quality, excellence and respect. These values guide the Company and its employees when interacting with customers, partners, suppliers and each other. They define Ferronordic and govern how the Company deploys resources and how it delivers services and products to its customers.

Respect

Ferronordic wants fair and open relationship between its own team members and with its customers, suppliers and the communities the Company operates within. The Company and its employees are open minded and tolerant. Ferronordic sees strength in diversity and promotes equal opportunities for all – regardless of gender, ethnic and religious backgrounds, or disabilities.

Quality

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

Excellence

Ferronordic's people are passionate specialists and experts who strive for excellence in creating value for customers and partners. Ferronordic is continuously seeking ways to improve its processes and products to deliver a superior customer experience.

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Strategic cornerstones

Ferronordic's strategic cornerstones are the principles for the Company to achieve its strategic objectives. The cornerstones reflect Ferronordic's values and guide its employees in their daily work.

Great team	Customer centricity	Building on strong brands	Operational excellence
<p>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 always strives to be part of the solution. The team is fast-paced, dynamic and determined to create value for its customers. Every employee understands that mutual trust, dialogue and openness are the best ways to improve results and move the business forward.</p>	<p>Ferronordic's mission is to support its customers' growth and leading positions in their industries and markets. The Company does this by developing products and business solutions based on each customer's unique needs, which leads to increased productivity, greater flexibility and higher cost efficiency. Ferronordic is keen to establish close cooperation, deliver high-quality services and products as well as offer customised and tailor-made solutions.</p>	<p>Ferronordic collaborates with world-leading suppliers of construction equipment 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.</p>	<p>At Ferronordic, employees have a quality mindset and a focus on continuous improvements. The Company's employees welcome and drives change, are flexible and agile, and always strives to improve its services and products for the benefit of both customers and environment. Ferronordic invests in the latest technology and develops new solutions. The Company strives towards economic and ecological sustainability and to contribute to a circular economy.</p>

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Ferronordic currently operates in three geographical markets: USA, Germany and Kazakhstan. The Company represents several leading manufacturers. In addition to Volvo, Ferronordic also cooperates with Hitachi, Sandvik, Link-Belt and Mecalac. Ferronordic has also developed vertically by expanding its rental and used businesses and offering contracting services and sustainable transport solutions.

Strategic objectives

Ferronordic's strategic objectives capture how Ferronordic wants to grow and create value for all its stakeholders.

Leadership in the markets for construction equipment and trucks

Ferronordic's success is based on successful customers. For customers to become leaders in their industries, Ferronordic's offer must be industry-leading in terms of performance, competence and products.

Aftermarket absorption rate of 1.0 x

An aftermarket absorption rate of 1.0 x refers to the dealer business and means that the gross profit from the aftermarket business covers Ferronordic's fixed costs. This means that Ferronordic is more financially resilient in economic downturns with low or no sales of new machines.

Expansion to related business areas

Ferronordic is building a well-developed service network, a strong organisation, a digital sales system and tailored integrated and sustainable transport solutions. This platform can be used to take on new brands and business models, which results in better capacity utilisation, a broader customer offering, higher returns on investment and increased value for Ferronordic's partners and customers. In 2020, Ferronordic became

dealer for Volvo Trucks and Renault Trucks in parts of Germany. In 2022, Ferronordic became dealer for Sandvik mobile and stationary crushers and screens in Kazakhstan and Germany. In 2023, Ferronordic acquired Rudd Equipment Company, one of the largest dealers for Volvo CE in the US, and also became dealer for Hitachi, Sandvik and Link-Belt.

Development of contracting services

In contracting services, Ferronordic integrates more closely with its customers. Instead of selling a machine or a truck to a mining or transport customer, Ferronordic owns, services and operates the equipment on behalf of the customer. The customer pays per cubic meter or kilometer in a transport-as-a-service model. For the customer, this means that costs are made more predictable and that some operating and asset risks are transferred 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. The Company is looking for opportunities to offer this type of service in the US, Germany and Kazakhstan.

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 information about the operational status and conditions of the machines. This information is disseminated to the relevant customer service or salesperson in Ferronordic's CRM system, which in turn allows Ferronordic to anticipate and prevent problems. Ferronordic's digital platform is operational in Kazakhstan, but Ferronordic will continue to invest in the digitalisation of its sales to further develop and apply the logic in the US, Germany and potential future markets.

Geographical expansion

Ferronordic has experience from working in demanding markets and under difficult conditions. This experience can be employed in other markets, and allowed Ferronordic to expand allowed Ferronordic to expand to Kazakhstan in 2019. In 2020, Ferronordic entered the German trucks market with Volvo Trucks and Renault Trucks and built further institutional knowledge. In 2023, Ferronordic acquired the Rudd Equipment Company in the US. Ferronordic sees opportunities to leverage its organisation, experience and network infrastructure to offer complementary products and services for new brands or to expand its product offering into new markets. Ferronordic continuously explores such strategic opportunities.

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Value creation

Resources	Business model	Value creation	Created value 2023
<p>Trust capital Relationships with 8,177 customers and partners, as well as suppliers and decision makers.</p> <p>Intellectual capital Solution-oriented and performance-driven organisation working closely with world-leading partners, strong suppliers and quality-demanding customers. A digital sales and service platform that generates sales leads and concrete proposals to customers based on data from the connected machines and trucks.</p> <p>Manufactured capital A truck and machine fleet with a value of SEK 1,194m for rental or use in contracting services.</p> <p>A network of 42 service workshops at a value of SEK 408m.</p> <p>Human capital 808 employees with extensive experience, strong customer focus, excellent teamwork, and both broad and deep collective competence.</p> <p>Financial capital SEK 3,397m in capital employed from customers, shareholders and credit institutions.</p>	<p>The business model consists of four types of business approaches where the development is moving towards an increasing integration with the customers' operations and a growing commitment in terms of service, aftermarket, capital and employees.</p> <p>This places demands on financial strength and a high degree of staff and parts availability, while at the same time leading to higher margins. For the customer, this development results in increased predictability, higher operational reliability, and thus more secure revenues.</p>	<p>For shareholders Market capitalisation and dividends.</p> <p>For the society Opportunity to build infrastructure, extract raw materials and transport goods, i.e. activities that are crucial for modern society. A business model that leads to the application of efficient technologies, battery electric vehicles and the recycling of resources, which minimises the environmental footprint of our customers.</p> <p>Jobs and tax revenues.</p> <p>For customers High-quality and efficient trucks, machines and related services that make it possible to conduct their businesses sustainably with the highest productivity, minimum emissions, minimal resource waste and without interruptions in profitability.</p> <p>Business development in collaboration with customers and partners.</p> <p>For employees Personal growth and professional development.</p> <p>Competitive salary.</p> <p>For financiers and suppliers Attractive returns, growing market shares and margins to continue to develop their products.</p>	<p>For shareholders SEK -115m in operating profit.</p> <p>For the society SEK 6m in taxes paid.</p> <p>72¹ jobs.</p> <p>For customers 975 trucks sold.</p> <p>119 machines sold.</p> <p>For employees 40 more jobs in Germany, 3 more in USA and 2 in Kazakhstan.</p> <p>4,937.74 hours of training.</p> <p>SEK 446m in salaries paid and other remuneration.</p> <p>For financiers SEK 48m in interest and other finance costs.</p> <p>For partners and suppliers SEK 2,418m in payments to suppliers.</p> <p>Increase of market share in the trucks market in Germany.</p> <p>Further investment in brand awareness and new product (e.g. electric trucks in Germany) positioning.</p>

¹ Excluding the US

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1

Strong brand portfolio

Ferronordic's relationships with world-leading manufacturers of trucks and construction equipment provide the Group with a platform from which to offer premium services and products to 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. Stable revenue and high cost absorption from the aftermarket business provide resilience during times of market volatility. Continued service development – such as contracting services and sustainable transport solutions – aims to diversify the business model and increase integration with customers. Ferronordic has a management team and a Board with extensive experience within the industry and markets.

3

Innovation and integration for increased customer value

The world is changing rapidly. Ferronordic wants to be a leader and drive the development of its markets. The Company's own digital sales and service platform creates value throughout the entire value chain. In 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. Through electric rental and services, Ferronordic wants to promote sustainable transport solutions and help our customers reduce their environmental footprint.

4

Sustainability – a part of the business

Ferronordic strives to help its customers achieve leadership in the broadest sense, including by reducing their emissions and resource waste. The Company aims to be an active player in local communities and a good and fair employer that offers its employees training, professional development and career opportunities. Ferronordic promotes diversity and equal opportunities. The Company strives to contribute to a cleaner environment and be a positive force in the transition to a sustainable society.

5

Conservative financial policy and potential for good returns

To ensure financial flexibility and strength, over time Ferronordic aims to maintain a strong balance sheet. The Company has historically delivered a strong cash flow, which provided opportunities for both reinvestments with good returns and dividends to shareholders. In November 2023, Ferronordic acquired a leading dealer of Volvo Construction Equipment in the US. Ferronordic also continued to invest in the development of its German and Kazakh businesses. Ferronordic's financial objectives are currently under review.

Market outlook & operations



Market outlook & operations

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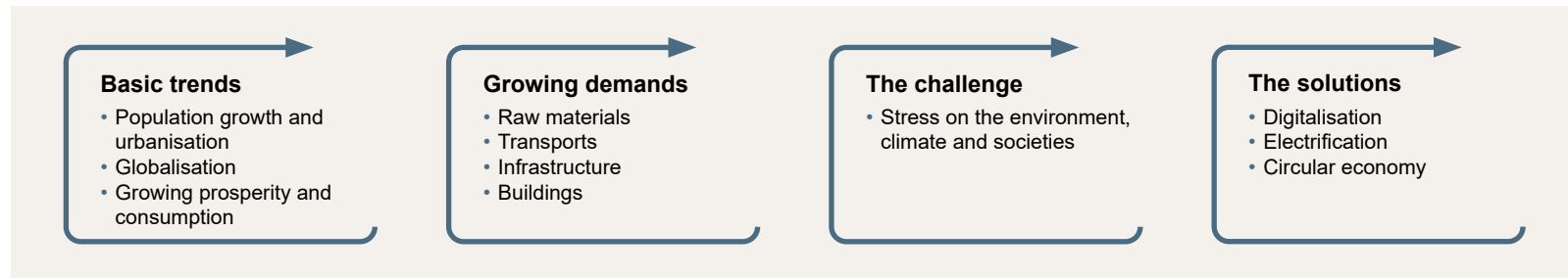
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Markets and driving forces

The world's population is steadily growing, and more people are moving to cities. At the same time, the volume of world trade continues to increase. This, in turn, 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, digitalisation, electrification and circular economy.



Basic trends

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

Basic trends

Population growth and urbanisation

We are over 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, and volumes remain at high 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 is estimated to have grown by 3.1 percent in 2023. Growth is gradually recovering to the average pre-pandemic level of 3.8 percent. Global growth tends to bring global trade, which in turn, tends to increase the need for transport solutions. Going forward, such transport will need to be sustainable for the planet to bear the pressure from global growth.

Growing demands

- Raw materials
- Transports
- Infrastructure
- Buildings

Growing demands

Raw materials

Commodity prices have risen sharply in recent years. 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 investments in infrastructure. In addition, many countries have not maintained their infrastructure effectively 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.

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The challenge

The big, global challenge is to meet the growing demand for raw materials, transport, 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 transport technology, services and products.

The solutions

Digitalisation

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, in turn, can be used to improve productivity, reduce resource consumption and minimise wear and tear in order 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. Part of the solution to this challenge is fuel efficiency and the electrification of trucks and construction equipment. Digitalisation and electrification also create new business opportunities where Ferronordic can take on more operational responsibility and offer tailor-made solutions with greater shares of electric and autonomous systems.

Circular economy

The circular economy is based on the idea of utilising 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 there is a need to maintain, repair, reuse, remanufacture and recycle trucks, construction equipment and parts with maximum efficiency to minimise overall resource waste.



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Economic and political development

On 30 November 2023, Ferronordic announced that it had completed the acquisition of Rudd Equipment Company, Inc. ("Rudd"). Rudd is one of the largest dealers of Volvo CE in the United States with operations in all or parts of nine states. The Company also represents other brands, such as Hitachi, Sandvik and Link-Belt. Starting from December 2023, Ferronordic thus operates in the eastern USA. Ferronordic's operations in USA offer a base in the world's second largest market for construction equipment and provide opportunities for possible further expansion in the future.

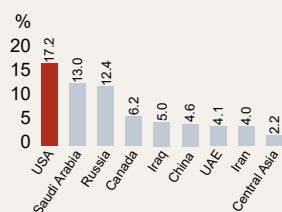
The US is the world's largest national economy with estimated GDP of USD 27tn in 2023. With a population of 335 million people, US economy accounts for approx. one-fourth of the global output, one-tenth of global trade flows, one-fifth of global FDI stock and one-fifth of global energy demand. The US dollar is the most widely used currency in global trade and financial transactions. Changes in US monetary policy and investor sentiment play a major role in driving the global financing and market conditions.

Reflecting its size and global importance, US has a mature, highly developed, and diversified economy. The service sector accounts for more than 70 percent of the GDP. The United States is also a large producer and consumer of commodities. It is the world's largest producer of oil and natural gas and a leading producer and exporter of other minerals. The American economy is fuelled by high productivity, well developed infrastructure, and extensive natural resources.

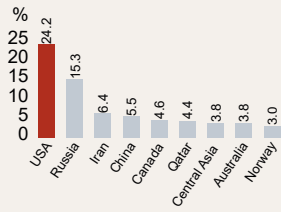
Strong growth above expectations

In 2023, the American economy outperformed expectations along three key dimensions: growing economic output, labour market resilience, and slowing inflation. GDP increased by 2.5 percent, the highest among the G7 economies, supported by strong consumer spending, increased government spending and higher exports. The labour market remained robust and added a total of nearly 2.7 million jobs in 2023. The unemployment rate was 3.7 percent (3.5). Core PCE inflation decelerated to 2.9 percent, compared to 4.9 percent in 2022. After multiple interest rate hikes since March 2022, the effective federal funds rate remained steady since July 2023 and at the end of 2023 amounted to 5.33 percent. Looking ahead, in 2024 most analysts expect a soft landing for the US economy. Baseline projections for GDP growth range between 1.4–2.1 percent.

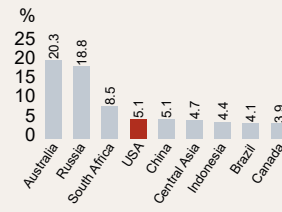
Oil production¹



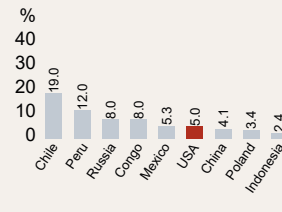
Gas production¹



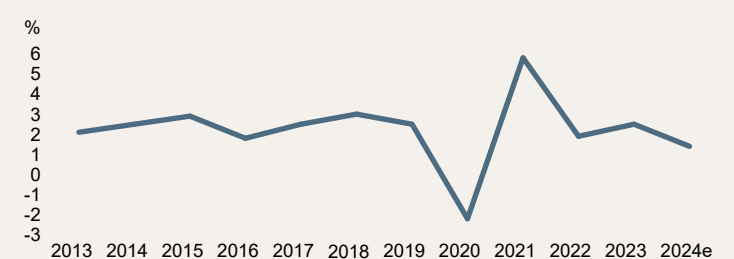
Gold reserves²



Copper reserves²



GDP (growth) USA³



¹ Source: Energy Institute (EI) Statistical Review of World Energy (2023)

² Source: U.S. Geological Survey, Mineral Commodity Summaries (2024)

³ Source: U.S. Bureau of Economic Analysis (BEA); Federal Open Market Committee

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The US construction equipment market is the second largest in the world with a total size of approx. 52,000–56,000 units. One of the main drivers for the construction equipment market is significant infrastructure investments. Federal and state governments allocate substantial funds for infrastructure development, including roads, bridges, airports and public transportation. In addition, the construction of residential and commercial properties remains a robust driver of the market. Population growth, urbanisation and economic expansion lead to growth in residential and non-residential construction.

Infrastructure investments

Years of underinvestment in the ageing US infrastructure has resulted in a deterioration of major public fixed assets, including roads, bridges, railways and transit services. The American Society of Civil Engineers assessed the status of the national infrastructure at a level of C- and estimated the total investment gap over the next 10 years to amount USD 2.6tn¹. Approx. 43 percent of public roads are in poor or mediocre condition and 42 percent of all bridges are at least 50 years old with 7.5 percent of bridges considered to be in poor condition. Ageing energy infrastructure results in power outages that cost US economy up to USD 70bn annually.

The need for substantial investments in infrastructure resulted in government's initiatives to launch an infrastructure reform.

In 2021, President Biden announced the Bipartisan Infrastructure Law ("BIL"), a substantial investment program aimed at upgrading the country's infrastructure, improving competitiveness and promoting economic growth. The BIL plans to direct USD 1.2tn of federal funds towards road infrastructure, transportation, energy and climate projects, most of which will be distributed via state and local government grants across the US. In addition to that, in 2022 President Biden signed an Inflation Reduction Act ("IRA"). The IRA is aimed at improving domestic manufacturing capacity, lowering household energy costs and promoting clean energy.

Activity in residential and non-residential construction

The demand for our products and services is largely driven by the rising demand for residential and non-residential construction. During 2019–2023, US residential construction spending increased by CAGR 12 percent to USD 874bn and non-residential construction spending grew by CAGR 7 percent to USD 1,103bn². With the planned substantial infrastructure investment programs, a growing economy an increasing population, Ferronordic expects construction activity in US to increase.

¹ Source: 2021 Report Card for America's Infrastructure

² Source: US Census Bureau

Investment needs by system based on current trends, 2020–2029, USD bn³

Infrastructure system	Total need	Funded	Funding gap
Surface transportation	2,834	1,619	1,215
Drinking water, wastewater, stormwater	1,045	611	434
Electricity	637	440	197
Airports	237	126	111
Inland waterways and marine ports	42	17	25
Dams	94	13	81
Hazardous and solid waste	21	14	7
Levees	80	10	70
Public parks and recreation	78	10	68
Schools	870	490	380
Total	5,937	3,350	2,588

³ Source: 2021 Report Card for America's Infrastructure

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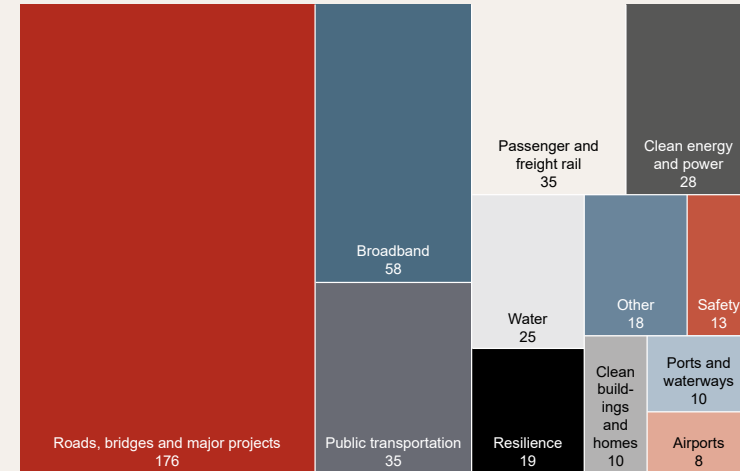
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BIL and IRA in brief¹

- Investment plan worth over USD 1.2tn with a focus on 12 main areas for development
- Expected investments of USD 400bn over the next 5 years to repair the roads and bridges and support transformational projects that will create jobs, increase regional and national economic opportunities and make US transportation system safer and more resilient
- Railway development includes funding to modernise the Northeast Corridor and up-grade rail service in areas outside the northeast and mid-Atlantic, refurbish Amtrak's fleet and facilities and upgrade freight rail service in rural communities
- Modernisation of the power grid by building and upgrading resilient transmission lines to reduce outages and energy costs and facilitate the expansion of clean energy
- Investments in wastewater, water reuse, conveyance and water storage infrastructure
- Improvement and deployment of broadband infrastructure to provide access to reliable high-speed internet
- Announced list with concrete projects worth USD 435bn, of which approx. USD 68bn are to be implemented in the states where Ferronordic is operating

¹ Source: Whitehouse.gov

BIL and IRA announced projects by type as of January 2024, USD bn¹



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On 13 November 2023, Ferronordic announced that it has entered into an agreement to purchase 100 percent of the shares in Rudd. The transaction was completed on 30 November 2023. Ferronordic believes that Rudd is a great strategic fit for the Group and gives a strong base in a dynamic market that opens potential for further expansion in North America.

Rudd was founded in 1952 and is one of the largest dealers of Volvo CE in the United States. Rudd has long traditions, strong customer relationships and a solid business. The Company has historically had a strong focus on excavation and extractive industries, particularly in Kentucky and West Virginia. In more recent years, the Company has also focused more on the general construction segment.

Brands

Rudd is the authorised dealer of Volvo Construction Equipment in all or parts of nine states in eastern USA. The Company also represents other strong brands, such as Hitachi, Sandvik and Link-Belt. In 2023, sales of equipment and parts relating to Volvo CE made up approx. 73 percent of Rudd's revenue while remaining revenue related to other brands.

Network

Rudd is based in Kentucky but covers an extensive sales area with several large cities, such as Cincinnati, Columbus, St. Louis, Cleveland and Pittsburgh. Together with the business, Ferronordic also acquired two real estate properties in Cincinnati and Louisville. As of today, the business operates 13 outlets, of which Ferronordic owns 8, across all or portions of nine states:

- Kentucky
- Ohio
- Indiana (except some counties)
- West Virginia (except some counties)
- Western Pennsylvania
- Eastern Missouri
- Southern Illinois
- Several counties in Tennessee and Maryland

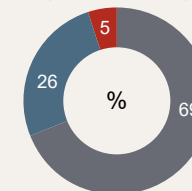
Sales

In full-year 2023, Rudd sold 351 new units, 127 used units and 96 units were converted to sales from rental. In December 2023, when Ferronordic consolidated the US operations, Rudd sold 47 new units, 4 used units and converted 5 units from rental. Total equipment revenue amounted SEK 212m. During the same period, aftermarket sales amounted SEK 80m. Other revenue, which mainly consisted of rental revenue, amounted SEK 15m.



(13) Ferronordic outlets in US as of December 2023

Net sales by activity
(December 2023)



- Machines sales
- Aftermarket sales
- Other sales

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Sales of new machines December 2023

Type of product		Number of sold units	Description
Excavators		18	Used for a wide range of purposes, e.g. landscaping, excavation, trenching, demolition, loading etc.
Wheel loaders		17	Used to move or load materials. Available in different sizes and models, from compact to large production machines.
Road construction equipment		3	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		5	Articulated towing vehicles for demanding conditions. Areas of use include road construction, quarrying, mining and waste management.
Drill rigs		1	Surface drilling rigs are used for blast hole drilling in construction, quarrying and open-pit mining.
Mobile cranes		3	Cranes (tracked or wheeled) are used to lift and move large and heavy materials in a variety of industries.



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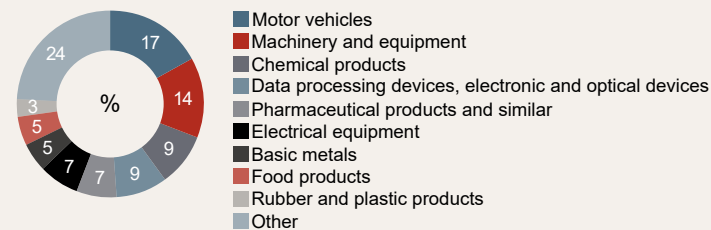
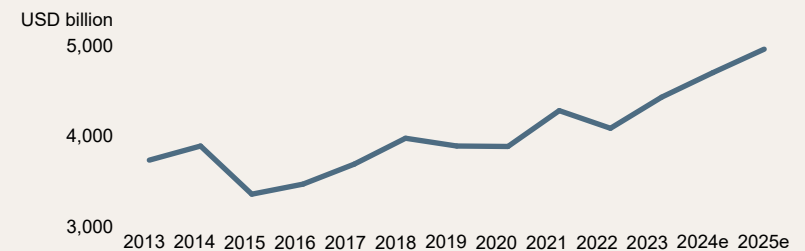
Economic and political development

Germany is Europe's largest economy and among the five largest economies in the world. Germany accounts for 25 percent of Europe's GDP (EU-27) and for 19 percent of the total EU population. The country is one of the world's leading exporters, 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 diversification. The service sector accounts for approx. 70 percent of the total economy.

Weaker-than-expected growth

The German economy was facing headwinds throughout 2023. A decline in industrial production, higher financing costs and weak foreign demand impacted economic activity negatively. As a result, Germany's GDP decreased by 0.3 percent in 2023. A slight improvement is expected in 2024 as the economy is forecast to grow by 0.2–0.5 percent, driven by a recovery in domestic demand and declining inflation.

A broader recovery is anticipated from 2025, when GDP is expected to increase by 1.2–1.6 percent. Annual average inflation declined somewhat to 5.9 percent in 2023 (6.9). Inflation is projected to decrease further in 2024 to average 2.7 percent.

German exports (2023)¹¹ Source: German Federal Statistical OfficeGDP (current prices) Germany²² Source: IMF database

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Trends and driving forces

During the past three years, production and delivery of new trucks were limited by disruptions in the supply chains. As these constraints receded in 2023, the German truck market rebounded and increased by 25 percent. Growth was particularly strong during the first nine months and was mainly driven by the improved supply situation and improved lead times but also by pent-up demand. Market growth, however, decelerated towards the year-end and the market is expected to decline in 2024.

In a longer-term perspective, Ferronordic nevertheless believes that the German truck industry will remain resilient for the following reasons:

A strong German economy

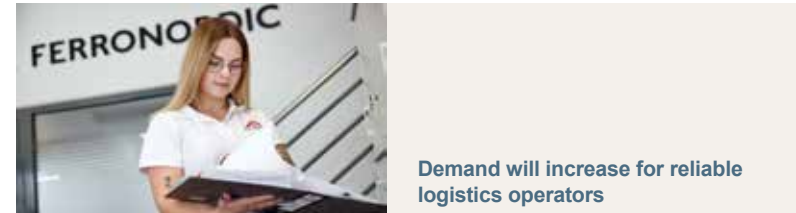
The German economy is expected to continue to play a key role for the whole EU and the rest of Europe. Various development programs, such as Germany's National Recovery and Resilience Plan and the Federal Transport Infrastructure Plan 2030, have been adopted by the German government and will support economic growth. This will to some extent translate into continued demand for trucks and transport services.

Electrification and increased environmental standards

Challenges related to climate change affect all markets and businesses. Climate change is expected to remain a top priority for the German government. Germany 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. In the long run, however, the entire transport sector is facing a transformation. An extensive subsidy program from the German government will contribute to this transition. Electrification brings not only a need to replace the truck fleet, but also a demand for completely new services and business solutions. Companies that can provide charging infrastructure and give advice on which trucks and what equipment best meet the needs of customers and the requirements of the future will be able to take market shares and facilitate the transition towards zero-emission transport solutions.

Development of the transport industry

Road freight transport is the backbone of trade and commerce not only in Germany, but in the whole of Europe. In parallel with the technical development, and partly because of it, the transport industry is also developing. Ferronordic estimates that the fragmented German haulage industry will undergo a consolidation with fewer but larger players. This also brings higher degrees of specialisation and professionalism, which in turn puts greater demands on Ferronordic and other partners within the industry.



Demand will increase for reliable logistics operators

Growth in e-commerce

During 2017–2022, the German e-commerce market was growing at CAGR of 9 percent.¹ Due to economic challenges, in 2023 e-commerce sales declined by 12 percent and amounted to EUR 79b.¹ As the economy will return to growth, the e-commerce market is expected to expand further. The rapid development of e-commerce puts new and higher demands on transports and logistics. The pandemic 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, in turn, increases the demand for reliable logistics operators and the pressure on their service and sales partners.



¹ Source: German Federal Association of E-Commerce and Mail-Order Trade

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The truck market

The truck market in Germany is mature and demanding, with customers placing great value on brand, tailor-made business solutions and dense and high-quality service network coverage. Maximising the utilisation and minimising unplanned downtime is crucial for the profitability and business success of customers in the industry.

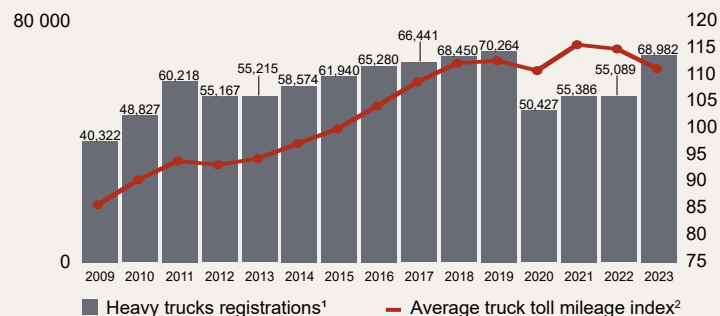
Europe's most important market

Germany's economic importance makes the country the largest market in Europe for heavy trucks. There is a strong correlation between economic activity and new sales of new trucks. Germany's geographical position in the EU also makes the country a logistics centre serving over 82 million Germans, 150 million consumers in nine neighbouring countries and almost 500 million EU inhabitants. This has contributed to Germany having one of the most advanced transport infrastructures in Europe with a road network of 230,000 km, over 250 inland ports and 21 international airports.

Development 2023

Despite an unfavorable macroeconomic environment, recovering supply chains, shorter lead times and stronger order books resulted in a growth in truck registrations. The total truck market increased by 25 percent and amounted to 69,000 units. The growth was particularly strong during the first nine months but starting from Q4 2023 the growth slowed down and order intake decreased. Total mileage² in 2023 remained lower than in 2022.

Heavy truck registrations in Germany



¹ Germany registrations data compiled by Volvo Trucks (until December 2023).

² 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.



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Market segment trucks

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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 transport, timber transport, heavy transport, construction and civil engineering transport, mining and quarry transport etc.	Local and regional distribution, light construction, utility and refrigerated transport etc.	Many different transport assignments, including mobile workshops, freight transport, postal and courier services etc.
% of new truck sales in Germany in 2023	88	4	8



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Ferronordic's sales area corresponds to approx. 18 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 rapidly growing cities such as Leipzig and Dresden. In addition to new sales, the market also consists of used trucks, service, maintenance and rental.

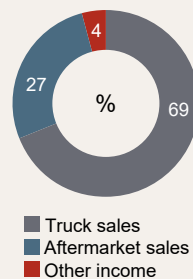
Ferronordic's operations in Germany consist of sales and rental of new trucks from Volvo Trucks and Renault Trucks, sales of used trucks and service and support of trucks and light commercial vehicles. In 2022, Ferronordic also became a distributor for Sandvik mobile crushers and screens in most of Germany.

Ferronordic has been present in the German market since January 2020, when the Company became a dealer of Volvo Trucks and Renault Trucks. At the start in Germany, the Company took over nine of Volvo's own workshops and two workshops from a smaller dealer in Ferronordic's sales area. At the end of the year, Ferronordic had 22 workshops and 399 employees in Germany. After a rapid network expansion in 2021, 2022 and, to a lesser extent, in 2023, the future focus will shift from building the platform towards improving network performance.

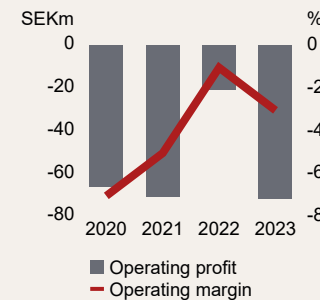
German efficiency enhancement program

In the context of a weaker market outlook and with a cost structure that weighed on profitability, Ferronordic took measures at the end of 2023 to make its organisation more efficient and to reduce costs. The aim is to make Ferronordic's organisation leaner and more resilient by reducing both horizontal and vertical administrative units, while increasing the efficiency of the productive organisation. Ferronordic has thus reduced the number of regions in its sales area from four to two and has reduced a number of middle management roles. The German management team has been reorganised to include Group Executives with operational functions in the German business, including Group Commercial Director, Group HR Director and Group CEO. Ferronordic has also analysed its cost structure across all functional areas to identify opportunities to reduce costs without negatively impacting – and where possible, improving – the productivity of the service and sales areas. One key objective of the program is to increase Ferronordic's absorption level in Germany, that is how much of its fixed costs are covered by the gross profit from its aftermarket business. As a result of the cost reduction program, Ferronordic expects to save approx. SEK 60m annually, starting from the end of Q2 2024.

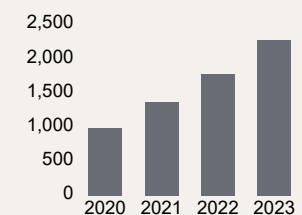
Net sales by activity



Operating profit and operating margin



Revenue, SEKm



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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 transport and logistics as well as in customers' own operations on construction sites and mines. Ferronordic's product 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 decreased by 2 percent in 2023 to 975, including light commercial vehicles. In terms of revenue, sales of new trucks increased by 29 percent and amounted to SEK 1,336m.

In the coming years, sales of electric trucks are expected to increase significantly. Together with digitalisation, electrification also creates completely new business opportunities where Ferronordic can take greater overall responsibility of the service offering. In 2023, The German Ministry for Digital and Transport awarded Ferronordic subsidies in an amount up to EUR 23m for investing in up to 117 electric trucks. Ferronordic plans to use the subsidies to grow its fleet of Volvo and Renault electric trucks and expand its business in electric rental and sustainable transport solutions.

Sales of used trucks in units increased by 87 percent. In terms of revenue, sales of used trucks amounted to SEK 242m, which is an increase of 51 percent compared with the previous year. Ferronordic sees meaningful potential for the used trucks business to complement its product portfolio.

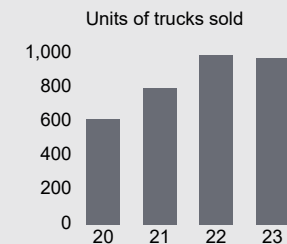
Long delivery lead times from suppliers and declining demand contributed to a continued growth in inventory and debt during 2023. In the second half of 2023, Ferronordic took measures to reduce its inventory position and the Company expects inventory to decrease in the first half of 2024. To further strengthen its operations in Germany and to free up capital, Ferronordic has also decided to reduce its used inventory and rental fleet of diesel trucks. At the same time, the market and interest from our customers in electric trucks is growing.

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 the needs of each customer. In 2023, aftermarket sales increased by 27 percent and amounted to SEK 608m. The increase was driven by a combination of organic growth and previously made acquisitions.

	2023	2022	2021	Change, %, pp
Units of new machines and trucks	975	992	800	-5
Units of used machines and trucks	394	211	241	87
Revenue, SEK m	2,271	1,770	1,368	28
Gross profit, SEK m	253	214	149	18
Operating profit, SEK m	-72	-21	-71	-248
Gross margin, %	11.1	12.1	10.9	-0.9
Operating margin, %	-3.2	-1.2	-5.2	-2.0
SG&A/Revenue, %	14.4	13.5	15.9	0.8
Working capital/Revenue, %	25.9	17.0	6.4	8.9

Segment	2023	2022	2021
Rigid trucks	244	238	190
Tractor trucks	657	673	570
Light commercial vehicles	74	81	40
Total	975	992	800
New cars	0	0	48



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Sales of new trucks 2023

Type of product		Number of sold units	Description
Volvo FH16		15	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		641	Long haul and regional haul truck mainly used in transportation and logistics. Usually comes as a semitrailer tractor or 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		25	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		20	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		105	Renault truck for long haul and regional haul. Also used in distribution transport and building and construction transport.
Renault D		4	Used widely in household and industrial waste collection, cleaning and sanitary services, firefighting and rescue services. Available with an electric engine.
Renault C		5	A versatile truck usually used for material transports in construction and civil engineering.
Renault K		-	Complementary truck for Renault C model. A heavy truck suitable for quarries, logging and various construction sites.
Renault Master		74	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.

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At the end of 2023, Ferronordic had 22 workshops in an area that represented approx. 18 percent of the German truck market (based on registrations). After building the network in 2021, 2022 and 2023, the focus will shift towards improving network efficiency and performance. The strategy is 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 and thus to increase absorption and build sustainable profitability.

The need for a dense network of workshops is mainly the same as in construction equipment. The requirements on the workshops can, however, be higher. For construction equipment, Ferronordic's mechanics tend to travel to the customer to service the construction equipment on-site. For trucks, the customers rather tend to come to Ferronordic's workshops. Construction equipment and trucks are the productive assets of Ferronordic's customers. Any unplanned downtime leads to a decrease in utilisation and a deterioration in profitability. Proximity to customers, a large number of workshops and good access to spare parts are therefore key success factors for a dealer. Most of the workshops are in larger cities or at important junctions along the Autobahn, for easy access to our customers. Ferronordic's workshops maintain a high and uniform standard in terms of infrastructure, quality and environment.

Region	No. of workshops	Description
Northeast	11	Includes Hannover, Leipzig, Dresden, Bautzen, Dessau, Görschen, Coswig, Barleben, Nordhausen, Northeim and Peine.
Southwest	11	Includes Frankfurt, Limburg, Bingen, Fulda, Bergstrasse, Aschaffenburg, Kassel, Bad Hersfeld, Haiger, Kirm and Simmern.



(22) Ferronordic outlets in Germany as of December 2023

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Central Asia (CA)

Economic and political development

Ferronordic refers to Central Asia (CA) as Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan and Turkmenistan. Central Asia is characterised by large amounts of natural resources. In 2023, countries comprising Central Asia accounted for 2.2 percent of global oil production and 3.8 percent of global gas production¹. The region holds substantial reserves of gold (Kazakhstan, Uzbekistan, Kyrgyzstan), zinc (Kazakhstan) and other minerals. In 2023, Central Asia GDP in current prices amounted to USD 456b with a population of 79 million people². In 2023, Ferronordic's CA operations included Kazakhstan.

Kazakhstan: robust economic performance

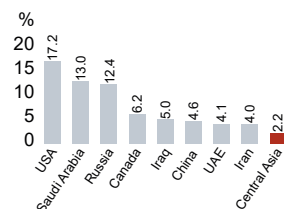
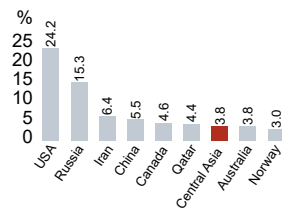
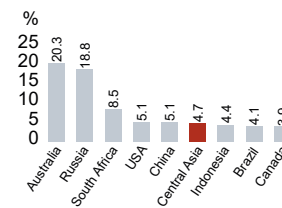
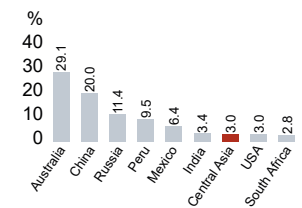
Kazakhstan's economic growth is largely driven by exports of natural resources, mainly oil and gas, which constitute approx. 30 percent of GDP, but also other commodities such as copper, zinc and uranium. Kazakhstan is looking to diversify its economy from dependence on natural resources. The country is investing in infrastructure and is developing its agricultural sector, which has substantial potential but remains underinvested. The country is emerging as a major transport and logistics hub in the region linking Europe and Asia.

Despite geopolitical instability, fluctuating oil prices and oil export disruptions, Kazakhstan's economy remained resilient and increased by 5.1 percent in 2023. Economic growth was driven by both the oil and non-oil sectors. Construction output increased by 13.3 percent supported by continued public infrastructure investments. The average oil price in 2023 declined by 18 percent compared to 2022 and amounted to 82 USD/barrel.

In line with global trends, inflation pressure receded in 2023 and inflation decreased to 9.8 percent in December 2023 (20.3). The Kazakh currency, the tenge, depreciated by 2 percent against the Swedish krona from 44.3 at the beginning of the year to 45.3 at the end of the year.

In 2024, Kazakhstan's economic growth is expected to slow to 3.1 percent, mainly due to delays in expanding the Tengiz oilfield. In 2025, GDP growth is projected to pick up by 5.7 percent. Overall, the foundations of Kazakhstan's economy remain strong, and growth is supported by investments in infrastructure and development of transport and warehousing, which reflects Kazakhstan's growing role as a regional hub. Its geographic location, however, also makes it geopolitically exposed.

¹ Source: Energy Institute (EI) Statistical Review of World Energy (2023)
² Source: IMF database

Oil production³Gas production³Gold reserves⁴Zinc reserves⁴

³ Source: Energy Institute (EI) Statistical Review of World Energy (2023)
⁴ Source: U.S. Geological Survey, Mineral Commodity Summaries (2024)

Central Asia (CA)

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Trends and driving forces

The future demand for our products and services in Central Asia will depend on several economic and industry trends. These include, for example, activity in the construction and commodity sectors but also the gradual sophistication of Kazakh industry and increasing maturity among our customers.

Activity in the construction sector

The demand for our products and services is mainly driven by rising demand for infrastructure development, particularly the construction of roads, railways, oil and gas pipelines, ports and other infrastructure. Kazakhstan's infrastructure needs are increasing with its expanding economy, growing role as a regional hub and increasing population. A total of about 1,000 investment projects worth over USD 70b are expected to support the construction sector going forward. Several large construction projects are planned or ongoing. Among others, these include the construction of a container hub in the Aktau port, construction of the Bakhty-Ayagoz railway and planned reconstruction of 11,000 km of the country's road network. We expect construction activity in Kazakhstan to increase, driven by a long-term need to improve the country's ageing and underinvested infrastructure.

Activity in the commodity sector

Construction equipment is used in numerous industries related to oil and gas, gold, minerals, metals, and other commodities. Therefore, the demand for our products and services is also driven by the activity and investment in these sectors, which

in turn depend on the underlying commodity prices. Kazakhstan's economy to a large extent depends on exports of commodities, particularly oil and gas, but also zinc, copper and other natural resources. The continued extraction and processing of these natural resources, as well as the construction and maintenance of the infrastructure required for it, are important drivers for continued growth and for future construction projects. Examples of major projects related to the extraction of natural resources in Kazakhstan include the expansion of the Tengiz and Kashagan oilfields, the construction of a gas processing plant in Kashagan and the construction of the Taldykorgan-Usharal gas pipeline.

Gradually maturing customers

On more developed markets, companies that procure construction equipment have shifted focus from short- to long-term capex programs and from a focus on initial price to one of total cost of ownership. The total cost of ownership includes fuel costs, repair and maintenance costs, operator costs, standstill costs and residual value over the machine's life cycle. In Kazakhstan, some companies continue to focus on the initial price. This is gradually changing as companies become more mature and learn more about long-term efficiency and productivity. The availability of high-quality aftermarket service is also expected to become more important as customers become less inclined to repair and maintain equipment by themselves, as their focus on uptime increases and machines become more advanced.



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Industries	General construction and other	Mining	Road construction	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 transportation of earth and rock. Construction and maintenance of roads and other infrastructure in connection to mines.	Construction and maintenance of roads, bridges, landing strips, etc.	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).
% of new machines sales in 2023	46	10	25	17	3
Competitors	Caterpillar Hitachi Doosan	Caterpillar Hitachi Komatsu	Wirtgen Bomag Caterpillar	Caterpillar Hitachi Doosan	Caterpillar Hitachi Doosan
Comments	The customers range from large construction companies to smaller subcontractors. Demand includes everything 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.	A short season creates focus on productivity and demands spare parts availability and service quality. A large population of Volvo CE machines creates demand for spare parts and service.	Larger companies with a focus on productivity prefer premium brands. High machine utilisation requires regular and efficient service and repairs at the right time, preferably in the form of service package solutions.	Dominated by a few large companies that often outsource contracts to sub-suppliers.



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Machines sales

In Kazakhstan, Ferronordic sells new and used machines from premium manufacturers. The Company's main partner is Volvo CE, which manufactures machines such as articulated haulers, wheel loaders and excavators. In addition, Ferronordic sells backhoe loaders and compact equipment from Mecalac and mobile crushers and screens from Sandvik. In 2023, sales of new Volvo CE machines, rental, attachments and Volvo CE aftermarket sales accounted for 92 percent of total sales in Kazakhstan.

In 2023, Ferronordic increased sales of new machines in units in Kazakhstan by 20 percent to 72 machines. In terms of revenue, new machine sales increased by 40 percent to SEK 188m.

Sales of used machines in units increased by 125 percent to 54 machines and trucks. In terms of revenue, sales of used equipment and trucks increased by 151 percent to SEK 35m.

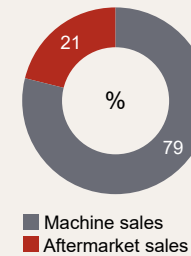
Aftermarket sales

Ferronordic's vision is to be the leading service and sales company in its markets. Professional service and timely supply of spare parts are critical to ensure uptime and productivity for the machines that Ferronordic has delivered and that become an integral part of its customers' production processes. Ferronordic's digital sales platform (see also p. 40) plays an important role in securing this level of uninterrupted performance for 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 levels of service agreements to meet each customer's individual needs. The Company also offers training for machine operators. During 2023, aftermarket sales in Kazakhstan increased by 14 percent to SEK 60m.

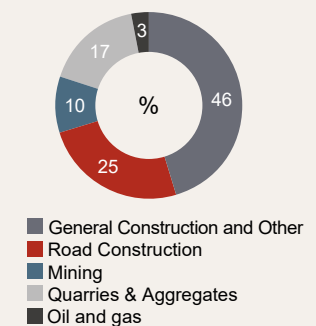
Contracting services

In contracting services, Ferronordic owns, services and operates equipment on behalf of its customers and is paid per cubic meter and kilometer of material transported. Ferronordic creates value by operating the machines more efficiently, with higher utilisation and lower fuel and parts consumption. The Group's ambition is to offer contracting services in Kazakhstan in the future.

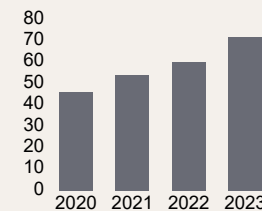
Net sales by activity



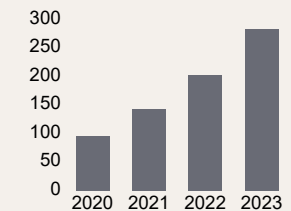
New machine net sales by industry



Number of machines sold



Revenue, SEK m



	2023	2022	2021	Change, % pp
Units of new machines and trucks	72	60	54	20
Units of used machines and trucks	54	24	6	125
Revenue, SEK m	284	203	143	40
Gross profit, SEK m	43	36	25	18
Operating profit, SEK m	9	16	13	-44
Gross margin, %	15.0	17.8	17.4	-2.8
Operating margin, %	3.1	7.6	8.9	-4.6
SG&A/Revenue, %	10.8	12.5	8.2	-1.7
Working capital/Revenue, %	23.6	-2.9	-8.1	26.5

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Sales of new machines 2023

Type of product	Number of sold units	Description
Excavators 	33	Used for a wide range of purposes, e.g. landscaping, excavation, trenching, demolition, loading etc.
Wheel loaders 	4	Used to move or load materials. Available in different sizes and models, from compact to large production machines.
Road construction equipment 	18	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 	3	Articulated towing vehicles for demanding conditions. Areas of use include road construction, quarrying, mining and waste management.
Backhoe loaders 	14	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.



Central Asia (CA)

Service network

As of the end of 2023, Ferronordic operated 7 workshops in Kazakhstan.

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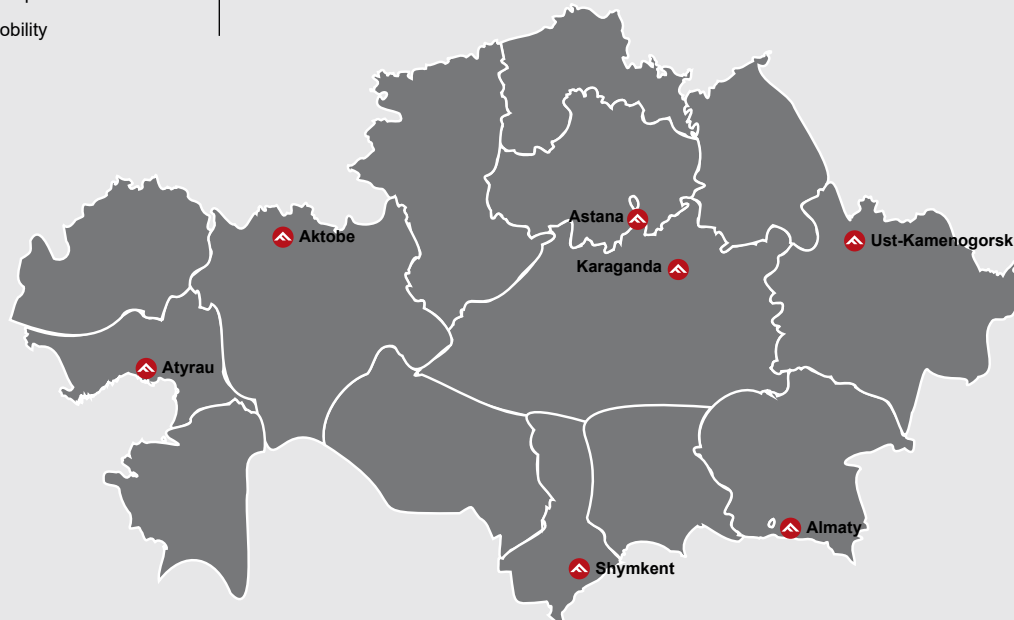
Germany

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(7) Ferronordic outlets in Kazakhstans as of end of the year 2023

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

1. It is typically difficult and inefficient to move construction equipment to a workshop. Instead, the dealers' mechanics usually go to the customer sites, where the machines are operating.
2. Construction equipment is critical for the production process. Idle machines imply large opportunity costs and reduced profitability for the customer. As a result, it is crucial that the dealer's mechanics have good access to spare parts and that they can be on site rapidly to ensure machine uptime.

This means that proximity to customers, a sufficient number of facilities and good access to spare parts are key success factors. Ferronordic aims 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. Mobile service units and on-site workshops at the production sites of large customers complement Ferronordic's network.



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

The products Ferronordic offers must always be world-leading in safety, productivity and sustainability metrics in order to best contribute to the success of the customer's business and have a minimal negative impact on the environment. At the core of Ferronordic's offer are construction equipment from Volvo Construction Equipment and trucks from Volvo Trucks and Renault Trucks. From December 2023, Ferronordic also represents Hitachi Construction Machinery, Sandvik drill

rigs and Link-Belt cranes in parts of the USA. From 2021, Ferronordic is a partner for Sandvik's mobile crusher and screens in Germany and Kazakhstan. From 2019, Ferronordic is also a partner for Mecalac's backhoe loaders and compact equipment in Kazakhstan. In order to leverage its organisation and infrastructure and offer its customers a more complete range of equipment, Ferronordic is seeking partnerships with other leading brands.



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Brand	Description
	<p>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. The Company is part of the Volvo Group. Business: Ferronordic is an authorised dealer (including aftermarket) for Volvo CE in Kazakhstan. From December 2023, Ferronordic is, through its subsidiary Rudd Equipment Company, also an authorised dealer of Volvo CE in parts of the US. Offer: A wide range of machines in different sizes and categories. Sales 2023: 58 new machines in Kazakhstan and 43 new machines in US.</p>
	<p>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: Since 2020, Ferronordic is an authorised dealer and aftermarket partner for Volvo Trucks in an area corresponding to approx. 20 percent of the German truck market. Offer: A wide range of trucks in different sizes and categories. Sales 2023: 787 new trucks.</p>
	<p>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: Since 2020, Ferronordic is an authorised dealer and aftermarket partner for Renault Trucks in an area corresponding to approx. 20 percent of the German truck market. Offer: A wide range of trucks of different sizes, segments and categories. Sales 2023: 188 new trucks including 74 light commercial vehicles.</p>
	<p>Sandvik Profile: Swedish Sandvik is a premium brand and a global company specializing in products for mining, rock excavation, rock drilling, rock processing (crushing and screening), metal cutting and machining. The products are used in areas such as open pit mining, mining and recycling. Business: Since 2021, Ferronordic is the official distributor of mobile crushing and screens in most of Germany and throughout Kazakhstan. From December 2023, Ferronordic, through its subsidiary Rudd Equipment Company, is also an authorised dealer of Sandvik drills in parts of the USA. Offer: Mobile crushers and screens and surface drill rigs. Sales 2023: 1 new drill rig.</p>
	<p>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 Kazakhstan since 2019. Offer: Backhoe loaders. Sales 2023: 14 new backhoe loaders.</p>
	<p>Hitachi Construction Machinery Profile: Hitachi Construction Machinery (HCM) is a global manufacturer of excavators, wheel loaders and mining machinery. With over 70 overseas subsidiaries, Hitachi is one of the most well-known brands in the construction equipment business. Business: Ferronordic is, through its subsidiary Rudd Equipment Company, an official dealer of Hitachi in parts of the USA. Offer: Rigid trucks and large excavators.</p>
	<p>Link-Belt Cranes Profile: Link-Belt Cranes is an American industrial company that specialises in telescopic and lattice boom cranes. Link-belt is headquartered in Lexington, Kentucky. Business: Ferronordic is, through its subsidiary Rudd Equipment Company, an official dealer of Link-Belt in parts of the USA. Offer: Telescopic and lattice boom cranes. Sales 2023: 2 new mobile cranes.</p>

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Digital platform

Connectivity increases operational reliability and efficiency

Ferronordic's services and products are integrated parts of, and directly crucial to, the operations of its customers. Efficiency and reliability are therefore of central importance and place high demands on Ferronordic's product and aftermarket service 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 unplanned and costly downtime.

Ferronordic has combined its understanding of its customers and the machine data to build its own system for digital sales support for both machine sales and aftermarket. Based on its know-how and experience, the Company has developed a "rule engine" to read and convert the signals from the machines' telematics systems into sales leads. The signals are used to create automatic predictive and preventive service and sales offers to customers.

Currently, digital sales support is only available in the operations in Kazakhstan. Ferronordic believes that the system is relatively unique among dealers and that it therefore has great potential for use in other markets and for other products. The Company aims to apply the digital sales logic to its construction equipment business in the US and to its growing aftermarket business for trucks in 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 from the telematics systems flow through the rule engine, where they are analysed, categorised and combined. The signals are then automatically converted into "sales leads" and concrete customer offers.

Customer offer

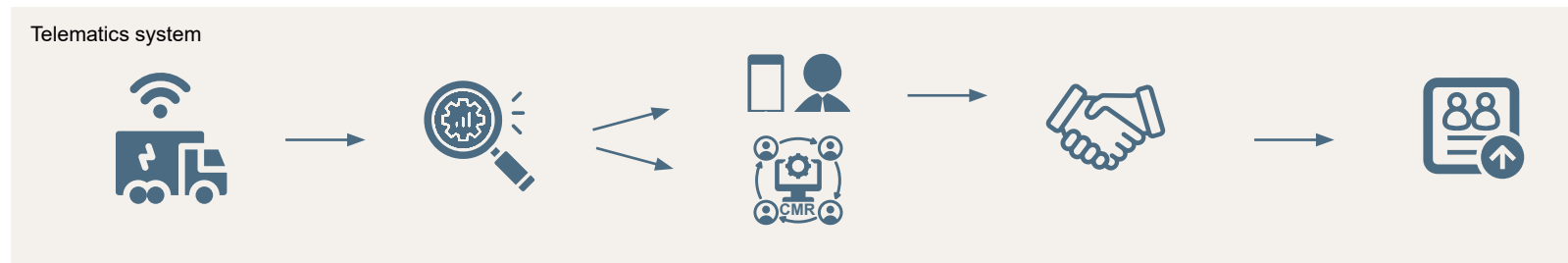
The offers generated by the rule engine are automatically uploaded to the mobile phone or tablet computer of the responsible salesperson along with a suggested price and other commercial terms. The data is also stored in Ferronordic's CRM system.

Sales measure

The responsible salesperson 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.



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Sustainable transport solutions

Climate change may be the biggest challenge of our time. The transport sector accounts for a significant part of the world's total carbon dioxide emissions and Ferronordic's ambition is to contribute to reducing emissions and be part of the transition to sustainable transport solutions. The increasing focus on sustainability and zero emission technologies will transform the transportation industry. Volvo Trucks and Renault Trucks are market leaders in battery-electric trucks. Working closely with its key partners, Ferronordic sees opportunities to contribute to the transition to sustainable transport, and thereby shape new business models.

Emissions regulations, purchase subsidies on electric trucks and urban environmental zones with restrictions for diesel trucks are examples of changes that are already transforming the transport industry. Ferronordic sees great business potential in this change and is already employing electric trucks to offer sustainable transport services in Germany. The German government is implementing an extensive subsidy program to promote the transition to electric transport by contributing a large part of the price difference between electric and diesel-powered vehicles. However, the application process for these subsidies is complex, which for individual customers can be an obstacle to buying an electric truck on their own. To further accelerate the transition to sustainable transport, Ferronordic set up a separate subsidiary in 2022 with a focus on rental of electric trucks and mobile charging equipment. At the end of 2023, this company had a business manager responsible for promoting electric mobility and two sales consultants. The first investments in the Company have been in vehicles for an electric truck rental fleet, charging infrastructure and skills development within the organisation. At the end of 2023, Ferronordic had 32 Volvo and Renault electric trucks in its electric rental fleet. These vehicles are available for rental and are used as demo vehicles. Ferronordic expects to continue to grow its rental fleet in 2024. Since starting its electric rental business in Germany, Ferronordic has also invested approx. SEK 7.3m in electric vehicle chargers to our sales outlets. Future investments will build on these assets and the knowledge built in the sustainable transport area. Ferronordic also sells electric trucks from Volvo and Renault through its dealer network. In its core dealer business Ferronordic sold 53 electric trucks in 2023.

For Ferronordic, it is important to be a pioneer in electric mobility as the future development of the transport industry is built on understanding and having experience from the changes we see today. This will require attracting new talent from outside the Company as well as training new skills to existing staff.



Ferronordic sees as part of its mission to gain a more significant role in the transport industry value chain. From being a supplier of trucks and construction equipment to becoming a performer of the tasks in the transport industry and an enabler for the industry. Over time Ferronordic aims to move from mainly selling and servicing electric trucks to also offering sustainable transport services using electric trucks. Such services could include offers where Ferronordic owns, operates and maintains the electric trucks on behalf of its clients and is paid per kilometre and volume or weight of goods or material transported. Ferronordic believes that the market will need support to adapt to electric transport solutions. Ferronordic can provide expertise and experience and develop a market niche for such services.

Sustainability



Sustainability

» Ferronordic's
sustainability approachIn line with
international standards

Transparency

Planet first

Fair workplace

Sustainable offer

Sustainability risks

Outlook for 2024

EU Taxonomy

KPI index

Ferronordic's sustainability approach

This sustainability report concerns Ferronordic's reporting of non-financial information for the financial year 2023 in accordance with Swedish legislation. Information and key figures presented refer to the entire Group, excluding the USA, unless stated otherwise.

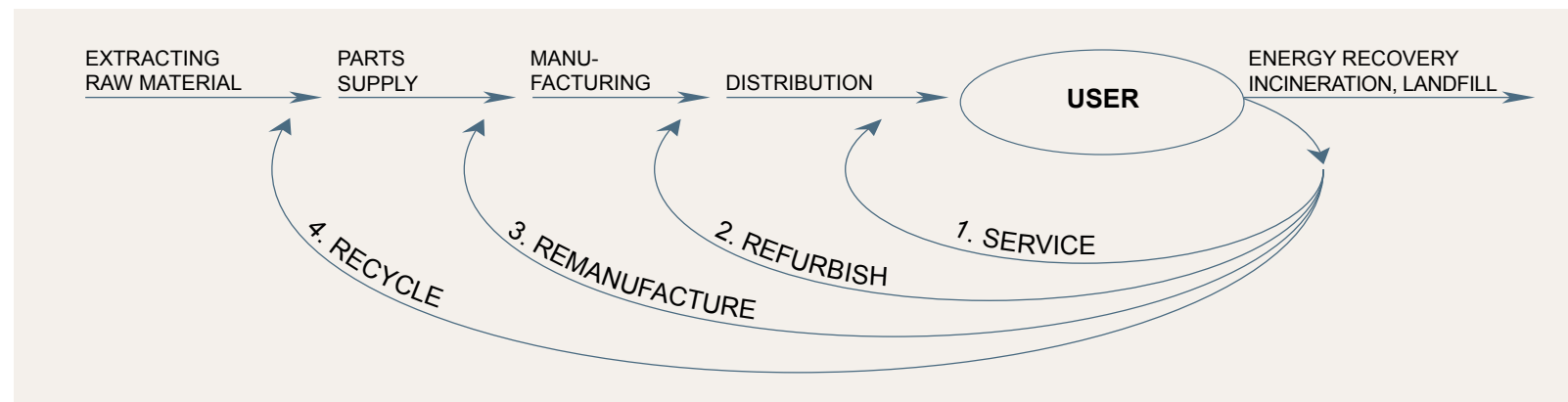
Sustainability is about employing and building natural, human, and technological resources to meet the needs of the present without compromising the ability of future generations to meet their own needs. For Ferronordic, sustainability involves creating long-term value for all stakeholders of the Company. Ferronordic sees no long-term contradiction between sustainability and profitability, but rather the opposite. Demand for sustainable and environmentally friendly business solutions is steadily increasing, and companies taking the lead in developing and helping their customers meet their objectives will gain competitive advantages. Ferronordic works with partners and manufacturers focused on creating sustainable business solutions and with customers who strive for resource efficiency and minimised environmental impact. Sustainability is a central part of Ferronordic's strategy and applies to everything the Company does, from culture to processes and operations. Sustainability is essential to Ferronordic's constant efforts to improve and build resilience.

Ferronordic's sustainability strategy

Ferronordic wants to abandon the linear approach for a circular one, a journey that is illustrated below. An essential basis for our sustainability strategy is an emphasis

on system thinking, which helps Ferronordic understand how the Company's operations connect 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 (see p. 45). To further understand Ferronordic's connection with the Company's surroundings, we carried out an extended materiality analysis in 2021, consisting of in-depth interviews with several stakeholders (see p. 45). Another underlying aspect of developing our sustainability strategy is a Gap-analysis carried out by a third party in 2021. The gap-analysis brought certain improvement areas to our attention which helped us further develop our sustainability strategy.

In 2023, work began on conducting a double materiality analysis, which will form the basis of the Company's sustainability report in accordance with the CSRD (Corporate Sustainability Reporting Directive) and ESRS (European Sustainability Reporting Standards). Based on the results from the double materiality analysis, the sustainability goals, risks and impacts communicated in this report will be reviewed. A new gap analysis was also carried out during the first quarter of 2024. As of October 2023, Ferronordic has also established a Sustainability and Ethics committee.



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In line with international standards

Ferronordic's sustainability work, including the Company's processes, policies and guidelines, is based on international, national and local laws and standards:

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

We have several policies in place to steer us toward sustainability:

Our **Human Rights Policy** includes principles for how we endeavour to uphold the highest human rights standards throughout the value chain in order to respect and support the human rights of all people affected by our business throughout our societies.

Our **Environmental Policy** includes environmental principles that Ferronordic shall adhere to ensure that we manage our environmental impact throughout the value chain of delivering our products and services.

Our **Equality, Diversity, and Non-Discrimination Policy** includes guidelines on how we shall act to be an inclusive organisation, provide equal opportunities and eliminate discrimination to respect and support inclusion of all people affected by our business throughout societies where we operate.

Our **Anti-corruption Policy** includes statements regarding business ethics (including issues such as gifts, money laundering, relations with employees, etc.), guidelines for actions in case of suspected irregularities, and whistle-blowing procedures to adhere to Ferronordic's commitment to zero tolerance to corruption.

Our **Whistle-Blower Policy** includes principles and guidance on using Ferronordic's whistle-blower function to ensure that the Group provides a practical, secure and trusted whistle-blowing function that encourages employees and third parties to report any suspected misconduct.

Our **Code of Conduct** includes principles and guidelines to eliminate unethical behaviour, secure a safe and healthy work environment and fair competition.

A common purpose of all our policies is to communicate the principles in each Policy set forth by Ferronordic internally and externally. The policies apply to all employees and units within the organisation and all consultants working for Ferronordic. The policies are reviewed annually.

Every year, we carry out compliance audits concerning our policies. During these audits, we look at whether the yearly anti-corruption training has been completed, if there have been any issues with corruption or health and safety, how many of our employees have signed our policies, if purchases are made according to our Purchasing Policy and if we follow environmental laws, etc. Ferronordic's legal and compliance department oversees this process.

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 most significant immediate impact and 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



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Ferronordic reports ESG information using methodologies widely adopted by the industry.

Materiality Analysis

Ferronordic's sustainability work stems from our materiality. The materiality analysis includes the identification and prioritisation of our risks and opportunities – a process that not only enables us to take relevant measures and use our resources efficiently, but also enables us to meet stakeholder expectations. The materiality analysis underlying this sustainability report was carried out in 2021 before the ongoing conflict in Ukraine.

In 2023, work began on conducting a double materiality analysis, which will form the basis of the Company's sustainability report in accordance with CSRD and ESRS.

Stakeholder Dialogue

The conducted materiality analysis included stakeholder dialogue consisting of surveys, in-depth interviews, investor meetings, customer conversations and

employee surveys. Other essential groups participating in the dialogue were suppliers, partners, authorities, municipalities and non-profit organisations. In addition, customer feedback and complaints were considered in the process to contribute to and increase knowledge of areas of improvement.

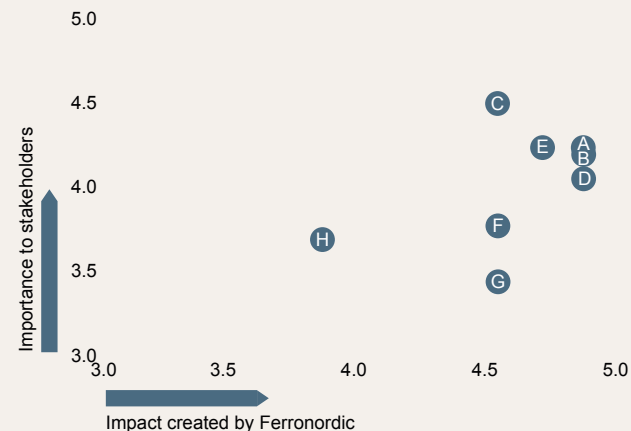
Impact Assessment

An essential part of the materiality analysis is understanding Ferronordic's impact on the environment, climate, society and people. To do so, Ferronordic has participated in internal and external surveys. Ferronordic has also analysed current and future regulations and standards and risk analyses at the country and industry levels. We have 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 as well as risks and opportunities, it therefore also shows us what we should focus on regarding our sustainability work.

Material Aspects

The results of the materiality analysis carried out in 2021 showed that Ferronordic's primary focus should be 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 and three focus areas:

- Planet first
- Fair workplace
- Sustainable offerings



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Ferronordic, as well as its partners, has high ambitions in terms of sustainability. Ferronordic applies an environmental perspective from production, use, maintenance and repair to reuse and recycling. We have actively continued to promote electric trucks in Germany. The ratio of sold electric trucks in 2023 was 4.79 percent of total share of sold trucks. During 2023, Ferronordic was awarded up to EUR 23m in government subsidies for further investments in electric trucks.

Ferronordic has a car policy in Germany to support electric vehicles. Employees are also offered access to charging infrastructure. The goal is to increase the proportion of electric vehicles in the Company's operations. Ferronordic measures its carbon footprint in cases where data is available. Where data is not available, Ferronordic is working towards setting up processes to capture accurate information on emissions. The

current mapping covers electricity use, fuel consumption and business travel. We aim to reach net zero in our operations by 2050. In 2021, Ferronordic acquired a renewable energy certificate for its German operations. During 2021, 9 out of 14 workshops were certified. In 2023, 16 out of 22 workshops in Germany were certified. Our target is to only use renewable energy for our workshops by 2025.

Ferronordic maps its carbon footprint throughout the entire value chain. The information for 2023 is limited to some emission categories, but will gradually be complemented with additional data. The information on electricity consumption is usually 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. Business travel data come from the Company's travel agencies.



Electricity consumption	2023	2022	2021	2020	2019	Tons of CO ₂ eq- emissions by source					
						2023	2022	2021	2020	2019	
Electricity, MWh ¹	1,407	4,186	3,250	2,501	2,123	Electricity ⁴	241	1,667	1,184	882	754
Electricity rate ²	0.59	2.83	3.19	-	-	Fuel	882	74,134 ⁵	65,253	36,057	32,879
Renewable energy share, % ³	80.6	0	0	0	0	Business travel ⁶	543	879	878	385	1,115
						Total	1,666	76,680	67,314	37,324	34,747

¹ 2019 data refer only to Russia. The 2020 data refer to Russia and Germany. The 2021 and 2022 data refer to Germany, Kazakhstan and Russia. The 2023 data refer to Germany and Kazakhstan.

² MWh/revenue. Applies to Germany only and was first calculated in 2021.

³ Refers to Germany only.

⁴ 2019 data refer only to Russia. The 2020 data refer to Russia and Germany. The 2021 and 2022 data refer to Germany, Kazakhstan and Russia. The 2023 data refer to Germany and Kazakhstan.

⁵ 2022 is the first year that car data from Germany is included.

⁶ Excluding Germany 2019 and 2020 and domestic travel in Russia. In addition, strongly affected by the pandemic. 2023 data refer to Sweden, Germany and Kazakhstan.

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An important part of Ferronordic's sustainability work was the Company's centre for machine and component rebuild in Yekaterinburg, Russia. By restoring older equipment and selling it with new guarantees, Ferronordic enabled better resource utilisation. The business included 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 expanded during 2020 and 2021. For equipment and materials that cannot be given a second life, the goal was to increase the proportion of recycling and reduce the proportion that goes to incineration or landfill. Ferronordic's centre for machine and component rebuild was sold together with its Russian business at the end of

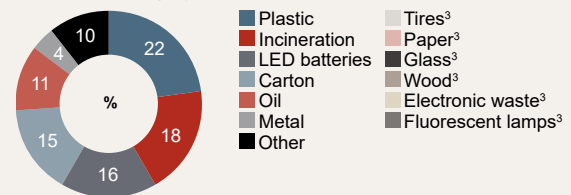
2022. The acquisition of the American company Rudd Equipment Company, Inc. in December 2023 means that Ferronordic is once again active in machine and component rebuild. Rudd's rebuild center specialises in the repair of major components for construction and mining equipment. Rudd also offers mid-life rebuild for machines.

Information regarding waste generation in the Company's markets shows that the largest categories consist of plastic and incineration. Current data provides an overview of which waste categories Ferronordic should focus on to increase the proportion of recycling.

Rebuild categories ¹	December 2023
Transmissions	2
Cylinders	1
Other components	3

¹ In units.

Waste per category



³ Less than 1 percent.

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Work environment

Health and safety are core aspects of Ferronordic's business. Some of the Company's employees work in challenging conditions 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 employees' working environment. This includes, among other things, training. It also includes frequent inspections of the Company's facilities and reporting and recording of all incidents. These inspections increase awareness of health and safety amongst employees and remind them of the importance of safety routines. In 2022, the incident reporting system previously implemented in Russia was also implemented in Germany.

Diversity and engagement

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 occurs, the technical conditions and business models are changing. For Ferronordic to remain relevant, innovation is a key factor. To be innovative, we need to promote and capture ideas from different business areas. This requires diverse skills, back-

grounds and good working conditions. It also requires a shared sense of inclusion and participation, where all employees feel that they are respected and that their views and ideas are appreciated. We have a Competency Development Policy that regulates the process of training and retraining employees and the development and improvement of their personal qualities and professional aptitude. The policy's purpose is to maintain a high professional level of employees, maintain and improve the competitiveness of the Company in the constantly changing market, strengthen the corporate culture, etc.

Ferronordic has a diversity KPI to focus management's attention and measure developments in this area as we strive to be an inclusive company with employees of diverse backgrounds. Ferronordic's business 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 and contributes to the development of local communities, remote work in relatively isolated places can also be challenging for Ferronordic's employees in the long term. Ferronordic invests in its HR function and uses a variety of tools to improve employee satisfaction and maintain diversity. By 2025, we want to reach 80 percent employee engagement and 30 percent diversity.



Health & Safety	2023 ¹	2022	2021	2020	2019	Diversity	2023	2022	2021	2020	2019
Hours training total	4,298	57,227	61,027	49,761	59,954	Women in Board, %	33	33	29	17	17
Hours training/employee	9.5	36	34.1	33.9	47.9	Women in management, % ⁷	25	20	32	28	-
Safety hours training total	2,041	22,844 ²	6,810	4,282	9,344	Total women employee, %	17	15	13	10	13
Sick days/employee ³	14.2	10.2	5.9	4.9	2.6	Diversity, % ⁸	20	24	21	-	-
Near-miss ⁴	0	114	129	48	169	Employee engagement, % ⁹	-	-	77.2	-	-
Minor injuries ⁵	47	50	24	1	1						
Major injuries	16	16	5	3	4						
Fatalities	0	1	0	0	0						
LTIFR Germany ⁶	16.72	18.11	3.87	-	-						

¹ Unless otherwise stated, all data for 2023 refer to Germany and Kazakhstan.

² The increase during 2022 was mainly due to stricter laws in Russia regarding first aid training as well as an increase in training in the use of personal protective equipment. After evaluation, the number provided in last years' report was incorrect and has here been adjusted.

³ The increase in 2022 was mainly due to the pandemic.

⁴ 2019–2022 refers only to Russia and Kazakhstan. The changes between the years are mainly due to the pandemic. The 2023 data refer only to Kazakhstan.

⁵ Minor and major occupational accidents from 2021 and 2022 also include Germany.

⁶ Lost Time Injury Frequency Rate. First calculated year 2021.

⁷ First calculated year 2020.

⁸ First calculated year 2021. Calculated as employees of diverse backgrounds/average total headcount.

⁹ First calculated year 2021. Engagement is measured every second year, but has this year been postponed due to organisational changes in Germany. Gallup Q12 employee satisfaction survey methodology.

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Anti-corruption

Since its founding, Ferronordic has put significant efforts into measures to fight corruption and develop a culture of strong business integrity. We have a Procurement Policy that stipulates rules with different threshold values to ensure that decisions are made by at least two people of relevant level and competence. We run an Anti-corruption Policy to adhere to Ferronordic's commitment to zero tolerance to corruption (for more information, see p. 44). An annual anti-corruption training is also mandatory for all employees in all markets. Our prevailing target is for all employees to complete the anti-corruption training. Moreover, Ferronordic's Code of Conduct includes statements on anti-corruption as well as instructions on how to report suspected violations of the code. Our Code of Conduct is available for all employees on our intranet and external users on our webpage. Ferronordic operates under the Swedish Code of Corporate Governance and sustainability is a standing item at management group and Board meetings. To make it easier for employees and external parties to report signs of misconduct and non-compliance, Ferronordic has established a whistle-blower function. A whistle-blower can report any suspicious activity anonymously on the "Ferronordic Hotline". The whistle-blower function is described in the Company Code of Conduct and is managed internally.

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 suppliers, which facilitates a mutual understanding of the importance of our shared environmental footprint. Ferronordic only works with premium manufacturers. These producers have for a long time been working to reduce their environmental impact. This work and the close cooperation with its partners help Ferronordic reduce its supply chain footprint. ISO 45001 has been implemented in Kazakhstan, but this part of the business is not yet certified. We are currently working with implementing ISO 45001 in our German business. In 2022, we expanded our quality and environmental management systems to Germany.

Anti-corruption and compliance	2023	2022	2021	2020	2019	ISO-certifications	9001	14001	45001
Percentage of employees who have completed anti-corruption training, %	100	100	100	100	100	Germany	Yes	Yes	No
Number of training hours in anti-corruption/employee	0.56	1.14	1.08	1.06	1.04	Kazakhstan	No	No	No
Reported whistle-blower incidents	1	4	2	2	1				
Whistleblower incidents which led to action	0	0	1	0	1				

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Sustainable offer

By a sustainable offer, we mean products and services with minimum emissions (given the technology) and resource waste, both in production and for the customer, that enable maximum recycling.

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' direct commercial needs but also to support their work on sustainability. This means that Ferronordic always strives to offer products with minimum environmental impact. Ferronordic then works to optimise the product's life cycle through maintenance, repair and remanufacturing. At the end of the product's life, Ferronordic ensures that resources that customers can no longer use are recycled when possible or responsibly disposed of.

Opportunities in transformation of transport

The transport industry is undergoing a transformation. Biodiesel, ethanol, fuel cell technology, biogas and electricity are replacing petrol and diesel as fuels. This transformation requires significant investments in infrastructure, which means that some sources of energy will not be fully available for several years. Through its strategic partnerships, Ferronordic can offer solutions with a low environmental impact that fit the needs of Ferronordic's customers. In addition, the transformation can lead to new partnerships and solutions for the 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 reducing CO₂ emissions and protecting human rights and biodiversity. This is an advantage for companies that conduct active sustainability work, which is integral to 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, thereby reducing the risk of unplanned downtime, which is associated with resource waste, additional costs and loss of revenue for customers. Ferronordic also offers operator and fleet management training to help customers efficiently utilise their machines and other equipment and to minimise environmental impact. To drive incremental improvements in its environmental performance, Ferronordic has established a KPI and will develop long-term targets for sustainable customer offerings. The KPI include training on how to use the machines in an environmentally sustainable way, remanufactured and rebuilt units, and sales of electric vehicles. The KPI is designed to include more products and services over time. The share of sustainable offerings sold in 2023 was 4.01 percent.

Sustainable offerings KPI

Share of total sales, %

2023

2022

2021

4.01

4.63

0.95

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Risk mapping

To identify and calibrate sustainability risks, Ferronordic carried out a risk survey in 2021 on the industries and countries in which it operates. Most of the survey was carried out with internal resources, but it was also complemented by an external consulting firm to ensure that risks were not overlooked or underestimated. The mapping of sustainability risks is linked to Ferronordic's overall process for risk management. During 2023, Ferronordic began a double materiality analysis. This process will continue throughout 2024 and will help us identify and update risks annually.

Risk management

Our risk review and management process, which includes sustainability areas, is performed by Ferronordic's internal audit and control. In this process, business managers and area experts work together with Ferronordic's risk and compliance personnel to identify, describe and manage risks. The level of risk and the implementation of controls are reported by the employees responsible for the relevant risks. The risks and controls are reviewed annually. During 2023, the Group's risk management process included Sweden, Germany and Kazakhstan.



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- **Sustainable transport solution** – In 2024, we plan to make further investments in electric trucks and charging stations as well as starting to operate zero emission trucks ourselves.
- **Mapping of the value chain's climate footprint** – In 2024, Ferronordic intends to continue mapping the Company's CO₂ footprint throughout the value chain.
- **Impact assessment of climate change** – In 2024, 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.
- **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 most significant 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. During 2023, Ferronordic started to also review other parts of its value chain with risks linked to human rights, and will continue this review during 2024.
- **Corporate Sustainability Reporting Directive (CSRD)** – In 2024, preparations will continue for the transition to reporting in accordance with the EU's new directive for sustainability reporting, CSRD.
- **Sustainability targets** – In 2024, Ferronordic will continue to review its sustainability targets as the double materiality analysis continues.



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EU Taxonomy

Ferronordic is covered by the Taxonomy regulation, including the Climate Delegated Act with associated Annexes I and II. In comparison to 2022, an extended analysis of Ferronordic's operations in relation to the Taxonomy has been carried out in 2023.

The EU Taxonomy Regulation is a classification system for sustainable economic activities in relation to the European Union's six environment objectives:

1. Climate change mitigation (CCM)
2. Climate change adaptation (CCA)
3. Sustainable use and protection of water and marine resources (WTR)
4. Transition to a circular economy (CE)
5. Pollution prevention and control (PPC)
6. Protection and restoration of biodiversity and ecosystems (BIO)

An activity is considered sustainable according to the EU Taxonomy when it contributes substantially to one or several of the six environmental objectives, without causing significant harm to any of the others, and at the same time meets minimum safeguards.

The assessments for Taxonomy-eligibility and Taxonomy-alignment are based on our best interpretation of the Taxonomy Regulation and the currently available guidelines from the European Commission.

Methodology to identify eligible activities

Ferronordic has identified its taxonomy-eligible activities by screening the economic activities in the Climate Delegated Act, the Complementary Climate Delegated Act, the Environmental Delegated Act, and the amendments to the Climate Delegated Act. Ferronordic has identified that a small proportion of its economic activities qualify as eligible for Climate Change Mitigation (CCM), and a bigger proportion qualifies as eligible for Transition to a Circular Economy (CE).

Climate Change Mitigation (CCM)

- For its new workshops, Ferronordic invests in solar cells to generate electricity for its own requirements and sells any excess power generated back to the electricity market. Such investments are recognised as CapEx under Electricity generation using solar photovoltaic technology (CCM 4.1)
- Ferronordic invests in battery electric trucks to provide sustainable transport solutions, via rental or transport as-a-service arrangements. Net investments into Ferronordic's fleet for electric rental are recognised as CapEx under Infrastructure enabling low-carbon road transport and public transport (CCM 6.15). Ferronordic also sells electric trucks to customers, but this turnover is not recognised as Ferronordic neither manufactures nor operates these trucks as its primary business.

- To support its customers and facilitate the transition to low-emission transport, Ferronordic invests in mobile chargers. Ferronordic also invests in fixed chargers for customers and employees at its workshops. Such investments are recognised as CapEx under Installation, maintenance and repair of charging stations for electric vehicles in buildings and parking spaces attached to buildings (CCM 7.4).
- To offer service and repairs to its customers, Ferronordic invests and maintains properties (workshops). Such investments and maintenance are recognised as CapEx and OpEx respectively under Acquisition and ownership of buildings (CCM 7.7).

Transition to a Circular Economy (CE)

Ferronordic's customers buy construction equipment and trucks. The core of Ferronordic's business is to service and repair the machines and trucks it sells or rents to its customers. The productivity (driven by uptime and operational performance) and lifetime of these machines and trucks are critical to the profitability of Ferronordic's customers. Therefore, pre-emptive, preventive and reactive repairs and maintenance is a key part of Ferronordic's business. In addition to sales and rental of new and used construction equipment and trucks, service and spare parts, Ferronordic also rebuilds and remanufactures used equipment for an extended productive life.

- Ferronordic repairs, refurbishes, and maintains construction equipment and trucks for its customers. Sales from service on such activities are recognised as revenue under Repair, refurbishment and remanufacturing (CE 5.1).
- Ferronordic stores, sells and installs spare parts to the machines and trucks of its customers. Maintaining a high availability of spare parts, being close to our customers' equipment and training mechanics to apply the right spare parts in the right way is critical to the businesses of Ferronordic's customers. Sales of spare parts are recognised as revenue under Sale of spare parts (CE 5.2).
- Ferronordic wants to provide the most efficient solution to its clients. Depending on the intensity of their work requirements, different customers need different levels of productivity from their machines. As part of this effort, Ferronordic offers trade-in solutions (accepts a used machine or truck as partial payment for a new) and used equipment to customers for whom a used machine may be a more efficient solution. Sales of used equipment is recognised as revenue under Sale of second-hand goods (CE 5.4).

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Methodology to identify aligned activities

For an economic activity to be considered taxonomy-aligned – and hence environmentally sustainable – it needs to substantially contribute to at least one of the EU's six environmental objectives and not significantly harm any of the others. In addition, it needs to be carried out in adherence with certain minimum safeguards as regards social and governance aspects of sustainability. Only activities in Climate Change Mitigation and Climate Change Adaptation are screened for alignment in the 2023 EU taxonomy.

Ferronordic believes that all its eligible activities meet the minimum safeguard requirements. As presented in the table below, the result shows that Ferronordic currently meets the requirements for alignment for certain of the identified eligible economic activities in climate change mitigation. Most of Ferronordic's eligible activities are however in the circular economy objective. Circular economy activities are not screened for alignment in 2023 and are thus not recognised as aligned.

Substantial contribution

Ferronordic has identified a number of activities that fulfill the technical screening criteria of substantially contributing to climate change mitigation. They consist of Electricity generation using solar photovoltaic technology (CCM 4.1), Infrastructure enabling low-carbon road transport and public transport (CCM 6.15), Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) (CCM 7.4), and Acquisition and ownership of buildings (CCM 7.7).

Doing no significant harm

Taxonomy-eligible activities have been assessed against each of the do no significant harm (DNSH) criteria to consider if they also qualify as aligned. In absence of regulatory guidance and market practice, Ferronordic recognises that there is a meaningful scope for interpretation of the DNSH criteria and have made its best efforts to test its eligible activities for alignment.

The Do No Significant Harm Criteria of one eligible activity has been tested on all other objectives:

With regards to CCM 7.7, Ferronordic has not procured documentation to show that some of its buildings meet the hurdle requirements for energy efficiency. As such, no CapEx or OpEx under CCM 7.7 is recognised as aligned.

As for Ferronordic's other economic activities in Climate Change Mitigation (CCM) and Climate Change Adaptation, these include Electricity generation using solar photovoltaic technology (CCM 4.1), Infrastructure enabling low-carbon road transport and public transport (CCM 6.15), and Installation, maintenance and

repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) (CCM 7.4). The manufacturing of solar cells, batteries for electric trucks and machines and mobile charging stations in Ferronordic's upstream value chain involves the mining, processing and transport of minerals, energy intense manufacturing and components that may currently be hard to recycle. While Ferronordic recognises that these activities, which all fall under Climate Change Mitigation, are likely to have some negative impact on climate change adaptation, water and marine resources, transitioning to a circular economy, pollution and biodiversity and ecosystems, Ferronordic believe that its eligible climate change mitigation activities do no significant harm to the other objectives.

Minimum safeguards

Ferronordic's Human rights policy outlines the Group's commitment to respect human rights and is aligned with the UN Guiding Principles on Business and Human Rights and OECD's guidelines for multinational enterprises, including the principles of the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights, both in Ferronordic's own operations and its supply chain. Ferronordic's Code of Conduct, governance practices and systematic due diligence serve to uphold minimum safeguards on human rights, corruption, taxation, and fair competition.

The minimum safeguard criteria have been assessed at Group level, and thus all economic activities identified as taxonomy-aligned are covered by Ferronordic's Group-wide policies and procedures.

Accounting principles

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. The total turnover is Ferronordic's total sales and rental income in 2023, which includes the IFRS 15 and the IFRS 16 income according to the EU Taxonomy turnover definition. The total CapEx is the Group's total capital expenditure in 2023, as presented in the line of additions, excluding goodwill additions, in Note 11, Property, plant and equipment. The total OpEx covers the maintenance expenses, short-term lease costs, non-capitalised research and development costs, and repair and maintenance costs at the Group level. Ferronordic has worked to ensure that nothing has been double counted. The risk of double counting is reduced since Ferronordic only reports against two of the taxonomy's objectives: Climate Change Mitigation and Circular Economy.

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Turnover

Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover (4)	Substantial Contribution Criteria						DNSH criteria (‘Does Not Significantly Harm’)						Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) turnover, year N-1 (18)	Category (enabling activity) (19)	Category (transitional activity) (21)
				Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)				
		SEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			35%																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0,00	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%		
Of which enabling		0,00	0%	0%	0%	0%	0%	0%	0%									E	
Of which transitional		0,00	0%	0%	0%	0%	0%	0%	0%										T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
5.1 Repair, refurbishment and remanufacturing – Circular economy	CE5.1	292,194,673	10%	N/EL	N/EL	N/EL	N/EL	EL	N/EL									EL	
5.2 Sale of spare parts – Circular economy	CE5.2	444,792,650	16%	N/EL	N/EL	N/EL	N/EL	EL	N/EL									EL	
5.3 Sale of second-hand goods – Circular economy	CE5.4	276,764,044	10%	N/EL	N/EL	N/EL	N/EL	EL	N/EL									EL	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,013,751,367	35%					35%									36%		
Turnover of Taxonomy-eligible activities (A.1+A.2)		1,013,751,367	35%					35%									36%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		1,849,248,633	65%																
Total		2,863,000,000	100%																

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CapEX

Economic Activities (1)	Code (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial Contribution Criteria						DNSH criteria (‘Does Not Significantly Harm’)						Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) CapEx, year N-1 (18)	Category (enabling activity) (19)	Category (transitional activity) (21)	
				Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)					
		SEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES			26%																	
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
4.1 Electricity generation using solar photovoltaic technology	CCM4.1	1,492,400	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL					Y	Y	Y	EL			
6.15 Infrastructure enabling low-carbon road transport and public transport	CCM6.15	34,813,956	23%	EL	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	EL	E		
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM7.4	2,865,925	2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL		Y					Y	EL	E		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		39,172,281	26%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%			
Of which enabling		34,813,956	25%	0%	0%	0%	0%	0%	0%									E		
Of which transitional		0	0%	0%	0%	0%	0%	0%	0%											T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0,00	0%														0%			
CapEx of Taxonomy-eligible activities (A.1+A.2)		39,172,281	26%														18%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Capex of Taxonomy-non-eligible activities		109,827,719	74%																	
Total		149,000,000	100%																	

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OpEX

Code (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial Contribution Criteria							DNSH criteria (‘Does Not Significantly Harm’)						Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) OpEx, year N-1 (18)	Category (enabling activity) (19)	Category/(transitional activity) (21)
			Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)					
	SEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	
Economic Activities (1)																			
A. TAXONOMY-ELIGIBLE ACTIVITIES		1%																	
A.1. OpEx of environmentally sustainable activities (Taxonomy-aligned)																			
Environmentally sustainable activities (Taxonomy-aligned) (A.1)	0,00	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%			
Of which enabling	0,00	0%	0%	0%	0%	0%	0%	0%									E		
Of which transitional	0,00	0%	0%	0%	0%	0%	0%	0%										T	
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
7.7 Acquisition and ownership of buildings	CCM7.7	4,836,166	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL									EL	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		4,836,165	1%	1%														1%	
OpEx of Taxonomy-eligible activities (A.1+A.2)		4,836,165	1%	1%														1%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		488,163,834	99%																
Total		493,000,000	100%																

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Mandatory disclosure on nuclear and fossil gas related activities

Nuclear energy related activities

The company conducts, finances or is exposed to research, development, demonstration and deployment of innovative power generation facilities that produce energy from nuclear energy processes with minimal waste from the fuel cycle.	NO
The company carries out, finances or is exposed to the construction and safe operation of new nuclear facilities for the production of electricity or process heat, including for district heating or industrial processes, such as hydrogen production, as well as for safety upgrades of these, using best available technology.	NO
The company performs, finances or is exposed to the safe operation of existing nuclear facilities that produce electricity or process heat, including for district heating or industrial processes, such as hydrogen production from nuclear energy, as well as safety upgrades of these.	NO

Fossil gas related activities

The company carries out, finances or is exposed to the construction or operation of electricity production facilities that produce electricity using fossil gaseous fuels.	NO
The company carries out, finances or is exposed to the construction, renovation and operation of facilities for the combined production of heat/cooling and electricity using fossil gaseous fuels.	NO
The company carries out, finances or is exposed to the construction, renovation and operation of heat production facilities that produce heat/cooling using fossil gaseous fuels.	NO

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Indicator	Market	Unit	2019	2020	2021	2022	2023 ¹	2023 vs. 2022 YoY
Number of Board members	Group	#	6	6	7	6	6	0%
Number of Board meetings per year	Group	#	10	14	9	16	8	-50%
Board meeting attendance	Group	%	93	98	100	98	100	2%
Women members of Board	Group	%	17	17	29	33	33	0%
Nationalities present in Board	Group	#	1	1	1	1	1	0%
Independent members of Board	Group	#	4	4	5	4	4	0%
Electricity consumption	Group	MWh	2,123	2,501	3,250	4,186	1,407	-66%
Fuel consumption	Group	1,000 l	12,894	14,140	25,589	29,072	370	-99%
Flight miles	Group	1,000 km	9,980	3,549	8,034	6,780	2,348	-65%
CO ₂ emissions related to flights	Group	tons	1,115	385	878	879	543	-38%
Share of electric trucks sold	Group	%				1.2	4.79	299%
Electricity rate (MWh/revenue)	Group	%			3.20	2.80	0.59	-79%
Renewable energy share	GER	%	0	0	0	0	80.6	81%
Transmissions	USA	#					2	-
Cylinder	USA	#					1	-
Other components	USA	#					3	-
Incineration	Group	%			28	26	18	-31%
Tires	Group	%			26	22	<1	-
Metal	Group	%			10	10	4	-60%
Oil	Group	%			10	14	11	-21%
Plastic	Group	%			9	9	22	144%
Carton	Group	%			7	8	15	88%
LED batteries	Group	%			7	7	16	129%
Paper	Group	%			1	2	<1	-
Glass	Group	%			1	1	<1	-
Wood	Group	%			1	1	<1	-
Electronic waste	Group	%			<1	<1	<1	-
Fluorescent lamps	Group	%			<1	<1	<1	-

¹ Group data for 2023 refers to Germany, Kazakhstan and Sweden.

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KPI Index, cont.

Indicator	Market	Unit	2019	2020	2021	2022	2023 ¹	2023 vs. 2022 YoY
Lost Time Injury Frequency Rate	GER	#			3.87	18.11	16.72	-8%
Accidents at work (minor)	Group	#	1	1	24	50	47	-6%
Accidents at work (major)	Group	#	4	3	5	16	16	0%
Fatalities	Group	#	0	0	0	1	0	-100%
Personal protective equipment	Group	EUR ²	389,160	330,620	492,200	646,100	64,670	-90%
ISO 45001 Certification	GER	Y/N	N	N	N	N	N	
ISO 14001 Certification	GER	Y/N	Y	Y	Y	Y	Y	
ISO 9001 Certification	GER	Y/N	Y	Y	Y	Y	Y	
Internal HSE inspections	Group	#	52	15	72	113	36	-68%
Number of violations discovered	Group	#	618	315	855	1,071	134	-87%
Number of violations closed on time	Group	%	60	67	100	95	84	-12%
Safety walks	Group	#	1,480	655	1,104	1,208	64	-95%
Near-miss ⁴	CA	#	169	48	129	114	0	-100%
Closed Near-miss reportings ⁴	CA	%	0	-1	1	1	0	-100%
Near-miss frequency rate ⁴	CA	#			9	8	0	-100%
Safety training	Group	hrs	9,344	4,282	6,810	22,844 ³	2,041	-91%
Anti-corruption training	Group	hrs	1,239	1,556	1,930	2,302	257	-89%
Anti-corruption training/employee	Group	hrs/#	1.04	1.06	1.08	1.14	0.56	-51%
Reported whistleblower incidents	Group	#	1	2	2	4	1	-75%
Whistleblower incidents which led to action	Group	#	1	0	1	0	0	-
Number of employees at end of year	Group	#	1,189	1,469	1,791	1,842	827	-55%
Employee turnover	Group	%	13	15	14	15	23	53%
Average age of employees at end of year	Group	#	37	39	39	39	39	0%
Proportion of female/male employees	Group	%	13	10	13	15	17	13%
Proportion of female/male employees in executive management	Group	%	11	16	15	20	14	-30%
Proportion of female/male employees in management	Group	%	-	28	32	20	25	25%
Nationalities in workforce	Group	#	7	19	20	23	27	17%
Diversity (employees of diverse backgrounds/average total headcount)	Group	%			21	24	20	-17%
Vacancies announced internally in year	Group	%	88	93	93	90	63	-30%
Vacancies filled internally in year	Group	%	60	20	25	20	43	115%
Internal promotions made in year	Group	#	268	187	273	148	11	-93%
Training hours provided in year	Group	hrs	56,954	49,761	61,027	57,227	4,298	-92%
Total training hours per Employee	Group	hrs/#	48	34	34	36	9.5	-74%
Work-related serious accidents or fatalities in year	Group	#	4	3	5	7	0	-100%
Sick-days in year	Group	#	3,097	7,189	10,502	18,797	6,435	-66%
Average number of sick-days per employee	Group	#	2.6	4.9	5.9	10.3	14.2	38%
Number of partners that signed a Code of Conduct	Group	#			4	5	7	40%
Number of partners that signed a policy on Human Rights	Group	#			4	4	7	75%
Share of sustainable offerings sold	Group	%			0.95	4.63	4.01	-13%

¹ Group data for 2023 refers to Germany, Kazakhstan and Sweden.² Due to the sale of the Russian business, EUR amounts calculated using the average exchange rate (RUB to EUR) of each year.³ After evaluation, the number provided in last years' report was incorrect and has here been adjusted.⁴ Near-miss data for 2019–2022 refer to Russia and CA. Data for 2023 refer only to CA.

The share



The share

» The Ferronordic share

The Ferronordic share

Ferronordic's shares have been listed on Nasdaq Stockholm since October 2017. On 31 December 2023, the share price was SEK 71.00, which is a decrease 7.4 percent compared to the previous year. This corresponds to a decrease in the market capitalisation of the Company to SEK 1,032m (1,114). The listing refers to all shares in Ferronordic AB (publ), which is the Parent company of the Group. The shares are traded in the Small 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 2023, 12,978,165 shares (40,492,661) were traded at a total value of SEK 1,051m (2,929). The average turnover was 51,706 shares (160,050) for SEK 4,259m (11.6) per trading day. All listed shares are traded on Nasdaq Stockholm.

Share capital

Ferronordic has only one class of shares: ordinary shares. The number of shares on 31 December 2023 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. For the AGM in 2024, the Board proposes no dividend to be paid out.

Ownership

On 31 December 2023, the number of shareholders amounted to 11,520 (12,248). Foreign ownership amounted to 9 percent (18). Among the ten largest shareholders, a few changes took place in 2023. Skandinavikonstult, Avanza Pension, Lars Corneliusson, Altocumulus and Per Arwidsson (and associated persons) increased their holdings, while SEB Life International and PEG Capital Partners AB decreased their positions. Other changes are of a minor nature.

Data per share (SEK)	2023	2022	2021	2020	2019	Significant shareholders as at end of 2023 ²		
						Shareholders	Number of shares	Share of capital and votes, %
Operating profit	-7.9	17.0	33.2	22.6	24.6	1. Skandinavikonstult i Stockholm AB ³	2,450,000	16.9
- after full dilution	-7.7	17.0	33.1	22.6	24.6	2. Avanza Pension	1,328,964	9.1
Profit	-7.4	30.3	23.3	15.3	17.3	3. Lars Corneliusson (directly and through companies)	993,590	6.8
- after full dilution	-7.2	30.3	23.3	15.3	17.3	4. Nordnet Pension	992,708	6.8
Operating cash flow	-1.9	14.8	31.5	47.7	-22.7	5. AltoCumulus	784,093	5.4
- after full dilution	-1.8	14.8	31.5	47.7	-22.7	6. Per Arwidsson and associated persons ⁴	768,677	5.3
Equity	111.6	128.9	75.8	55.5	61.3	7. Arbona AB	270,053	1.9
- after full dilution	109	128.9	75.8	55.5	61.3	8. Janne Pakarinen	216,806	1.5
Stock price by year end	71.00	76.70	337	157	163	9. Magallanes Value Investors	216,196	1.5
Highest share price	98.95	367.50	359	173	167	10. Norges Bank	157,480	1.1
Lowest share price	64.25	28.15	154	73	125	Other shareholders	6,353,867	43.7
Dividend ¹	7.5	7.5	-	7.5	4.3	Total	14,532,434	100.0

¹ The Board's proposal 2022.

² Euroclear 31 December 2023.

³ Associated persons of Håkan Eriksson.

⁴ Of which 493,180 are owned as call options.

The share

» The Ferronordic share

Share-based incentive program

At Ferronordic's Extraordinary General Meeting on 15 December 2022, shareholders resolved to approve an incentive program for members of the Group's executive and extended management. The program is intended to create long-term incentives and align the interests of management and shareholders. The duration of the program is three years. The program entails the issuing of a maximum of 1,178,000 warrants, or 7.5 percent of the Company's outstanding number of shares, to be distributed between approx. 19 people forming the senior management of the Company and its subsidiaries. 499,000 of the warrants were transferred to participants in January 2023. Subscription of shares is to be done against cash payment to the Company of a strike price equal to SEK 65. Assuming full allotment and subsequent subscription, the Company's equity would increase with

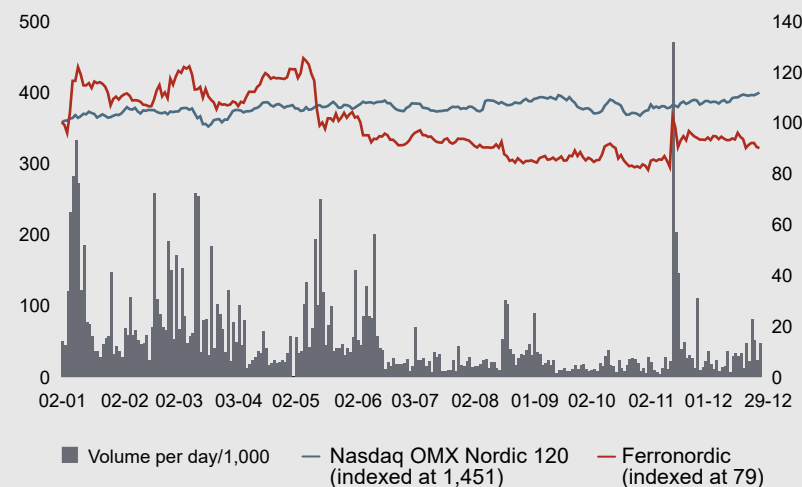
approx. SEK 76,570,000. Participation in the program and subsequent subscription requires that a participant remains an employee of the Company or its subsidiaries. Prior programs were launched on 30 November 2020 and 12 May 2021. The 2020 program entailed an issuing of a maximum of 332,000 warrants with a subscription price of SEK 206. The 2020 program expired out of the money with no issue of shares in November 2023. The 2021 program entailed an issuing of a maximum of 364,500 warrants with a subscription price of SEK 344. The 2021 program is still active but as of 31 December 2023 out of the money.

For more information on Ferronordic's LTI programs, refer also to Note 17, on p. 108.

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
2008	New share issue	11,000	-	-	-	98,211
2010	New share issue	89,000	-	-	-	794,619
2013	Share split (100:1)	9,900,000	-	-	-	-
2013	New share issue	-	-	500,000	-	44,641
2017	Conversion	-	-	-366,544	-366,544	-
2017	New share issue	1,333,333	-	-	-	119,044
2017	Redemption and new share issue	-	3,199,101	-	-366,544	252,899
2017	Redemption of shares	-	-	-66,728	-	-5,958
2017	Conversion	3,199,101	3,199,101	-	-	-
2018	Redemption of shares	-	-	-66,728	-	-5,958
Outstanding shares 31 December 2023		14,532,434	-	-	-	

Ferronordic & OMX 2023



Corporate governance



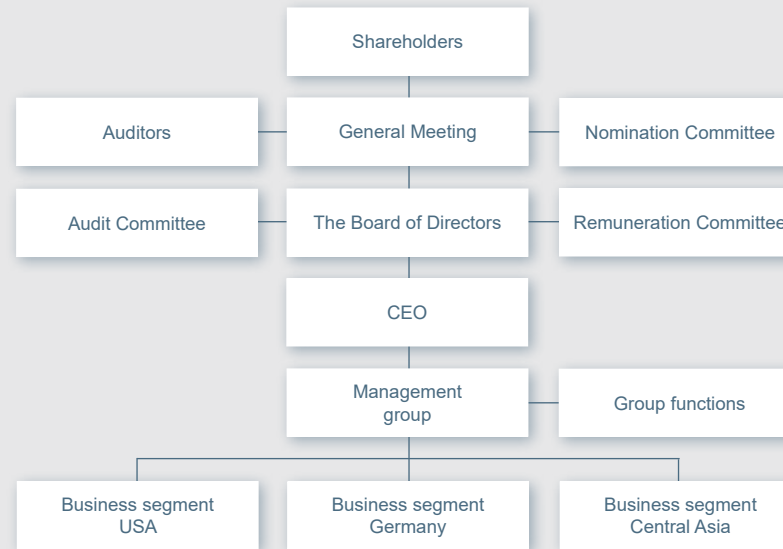
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» Corporate governance report

The Board

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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 2023 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 pp. 62–63.

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 on the record date 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.

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Annual General Meeting 2023

The Annual General Meeting took place on 11 May 2023 at Radisson Blu Hotel, Nybrokajen 9 in Stockholm. At the meeting, 36.41 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
- to pay a dividend of SEK 7.5 per share
- 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, Håkan Eriksson, Staffan Jufors, Aurore Belfrage and Niklas Florén (all re-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

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

Annual General Meeting 2024

Ferronordic AB's Annual General Meeting 2024 will take place on 16 May 2024 at 14.00 at Radisson Blu Hotel, Nybrokajen 9 in Stockholm. Further information is available at the Company's website www.ferro nordic.com.

Nomination Committee

At the 2023 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

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 2023 Annual General Meeting, the Nomination Committee consisted of Jörgen Olsson (Chairman), representing Skandinavikonstult i Stockholm AB, Peter Zonabend, representing Per Arwidsson and related parties, Anders Blomqvist, representing Lars Corneliusson and related parties, and Lars Hagerud, representing AltoCumulus.

The Nominations Committee for the 2024 Annual General Meeting consists of the following persons:

- Jörgen Olsson (chairman), representing Skandinavikonstult i Stockholm AB
- Peter Zonabend, representing Per Arwidsson and related parties
- Anders Blomqvist, representing Lars Corneliusson and related parties
- Lars Hagerud, representing AltoCumulus

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.

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Composition and work in 2023

Since the 2023 Annual General Meeting, the Board has consisted of 6 members without deputies, all elected at the 2023 Annual General Meeting for the period up to the 2024 Annual General Meeting. Detailed information about the Board members, including their shareholdings and other positions, can be found on pp. 70–71. 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 4 out of 6 Board members are independent from the Company and management as well as major shareholders. When composing the Board, the nomination committee considers the Company's diversity policy. The aim is that the Board as a collective and in accordance with the Company's diversity policy should reflect a breadth of knowledge and background. An even gender distribution is considered, and the last time new Board members were elected to the Board, the percentage of the newly elected was 50 percent women. The Board consists of 33 percent women.

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	8/8
Lars Corneliussen	2011	No	No	8/8
Håkan Eriksson	2016	Yes	No	8/8
Staffan Jufors	2017	Yes	Yes	8/8
Aurore Belfrage	2021	Yes	Yes	8/8
Niklas Florèn	2021	Yes	Yes	8/8

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 2023, the Board held eight 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 CA, German and US economy and its impact on the markets and the Group's finances
- Corporate governance, risk management and internal control
- Strategy issues and business development, in particular the Group's expansion to the US
- 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 2023 Annual General Meeting, the remuneration of the Board amounted to SEK 2.4m, of which SEK 800,000 was paid to the Chairman and SEK 400,000 to each of the other directors, except for Lars Corneliussen, 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 2023, the Audit Committee consisted of the following members:

- Annette Brodin Rampe
- Håkan Eriksson (Chairman)
- Niklas Floren
- 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 2023, the Audit Committee held 4 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 2023, the Remuneration Committee consisted of the following members:

- Aurore Belfrage
- Annette Brodin Rampe
- 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 2023, 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.

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Sustainability and Ethics Committee

The Sustainability and Ethics Committee is responsible for overseeing and preparation of matters related to ESG, ethics and sustainability reporting. This committee was organised during the autumn 2023 and held two formal meetings.

In 2023, the Sustainability and Ethics Committee consisted of the following members:

- Aurore Belfrage (Chairman)
- Annette Brodin Rampe
- Niklas Florén

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 2023 consisted of 7 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 2023, the management consisted of:

- Lars Corneliussen, 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
- Onur Gucum, Commercial Manager
- Anton Zhelyapov, Head of Rental and Used business

Information about management, including age, relevant education and shareholdings can be found on pp. 72–73. 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.

Remuneration to senior executives

The 2023 Annual General Meeting approved the following guidelines for remuneration to the Company's senior executives:

- Remuneration to executives is based on current market terms on the markets where Ferronordic operates. Remuneration shall also be competitive in order to attract and retain competent executives.
- Fixed salaries are established individually based on the criteria specified above, as well as the individual executive's areas of responsibility and performance. For expatriates with salaries in local currency, the fixed salaries can be adjusted to reflect changes in foreign exchange rates.

- Executives may receive variable salaries in addition to fixed salaries. Variable salaries are paid upon fulfillment of pre-determined and measurable performance criteria, primarily based on the development of the Group as a whole, and/or the part of the group's business that the executive is responsible for. Variable salary for the CEO as well as executives shall not exceed 100 percent of the fixed salary.
- A share or warrant-based long-term incentive program for the Company's and its subsidiaries' senior management may be introduced as per separate decision.
- Executives are entitled to customary non-monetary benefits such as company cars and company health insurance. In addition, company housing and other benefits can be offered on an individual basis, such as housing allowances and school/kindergarten allowances for expatriates.
- In addition to those pension benefits that executives are entitled to according to law, executives may be offered pension benefits that are competitive in the country where the individual in question is or has been a resident or to which the individual has a relevant connection. Pension plans shall be defined contribution plans without guaranteed pension levels.
- 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 2023 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 2023 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.

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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 2024

The Board of Directors

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Staffan Jufors

Function

Chairman of the Board, Chairman of the Remuneration Committee and member of the Audit Committee.

Nationality/born

Swedish citizen. Born 1951.

Member since

2017

Education

Master's degree in business administration.

Other assignments

Board member of the Nordens Ark foundation.

Previous assignments and positions

CEO of Volvo Trucks, CEO of Volvo Penta and board member of Akelius Residential Property AB, AF AB, Uniflex AB and Haldex AB.

Shares in Ferronordic

90,000

Annette Brodin Rampe

Board member and member of the Remuneration Committee and Audit Committee.

Swedish citizen. Born 1962.

2017

M.Sc. in Chemical Engineering.

CEO of ImagineCare AB, board chairman of Storskogen Group AB, board member of PION Group AB and Episurf Medical AB.

CEO of the International English School. Board member of Peab AB, HerCare AB, Enströmgruppen AB and Stillfront Group AB.

2,000

Lars Corneliusson

Board member.

Swedish citizen. Born 1967.

2011

M.Sc. in Business Administration.

Managing Director of CJSC Volvo Vostok and Head of Volvo Trucks Russia.

993,590 shares and 182,000 warrants (through companies).

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The board, cont.**Håkan Eriksson****Aurore Belfrage****Niklas Florén**

Function	Board member, Chairman of the 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	Board member of Skandinavkonsult i Stockholm AB, Skandinavkonsult Holding i Stockholm AB, Nivika Fastigheter AB, and Joheco AB.	Several board assignments (incl. My Telescope, Bubbleroom, The Swedish Institute's Transparency Council and Söderhub.com) and roles as investor in start-up companies in the technology sector.	CEO for WirelessCar.
Previous assignments and positions	Among others 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	2,450,000 (through companies).	-	50

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Management and auditors



	Lars Corneliusson	Nadia Semiletova	Henrik Carlborg	Erik Danemar	Dan Eliasson
Function	President and CEO.	Human Resources Director.	Business Development Director and Deputy CEO.	Group CFO and Head of Investor Relations.	General Counsel and Head of Treasury and Deputy CEO.
Nationality/born	Swedish citizen. Born 1967.	Russian citizen. Born 1979.	Swedish citizen. Born 1975.	Swedish citizen. Born 1976.	Swedish citizen. Born 1971.
Education	M.Sc. in Business Administration.	Studies in Organisational Management.	LL.M.	MBA (LBS) and BAs in Economics & Management and International Business.	M.Sc. in Law and B.Sc in Economics and Business Administration.
Previous assignment and positions	Managing Director of CJSC Volvo Vostok and Head of Volvo Trucks Russia.	Leading positions at British Petrol and Shell.	Consultant with a focus on M&A transactions. Partner at Hannes Snellman Attorneys at Law.	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 Eastern Europe.
Shares in Ferronordic	993,590 shares and 182,000 warrants (through companies).	3,770 shares and 90,500 warrants.	133,200 shares and 90,500 warrants.	8,000 shares and 90,500 warrants.	6,282 shares and 90,500 warrants.
Employed since	2011	2010	2013	2019	2020

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Management and auditors, cont.**Onur Gucum****Anton Zhelyapov**

Function	Commercial Director.	Director of rental and used business.
Nationality/born	Turkish citizen. Born 1973.	Belarusian citizen. Born 1977.
Education	B.Sc. in Economics and Mathematics.	MBA at Stockholm School of Economics.
Previous positions	COO of Zeppelin caterpillar in Russia and various positions within the Volvo Group.	Various positions at Volvo Trucks.
Shares in Ferronordic	75,000 warrants.	768 shares and 90,500 warrants.
Employed since	2012	2015

Auditor

At the AGM 2023, 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).

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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 2023. Unless otherwise stated, all amounts are indicated in SEKm (SEKm). Amounts in brackets refer to the financial year 2022, unless otherwise stated.

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 from the suppliers of the Group, that are resold to the subsidiaries. The Parent Company is also the holder of the "Ferronordic" trademark.

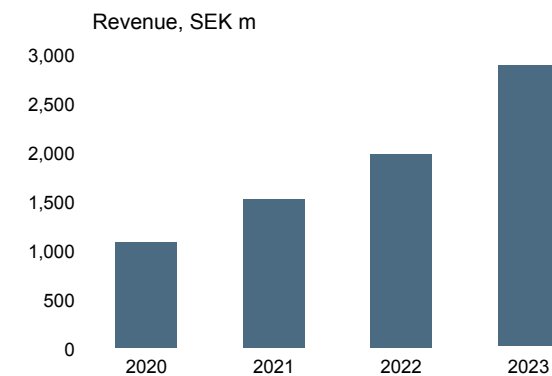
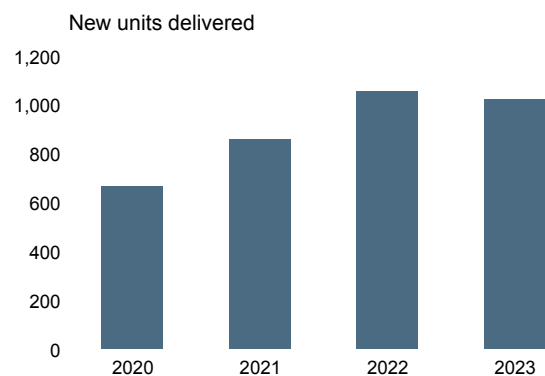
Ferronordic is a service and sales company in the areas construction equipment and trucks. It is dealer for Volvo CE in all or parts of nine states in the United States and represents Hitachi, Sandvik and Linkbelt in parts of the same area. Ferronordic is dealer of Volvo Trucks, Renault Trucks and Sandvik mobile crushers in Germany. It is also dealer of Volvo CE and certain other brands in Kazakhstan.

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 Russia. The Group was subsequently also appointed authorised dealer and service partner for Sandvik, Rotne, Dressta, Mecalac, Terex and certain other brands for all or parts of Russia. Since then, the Group's business has expanded and changed. In 2019, Ferronordic became the official dealer for Volvo CE and Mecalac in Kazakhstan. In 2020, Ferronordic became the official dealer for Volvo

Trucks and Renault Trucks in parts of Germany. Following the conflict in Ukraine, the Group sold its Russian subsidiaries at the end of 2022 for a price close to the Company's net asset value. As a result, Ferronordic left Russia. The sale of the Russian business did not affect the Group's remaining operations in Kazakhstan and Germany. In November 2023, the Group acquired Rudd Equipment Company ("Rudd") in the USA. Rudd is one of the largest dealers of Volvo CE in the United States with operations in all or parts of nine states. The Company also represents other brands, such as Hitachi, Sandvik and Link-Belt. In the 2023 results, the results of Rudd is consolidated in the Group's results only in December. In the Group's balance sheet from 31 December 2023, Rudd's balance sheet is consolidated in full. The consolidation of Rudd in Ferronordic's financial statements significantly impacts many of the Group's operational and financial key performance indicators (KPI).

As of 2023, the Group recognises three reportable operating segments: USA, Germany and Central Asia (CA). Kazakhstan is currently the only market in the Central Asia segment (see also Note 6 on p. 96).

Ferronordic's operations consist of selling new and used construction equipment and trucks, spare parts and attachments. The Group also provides service of equipment, technical support and other professional services. In the US, Ferronordic has a fleet of construction equipment machines for rental that can be sold to customers during the rental period. Such conversion of rental to sales is an important sales channel in the US. The Group also offers contracting services, where the Group owns, services and operates equipment on behalf of its customers and is paid per cubic meter and kilometre of material transported. In 2023, the Group had no ongoing contracting services projects. The ambition is to offer contracting services in Kazakhstan in the future. In Germany, Ferronordic works closely with its key partners to promote electric trucks and develop sustainable transport solutions, with payment based on volumes and distances of goods transported.



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Ferronordic's customers of construction equipment in the United States operate in a number of different industries, such as general construction, infrastructure and mining.

Ferronordic's customers of trucks 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.

Ferronordic's customers of construction equipment in Kazakhstan operate in a number of different industries, such as the construction industry, the mining and the forestry industries.

Net sales and results

In December 2023, Ferronordic's North American business sold 47 new units, 4 used units and converted 5 units from rental.

In 2023, Ferronordic's sales of new trucks and light commercial vehicles in Germany decreased by 2 percent to 975 (992), while during the same period the market¹ grew by 25 percent.

In Kazakhstan (CA segment), unit sales of new construction equipment increased by 20 percent to 72 (60), while during the same period the market declined by an estimated 23 percent².

Net sales

The Group's net sales increased by 45 percent to SEK 2,863m (1,973). Truck and machine sales increased by 50 percent while aftermarket sales (spare parts and service) increased by 41 percent. Net sales in other income, mainly rental operations, increased by 4 percent. In the US, net sales in December contributed SEK 308m to the Group. In Germany, net sales increased by 28 percent to SEK 2,271m (1,770). Net sales in Kazakhstan increased by 40 percent in SEK to SEK 284m (203).

Gross profit and operating profit

Gross profit for the year amounted to SEK 377m (250), an increase of 51 percent and partly driven by the acquisition of Rudd in the US. The gross margin increased from 12.7 percent to 13.2 percent. Selling and administrative expenses increased by 46 percent but was unchanged as a share of net sales 17.7 percent. Other costs were higher in 2023 than in 2022. Other income was higher in 2022, when Ferronordic received a compensation payment from Volvo CE of SEK 321m and sold its business in Russia. Partly as a result of this, operating profit decreased to SEK -115m (233). The adjusted³ operating profit decreased from SEK -88m to SEK -115m.

Result before income tax

Net financing costs remained unchanged at SEK -17m, as both finance income and expenses were higher on higher interest rates and higher cash and debt positions through the year. Result before income tax decreased to SEK -153m (258). The adjusted result before income tax in 2022 was SEK -63m.

Result for the year

Result for continuing operations for the year decreased to SEK -107m (183). Result for the year including discontinued operations in 2022 was SEK 440m.

Earnings per share

Earnings per share before dilution amounted to SEK -7.39 (30.28). After dilution, earnings per share were SEK -7.22 (30.28).

Cash flow and investments

Cash flow from operating activities after changes in working capital, financial expenses and taxes decreased to SEK -27m (215). Cash flow from investing activities amounted to SEK -1,215m (521). The Group's cash flows resulted in a net debt position, which at the end of 2023 amounted to SEK 1,349m (net cash of 957).

Financial position

Cash and cash equivalents on 31 December 2023 amounted to SEK 426m (1,688). Interest-bearing liabilities (including financial leasing) amounted to SEK 1,776m (731). Tangible fixed assets increased to SEK 1,828m (560). Equity on 31 December 2023 amounted to SEK 1,622m (1,873).

Dividend

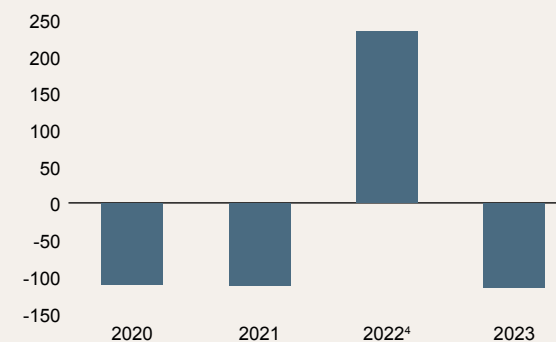
At the 2023 Annual General Meeting, it was decided to pay a dividend of SEK 7.5 per share. For the 2024 Annual General Meeting, the Board of Directors does not recommend to pay a dividend.

¹ ACEA statistics

² Based on estimates from Volvo CE

³ Adjusted here and in the rest of this report means excluding the effect of the compensation payment from Volvo of SEK 321m.

Results from operating activities, SEK m



⁴ The adjusted operating result in 2022 was SEK -88m.

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Employees

At the end of 2023, the number of full-time equivalent employees in the Group was 827 (457), of which 399 (382) related to Germany, 355 related to USA, 54 (57) to Central Asia and 19 (18) occupied Group functions.

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 fulfilment 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 2024 are the same as those that applied for 2023.

Outlook

2023 was transformative for Ferronordic. After a challenging year, we look forward with confidence to a restart in 2024. We are optimistic about our expansion in the USA and the opportunities there. Demand in the USA is supported by a dynamic economy and extensive support programs for infrastructure investment. The German economy is slowing, and the truck market is expected to decrease in 2024. We have taken steps to adapt our organisation and cost structure to a weaker market. We believe in continued strong demand in the aftermarket business. We are confident that we will emerge stronger from current challenges and remain optimistic about the long-term potential in Germany. Our operations in Kazakhstan continue to develop, even if they will constitute a smaller part of the Group's total operations in the future.

Risks and uncertainties

Ferronordic is exposed to a number of operational and financial risks. The Group currently operates in the United States, Germany and Kazakhstan, which means that the Group has business in two developed markets and in one emerging market. In developed markets, competitive, labour and regulatory pressure can be strong. In an emerging market, the institutional and regulatory frameworks can be unstable. The tax and judicial systems are not always transparent or consistent. Corruption can be a problem. Access to funding can be limited, monetary policy unpredictable and the currency unstable. Counterparty and insurance risks are often greater and instruments to manage such risks are either less effective or more expensive. In its position as a service and sales company, between suppliers and customers, Ferronordic is exposed to both supply and demand disruptions and to changes in macroeconomic activity. For more on risks and uncertainties, please refer to pp. 77–78.

Shares and shareholders

Please see the section Shares and shareholders on pp. 62–63.

The work of the board

Please see the Corporate Governance Report on pp. 65–69.

Parent company

In 2023, the revenue of the Parent Company decreased by 57 percent to SEK 36m (84). Sales and administrative expenses amounted to SEK 118m (-57). The result amounted to SEK -24m (1,544).

Events subsequent to the reporting date

Other than as mentioned elsewhere in this report, there were no significant events after the end of the reporting period.

Proposed allocation of profit

The following amount is available for allocation by the AGM	SEK 1,923,270,998
Dividend on shares	0
Amount carried forward	1,923,270,998
of which the following to the Share Premium fund	639,802,700
Total amount allocated	1,923,270,998

Sustainability report

The Group's sustainability report can be found on pp. 43–59.

Alternative performance measurements

Definitions of alternative performance measurements are described on p. 23 of the 2023 Year-End Report.

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Risks and uncertainties

The Ferronordic 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, logistics, regulatory requirements, capacity utilisation and price risks. Operational 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. The Group is also exposed to reputational risks and risks related to changes in the environment.

Risk management

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

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 purchase and sales operations, the Group therefore aims to keep accounts receivable and accounts payable in the same currency. Where possible, the Group also procures different types of currency insurance to manage its risks. The Group operates in a cyclical business. On the assumption that interest rates tend to be higher when economies are strong, the Group has mostly floating interest rates. For longer-term loans, the Group may partially use fixed interest rate instruments.

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 analysis to evaluate how risks have changed, to develop a culture of risk awareness and to improve risk management.

Operational risks

Political environment

A smaller part of the Group's operations is connected to Kazakhstan, where the political conditions have historically been volatile. Political trends have sometimes been inconsistent, and the Kazakh government has at times been unstable. The Kazakh political system can be vulnerable to new political trends. In January of 2022, following sharp increases in fuel prices, Kazakhstan faced unrest in several

of its major cities. In 2023, part of the government was replaced. Political changes can result in changes of government positions and relations with private business. Changes in government policy and legislation are less foreseeable in Kazakhstan than in many Western countries and can disrupt or prevent political, economic and regulatory reforms.

Russia's military conflict in Ukraine has in some ways strained the relationship between Russia and Kazakhstan and intensified risks in the country.

In developed markets like the US and Germany, competitive and regulatory pressures can be strong and impact the market environment and the Group's profitability.

Legal system and legal procedures

The legal system in Kazakhstan is relatively unstable. Some laws and regulations are quite recent. They can contain ambiguous wording and their application can be interpreted in different ways. In addition, there are often discrepancies between laws and regulations at various 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 corruption in Kazakhstan. Media reports have also described cases where government officials have initiated targeted investigations and prosecutions to promote the interests of the government, certain individuals or companies. Media also reports of instances where sanctioned goods and products have been resold from Kazakhstan to Russia.

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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.

Ferronordic has extensive know-your-customer procedures. Ferronordic's sales contracts prohibits unethical use of the equipment and trucks and resale to sanctioned markets. Ferronordic's machines are also required to carry GPS trackers. Many of Ferronordic's machines are covered by service contracts, which means that Ferronordic regularly maintains the machines at the sites of the customers.

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 in terms of sustainability and in minimising its ecological footprint. The Group considers that its product range is leading in terms of safety, recycling and pollution and that stricter regulation tends to favor the market position of the Group's products. Accidents, waste and discharges of pollutants can however happen. No guarantees can 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. For more information on environmental risks, please refer also to the Sustainability report on p. 51.

Tax system

For information on risks associated with the US, German and Kazakh tax systems, please see Note 10.

Variations in economic activity

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

Furthermore, the Group's markets are 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 does not hedge this indirect exposure to commodity prices.

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 conditions that negatively affect end customers' financing opportunities, reduced consumption levels, reduced investments in infrastructure projects and increased costs for building materials. Downturns in the consumption, 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 new trucks and machine sales.

During the outbreak of the Covid-19 pandemic, authorities issued recommendations and regulations to restrict mobility and social contacts to limit the spread of the virus. Such restrictions had an adverse effect on the Group's business. Companies, including Ferronordic's suppliers, competitors and customers, took measures to adapt to an uncertain business environment. Extensive vaccination programs reduced such risks, but one cannot exclude the risk of new outbreaks and further disruptions on the supply or demand side of the Group's business.

Capacity utilisation and residual value

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 Group also has a meaningful fleet of machines and trucks for rental. The utilisation of this fleet could decline if economic activity, consumption or industrial activity declines. By owning machines and trucks for rental or contracting services, the Group is also exposed to residual value, referring to risk on the value of a machine or truck at the end of rental period or use in contracting services. Such risks can be greater in times of technological disruption, for example with the development of electric transport with changes in battery technology.

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.

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. In the transition to a zero-emission transport system, Ferronordic will to an extent depend on its partners ability to deliver products that will contribute to this transformation and be competitive in a low-emission economy.

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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 market in Kazakhstan is 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.



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Consolidated statement of comprehensive income

SEK m	Note	2023	2022
Continuing operations			
Revenue	6	2,863	1,973
Cost of sales		-2,486	-1,723
Gross profit		377	250
Selling expenses	7	-190	-140
General and administrative expenses	7	-319	-208
Other income	8	24	337
Other expenses	8	-8	-6
Operating profit		-115	233
Finance income	9	31	2
Finance costs	9	-48	-19
Foreign exchange gains/(losses) (net)		-21	42
Result before income tax		-153	258
Income tax	10	46	-75
Result from continuing operations		-107	183
Discontinued operations			
Result from discontinued operations		-	257
Result for the year		-107	440
Other comprehensive result			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		-35	322
Other comprehensive result for the year, net of tax		-35	322
Total comprehensive result for the year		-142	762
Earnings per share			
Basic earnings per share (SEK)	31	-7.39	30.28
Diluted earnings per share (SEK)	31	-7.39	30.28
Basic earnings per share from continuing operations (SEK)	31	-7.39	12.58
Diluted earnings per share from continuing operations (SEK)	31	-7.39	12.58

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

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Consolidated statement of financial position

SEK m	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,828	560
Intangible assets	12	244	85
Deferred tax assets	13	127	78
Total non-current assets		2,199	724
Current assets			
Inventories	14	1,443	460
Trade and other receivables	15	630	344
Prepayments		6	1
Cash and cash equivalents	16	426	1,688
Total current assets		2,506	2,493
TOTAL ASSETS		4,705	3,217

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

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Consolidated statement of financial position, cont.

SEK m	Note	31 December 2023	31 December 2022
EQUITY AND LIABILITIES			
Equity	17		
Share capital		1	1
Additional paid in capital		630	630
Translation reserve		-22	13
Retained earnings		1,013	1,229
TOTAL EQUITY		1,622	1,873
Non-current liabilities			
Borrowings	18	671	393
Deferred income	19	14	22
Deferred tax liabilities	13	277	1
Long-term lease liabilities	18	59	43
Total non-current liabilities		1,020	459
Current liabilities			
Borrowings	18	1,024	274
Trade and other payables	21	997	573
Deferred income	19	8	16
Provisions	20	12	1
Short-term lease liabilities	18	22	21
Total current liabilities		2,062	884
TOTAL LIABILITIES		3,083	1,344
TOTAL EQUITY AND LIABILITIES		4,705	3,217

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

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Consolidated statement of changes in equity

SEK m	Note	Attributable to the Parent Company's equity holders				Total equity
		Share capital	Additional paid in capital	Retained earnings	Translation reserve	
Balance 1 January 2023		1	630	1,229	13	1,873
Total comprehensive income for the year						
Result for the year		-	-	-107	-	-107
Other comprehensive income						
Foreign exchange differences		-	-	-	-35	-35
Total comprehensive income for the year		-	-	-107	-35	-142
Contribution by and distribution to owners						
Dividends	17	-	-	-109	-	-109
Total contributions and distributions		-	-	-109	-	-109
Balance 31 December 2023		1	630	1,013	-22	1,622

SEK m	Note	Attributable to the Parent Company's equity holders				Total equity
		Share capital	Additional paid in capital	Retained earnings	Translation reserve	
Balance 1 January 2022		1	620	789	-309	1,101
Total comprehensive income for the year						
Result for the year		-	-	440	-	440
Other comprehensive income						
Foreign exchange differences		-	-	-	322	322
Total comprehensive income for the year		-	-	440	322	762
Contribution by and distribution to owners						
Warrant issue	17	-	10	-	-	10
Total contributions and distributions		-	10	-	-	10
Balance 31 December 2022		1	630	1,229	13	1,873

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

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Consolidated statement of cash flows

SEK m	Note	2023	2022
Cash flows from operating activities			
Result before income tax from continuing operations		-153	272
Result before income tax from discontinued operations		-	510
Adjustments for:			
Depreciation and amortisation	11, 12	109	272
(Gain)/loss from impairment of receivables	8	-1	52
Profit on disposal of property, plant and equipment		-	-4
Finance costs	9	48	95
Finance income	9	-31	-24
Foreign exchange losses/(gains) (net)		21	-14
Cash flows from operating activities before changes in working capital and provisions		-7	1,158
Change in inventories		-335	594
Change in trade and other receivables		-50	341
Change in prepayments		-4	-191
Change in trade and other payables		409	-1,470
Change in provisions		12	4
Change in deferred income		-16	-10
Cash flows from operating activities before interest and tax paid		8	427
Income tax paid		-6	-127
Interest paid		-29	-85
Cash flows from operating activities		-27	215
<i>of which from discontinued operations</i>		<i>-</i>	<i>-11</i>

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

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Consolidated statement of cash flows, cont.

SEK m	Note	2023	2022
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	5
Interest received		27	18
Acquisition of property, plant and equipment		-149	-351
Acquisition of intangible assets		-	-1
Acquisition of business		-1,093	0
Sale of subsidiary		-	849
Cash flows from investing activities		-1,215	521
<i>of which from discontinued operations</i>		-	682
Cash flows from financing activities			
Dividends		-109	-
Proceeds from borrowings		467	403
Repayment of loans		-362	-170
Leasing financing paid		-17	-65
Cash flows from financing activities		-21	168
<i>of which from discontinued operations</i>		-	195
Net change in cash and cash equivalents		-1,263	903
<i>of which from discontinued operations</i>		-	866
Cash and cash equivalents at start of the year		1,688	768
Effect of exchange rate fluctuations on cash and cash equivalents		1	17
Cash and cash equivalents at end of the year		426	1,688

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

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Parent Company income statement

SEK m	Note	2023	2022
Revenue		36	84
Cost of sales		-22	-68
Gross profit		14	16
Administrative expenses		-118	-57
Other income		21	330
Other costs		-	-28
Operating profit		-82	261
Finance income	9	78	1,313
Finance costs	9	-7	-26
Foreign exchange gains/(-losses) (net)		-20	58
Result before income tax		-30	1,607
Income tax	10	6	-63
Result for the year		-24	1,544

Parent Company statement of comprehensive income

SEK m	Note	2023	2022
Result for the year		-24	1,544
Total comprehensive income for the year		-24	1,544

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

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Parent Company balance sheet

SEK m	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	11	0	0
Intangible assets	12	0	0
Financial assets			
Holdings in group companies	26, 28	288	35
Loans to group companies	26	66	-
Deferred tax assets	13	6	-
Total financial assets		360	35
Total non-current assets		361	36
Current assets			
Trade and other receivables	15	47	77
Prepayments		0	0
Loans to group companies		1,784	490
Cash and cash equivalents	16	266	1,543
Total current assets		2,098	2,111
TOTAL ASSETS		2,458	2,146

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

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Parent Company balance sheet, cont.

SEK m	Note	31 December 2023	31 December 2022
EQUITY AND LIABILITIES			
Equity	17		
Restricted equity			
Share capital		1	1
Unrestricted equity			
Share premium reserve		640	640
Retained earnings		1,308	-128
Result for the year		-24	1,544
TOTAL EQUITY		1,925	2,058
Non-current liabilities			
Borrowings	18	455	-
Total non-current liabilities		455	-
Current liabilities			
Trade and other payables	21	78	89
Total current liabilities		78	89
TOTAL LIABILITIES		534	89
TOTAL EQUITY AND LIABILITIES		2,458	2,146

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

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Parent Company statement of changes in equity

SEK m	Note	Share capital	Share premium reserve	Retained earnings	Total equity
Balance 1 January 2023		1	640	1,417	2,058
Total comprehensive income for the year					
Result for the year		-	-	-24	-24
Total comprehensive income for the year				-24	-24
Contribution by and distribution to owners					
Dividends on shares	17	-	-	-109	-109
Total contributions and distributions		-	-	-109	-109
Balance 31 December 2023		1	640	1,283	1,925

SEK m	Note	Share capital	Share premium reserve	Retained earnings	Total equity
Balance 1 January 2022		1	630	-128	504
Total comprehensive income for the year					
Result for the year		-	-	1,544	1,544
Total comprehensive income for the year				1,544	1,544
Contribution by and distribution to owners					
Warrant issue	17	-	10	-	10
Total contributions and distributions		-	10	-	10
Balance 31 December 2022		1	640	1,417	2,058

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

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Parent Company statement of cash flows

SEK m	Note	2023	2022
Cash flows from operating activities			
Result before income tax		-30	1,607
Adjustments for:			
Depreciation and amortisation	11, 12	0	0
Finance costs	9	7	26
Finance income	9	-78	-1,313
Foreign exchange losses (gains) (net)		20	-58
Cash from operating activities before changes in working capital and provisions		-82	262
Change in trade and other receivables		29	-4
Change in trade and other payables		-14	-72
Cash flows from operations before income taxes and interest paid		-67	185
Income tax paid		-	-
Interest paid		-3	-1
Cash flows from operating activities		-70	184

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

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Parent Company statement of cash flows, cont.

SEK m	Note	2023	2022
Cash flows from investing activities			
Interest received		29	2
Dividend from subsidiary		-	107
Repayment of loans by subsidiaries		345	-
Loans to subsidiaries		-1,703	-286
Contribution to subsidiaries		-253	-
Sale of subsidiary		-	1,097
Cash flows from investing activities		-1,583	919
Cash flows from financing activities			
Repayment of loans		-	-31
Loans from subsidiaries		-	130
Loans received		469	-
Dividend		-109	-
Cash flows from financing activities		360	99
Net increase/(decrease) in cash and cash equivalents		-1,292	1,202
Cash and cash equivalents at start of year		1,543	241
Effect of exchange rate fluctuations on cash and cash equivalents		16	100
Cash and cash equivalents at year-end	16	266	1,543

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

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NOTE 1 » General information

Ferronordic AB, reg. no. 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, Sweden. www.ferronordic.com.

Ferronordic is a service and sales company in the areas of trucks and construction equipment. It is dealer of Volvo Trucks, Renault Trucks and Sandvik mobile crushers and screens in Germany, and dealer of Volvo Construction Equipment, Sandvik mobile crushers and screens and Mecalac in Kazakhstan. From November 2023 Ferronordic is the dealer for Volvo CE in all or parts of nine states in the United States and also represents Hitachi, Sandvik and Link-Belt in parts of the same area. Ferronordic began its operations in 2010 and currently has 42 workshops and approx. 800 employees. Ferronordic's vision is to be the leading service and sales company in its markets.

NOTE 2 » Basis of 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 the Group company in Kazakhstan is the Kazakh tenge (KZT). The functional currency of the Group companies in Germany is the euro (EUR). The functional currency of the Group companies in the USA is the US dollar (USD). 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.

Note 2, Basis for preparation, cont.

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 22 (*allowance for expected credit losses*) and Note 25 (*contingencies*).

NOTE 3 » Changed accounting policies

No significant changes in accounting policies occurred in 2023.

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NOTE 4 » Significant accounting policies

The material 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 the functional currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in foreign currencies that are measured on the basis 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.

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 are, all, except for contingent consideration, 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.

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

Depreciation

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

Land is not depreciated.

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

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*Note 4, Significant accounting policies, cont.***Intangible assets**

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

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses, if applicable.

Amortisation and impairment

Estimated useful lives of the Group's intangible assets:

- Software and software licenses 2–5 years

Impairment test on goodwill is performed annually and when there is an indication of impairment.

Leases

Long-term leases are reported as right-of-use assets and corresponding lease liabilities on the commencement day of the lease. Payments for short-term contracts and leases of low value are expensed on a straight-line basis in the income statement. 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.

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 truck and machine in inventory has specifically identified costs.

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).

Warranties

The Group provides warranties on new machines, trucks 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 trucks and 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 trucks, construction equipment, light commercial vehicles and attachments. Control over the equipment typically transfers to the customer upon delivery, i.e. when the trucks or 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 truck or 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.

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.

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Note 4, Significant accounting policies, cont.

The Group does not have significant contract assets from contracts with customers. Information on receivables from contracts with customers is presented in Note 15, Trade and other receivables. Information on contract liabilities from contracts with customers is presented in Note 21, *Trade and other payables*.

Disaggregation of revenue is presented in Note 6, *Segment reporting and revenue*.

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 standards 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:*

From 2023 the Group recognises three separate reportable segments: USA, Germany and Central Asia (CA). 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.

In the US, trucks and equipment sales include sales of new and used construction equipment from Volvo, Hitachi, Sandvik and Link-Belt. In Germany, trucks and equipment sales include sales of new Volvo Trucks and Renault Trucks, Sandvik's mobile crushers and screens, Renault light commercial vehicles and used trucks. In Central Asia (CA), trucks and equipment sales include sales of new and used construction equipment, Sandvik's mobile crushers and screens, used trucks and attachments. Aftermarket sales include sales of service and parts. Other revenue consists mainly of rental revenue. Contracting services include only revenue from contracting services operations. Currently, there are no contracting services operations. 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.

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Note 6, Segment reporting and revenue, cont.

SEK m (or as stated)	USA 2023	USA 2022	Germany 2023	Germany 2022	CA 2023	CA 2022	Unallocated Group costs ² 2023	Unallocated Group costs ² 2022	Total 2023	Total 2022
External revenue	308	-	2,271	1,770	284	203			2,863	1,973
Equipment and truck sales	212	-	1,578	1,194	224	151			2,015	1,345
Aftermarket sales	80	-	608	479	60	52			748	531
Other revenue	15	-	85	97	-	-			101	97
Gross profit	82	-	253	214	43	36			377	250
EBITDA	39	-	18	39	13	16	-76	-72	-7	-17
Depreciation and amortization	-14	-	-90	-71	-4	-1			-108	-72
Operating profit	25	-	-72	-21	9	16			-38	316
<i>Operating profit adjusted¹</i>	25	-	-72	-21	9	16			-38	-5
Group costs	-	-	-	-11	-	-	-76	-72	-76	-83
<i>Operating profit adjusted² after Group costs</i>	25	-	-72	-32	9	16	-76	-72	-115	-88
Finance items (net)									-39	25
Profit(loss) before tax									-153	258
Result from continuing operations									-107	183

¹ In 2022, Group operating profit of SEK 316m include a compensation payment from Volvo CE of SEK 321m. In the adjusted operating profit, this extraordinary other income is removed to facilitate comparison over periods. For more information on the compensation payment from Volvo CE, please refer to Ferronordics Q3 2022 report. The profit before tax is derived from the operating profit before any adjustments, with consideration of Group costs and finance items.

² In prior periods, Group overhead costs have been allocated on the basis of the share of revenue and gross profit of the business segments in the Group. Starting from 2023, Ferronordic shows the Group overheads separate, which also means that no overhead Group costs will fall directly on the business segments.

SEK m	US 2023	Germany 2023	CA 2023	Group assets 2023	Intersegment 2023	Total 2023
Deferred tax assets	-	120	-	6	-	127
Intersegment contributions and loans	-	-	-	2,167	-2,167	-
Other non-current assets ³	1,360	702	9	1	-	2,072
Total assets	2,412	1,693	308	2,459	-2,167	4,705
Additions to non-current assets ³	-	175	4	-	-	179

SEK m	US 2022	Germany 2022	CA 2022	Group assets 2022	Intersegment 2022	Total 2022
Deferred tax assets	-	77	2	-	-	78
Intersegment contributions and loans	-	-	-	466	-466	-
Other non-current assets ³	-	636	10	-	-	645
Total assets	-	1,398	248	2,036	-465	3,217
Additions to non-current assets ³	-	219	6	-	-	225

³ Except for financial instruments and deferred tax assets.

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*Note 6, Segment reporting and revenue, cont.**Revenue by country*

SEK m	2023	2022
Germany	2,271	1,770
Kazakhstan	284	203
US	308	-
Total	2,863	1,973

Revenue from discontinued operations in Russia in 2022 was SEK 4,496m.

Other non-current assets by country

SEK m	2023	2022
Germany	702	636
Kazakhstan	9	10
Sweden	0	-
US	1,360	-
Total	2,071	645

In the US, equipment and trucks sales include sales of new and used construction equipment and attachments. 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 Trucks 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.

In Central Asia (CA), 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.

No customer represented more than 3 percent of the revenue in 2023 (3).

NOTE 7 » Selling, general and administrative expenses*Selling expenses*

GROUP	2023	2022
SEK m		
Personnel expenses	178	127
Depreciation	5	3
Other Selling Expenses	7	10
	190	140

General and administrative expenses

GROUP	2023	2022
SEK m		
Personnel expenses	190	148
Depreciation and amortisation	20	12
Rent	10	3
Other general and administrative expenses	99	45
	319	208

PARENT COMPANY

SEK m	2023	2022
Personnel expenses	63	44
Depreciation and amortisation	0	0
Other general and administrative expenses	55	12
	118	57

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NOTE 8 » Other income and expenses*Other income*

GROUP		
SEK m	2023	2022
Other income	24	337
	24	337

Other income in 2022 included compensation from Volvo CE for termination of the Group's dealership in Russia in the amount of SEK 321m.

Other expenses

GROUP		
SEK m	2023	2022
Impairment of trade receivables	0	1
Sundry expenses	8	6
	8	6

Other income

PARENT COMPANY		
SEK m	2023	2022
Other income	21	330
	21	330

In the Parent Company other income in 2022 included compensation from Volvo CE for termination of dealership in Russia in the amount of SEK 321m and management fees charged from subsidiaries.

Other expenses in 2022 in the Parent company included losses related to divestment in Russia in the amount of SEK 28m. Other income in 2023 in the Parent company included reversals of those losses, as they have not been incurred.

NOTE 9 » Finance income and finance costs**GROUP**

SEK m	2023	2022
Interest income on bank deposits	31	2
Finance income	31	2
Interest expense on lease obligations	-2	-2
Interest expense on bank loans	-46	-12
Other finance costs	0	-5
Finance costs	-48	-19
Net finance income/(costs)	-17	-17

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

PARENT COMPANY

SEK m	2023	2022
Interest income on loans to subsidiary	50	11
Dividends from subsidiary	-	107
Result from sale of subsidiary	-	1,193
Interest income on bank deposits	29	2
Finance income	78	1,313
Interest cost on loans from subsidiary	-	-25
Other finance costs	-7	-1
Finance costs	-7	-26
Net finance income	72	1,287

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NOTE 10 » Income taxes

The Parent Company is a tax resident of Sweden where the applicable tax rate for 2023 was 20.6 percent (20.6).

The other Group companies that were operational in the presented periods are tax residents of USA, Germany and Kazakhstan. In Germany and Kazakhstan the applicable tax rates for 2023 were 30 percent and 20 percent respectively (same as in 2022). In the US, the applicable tax rate 2023 was 25 percent.

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 2023 was 30.0 percent (27.6).

SEK m	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Current tax expense	-11	-85	-	-43
Deferred tax benefit /(expense)	57	10	6	-20
Total income tax benefit	46	-75	6	-63

*Reconciliation of effective tax rate:***GROUP**

SEK m	2023	%	2022	%
Result for the year	-107		197	
Total income tax	46		-75	
Result before tax	-153	100	272	100
Income tax at applicable tax rate	44	-29.0	-48	-17.5
Other items	2	-1.0	-28	-10.1
	46	-30.0	-75	-27.6

In 2022 the Group recognised as an income tax expense and tax liability a possible payment of tax on goodwill recognised in acquisitions in Germany in 2020–2021 in the amount of SEK 20m. In the tax reconciliation it is included in other items.

PARENT COMPANY

SEK m	2023	%	2022	%
Result for the year	-24		1,544	
Total income tax	6		-63	
Result before tax	-30		1,607	100
Income tax at applicable tax rate	6	-20.6	-331	-20.6
Dividend from subsidiary (non-taxable)	-	-	22	1.4
Result from sale of subsidiary	-	-	246	15.4
Other items	0	0.2	0	-0.1
	6	-20.4	-63	-3.9

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NOTE 11 » Property, plant and equipment**GROUP**

SEK m	Land	Buildings	Machinery and equipment	Contracting services machines	Rental machines	Office equipment	Cars	Under construction	Rights of use related to facilities rent	Total
Cost										
Balance 1 January 2023	57	157	33	-	356	7	52	1	78	740
Additions	1	-	2	-	144	-	2	5	26	180
Acquisition of business	93	117	5	-	985	3	100	-	22	1,326
Transfers to inventory	-	-	-	-	-78	-	-	-	-	-78
Translation difference	-4	-5	0	-	-40	0	-5	0	-2	-56
Balance 31 December 2023	147	268	40	-	1,367	9	150	5	124	2,111
Depreciation and impairment losses										
Balance 1 January 2023	-	6	11	-	102	2	28	-	31	180
Depreciation	-	2	4	-	75	-	9	-	18	108
Translation difference	-	0	0	-	-3	0	-1	-	-1	-5
Balance 31 December 2023	-	8	15	-	174	2	36	-	48	283
Carrying amounts										
1 January 2023	57	151	22	-	254	5	23	1	47	560
31 December 2023	147	261	25	-	1,194	7	113	5	76	1,828

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Note 11, Property, plant and equipment, cont.

SEK m	Land	Buildings	Machinery and equipment	Contracting services machines	Rental machines	Office equipment	Cars	Under construction	Right of use assets related to facilities rent	Total
Cost										
Balance 1 January 2022	54	148	91	527	280	17	182	4	200	1,504
Additions	11	68	3	-	103	2	22	-	16	224
Disposals	-	-2	-3	-	-	-2	-	-	-24	-31
Transfers to inventory	-	-	-	-66	-39	-	-	-	-	-105
Transfers	-	5	-2	-	-	-	8	-3	-8	-
Disposed of in a sale of subsidiary	-15	-87	-72	-571	-24	-14	-198	-	-140	-1,122
Translation difference	7	25	16	109	37	3	38	-	35	270
Balance 31 December 2022	57	157	33	-	356	7	52	1	78	740
Depreciation and impairment losses										
Balance 1 January 2022	8	35	50	152	71	11	82	-	88	498
Depreciation	-	15	2	133	55	-	24	-	40	270
Disposals	-	-	-	-	-	-	-	-	-24	-24
Transfers to inventory	-	-	-	-45	-27	-	-	-	-	-72
Transfers	-	-	-	-	-	-	5	-	-5	-
Disposed of in a sale of subsidiary	-9	-52	-51	-274	-19	-12	-100	-	-85	-603
Translation difference	2	7	10	34	22	2	17	-	17	111
Balance 31 December 2022	-	6	11	-	102	2	28	-	31	180
Carrying amounts										
1 January 2022	46	113	41	375	209	6	101	4	112	1,006
31 December 2022	57	151	22	-	254	5	23	1	47	560

Depreciation was allocated as follows:

- Cost of sales: SEK 84m (59)
- Selling expenses: SEK 5m (3)
- General and administrative expenses: SEK 20m (12)
- Discontinued operations: SEK - (196)

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*Note 11, Property, plant and equipment, cont.***Right of use assets:**

SEK m	Machines and trucks in rental	Contracting services machines	Cars	Right of use assets related to facilities rent	Total
Cost					
Balance 1 January 2023	-	-	25	78	104
Additions	-	-	-	26	26
Acquisition of business	-	-	-	22	22
Translation difference	-	-	0	-2	-2
Balance 31 December 2023	-	-	25	124	150
Depreciation and impairment losses					
Balance 1 January 2023	-	-	10	31	41
Depreciation	-	-	6	18	24
Translation difference	-	-	0	-1	-1
Balance at 31 December 2023	-	-	16	48	64
Carrying amounts					
1 January 2023	-	-	16	47	63
31 December 2023	-	-	10	76	86

SEK m	Machines and trucks in rental	Contracting services machines	Cars	Right of use assets related to facilities rent	Total
Cost					
Balance 1 January 2022	-	39	68	200	307
Additions	-	-	17	15	32
Disposals	-	-	-	-24	-24
Buyout from lease	-	-46	-44	-	-90
Reclassification	-	-	8	-8	-
Disposed of in a sale of subsidiary	-	-	-36	-137	-173
Translation difference	-	7	14	32	53
Balance 31 December 2022	-	-	25	78	104
Depreciation and impairment losses					
Balance 1 January 2022	-	26	23	88	138
Depreciation	-	8	15	40	63
Disposal	-	-	-	-24	-24
Buyout from lease	-	-38	-27	-	-66
Reclassification	-	-	5	-5	-
Disposed of in a sale of subsidiary	-	-	-11	-83	-95
Translation difference	-	5	5	15	25
Balance at 31 December 2022	-	0	10	31	41
Carrying amounts					
1 January 2022	-	13	44	112	169
31 December 2022	-	-	16	47	63

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*Note 11, Property, plant and equipment, cont.***PARENT COMPANY**

SEK m	Office equipment	Company cars
Cost		
Balance at 1 January 2023	0	-
Additions	0	0
Balance at 31 December 2023	0	0
Depreciation		
Balance at 1 January 2023	0	-
Depreciation	-	0
Balance at 31 December 2023	0	0
Carrying amounts		
Balance at 31 December 2023	-	0

SEK m	Office equipment	Company cars
Cost		
Balance at 1 January 2022	0	-
Balance at 31 December 2022	0	-
Depreciation		
Balance at 1 January 2022	0	-
Depreciation	0	-
Balance at 31 December 2022	0	-
Carrying amounts		
Balance at 31 December 2022	0	-

NOTE 12 » Intangible assets**GROUP**

SEK m	Goodwill	Other intangible assets	Total
Cost			
Balance at 1 January 2023	84	3	87
Acquisition of business	150	16	166
Disposals	-	-1	-1
Translation differences	-5	-1	-6
Balance at 31 December 2023	228	17	246
Amortisation			
Balance at 1 January 2023	-	1	1
Amortisation	-	0	0
Translation differences	-	0	0
Balance at 31 December 2023	-	2	2
Carrying amounts			
31 December 2023	228	16	244

SEK m	Goodwill	Other intangible assets	Total
Cost			
Balance at 1 January 2022	77	9	87
Acquisitions – separately acquired	-	1	1
Disposals	-	-4	-4
Disposed of in a sale of subsidiary	-	-5	-5
Translation differences	7	1	8
Balance at 31 December 2022	84	3	87
Amortisation			
Balance at 1 January 2022	-	6	6
Amortisation	-	2	2
Disposals	-	-3	-3
Disposed of in a sale of subsidiary	-	-3	-3
Translation differences	-	0	0
Balance at 31 December 2022	-	1	1
Carrying amounts			
31 December 2022	84	2	85

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Note 12, Intangible assets, cont.

Other intangible assets consist of tradename in the US segment, acquired in the purchase of the business in the US. Other intangible assets also include software licences in other segments.

Amortisation of SEK 0m (0) was recognised as general and administrative expenses and SEK -m (2) in discontinued operations.

The carrying amount of goodwill related to acquisitions in Germany was SEK 84m (84). The carrying amount of goodwill related to acquisition of Rudd in the US was SEK 144m. At the end of 2023, Ferronordic conducted impairment tests on the Group companies. The tests were based on value in use which was calculated based on 2023-2028 discounted cash flow (DCF), sensitivity and scenario analysis models. For the impairment tests, Ferronordic models its business by segment. Ferronordic applies different discount rates across the Group. In Sweden, Germany and the United States, Ferronordic applies a cost of capital (before tax) of 11 percent (11). Cash flow forecasts were based on a growth rate of 2 percent of EBITDA in the sixth year and after. The forecasts for EBITDA were made considering past experience and market outlook. Sales volume forecasts were estimated based on past experience and market outlook. We have considered publicly available industry data and our initiatives to consolidate our market position and increase aftermarket sales.

Based on Ferronordic's base case assumptions and these impairment tests, the Group concluded not to impair any goodwill in 2023 (same as in 2022).

PARENT COMPANY

SEK m	Software and software licenses
Cost	
Balance at 1 January 2023	1
Balance at 31 December 2023	1
Amortisation	
Balance at 1 January 2023	1
Amortisation	1
Balance at 31 December 2023	0
Carrying amounts	
Balance at 31 December 2023	0

SEK m	Software and software licenses
Cost	
Balance at 1 January 2022	1
Balance at 31 December 2022	1
Amortisation	
Balance at 1 January 2022	0
Amortisation	0
Balance at 31 December 2022	1
Carrying amounts	
Balance at 31 December 2022	0

NOTE 13 » Deferred tax assets and liabilities

(a) *Deferred tax assets and tax liabilities:*

GROUP

SEK m	31 December 2023			31 December 2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	-	-	-	-	-1	-1
Intangible assets	-	-277	-277	-	-	-
Tax loss carry-forwards	127	-	127	78	0	78
Net tax assets/(liabilities)	127	-277	-150	78	-1	77
Set off tax	-	-	-	-	-	-
Net tax assets/(liabilities)	127	-277	-150	78	-1	77

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Note 13, Deferred tax assets and liabilities, cont.

PARENT COMPANY

SEK m	31 December 2023			31 December 2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Tax loss carryforwards	6	-	6	-	-	-

b) Changes in deferred tax:

GROUP

SEK m	1 January 2023	Acquired through business combination	Recognised in profit and loss	Effect of movmets in exchange rates	31 December 2023
Property, plant and equipment	-1	-	1	-	-
Intangible assets	-	-290	-	13	-277
Tax loss carry-forwards	78	-	56	-7	127
	77	-290	57	5	-150

SEK m	1 January 2022	Recognised in profit or loss	Disposed of in sale of subsidiary	Effect of movement in exchange rates	31 December 2022
Property, plant and equipment	-7	-1	7	-1	-1
Intangible assets	-	-	-	-	-
Inventories	11	-2	-11	2	-
Trade and other receivables	-4	26	-23	-	-
Prepayments	3	-3	-1	1	-
Trade and other payables	14	-5	-12	3	-
Provisions	8	2	-11	2	-
Deferred income	4	-2	-2	1	-
Tax loss carry-forwards	69	27	-22	4	78
	98	43	-75	11	77

PARENT COMPANY

SEK m	1 January 2023	Recognised in profit and loss	31 December 2023	SEK m	1 January 2022	Recognised in profit and loss	31 December 2022
Tax loss carry-forwards	-	6	6	Tax loss carry-forwards	20	-20	-
Net tax assets/(liabilities)	-	6	6	Net tax assets/(liabilities)	20	-20	-

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NOTE 14 » Inventories

SEK m	Group 31 December 2023	Group 31 December 2022	Parent Company 31 December 2023	Parent Company 31 December 2022
Raw materials and consumables	0	1	-	-
Work in progress	21	-	-	-
Goods for resale	1,422	459	-	-
	1,443	460	-	-

Inventories of SEK 2,186m (1,526) were sold during the year and recognised as cost of sales. Write-down of inventories to net realisable value of SEK 0m (0) was recognised as cost of sales.

NOTE 15 » Trade and other receivables

SEK m	Group 31 December 2023	Group 31 December 2022	Parent Company 31 December 2023	Parent Company 31 December 2022
Trade receivables	482	312	-	-
Trade receivables due from subsidiaries	-	-	46	61
VAT receivable	11	5	0	1
Warranty claims	8	1	-	-
Prepaid income tax	0	0	-	-
Other receivables	129	26	-	15
	630	344	47	77

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 2023	Group 31 December 2022	Parent Company 31 December 2023	Parent Company 31 December 2022
Bank balances	411	1,680	266	1,543
Call deposits	15	8	-	-
Cash and cash equivalents	426	1,688	266	1,543

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

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NOTE 17 » Capital and reserves*a) Share capital and additional paid-in capital*

Number of shares	Shares	
	2023	2022
In issue 1 January	14,532,434	14,532,434
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 11 May 2023, it was decided to pay dividends on shares in an amount of 7.5 SEK per share, in total SEK 109m.

SEK m	2023	2022
Dividends paid on shares	109	-

Proposed allocation of profit

SEK 1,923,270,998 is available for distribution by the AGM. The Board proposes that this amount be allocated as follows:

SEK	
Dividend on shares	-
Amount carried forward	1,923,270,998
<i>of which to the share premium reserve</i>	639,802,700
Total amount allocated	1,923,270,998

The Board has recommended that the AGM 2024 decides not to pay a dividend.

*d) Share based incentive program**2022 long-term incentive program*

At Ferronordic's extraordinary general meeting on December 15, 2022, the shareholders decided to approve an incentive program for members of the Group's management and extended management teams. The program is intended to create long-term incentives and align the interests of management and shareholders. The duration of the program is three years. The program involves the issue of a maximum of 1,178,000 warrants, or 7.5 percent of the Company's outstanding number of shares, distributed among 19 people, who make up the top management of the Company and its subsidiaries. Each warrant entitles the participant to subscribe for

a share in the Company no earlier than three years after the issue of the warrant. The warrants vests proportionally over 3 years. The company reserves the right to take back unvested warrants. The warrants are acquired at fair value as assessed by an external and independent financial advisor and based on the Black-Scholes option pricing model. Subscription of shares would be executed by cash payment to the Company with an exercise price corresponding to SEK 65. The costs were covered by the Company through a bonus payment which, after tax deductions, was used to acquire the warrants. Some of the participants received the bonus payment and acquired their warrants in 2023. In the event of full allocation and subsequent subscription of warrants, the Company's equity would increase by approx. SEK 76,570,000.

Background and previous incentive programs

In 2020, the Board proposed to introduce a long-term incentive program for Ferronordic's management and certain other senior executives. The program was designed to run over a three-year horizon and to be repeated three years in three installments, where each year's program would require separate approval by the annual general meeting. The maximum potential dilution for the Company's shareholders throughout the program would be approx. 2.5 percent per annum and no more than 7.5 percent in total. Each warrant would give the participant the right to subscribe for a share in the Company no earlier than three years after the issue of the warrant. According to the program, the participants would receive a cash compensation from the group which, after tax, would cover 80 percent of the cost of acquiring the warrants under the program. The remaining 20 percent of the cost to acquire the warrants would be borne by the participants themselves. The warrants would be acquired at fair value as assessed by an external and independent financial advisor and based on the Black-Scholes option pricing model. Subscription of shares would take place against cash payment to the Company at the redemption price. Participation in the program and subsequent subscription of shares requires that a participant remains employed by the Company or its subsidiaries. Should a participant terminate their employment before the end of the program, the Company reserves the right to buy back 20 percent of the participant's warrants at original cost.

The extraordinary general meeting on 5 November 2020 approved the first round of the long-term incentive program. On 30 November 2020, the Company issued 332,000 warrants with a subscription price of SEK 206 to 24 management participants. In case of full participation in the program and subsequent subscription, the Company's equity would increase by approx. SEK 71m.

The annual general meeting on 12 May 2021 approved the second round of the long-term incentive program. On 28 May 2021, the Company issued 364,500 warrants with a subscription price of SEK 344 to 27 management participants. In case of full program retention and subsequent subscription, the Company's equity would increase by approx. SEK 130m.

The 2022 program can be viewed as a continuation of the incentive program launched in 2020. The warrants from the first round in 2020 expired without value in 2023. The warrants from the second round in 2021 remain active, but as a result of the share price performance in 2022, they have lost most of their value and effectiveness as a motivational instrument.

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NOTE 18 » Borrowings*a) Borrowings and lease liabilities***GROUP**

SEK m	2023	2022
Non-current liabilities		
Secured bank loans	644	355
Other loans	27	38
Lease liabilities	59	43
	730	436
Current liabilities		
Secured bank loans	1,024	196
Other loans	-	78
Lease liabilities	22	21
	1,046	295

The terms and conditions of outstanding loans are set out in the table below

GROUP

SEK m	Currency	Nominal interest rate	Year of maturity	31 December 2023	31 December 2022
Secured bank loan (VFS)	EUR	EURIBOR+3.9%	2024–2025	628	218
Secured bank loan (Nordea)	USD	SOFR+3.3%	2025–2026	455	-
Secured bank loan (VFS)	USD	FRB SOFR+1.75%	2024	169	-
Secured bank loan (JP Morgan Chase)	USD	CME SOFR+1.1%	2024	331	-
Secured bank loan (Nordea)	EUR	EURIBOR+3.3%	2024	84	333
Other loans	EUR	3.3%–6.5%	2024–2025	27	116
Lease liabilities	EUR, USD	2.7%–7.7%	2024–2033	81	64
Total interest-bearing liabilities				1,776	731

PARENT COMPANY

SEK m	2023	2022
Non-current liabilities		
Secured bank loans from Nordea	455	-
	455	-

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*Note 18, Borrowings, cont.**b) Reconciliation of movements of liabilities to cash flows from financing activities***GROUP**

SEK m	Liabilities			Total
	Lease liabilities	Borrowings		
Balance as at 1 January 2023	64	667		731
Changes in cash flows from financing activities				
Proceeds from borrowings	-	467		467
Repayment of loans	-	-362		-362
Repayment of lease liabilities	-17	-		-17
Total	-17	105		88
Other changes equity-related:				
Translation difference	-	23		23
Total	-	23		23
Other changes related to liabilities				
New leases	18	-		18
Reclassification from payables	-	427		427
Buyback liabilities	-	0		0
Acquisition of business	15	472		488
Total	34	899		933
Balance as at 31 December 2023	81	1,695		1,776

GROUP

SEK m	Liabilities			Total
	Lease liabilities	Borrowings		
Balance as at 1 January 2022	159	808		966
Changes in cash flows from financing activities				
Proceeds from borrowings	-	403		403
Repayment of loans	-	-170		-170
Repayment of lease liabilities	-65	-		-65
Total	-65	233		168
Other changes equity-related:				
Translation difference	22	56		78
Total	22	56		78
Other changes liability-related:				
New leases	32	-		32
Reclassification from payables	-	65		65
Buyback liabilities	-	27		27
Sale of subsidiary	-84	-521		-605
Total	-53	-429		-481
Balance as at 31 December 2022	64	667		731

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NOTE 19 » Deferred income

SEK m	Group 31 December 2023	Group 31 December 2022	Parent Company 31 December 2023	Parent Company 31 December 2022
Deferred income short-term due to buy back transactions	8	16	-	-
Total	8	16	-	-

SEK m	Group 31 December 2023	Group 31 December 2022	Parent Company 31 December 2023	Parent Company 31 December 2022
Deferred income long-term due to buy back transactions	14	22	-	-
Total	14	22	-	-

NOTE 20 » Provisions

GROUP				GROUP			
SEK m	Warranties	Other	Total	SEK m	Warranties	Other	Total
Balance 1 January 2023	1	-	1	Balance at 1 January 2022	27	12	39
Provisions made	-	11	11	Provisions made	27	10	37
Provisions used	-1	-	-1	Provisions used	-26	-	-26
Translation difference	0	0	1	Disposed of in a sale of subsidiary	-32	-25	-57
Balance 31 December 2023	0	12	12	Translation difference	5	3	8
Non-current provisions	-	-	-	Balance at 31 December 2022	1	-	1
Current provisions	0	12	12	Non-current provisions	-	-	-
	0	12	12	Current provisions	1	-	1
					1	-	1

Other provision of SEK 12m is a provision for restructuring in Germany.

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 2023 and 31 December 2022 respectively, are disclosed in Note 15, *Trade and other receivables*.

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NOTE 21 » Trade and other payables

SEK m	Group 31 December 2023	Group 31 December 2022	Parent Company 31 December 2023	Parent Company 31 December 2022
Trade payables	791	451	10	0
Advances from customers	4	29	-	-
Other payables and accrued expenses	155	43	24	42
Income tax payable	43	41	42	42
Other taxes payable	3	8	2	4
	997	573	78	89

The Parent Company's trade payables related to machines from 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, *Financial instruments and risk management*.

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.

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Note 22, Financial instruments and risk management, cont.

In the table below carrying amounts and fair values of financial assets and liabilities are set out.

SEK m	Note	2023		2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortised cost					
Trade and other receivables	15	630	630	344	344
Cash and cash equivalents	16	426	426	1,688	1,688
		1,057	1,057	2,032	2,032
Financial liabilities at amortised cost					
Secured bank loans	18	1,667	1,667	551	551
Other loans	18	27	27	116	116
Trade and other payables	21	997	997	573	573
Deferred income	19	22	22	38	38
		2,713	2,713	1,278	1,278

Carrying values and fair values

The carrying amounts of the Group's financial assets and liabilities as of 31 December 2023 approximate their fair values. as for variable rate instruments interest rate of the borrowings approximate market rate, for fixed rate instruments the difference between carrying amounts and fair values is not significant.

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 2023, the 20 largest trade receivables comprised 31 percent of the total trade receivables (at the end of 2022, the corresponding figure was 20 percent).

To minimise credit risk, the Group first and foremost strives to sell as much as possible without credit. For machine and trucks 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 credit to its customers, both for machine sales and sales of parts and services.

For machines in Kazakhstan, the Group can provide credit 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.

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*Note 22, Financial instruments and risk management, cont.**i) Exposure to credit risk*

The carrying amount of financial assets represent the maximum credit exposure. Cash and cash equivalents are held with banks, which are rated AA-, A- (S&P) in Sweden, Germany and Austria, B (Fitch) in Kazakhstan and non-rated in Russia (the Russian business was divested at the end of 2022). Expected credit losses on cash and cash equivalents were on 31 December 2023 (same for 2022) considered not material and were thus not accounted for.

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

	2023	2022
SEK m	Carrying amount	Carrying amount
US	353	-
Germany	93	277
Kazakhstan	37	36
	482	312

ii) Impairment of receivables

Ageing of trade receivables

GROUP

	31 december 2023		
SEK m	Gross amount	Average loss rate, %	Impairment
Not past due	313	0.0	-
Past due 0–30 days	95	0.0	-
Past due 31–120 days	60	1.7	-1
Overdue above 120 days	48	69.3	-33
	516		-34

	31 december 2022		
SEK m	Gross amount	Average loss rate, %	Impairment
Not past due	228	0.9	-2
Past due 0–30 days	34	0.0	-
Past due 31–120 days	41	0.0	-
Overdue above 120 days	15	20.0	-3
	318		-5

Movement in expected credit losses in respect of trade receivables

GROUP

SEK m	2023	2022
Balance 1 January	-5	-22
Net change during the year	1	-52
Acquisition of business	-22	-
Disposed in a sale of subsidiary	-	78
Translation differences	-8	-9
Balance 31 December	-34	-5

The parent company has significant loans to its subsidiaries. The parent company reviews these loans continuously, using the same models as those applied for the impairment tests in the Group. Given the outlook for the subsidiary companies, the parent company does not currently expect any credit losses on its loans to its subsidiaries.

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.

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Note 22, *Financial instruments and risk management, cont.**Maturities of financial liabilities (including estimated interest payments)***GROUP**

SEK m	Carrying amount	Contractual cash flows	31 december 2023						
			0–6 months	6–12 months	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Lease liabilities	81	89	15	15	25	17	6	6	5
Borrowings	1,695	1,846	948	136	325	437	-	-	-
Trade and other payables	909	909	909	-	-	-	-	-	-
	2,685	2,843	1,872	151	350	453	6	6	5

SEK m	Carrying amount	Contractual cash flows	31 december 2022						
			0–6 months	6–12 months	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Lease liabilities	64	65	11	11	20	15	7	1	-
Borrowings	667	692	145	143	388	15	-	-	-
Trade and other payables	531	531	531	-	-	-	-	-	-
	1,263	1,288	688	154	408	30	7	1	-

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

Most of the Group's sales and purchases are made in USD, EUR and KZT. The Group is also exposed to risks on purchases and borrowings, primarily in USD and EUR. Transactions recorded in these currencies are then translated to the SEK reporting currency of the Group.

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 minimize 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.

Exposure to currency risk related to change of rates of SEK to USD, SEK to EUR and KZT to USD

GROUP

SEK m	SEK/USD 2023	SEK/USD 2022	SEK/EUR 2023	SEK/EUR 2022	KZT/USD 2023	KZT/USD 2022
Cash and cash equivalents	25	0	222	1,306	0	20
Bank loans	-455	0	-84	-335	0	0
Intercompany loans	1,066	0	1,053	846	-60	0
Trade and other payables	0	0	0	0	-183	-131
Net exposure	635	0	1,192	1,817	-243	-111

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*Note 22, Financial instruments and risk management, cont.**Applied exchange rates*

In SEK	Average rate 2023	Reporting date spot rate 2023	Average rate 2022	Reporting date spot rate 2022
EUR	11.48	11.10	10.93	11.13
KZT (per 100)	2.33	2.21	2.08	2.29
USD	10.61	10.04	10.12	10.44

Sensitivity analysis

The Group is mainly exposed to movements in the following pairs of currencies SEK/EUR, SEK/USD and SEK/KZT.

A strengthening (weakening) of the SEK to EUR, SEK to USD and KZT to USD by 20 percent would at 31 December 2023 have decreased (increased) 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 2022.

A strengthening (weakening) of these currencies would have no significant effect on the translation difference in as of the end of 2023 (the same for 2022).

SEK m	31 December 2023	
	Strengthening	Weakening
SEK/USD (20%)	-127	127
SEK/EUR (20%)	-238	238
KZT/USD (20%)	49	-49

SEK m	31 December 2022	
	Strengthening	Weakening
SEK/USD (20%)	-	-
SEK/EUR (20%)	-363	363
KZT/USD (20%)	22	-22

Interest rate risk

The Group seeks to borrow funds at a mix of fixed and variable interest rates and is therefore normally exposed to interest rate risk during the term of its credit facilities.

Profile of interest-bearing financial instruments at the reporting date:

The Group has mainly floating rate borrowings, where rates are 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	2023	2022
Variable rate instruments		
Loans and borrowings	-1,667	-461
	-1,667	-461

GROUP

SEK m	2023	2022
Fixed rate instruments		
Bank deposits	15	8
Loans and borrowings	-27	-207
Lease liabilities	-81	-64
	-93	-263

Sensitivity analysis

An increase (decrease) of interest rate by 200 bp or 2 percent will increase (decrease) finance expenses in the Group's profit or loss by SEK 33m (9).

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. A change in interest rates at the reporting date would therefore not affect profit and loss or equity.

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*Note 22, Financial instruments and risk management, cont.***Capital management***Debt to capital ratio***GROUP**

SEK m	2023	2022
Total liabilities	3,083	1,344
Cash and cash equivalents	-426	-1,688
Net Debt	2,656	-345
Total equity	1,622	1,873
Debt to capital ratio	1.64	-0.18

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. The Group is in the process of resetting its financial objectives. These have previously included a limit for debt in relation to EBITDA.

NOTE 23 » Leases*a) Leases as lessee*

The following information is related to lease agreements for the Group where the Group is the 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	2023	2022
Short-term lease of premises and facilities	10	4
Variable lease payments	28	14
	38	18

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

Cash outflow for leases during 2023 amounted to SEK 57m (85), including short-term leases and expenses relating to variable lease payments. The amount for 2022 was recalculated correspondingly.

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 2023 from such arrangements amounted to SEK 101m (81).

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

GROUP

SEK m	31 December 2023	31 December 2022
Within one year	49	51
1-5 years	33	77
	82	128

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NOTE 24 » Capital commitments

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

NOTE 25 » Contingencies*Taxation contingencies*

Significant changes to the Kazakh tax system 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 Kazakh tax authorities can be unpredictable in their interpretation of tax legislation and their enforcement and collection of tax.

Technical violations of contradictory laws and edicts may lead to severe penalties. The tax authorities can 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 Kazakh tax legislation, could have an adverse effect on the Group's business, result, and financial position.

Pledged assets

Ferronordic AB has pledged the shares in Ferronordic Germany Holding AB, which is the company that in turn owns the shares in the German and American operations, to Nordea Bank Plc as security for the loans taken out from the bank. The net assets of Ferronordic Germany Holding AB as at 31 December 2023 amounted to SEK 268m (14).

Furthermore, the inventory (machines and trucks) is pledged to varying extents to Volvo Financial Services in Germany and the USA and also to Nordea's American branch as security for a local revolving credit facility for the subsidiary Rudd Equipment Company inc. The total amount of pledged assets in these operations amounted to SEK 1,893m (306)

NOTE 26 » Related party transactions*Control relationships*

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

At the end of 2023, members of management and the Board controlled 25 percent of the shares and votes in the Parent Company (24).

*Transactions with other related parties***PARENT COMPANY***Revenue*

SEK m	2023 Transaction value	2022 Transaction value
Services and other income:		
Subsidiaries	22	23
Interest accrued:		
Subsidiaries	50	11
Equipment sold:		
Subsidiaries	23	71
Dividends received:		
Subsidiaries	-	107
	94	211

Expenses

SEK m	2023 Transaction value	2022 Transaction value
Interest expense:		
Subsidiaries	0	-25

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, *Employees, Board and Management*.

Outstanding balances

SEK m	31 december 2023	31 december 2022
Contributions to subsidiaries	288	175
Loans to subsidiaries	1,850	168
Trade and other receivables	46	43
	2,184	386

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 of 31 December 2023 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 2022, 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. Machines from Mecalac were also sold to Kazakhstan in 2022. In 2023, machines sold related to machines from Mecalac purchased by the parent company and sold to Kazakhstan. Kazakhstan in 2023 and 2022 and in Russia in 2022.

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NOTE 27 » Events subsequent to the reporting date

Other than as stated above, nothing material has changed that the Group is aware of and that requires disclosure in the financial statements.

NOTE 28 » Interests in group companies

As of 31 December 2023, the Group consists of the following legal entities:

Subsidiary	Corporate identity number	Country of incorporation	2023		2022	
			Ownership/ voting, %	Carrying amount	Ownership/ voting, %	Carrying amount
Ferronordic AB	556748–7953	Sweden	Parent Company	-	Parent Company	-
Ferronordic Kazakhstan LLP		Kazakhstan	100	14	100	14
Ferronordic Torgoviy Dom Kazakhstan LLP		Kazakhstan	100	0	100	0
Ferronordic Germany Holding AB		Sweden	100	273	100	21
Ferronordic GmbH		Germany	100	27	100	26
Ferronordic Immobilien GmbH		Germany	100	1	100	1
Ferronordic Electric Trucks GmbH		Germany	100	0	100	0
Ferronordic Auto GmbH		Germany	-	-	100	10
Ferronordic Charter GmbH		Germany	-	-	100	1
Truck Center Krämer GmbH		Germany	-	-	100	3
Truck Center Rhön GmbH		Germany	-	-	100	0
Thomas Nutzfahrzeuge GmbH		Germany	-	-	100	1
Ferronordic Americas LLC		USA	100	0	100	-
Rudd Equipment Company LLC		USA	100	2	100	-
Ferronordic LLC		Russia	100	0	100	0
				317		77

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NOTE 29 » Employees, board and management*a) Number of employees (average)*

	2023	of which female, %	2022	of which female, %
Parent Company – Citizenship				
Sweden	6	33	6	17
Germany	-	-	0	0
Total in Parent Company	6	33	6	17
Subsidiaries - Citizenship				
Germany	335	16	330	17
Kazakhstan	31	29	14	43
Sweden	1	0	1	0
US (annualised)	355	14	-	-
Other	86	15	80	34
Total in subsidiaries	808	15	425	18
Total Group	814	16	430	18

b) Breakdown between men and women in management

SEK m	Group Female representation		Parent Company Female representation	
	2023	2022	2023	2022
Board, %	33	33	17	17
Management, %	14	14	10	10

c) Personnel costs

SEK m	2023		2022	
	Salaries and other remuneration	Social security expenses	Salaries and other remuneration	Social security expenses
Parent Company	45	13	34	8
(of which pension costs)		4		1
Subsidiaries	361	65	271	38
(of which pension costs)		36		21
Total	407	78	305	47
(of which pension costs)		40		22

The personnel costs included in cost of sales in the subsidiaries amounted to SEK 100m (96).

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

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Note 29, Employees, board and management, cont.

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 2023 amounted to 10 (10), 3 (4) and 13 (14), respectively.

During 2023 and partly as a result of the Group's sale of its Russian business, the Group transferred some executives from Group subsidiaries to the Parent company.

SEK m	2023		2022	
	Board and management	Other employees	Board and management	Other employees
Parent Company	42	3	30	4
(of which bonuses)	23	1	18	1
Subsidiaries	9	352	19	252
(of which bonuses)	1	89	0	35
Total	51	355	49	256
(of which bonuses)	24	90	19	36

d) Remuneration to the Board

Remuneration paid to the Board in 2023 was fixed and amounted to SEK 2.4m (2.6). At the AGM 2023, it was resolved that the remuneration to the Board should be paid in an amount of SEK 2.6m. Of this amount, SEK 800,000 should be paid to the chairman and SEK 400,000 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.

Remuneration to the Board (SEK)

Name	2023	2022
Staffan Jufors	800,000	800,000
Aurore Belfrage	400,000	400,000
Anette Brodin-Rampe	400,000	400,000
Lars Corneliusson	-	-
Erik Eberhardson	-	166,666
Håkan Eriksson	400,000	400,000
Niklas Florén	400,000	400,000
	2,400,000	2,566,666

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 in 2020 and was continued in 2022 and 2023. For more information on this program, please refer to Note 17, *Capital and reserves*.

The CEO's remuneration in 2023 amounted to SEK 16,175,956 (15,300,648) including share-based incentive program in an amount of SEK 4,564,000 (0). The right to pension contributions amounted to 9 percent (9) of the fixed gross salary.

Management

Name	2023	2022
Martin Bauknecht	until March	full year
Henrik Carlborg	full year	full year
Lars Corneliusson	full year	full year
Erik Danemar	full year	full year
Dan Eliasson	full year	full year
Onur Gucum	full year	full year
Nadia Semiletova	full year	full year
Jonathan Tubb	from March to April	full year
Ceren Wende	-	until May
Anton Zhelyapov	full year	full year

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Note 29, Employees, board and management, cont.

Remuneration to CEO and other executives

SEK	2023			2022		
	CEO	Other executives	Total	CEO	Other executives	Total
Fixed salary	7,865,165	16,604,386	24,469,552	7,520,660	20,642,950	28,163,610
Variable salary	2,752,808	3,805,678	6,558,486	7,058,139	11,066,542	18,124,681
Share based incentive program	4,564,000	13,255,964	17,819,964	-	-	-
Pension costs	993,983	2,396,286	3,390,269	721,849	282,660	1,004,509
Total	16,175,956	36,062,315	52,238,270	15,300,648	31,992,153	47,292,801

NOTE 30 » Auditors' fees and expenses

SEK m	Group		Parent Company	
	2023	2022	2023	2022
KPMG				
Audit assignments	6	2	4	2
Total	6	2	4	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 17, *Capital and reserves*.

	2023	2022
Result attributable to shareholders, SEK m	-107	440
Average number of shares during the year before dilution, thousand	14,532	14,532
Earnings per share before dilution, SEK	-7.39	30.28
Dilution effect	-	-
Average number of ordinary shares during the year after dilution, thousand	14,532	14,532
Earnings per ordinary share after dilution, SEK	-7.39	30.28

Earning per share from continuing operations

	2023	2022
Result from continuing operations, SEK m	-107	183
Average number of shares during the year before dilution, thousand	14,532	14,532
Earnings per share from continuing operations before dilution, SEK	-7.39	12.58
Dilution effect	-	-
Average number of ordinary shares during the year after dilution, thousand	14,532	14,532
Earnings per ordinary share from continuing operations after dilution, SEK	-7.39	12.58

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NOTE 32 » Acquisition of business

On November 13 2023, Ferronordic announced that it has entered into an agreement to purchase 100 percent of the shares in the Rudd Equipment Company, Inc. ("Rudd"), one of the largest dealers of Volvo CE in the United States with operations in all or parts of nine states. The acquisition was completed on November 30 2023.

Following the acquisition, a fair valuation of assets and liabilities has been performed for the purpose of a purchase price allocation (PPA) in line with IFRS-3. At the time of this report, the fair valuation and related PPA remain preliminary.

The fair value of receivables at the date of acquisition was SEK 318m, which is derived from a gross amount SEK 340m and a provision for credit losses of SEK 22m. The Group believes that the net amount is an appropriate estimate of cash flows expected to be collected. Most of the receivables are from customers.

The goodwill captures the value of reputation, market position, employee expertise, organisational structure and culture, institutional learning, synergies and future growth opportunities in Rudd and its position in the US market. Rudd's people, expertise and experience, organisation and infrastructure offers Ferronordic opportunities to expand both on the basis of its current product portfolio and potential expansion of its product portfolio and geographic presence.

Net cash outflow

SEK m	
Cash consideration transferred	1,093
Less cash acquired	0
Net cash outflow	1,093

Goodwill

SEK m	
Consideration total	1,107
Less fair value of net assets acquired	957
Goodwill	150

A deferred consideration of SEK 14m (USD 1.3m) has been reserved in Ferronordic's Q4 2023 financial statements. The sale and purchase agreement was, with certain modifications, based on net asset value. The consideration paid on 30 November was based on a forecasted balance sheet for 30 November. After the completion of the transaction, there was a true-up of the balance sheet for 30 November. A residual payment from buyer to seller, or seller to buyer, should be paid if the net asset value in the final balance sheet differed from the forecasted balance sheet.

The revenue and profit or loss before income tax of Rudd in December, after acquisition in November, amounted to SEK 308m and SEK 30m respectively. The legal, accounting and other administrative costs related to acquisition amounted to 11m SEK, the costs were included in general and administrative expenses of the Group's statement of comprehensive income. If Rudd was consolidated from the beginning of the year the consolidated revenue and profit or loss before income tax of the Group would be approx. SEK 5,313m and SEK 34m.

The tables below describe cash flows used in the purchase, consideration transferred, calculation of goodwill and breakdown of net assets acquired. A rate of SEK/USD 10.46 has been used for the below calculations as of 30 November.

Net assets

SEK m	
Property, plant and equipment	1,326
Intangible assets	16
Inventories	620
Trade and other receivables	318
Prepayments	2
Cash and cash equivalents	0
Borrowings	-472
Deferred tax liabilities	-290
Trade and other payables	-548
Lease liabilities	-15
Net assets	957

Consideration

SEK m	
Cash	1,093
Deferred consideration	14
Consideration total	1,107

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NOTE 33 » Sale of subsidiaries

At end of 2022, Ferronordic divested its Russian business for a sales price of SEK 1,334m. In the transaction, Ferronordic sold its main Russian subsidiaries Ferronordic Machines LLC, Ferronordic Torgoviy Dom LLC, Ferronordic Torgovaja Kompanija LLC and Ferronordic Arkhangelsk LLC. Approx. SEK 237m of this amount was used by Ferronordic AB to repay (by means of set-off) debt to the sold Russian subsidiaries. The remaining part of the purchase price was received in euro on Ferronordic's account in Austria. The purchase price largely corresponded to the sold companies' expected net asset value in local currency at the time of the transaction. For the Group outside Russia, the divestment resulted in a cash inflow of EUR 99m or approx. SEK 1,097m.

In 2022, the Russian business generated revenue of SEK 4,7b with an operating profit of SEK 564m, corresponding to 76 percent and 117 percent of the Group's total revenue and operating profit, respectively. During the same period, the Group's other business, excluding Russia, generated revenue of SEK 1.5 billion with an operating loss of SEK -81m (9 percent of the revenue related to Kazakhstan and the rest to Germany).

Calculation of sales price for the sale of subsidiary

SEK m	
Cash compensation	1,097
Intercompany loan netted off	237
Contract price	1,334

Result from sale of subsidiary

SEK m	
Contract price	1,334
Less net assets end of 2022	-1,292
Result from sale of subsidiary	41

The sale meant that Ferronordic in all material respects divested all assets and liabilities related to Russia. The transaction agreements contain basic representations and warranties concerning the sold companies, but Ferronordic does not expect any liabilities or obligations to arise from these.

Ferronordic has maintained one subsidiary in Russia to move a small number of key employees to other markets. The subsidiary will be closed during 2024.

The sale did not have any direct impact on the Group's operations outside of Russia.

In 2023 the Group reviewed the result from the operations that were discontinued in 2022 and decreased the general and administrative expenses by SEK 14m. These were costs which relate to continuing operations. The general and administrative expenses for continuing operations have increased by the same amount. The results for continuing and discontinued operations have been changed correspondingly. The total result for the Group has not changed.

Cash proceeds from sale of subsidiary

SEK m	
Cash proceeds	1,097
Cash in subsidiary at the moment of sale	-248
Net cash flow from sale of subsidiary	849

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*Note 33, Sale of subsidiaries, cont.**Profit and loss for discontinued operations*

SEK m	2022	2021
Revenue	4,496	4,700
Cost of sales	-3,408	-3,764
Gross profit	1,089	937
Selling expenses	-193	-156
General and administrative expenses	-212	-176
Other income	44	7
Other expenses	-122	-17
Operating profit	606	594
Finance income	22	21
Finance costs	-76	-32
Foreign exchange gains/(-losses) (net)	-28	-1
Result before income tax	524	583
Income tax	-98	-134
Result for the period	426	448
SEK m	2022	2021
Result for the period	426	448
Result from sale of subsidiary	41	-
Other expenses related to sale of subsidiary (net of tax)	-22	-
Reclassification of exchange differences from other comprehensive income	-188	-
Result from discontinued operations	257	448

For the Parent Company, the result from sale of subsidiary was calculated as follows:

SEK m	
Contract price	1,334
Carrying value of investment	-139
Result from sale of subsidiary	1,193

The tax effect on the sale of subsidiary for Group is the same as for the Parent Company and is presented in the income tax reconciliation for the Parent Company in Note 10, *Income taxes*.

Net assets of subsidiaries end of 2022

SEK m	31 Dec 2022
ASSETS	
Non-current assets	
Property, plant and equipment	519
Intangible assets	2
Intercompany loans	230
Deferred tax assets	151
Total non-current assets	903
Current assets	
Inventories	672
Trade and other receivables	319
Prepayments	224
Cash and cash equivalents	248
Total current assets	1,461
TOTAL ASSETS	2,364
Non-current liabilities	
Deferred income	0
Deferred tax liabilities	76
Long-term lease liabilities	53
Total non-current liabilities	129
Current liabilities	
Borrowings	521
Trade and other payables	321
Deferred income	12
Provisions	57
Short-term lease liabilities	31
Total current liabilities	942
TOTAL LIABILITIES	1,072
NET ASSETS	1,292

Calculation of earnings per share from discontinued operations before dilution:

	2022	2021
Result from discontinued operations, SEK m	257	448
Average number of shares during the period before dilution, thousand	14,532	14,532
Earnings per share from discontinued operations before dilution, SEK	17.70	30.84

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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 16 April 2024. 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 16 May 2024.

Stockholm, 16 April 2024

Staffan Jufors
ChairmanAurore Belfrage
DirectorAnnette Brodin Rampe
DirectorHåkan Eriksson
DirectorNiklas Florén
DirectorLars Corneliusson
Director and CEO

Our audit report was submitted on 16 April 2024

KPMG AB

Mats Kåvik
Authorised Public Accountant

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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 2023, except for the corporate governance statement on pages 65–69 and the sustainability report on pages 43–60. The annual accounts and consolidated accounts of the company are included on pages 43–60, 65–69 and 74–126 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 2023 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 2023 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 65–69 and sustainability report on pages 43–60. 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.

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Valuation of goodwill (group) and shares in group companies (parent company)

See disclosure 12 (group) and disclosure 28 (parent company) and accounting principles on page 94 (group) and on page 96 (parent company) in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of goodwill for the group as at 31 December 2023 amounted to 228 MSEK. Goodwill is required to be tested annually for impairment, which comprise both complexity and is dependent on judgements.

The impairment test shall according to IFRS be performed in accordance with a certain method where management needs to make judgements of future, internal as well as external, conditions and plans. Example of such judgements is forecasts of future cash flows which, among other things, require assumptions about future development and market conditions.

Another important assumption is what discount rate should be used to reflect market-based assessments of the time value of money and the particular risks that the business faces.

The carrying value of shares in group companies in the parent company as at 31 December 2023 amounted to 288 MSEK. If the carrying amount of the shares exceeds the consolidated value of the respective group company, the same type of testing is carried out, with the same technology and input values, as for goodwill in the group.

Response in the audit

We have assessed whether the goodwill impairment test carried out by the client was performed in accordance with the prescribed accounting method. We have further considered the reasonableness of the assumptions in the cashflow forecasts as well as the discount rate used through evaluation of the group's internal written documentation and forecasts.

An important part of our work has also been to review the group's sensitivity analysis of their own assessment to evaluate how reasonable changes in the assumptions may impact the valuation.

Furthermore, we have considered the completeness of the disclosures in the annual report and evaluated whether they are in agreement with the assumptions made in the group's impairment tests.

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 1–64 and 70–73. 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 Accounting Standards 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.

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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.

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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 2023 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.

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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 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report 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 International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable 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 validation that the Esef report has been prepared in a valid XHTML format 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 consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

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The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 65–69 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's 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 43–60, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's 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 11 May 2023. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2010.

Stockholm 16 April 2024

KPMG AB

Mats Kåvik
Authorised Public Accountant

