



# Company Presentation

February 2023

# Introduction to Ferronordic



## Group

- Founded in 2010
- Listed on Nasdaq Stockholm since 2017



## Germany

- Dealer of Volvo and Renault Trucks in parts of Germany from January 2020
- Dealer for Sandvik mobile crushers and screens from September 2022
- Sales of new and used trucks
- Service and technical support
- Rental business



## CIS

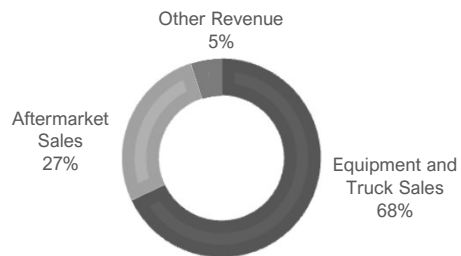
- Dealership for Sandvik mobile and stationary started in Kazakhstan in September 2022
- Dealer of Volvo CE in Kazakhstan from January 2019
- Dealer of Mecalac in Kazakhstan from January 2019
- Service and technical support
- Contracting services business
- *Ferronordic divested its Russian business in December.*

# Introduction to Ferronordic

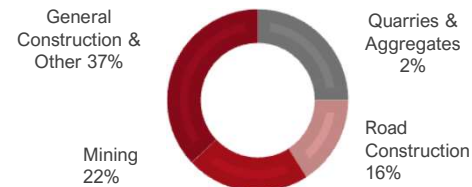
## Development

2010 (Start)	Employees	Revenue (SEKm) <sup>1</sup>	Outlets
	~160	1,184	6
Q4 2022	Employees	Revenue (SEKm) <sup>1</sup>	Outlets
	457	1,973	28

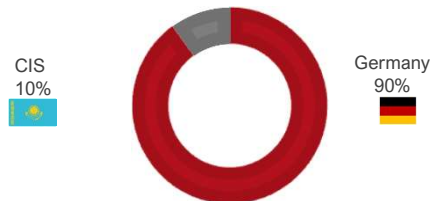
Revenue by Activity (2022)



Revenue by Industry - CIS (2022)



Revenue by Geographical Segment (2022)



1) Annualised last twelve months (LTM).



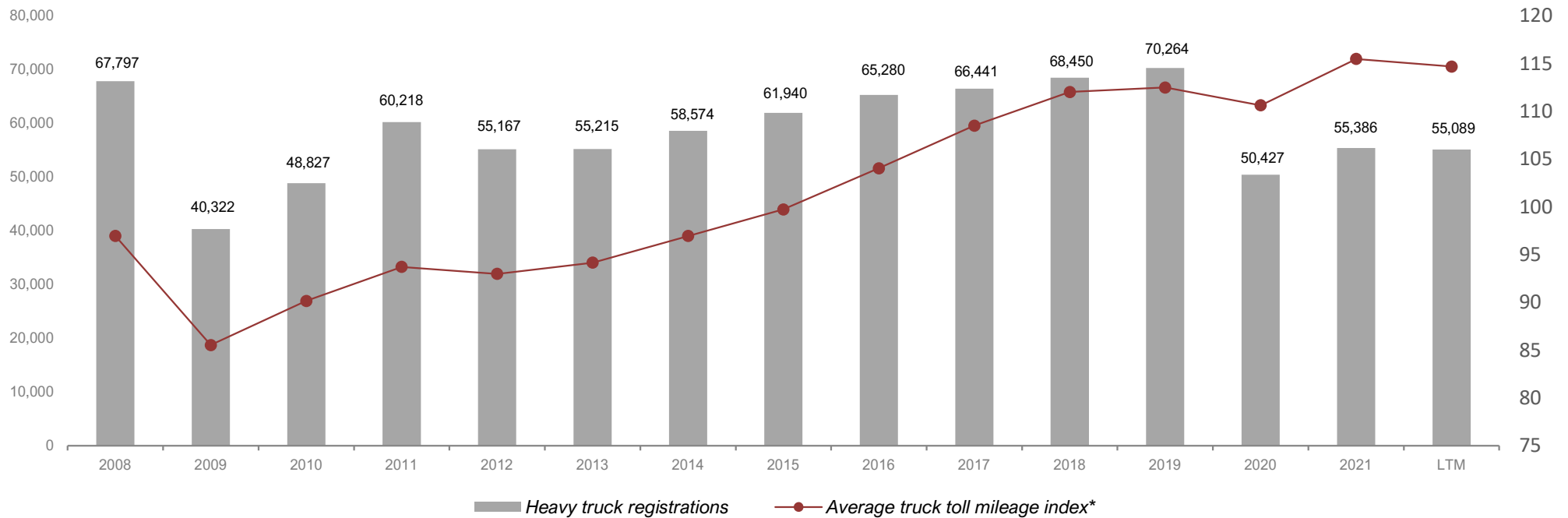
# Value pyramid



# Germany

## Europe's largest truck market

Heavy truck registrations in Germany (units)



Source: Germany registrations data compiled by Volvo Trucks (until February 2023). Federal Statistical Office Germany (Destatis).

\* Truck toll mileage index is a fixed base index that traces the development of the mileage of heavy trucks (with four or more axes) on German federal motorways and is calculated from digital process data from the truck toll collection system.

# Strategic objectives



# Strategic cornerstones



# UN Sustainable Development Goals

1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS



7 12 13 14 15

- Minimum emissions and waste
- High-quality, long-life, fuel-efficient and safe machines
- Maximising uptime for efficient production
- Providing second life cycles to machines, components and parts
- Customer support, training and contracting services for most efficient use

4 5 10

- Injury-free objective
- 4,282 hours invested in Health & Safety trainings
- 50,000 hours of training and development
- Striving to promote diverse workforce
- Equal opportunities employer

8 9 11

- Contributing to economic growth and social development
- Contributing to employment in remote regions
- Providing service and equipment for building critical infrastructure

4 16

- Anti-corruption program consisting of policies, procedures, trainings and zero-tolerance policy
- Code of Conduct
- Swedish Corporate Governance Code



# Product offering



## Volvo CE

Since  
2019

**Product Range**  
Full VCE Range

**Area**  
All of Kazakhstan



## Volvo & Renault Trucks

Since  
2020

**Product Range**  
Full Volvo & Renault Trucks Range

**Area**  
20% of German Market for Heavy Trucks



## Mecalac

Since  
2019

**Product Range**  
Backhoe Loaders\* and Compact Equipment

**Area**  
All of Kazakhstan



## Sandvik

Since  
2021

**Product Range**  
Mobile Crushers and Screens

**Area**  
All of Kazakhstan and most of Germany

1) Ferronordic's main partners have temporarily suspended sales and deliveries to Russia. Volvo CE and Sandvik have terminated their dealer agreements with Ferronordic in Russia.

2) Ferronordic is a dealer for mobile and stationary crushers and screens in all of Kazakhstan and for mobile crushers and screens in Germany since September 2022.

\*Mecalac backhoe loaders are only sold in Kazakhstan.

# Germany Network



- Ferronordic expanded to become dealer for Volvo and Renault Trucks in Germany in January 2020
- Germany is Europe's largest trucks market with 50,500 registrations in 2020 and 55,400 in 2021
- Ferronordic's sales area covers approx. 20% of the German market for heavy trucks
- The area includes some of the busiest and most developed parts of Germany, like Hannover and Frankfurt Rhine-Main, the second largest metropolitan region in the country
- It also includes a large part of Eastern Germany with fast growing cities, like Leipzig and Dresden

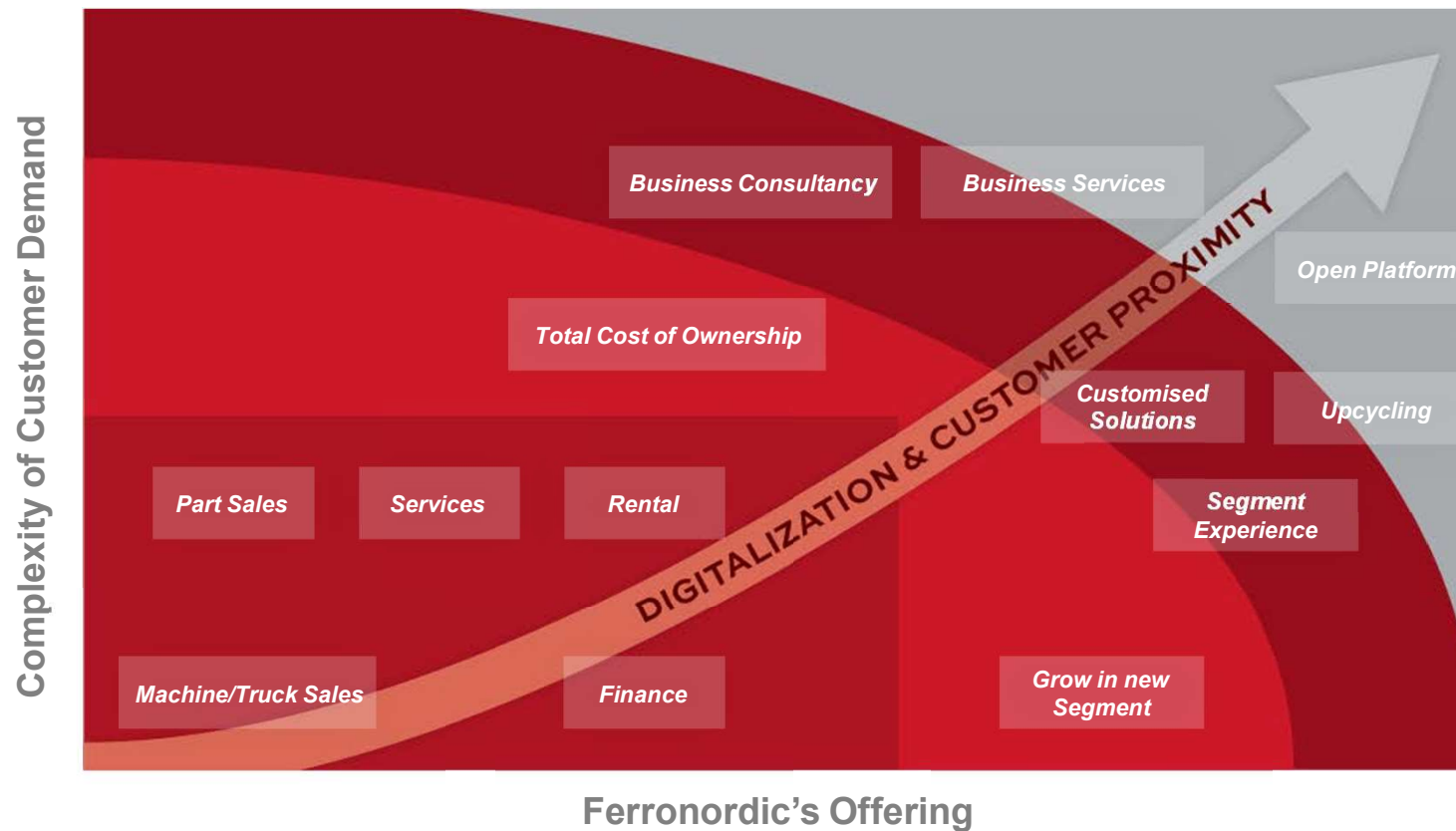


# Kazakhstan network



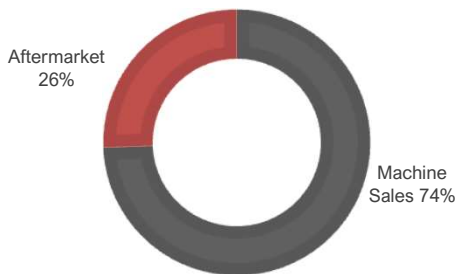
(7) Ferronordic outlets in Kazakhstan as of February 2023

# Moving toward further customer integration

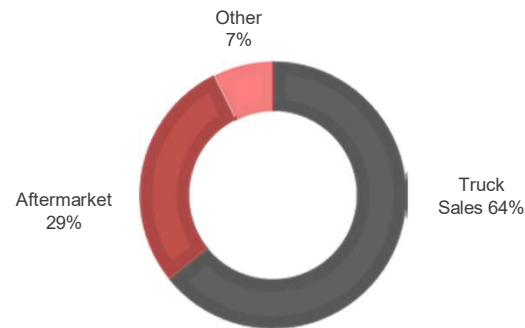


# Aftermarket focus

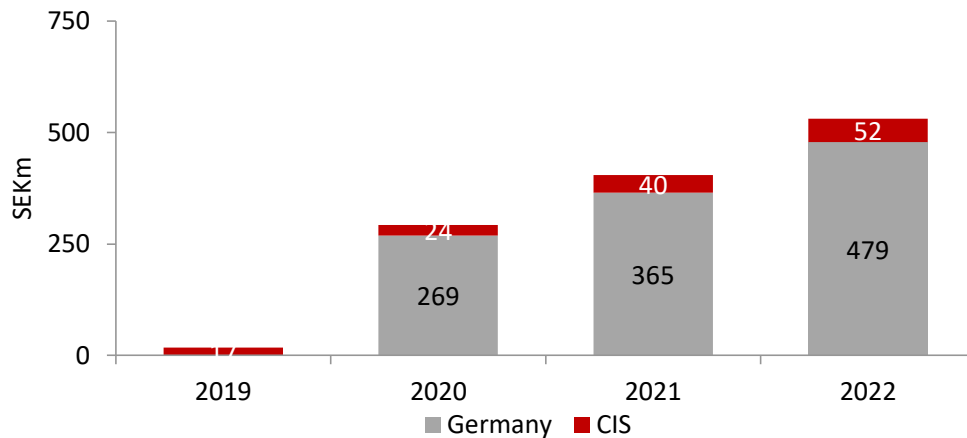
Share of sales  
(LTM) CIS



Share of sales  
(LTM) Germany



Aftermarket sales (SEKm)



## Aftermarket Sales

- Proactive customer coverage based on real-time data from the existing machine population
- Proprietary system transforms machine telematic signals (e.g. VCE's CareTrack) into sales leads on the mobile devices of sales and service staff
- Ferronordic's dense service networks across our sales area in Germany and in Kazakhstan allow for fast delivery of parts and timely customer support

## Offering

- Spare parts delivery
- Telematics - through Care-Track; fuel efficiency control, operator efficiency, fleet management
- Operator training
- Preventive maintenance service
- Planned and unplanned repair
- Overhaul
- Providing new life to older machines
- Diagnostics of machines
- Remanufacturing of vital parts

# Connectivity & Digitalisation

## Focus on growing sales



### Telematics System

- Telematics systems, e.g. Volvo CE's CareTrack, monitor the usage of the machines and transmit signals regarding e.g. motor hours, fuel consumption, location, etc.



### Rules Engine

- Signals from the telematics systems flow through the rules engine and automatically transform into sales leads and concrete customer proposals
- The rules engine is developed by Ferronordic internally based on Ferronordic's know-how and experience accumulated over the years.



### Customer Proposals

- Sales leads and concrete customer proposals are created automatically by the rules engine
- Proposals are uploaded automatically on the smartphones of the responsible sales personnel, including price and other commercial terms.



### Sales Action

- Responsible sales personnel contact customers and make proposals
- Adherence to sales process is followed up as part of calculating sales commissions.










### Follow Up

- Customer proposals created by the rules engine are reviewed continuously and systematically to ensure they are effective and result in sales
- Inefficient proposals are stopped and the rules are updated.

*We are in the forefront of using a system that utilises telematics systems to maximise sales and increase customer satisfaction and fleet efficiency*

# Contracting services

## Integrating with our customers

	<i>Traditional method</i>	<i>Contracting services</i>
<i>Machines</i>	 <b>FERRONORDIC</b>	 <b>FERRONORDIC</b>
<i>Parts</i>	 <b>FERRONORDIC</b> or the customer	 <b>FERRONORDIC</b>
<i>Service</i>	 <b>FERRONORDIC</b> or the customer	 <b>FERRONORDIC</b>
<i>Operators</i>	Provided by: The Customer	Provided by:  <b>FERRONORDIC</b>
<i>Payments</i>	Price of machine, parts and services	Volume based (per tonne, cubic meter, etc.)

- Part of strategy to become increasingly integrated in the business of our customers
- In addition to supplying and maintaining machines, we provide customers with operators to carry out specific works
- Current projects cover excavation and transportation of earth and rock for mining customers
- Payment is based on volume of earth and rock transported
- Common in other parts of the world but relatively undeveloped in our markets. We believe demand may grow
- Machines used by contracting services are on Ferronordic's balance sheet (PP&E)
- Contracting services projects should be ROIC accretive to Ferronordic



# Volvo & Renault Trucks

## Germany



### Authorised aftermarket dealer for Volvo and Renault Trucks in parts of Germany

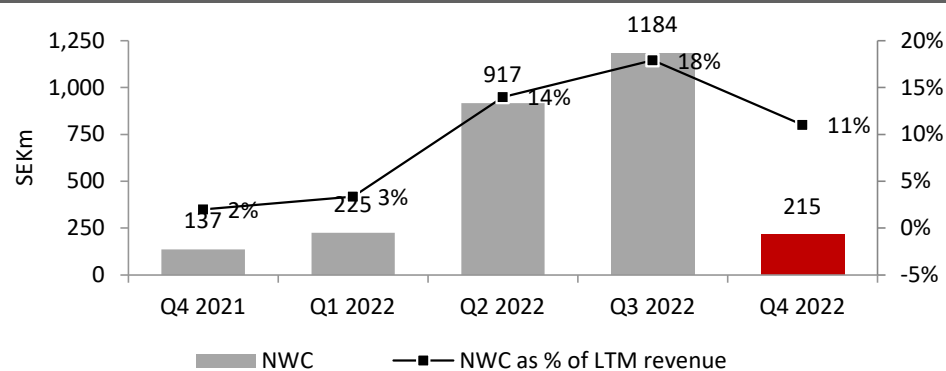
- Ferronordic services and sells Volvo and Renault trucks, trades and restores used trucks and manages a trucks rental business
- Ferronordic will invest to grow and improve network in area
- Plan to apply Ferronordic's business model to grow revenue and profitability
- Opportunities to grow Volvo and Renault Trucks market shares and increase share of aftermarket sales and improve profitability
- Approx. 450 employees in Ferronordic Germany as of December 2022; mostly sales representatives and mechanics



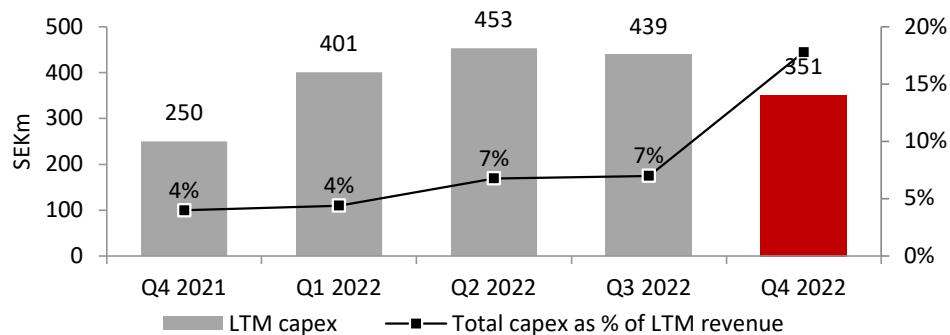


# Cash flow & capital allocation

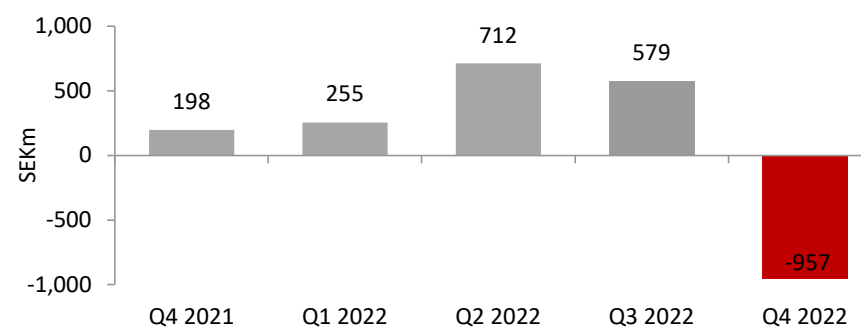
## Working Capital Development



## Capital Expenditure Development



## Net debt/(cash) Development



\* Increase in machines in contracting services of SEK 54m in 2020 was reflected as a change in working capital, as the machines were transferred to PP&E from inventory but the movement is a non-cash operation



**Fourth quarter 2022**  
February 2023

# Moving forward



## Group

- Ferronordic divested its Russian business for SEK 1.3b
- Net cash proceeds from the sale of SEK 1.1b brought the Group to a net cash position of SEK 957m
- Focus and resources for new opportunities

## Germany:

- Trucks sales in units increased by 43%
- Revenue increased 38%, mainly due to growth in new trucks sales
- Reached breakeven pace of operating profit at the end of Q4 2022

## CIS:

- After sale of Russian business, Kazakhstan remains in CIS segment
- Revenue increased by 112% in local currency and 197% in SEK

**48%**

Revenue  
increase

**47%**

Operating profit  
increase (adjusted<sup>1</sup>)

**-1.9%**

Operating profit  
margin (adjusted<sup>1</sup>)

**-123%**

EPS decrease  
(before dilution)

<sup>1</sup> "Adjusted" here and in the rest of this report means excluding the effect of the compensation payment from Volvo of SEK 321m in Q3 2022.

# Q4 2022

## Moving forward

- Due to the conflict in Ukraine, business in Russia became impossible for Ferronordic
- Despite difficulties, we managed to sell our Russian subsidiaries in December for a price close to net asset value
- This was an achievement and the best way forward
- We received a net cash inflow of approx. SEK 1,097m.
- At the end of 2022, our net cash position amounted to SEK 957m.
- Plan to use sales proceeds and strong balance sheet to invest in further in our operations in Germany and Kazakhstan and new opportunities
- Continued development of organisation and network in Germany
- Close work with partners to bring electric trucks and sustainable transport solutions to market
- Development of organisation and contracting services in Kazakhstan
- We look actively for new markets and opportunities
- The Board proposes a SEK 7.5/share dividend.

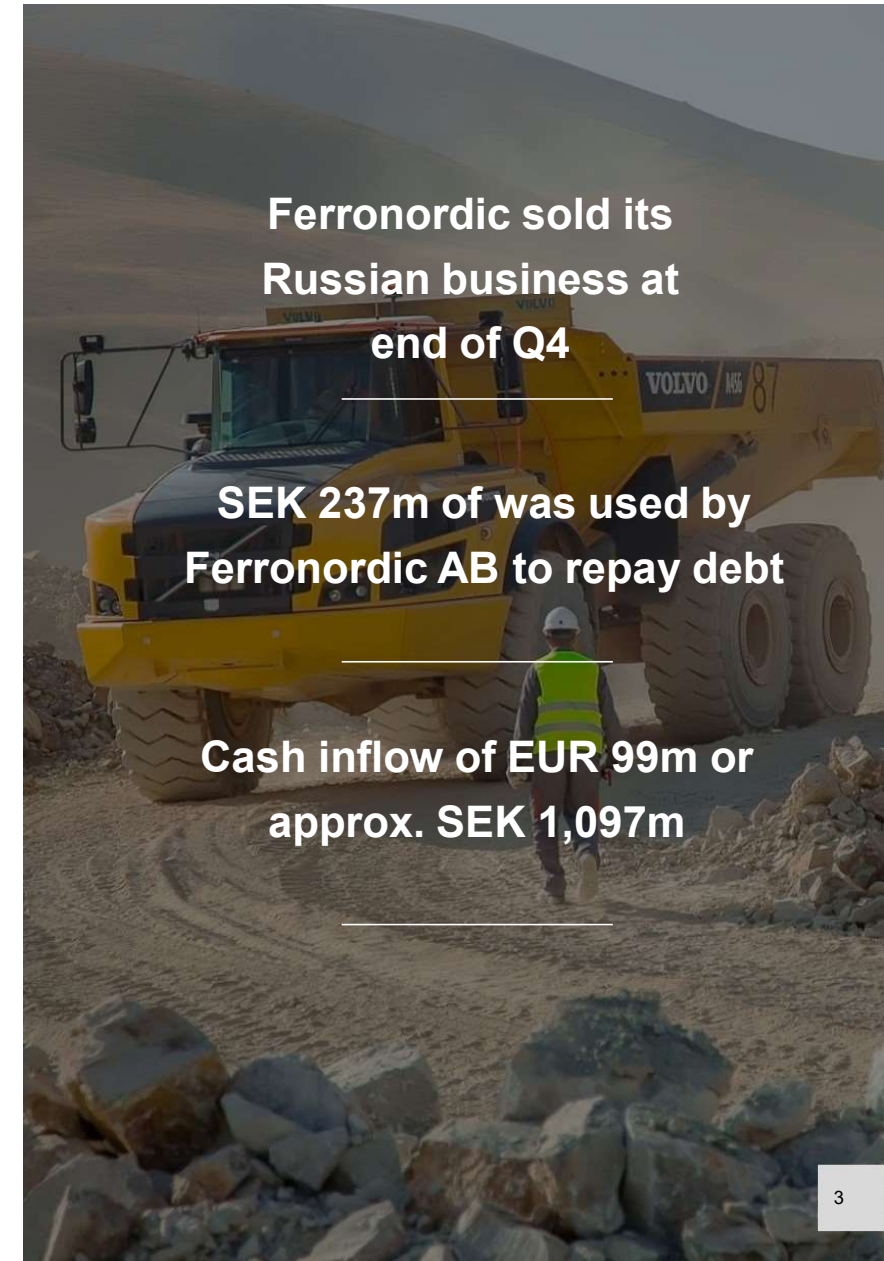
**Russian subsidiaries  
sold for a price close  
to the net asset value**

**At the end of 2022, the  
Group net cash  
position amounted to  
SEK 957m**

**The Board proposes to  
share SEK 7.5/share in  
a dividend**

# Sale of Russian business

- Ferronordic completed the sale of its Russian business at end of Q4 2022 for a price of RUB 9.2b or SEK 1,334m at the time, compared to a net asset value of SEK 1,292m
- Approx. SEK 237m of this amount was used by Ferronordic AB to repay debt to the sold Russian subsidiaries
- For the Group, the divestment resulted in a cash inflow of EUR 99m or approx. SEK 1,097m
- The cash payment was received in EUR on Ferronordic's account in Austria on 23 December
- With the sale, Ferronordic in all material respects divested all its assets and liabilities in Russia



Ferronordic sold its  
Russian business at  
end of Q4

SEK 237m of was used by  
Ferronordic AB to repay debt

Cash inflow of EUR 99m or  
approx. SEK 1,097m



# Q4 2022

## Group summary financials

### Group revenue +48% to SEK 705m

- German revenue +38% to SEK 616m (+28% in EUR)
  - Truck sales +58% (+46% in EUR), aftermarket sales +21% (+12%) and other sales -45% (-49% in EUR)
- CIS revenue +169% in local currency and +195% in SEK 89m
  - Equipment sales +308% (+269% in local currency) and aftermarket sales 20% (+9% in local currency)

### Group operating profit increased from SEK -25m to SEK -13m

- CIS operating profit increased from SEK -1m to SEK 5m
- German operating profit increased from SEK -12m to SEK -5m
- Group adjusted operating margin increased to -1.9% (-5.4)
- 58% equity to total assets
- Net cash at SEK -957m or -30.8x EBITDA

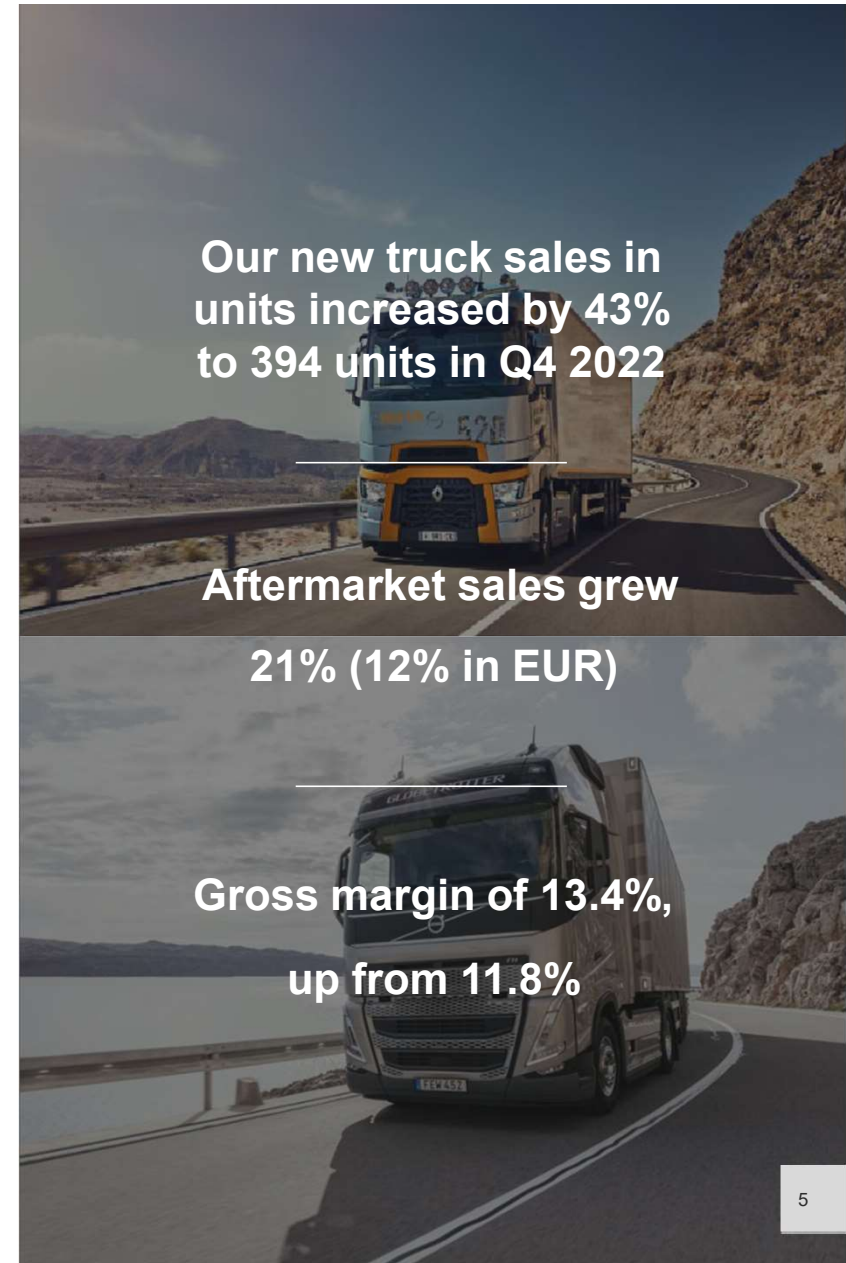


## Q4 2022

### Germany operational highlights

- Based on registrations, the total German market for heavy trucks declined by 1% in Q4 2022<sup>1</sup>
- Rigids declined by 5% while tractors grew by 2%
- Despite growing concerns about the economy, the market remains firm
- Rising inflation and energy prices, higher interest rates and weaker business indicators may affect demand for trucks negatively
- New trucks registered in Ferronordic's sales area increased by 3% and represented 18% of the total German market
- Following supply constraints in Q3 2022, Ferronordic's new truck sales in units increased by 43% to 394 units in Q4 2022
- Equipment sales increased by 58% (46%)
- Aftermarket sales increased by 21%, of which 14% was organic growth
- The gross margin increased to 13.4% (11.8)

1) ACEA statistics



## Q4 2022

### CIS operational highlights

- Kazakhstan is currently the only market in our CIS segment
- The Kazakh market increased by 25% in 2022
- The Kazakh market is supported by Kazakhstan's growing role as a regional hub, strong commodity prices and big infrastructure projects
- Ferronordic's new machine sales in units increased to 26 (12) or by 117%
- Equipment sales increased by 308% (269% in local currency)
- Aftermarket sales increased by 20% (9% in local currency)
- The gross margin increased to 16.5% (15.0%) and gross profit increased to SEK 15m (4)





# Business development

## Group

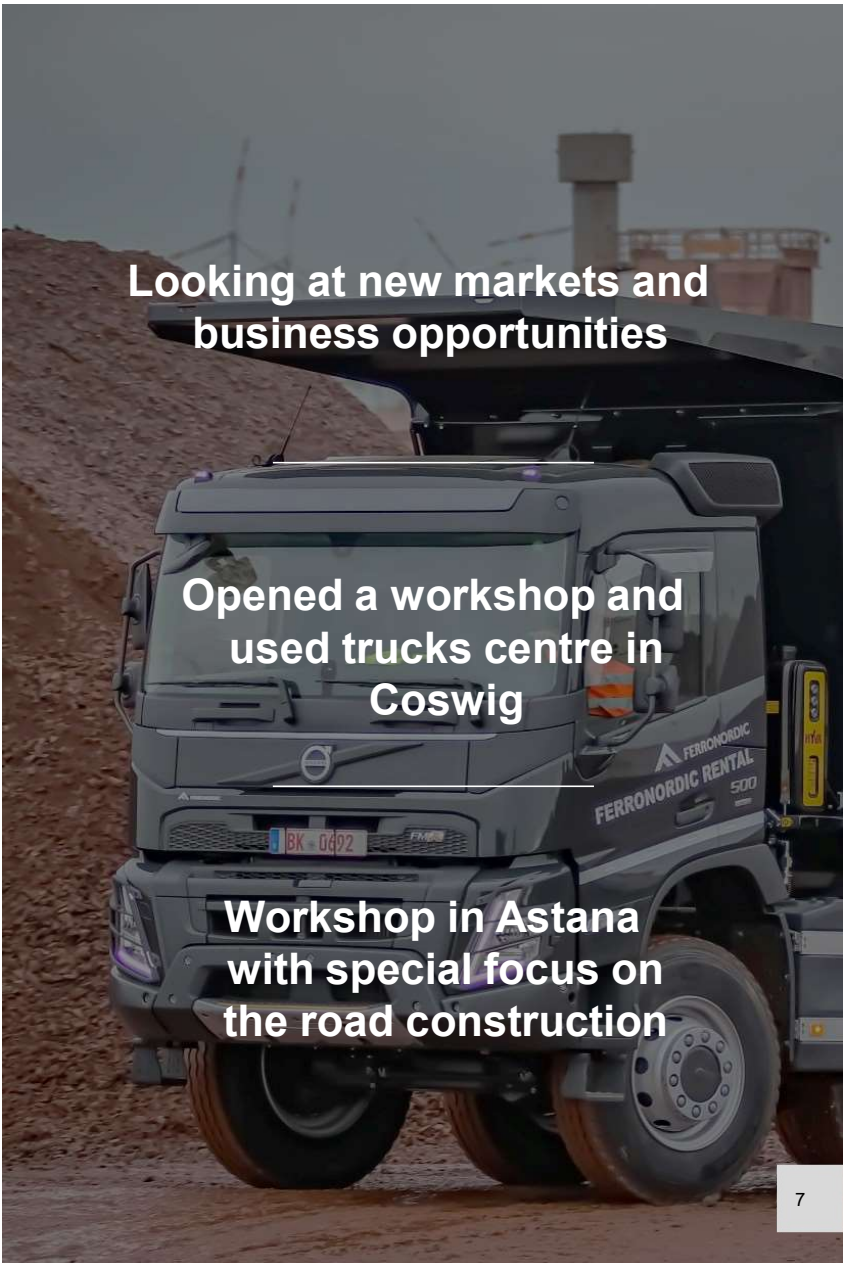
- We are actively looking at new markets and business opportunities

## Germany

- In Q4 2022, Ferronordic opened a workshop and used trucks centre in Coswig
- Workshop in Peine to open operations in February
- We moved into the newly built service and sales hub in Hannover
- Work to develop our rental product for electric trucks
- Set up of parts warehouse and service organisation for Sandvik

## Kazakhstan

- In 2022, we opened a workshop in Astana with special focus on the road construction segment
- Further development of digital sales to improve service and sales teams' performance and customer satisfaction
- Move to branch organisation to improve customer focus
- Service and sales support organisation for Sandvik



Looking at new markets and  
business opportunities

Opened a workshop and  
used trucks centre in  
Coswig

Workshop in Astana  
with special focus on  
the road construction

# German network expansion

- **Fulda** - Transaction closed in January 2021
- **Limburg** - Transaction closed in April 2021
- **Nordhausen** - Transaction closed in June 2021
- **Service and sales hub in Hannover**
  - Greenfield
  - Investments in 2021 and 2022
  - Ready in Q3 2022
- **Bergstrasse** - Transaction closed in October 2021
- **Bingen, Kirn and Simmern** - Transaction closed in December 2021
- **Bad Hersfeld** - Operations opened in March 2022 and sales started in Q2 2022
- **Aschaffenburg** - Operations opened in Q3 2022
- **Coswig** - Operations opened in November 2022
- **Peine** - Operations open in February 2023



(21) Ferronordic outlets in Germany as of February 2023

# Kazakhstan network



(7) Ferronordic outlets in Kazakhstan as of February 2023

# Economic development

- **Germany**

- +0.5% GDP in Q4 2022<sup>1</sup>
- +0.1% GDP expected in 2023<sup>2</sup>
- +1.4% GDP expected in 2024<sup>2</sup>
- Inflation reached 8.7% and energy prices were +24,4% Y-o-Y in January<sup>3</sup>

- **Kazakhstan**

- +3.2% GDP in 12m 2022<sup>4</sup>
- +4.4% GDP expected in 2022<sup>5</sup>
- +4.5% GDP expected in 2024<sup>5</sup>

1) <https://www.destatis.de/EN/Themes/Economy/National-Accounts-Domestic-Product/Tables/gdp-bubbles.html>

2) <https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>

3) [https://www.destatis.de/EN/Themes/Economy/Prices/Consumer-Price-Index/\\_node.html](https://www.destatis.de/EN/Themes/Economy/Prices/Consumer-Price-Index/_node.html)

4) <https://stat.gov.kz>

5) [https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/KAZ](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/KAZ)



# Q4 2022

## Income statement

SEK MM	Q4 2021	Q4 2021	Q4 2021	Q4 2022	Q4 2022	Q4 2022	% change
	CIS	Germany	Group	CIS	Germany	Group	Group
FX (SEK/KZT, EUR/SEK)	48.55	10.13		43.99	10.93		
New units sold	12	275	287	26	394	420	46%
<b>Revenue</b>	<b>30</b>	<b>445</b>	<b>475</b>	<b>89</b>	<b>616</b>	<b>705</b>	<b>48%</b>
<b>Gross profit</b>	<b>4</b>	<b>53</b>	<b>57</b>	<b>15</b>	<b>82</b>	<b>97</b>	<b>70%</b>
% Margin	15.0%	11.8%	12.0%	16.5%	13.4%	13.8%	1.8pp
<b>Operating profit*</b>	<b>-1</b>	<b>-12</b>	<b>-25</b>	<b>5</b>	<b>-5</b>	<b>-13</b>	<b>-47%</b>
% Margin	-1.8%	-2.8%	-5.4%	6.1%	-0.8%	-1.9%	3.4pp
<b>Result</b>			<b>-21</b>			<b>49</b>	<b>-332%</b>
<b>Result from discontinued operations</b>			<b>109</b>			<b>-65</b>	-160%
<b>Net result for the period</b>			<b>88</b>			<b>-16</b>	-119%
EPS			6.06			-1.12	-118%
EBITDA	-12	9	-3	-8	15	7	-316%

- FX important factor Y-o-Y
- Total revenue of SEK 705m
  - 13% CIS and 87% Germany
  - 76% equipment and trucks, 21% aftermarket and 4% other
- Gross margin stood at 13.8%, up 1.8pp Y-o-Y, mainly on revenue mix
- SG&A as percent of revenue at 16.2% from which 2.0% is Group costs (16.9% with 2.6% Group costs) as 13.7% in Germany offset 17.3% in CIS
- Operating margin increased to -1.9% (-5.4%)
- Operating profit -47% to SEK -13m

\* Group operating profit includes Group costs not allocated on the reporting segments

# FY 2022

## Income statement

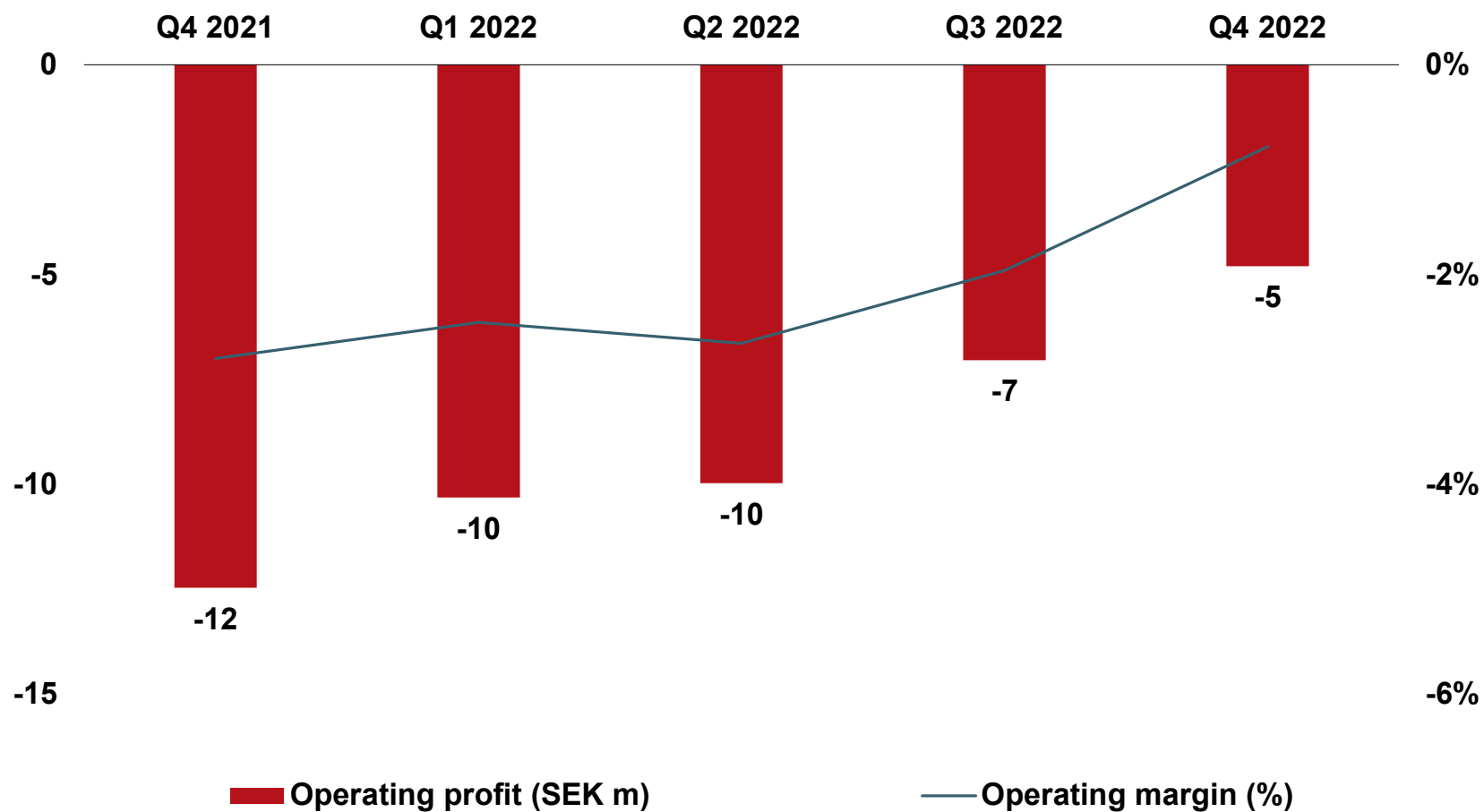
SEK MM	2021	2021	2021	2022	2022	2022	% change	2022
	CIS	Germany	Group	CIS	Germany	Group (adjusted)		Group
FX (SEK/KZT, EUR/SEK)	49.62	10.14		47.42	10.63			
New units sold	54	800	854	60	992	1,052	23%	1,052
<b>Revenue</b>	<b>143</b>	<b>1,368</b>	<b>1,511</b>	<b>203</b>	<b>1,770</b>	<b>1,973</b>	<b>31%</b>	<b>1,973</b>
<b>Gross profit</b>	<b>25</b>	<b>149</b>	<b>174</b>	<b>36</b>	<b>214</b>	<b>250</b>	<b>44%</b>	<b>250</b>
% Margin	17.4%	10.9%	11.5%	17.8%	12.1%	12.7%	1.2pp	12.7%
<b>Operating profit*</b>	<b>13</b>	<b>-71</b>	<b>-112</b>	<b>16</b>	<b>-32</b>	<b>-74</b>	<b>-34%</b>	<b>247</b>
% Margin	8.9%	-5.2%	-7.4%	7.6%	-1.8%	-3.8%	3.6pp	12.5%
<b>Result</b>			<b>-109</b>			<b>-60</b>	<b>-45%</b>	<b>197</b>
<b>Result from discontinued operations</b>			<b>448</b>			<b>247</b>	<b>-45%</b>	<b>247</b>
<b>Net result for the period</b>			<b>339</b>			<b>188</b>	<b>-45%</b>	<b>444</b>
EPS			23.31			12.91	-45%	30.58
EBITDA	-37	-15	-52	-8	39	31	-159%	321

- FX important factor Y-o-Y
- Total revenue of SEK 1,973m
  - 10% CIS and 90% Germany
  - 68% equipment and trucks, 27% aftermarket and 5% other
- Gross margin stood at 12.7%, up 1.2pp Y-o-Y, mainly on revenue mix
- SG&A as percent of revenue at 16.9% from which 2.9% is Group costs (18.7% with 3.5% Group costs) as 12.6% in CIS offset 14.2% in Germany
- Adjusted operating margin increased to -3.8% (-7.4%)
- Adjusted operating profit -34% to SEK -74m

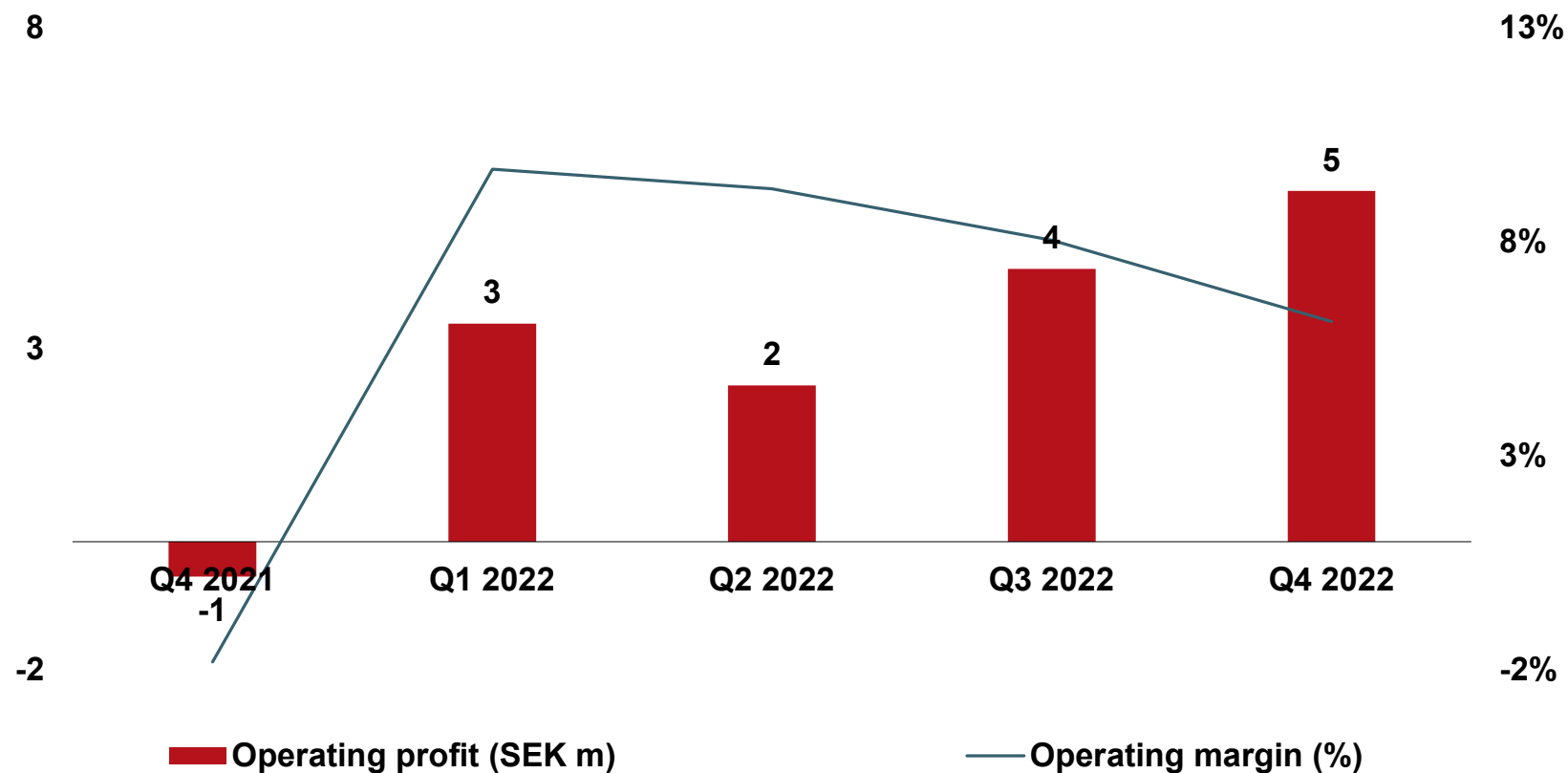
"Adjusted" means excluding the effect of the compensation payment from Volvo CE of SEK 321m.

\* Group operating profit includes Group costs not allocated on the reporting segments

# Germany: Trend in operating result and margin



# Kazakhstan: Trend in operating result and margin





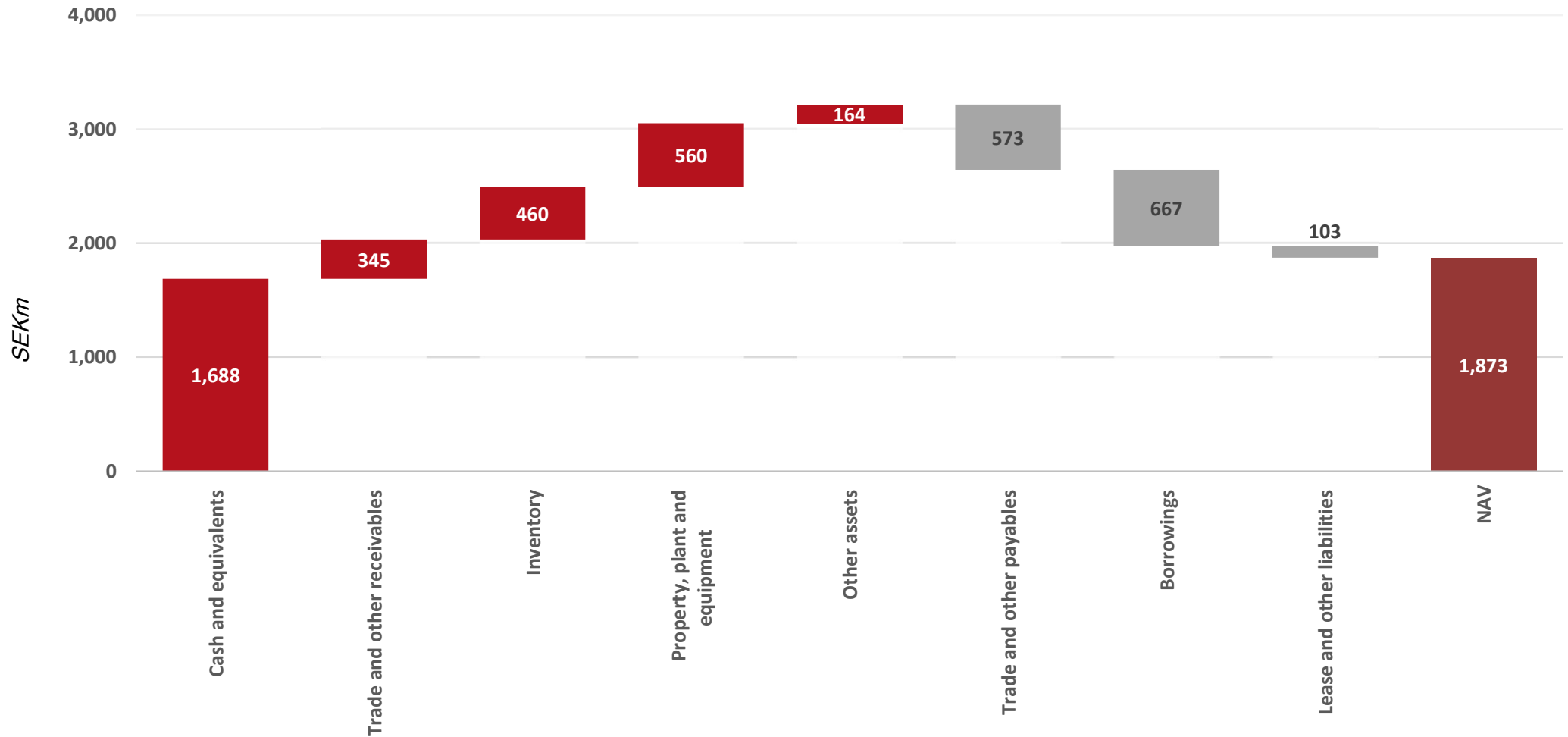
# Q4 2022

## Balance sheet

SEK MM	Q4 2021	Q3 2022	Q4 2022
<i>FX (SEK/RUB, EUR/SEK)</i>	<i>8.22, 47.45, 10.23</i>	<i>5.07, 42.17, 10.92</i>	<i>6.80, 43.71, 11.13</i>
Property, plant and equipment	1,006	1,263	560
Cash and cash equivalents	768	939	1,688
Debt	808	1,329	667
Finance Leases	159	189	64
<b>Net debt / cash</b>	<b>198</b>	<b>579</b>	<b>-957</b>
Working capital	137	1,184	215
<i>% of Revenue</i>	<i>2%</i>	<i>18%</i>	<i>11%</i>
Shareholders equity	1,101	2,108	1,873
<b>Total Assets</b>	<b>3,973</b>	<b>4,997</b>	<b>3,217</b>
Equity / Assets	28%	42%	58%

- PP&E decreased Y-o-Y and Q-o-Q mainly due to the disposal of Russian subsidiaries (519m)
- Net working capital in Russia at the time of the sale was 825m
- In CIS, net working capital decreased Q-o-Q from 4% to -3% of LTM revenue as payables increased faster than inventories and as revenue
- In Germany net working capital stood flat at 17% of LTM revenue
- Net debt turned into a SEK -957m net cash position due to the sale of Russian business
- Net debt/EBITDA was -30.8x EBITDA as of 31 December 2022
- Equity/assets increased 30pp to 58% YoY

# Group NAV after sale of Russia



# Outlook

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*Following the sale of the Russian business, we look into the future with renewed optimism. In Germany, we continue to see strong demand for service and trucks, despite concerns about a weaker economy. Supply constraints continue to limit market growth. Our sales area is at the heart of Europe's transport business and benefits from commercial activity across industries. We also see growing interest in electric trucks and sustainable transport solutions. Our operations in Kazakhstan continue to develop and we actively seek opportunities to grow our product and business portfolio. Demand for construction equipment is supported by Kazakhstan's growing role as a regional hub, its big infrastructure projects and strong commodity prices. In a longer perspective, we believe that the underlying conditions and business opportunities in the German and Kazakh markets are strong. We also continue to look for new growth opportunities.*



# Moving forward



## Group

- Ferronordic divested its Russian business for SEK 1.3b
- Net cash proceeds from the sale of SEK 1.1b brought the Group to a net cash position of SEK 957m
- Focus and resources for new opportunities

## Germany:

- Trucks sales in units increased by 43%
- Revenue increased 38%, mainly due to growth in new trucks sales
- Breakeven pace of operating profit at the end of Q4 2022

## CIS:

- After sale of Russian business, Kazakhstan remains in CIS segment
- Revenue increased by 112% in local currency and 197% in SEK

**48%**

Revenue  
increase

**47%**

Operating profit  
increase (adjusted<sup>1</sup>)

**-1.9%**

Operating profit  
margin (adjusted<sup>1</sup>)

**-123%**

EPS decrease  
(before dilution)

<sup>1</sup> "Adjusted" here and in the rest of this report means excluding the effect of the compensation payment from Volvo of SEK 321m in Q3 2022.

