

# Company Presentation

May 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 in most of Germany from September 2022
- Sales of new and used trucks
- Service and technical support
- Rental business



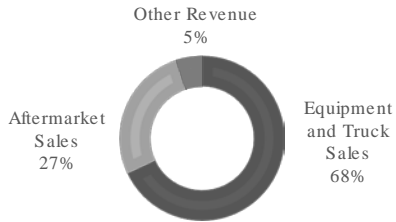
## CIS

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

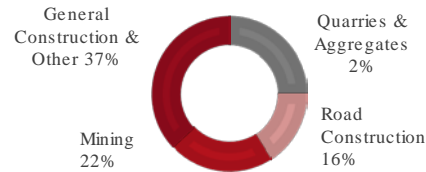
# Introduction to Ferronordic

Development			
<b>2010 (Start)</b>	<b>Employees</b>	<b>Revenue (SEKm)<sup>1</sup></b>	<b>Outlets</b>
	~160	1,184	6
<b>Q1 2023</b>	<b>Employees</b>	<b>Revenue (SEKm)<sup>1</sup></b>	<b>Outlets</b>
	464	2,149	28

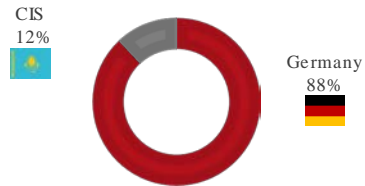
Revenue by Activity (LTM)



Revenue by Industry - CIS (2022)



Revenue by Geographical Segment (LTM)



<sup>1</sup>) Annualised last twelve months (LTM).



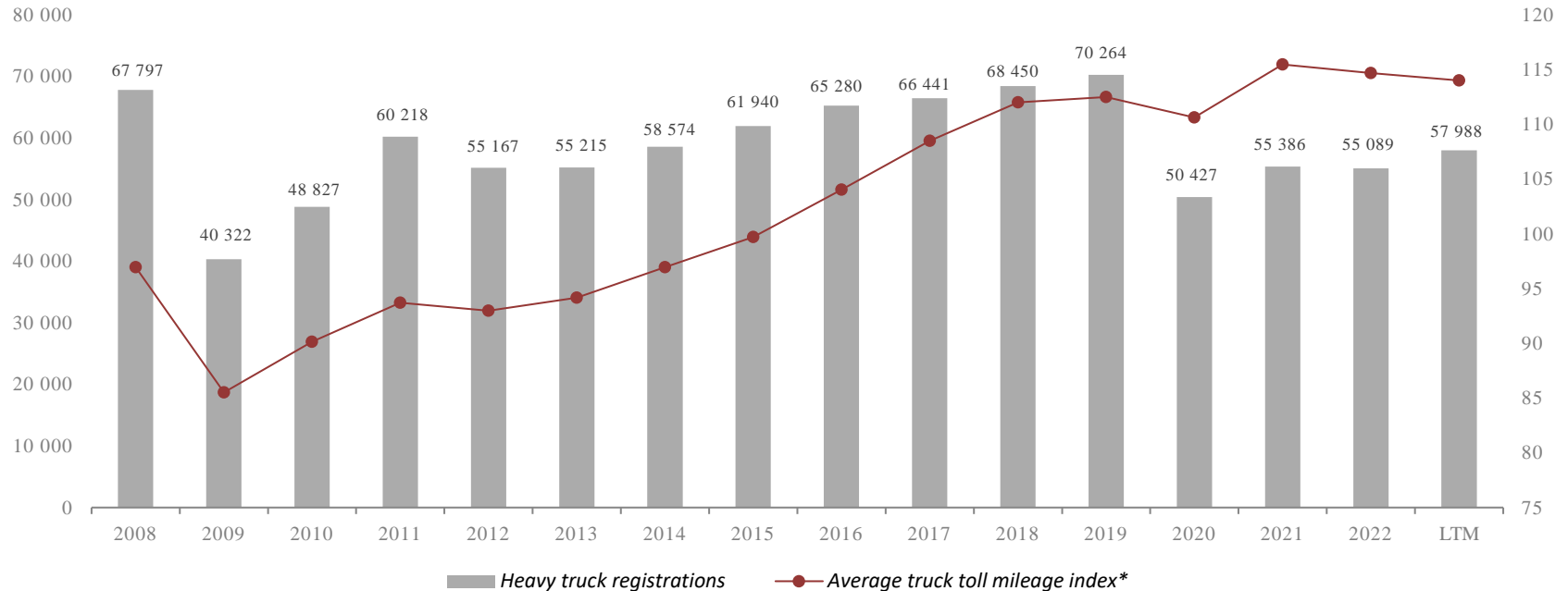
# Value pyramid



# Germany

## Europe's largest truck market

Heavy truck registrations in Germany (units)



Source: Germany registrations data compiled by Volvo Trucks (until March 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 axles) on German federal motorways and is calculated from digital process data from the truck toll collection system.

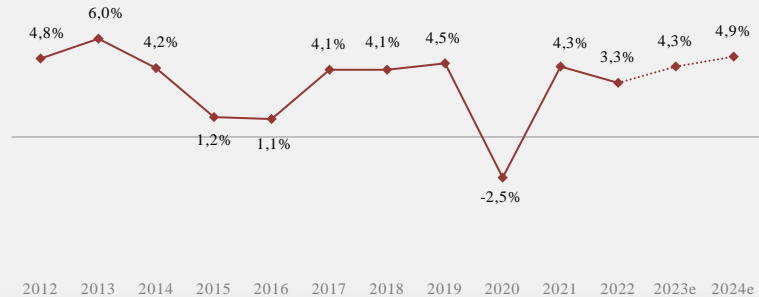
# Kazakhstan: Key regional hub

## CIS

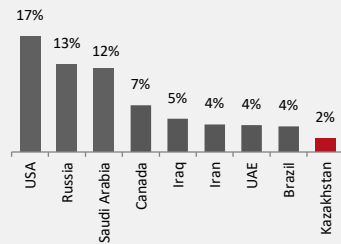
### Kazakhstan at a glance

- Population: ~19 million<sup>1</sup>
- Area: 2.7 million sq. km<sup>1</sup>
- Major transport and logistics hub in the region linking Europe and Asia
- Rich in oil & gas (35% of GDP and 75% of exports)
- Large producer of gold, copper, zinc and chromium
- Approx. USD 94 billion<sup>2</sup> in international currency reserves and gold
- Government gross debt/GDP ratio of 23.5% (2022)<sup>5</sup>

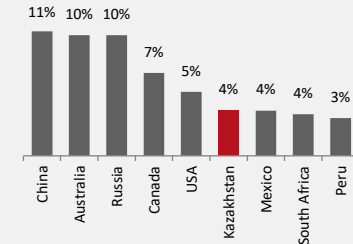
### Kazakhstan's GDP development<sup>5</sup>



### Oil Production (% of total)<sup>3</sup>



### Gold Production (% of total)<sup>4</sup>



- Kazakhstan's infrastructure needs are increasing with its expanding economy, growing role as a regional hub and increasing population
- In 2023, 170 new industrial investment projects worth USD 2.2b are expected to be launched in the economy
- The government also plans to start 873 investment projects worth USD 62.2b over a longer period

# Strategic objectives



# Strategic cornerstones

## Customer Orientation

- Customer centricity
- Leading service and product availability
- Tailored customer solutions (including contracting and other business services)

## Build on Strong Brand - Volvo

- World leading manufacturer of trucks and construction equipment
- Strong brand position
- Development through additional strong brands



**Great  
Team**

## Superior Infrastructure

- Mobile workshops and service vans/trucks
- Well equipped, purpose-built facilities in select locations
- Infrastructure to be used for all brands and business areas
- Superior IT infrastructure for digital service and sales processes

## Operational Excellence

- Safety and sustainability
- Continuous improvement of practices and processes
- Business driven digital service and sales processes
- Close cooperation with manufacturers
- High employee engagement



# 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
- Focus on sustainable transport solutions
- Customer support, training and contracting services for most efficient use

**3** **4** **5** **10**

- Injury-free objective
- 57,000 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**  
2022

---

**Product Range**  
Mobile Crushers and  
Screens

---

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

# Germany

## Network



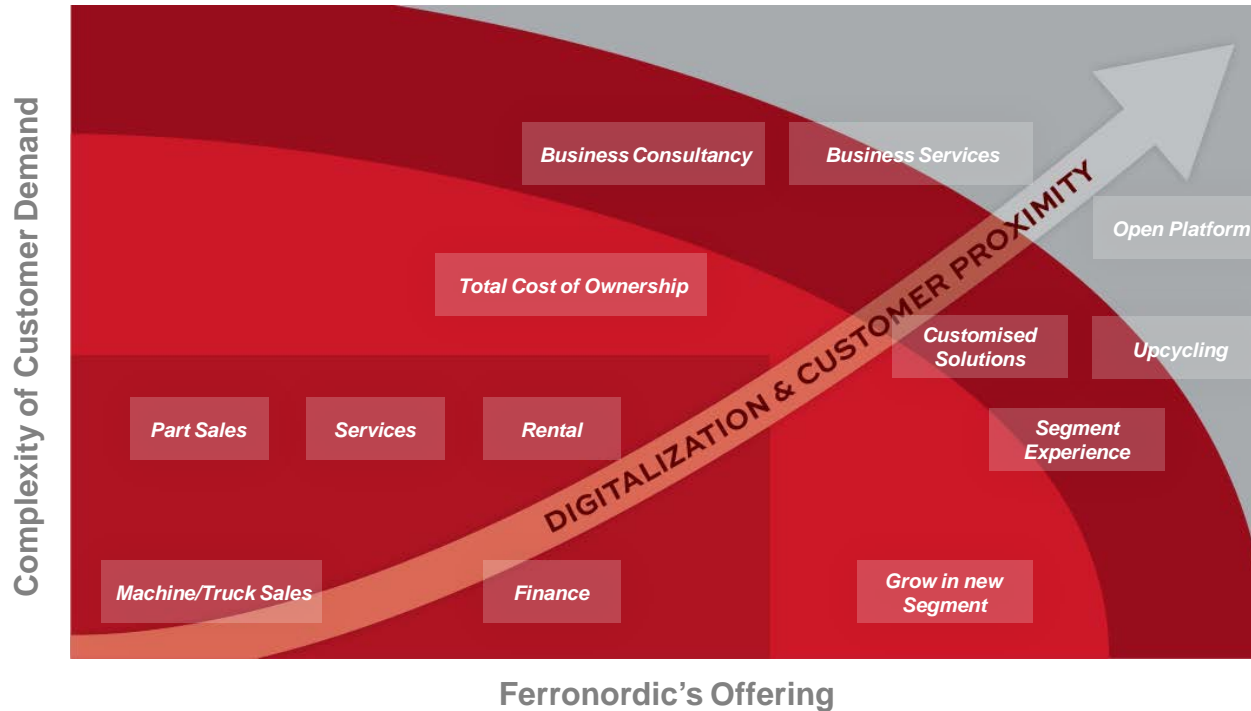
- Ferronordic expanded to become dealer for Volvo and Renault Trucks in Germany in January 2020
- Germany is Europe's largest trucks market with 55,000 registrations in 2022
- Ferronordic's sales area covers approx. 20% of the German market for heavy trucks
- Network divided into four regions: West, East, South and North
- The area includes some of the busiest and most developed parts of Germany, like Hanover 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

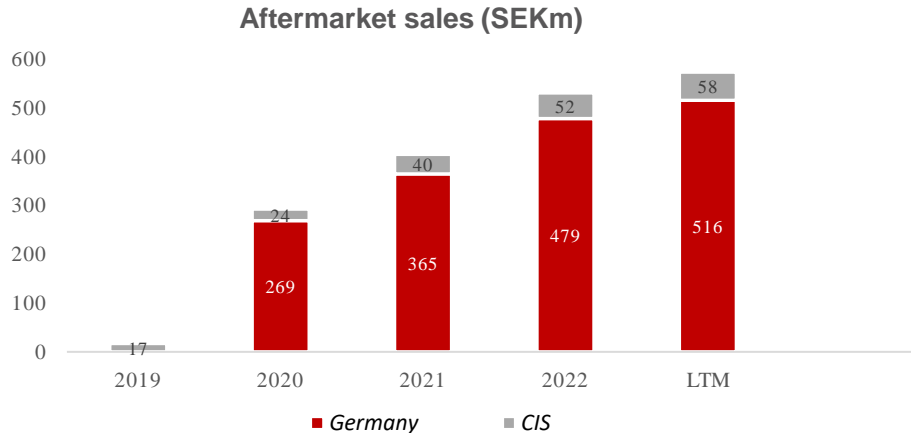
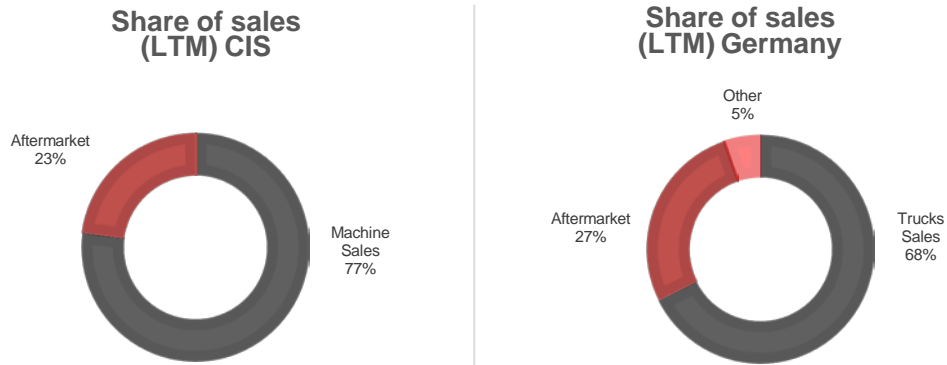
## Network



# Moving forward further customer integration



# Aftermarket focus



## 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 areas in Germany and 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>
Machines	 <b>FERRONORDIC</b>	 <b>FERRONORDIC</b>
Parts	 <b>FERRONORDIC</b> or the customer	 <b>FERRONORDIC</b>
Service	 <b>FERRONORDIC</b> or the customer	 <b>FERRONORDIC</b>
Operators	Provided by: The Customer	Provided by:  <b>FERRONORDIC</b>
Payments	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
- Project include 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
- We explore potential for contracting services projects in Kazakhstan
- 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



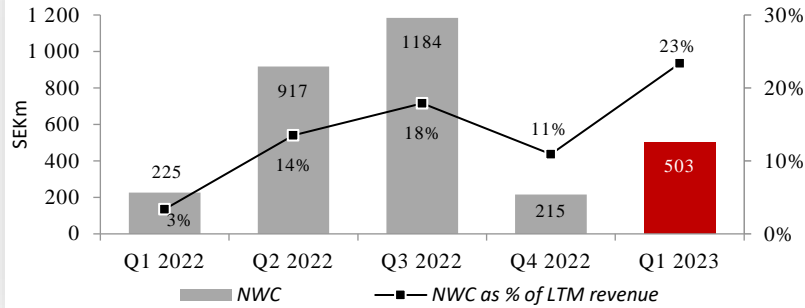
### Authorised aftermarket dealer for Volvo and Renault Trucks in parts of Germany

- 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. 388 employees in Ferronordic Germany as of April 2023; mostly sales representatives and mechanics

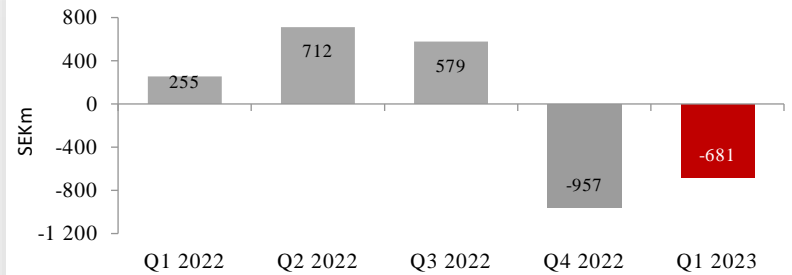


# Cash flow & capital allocation

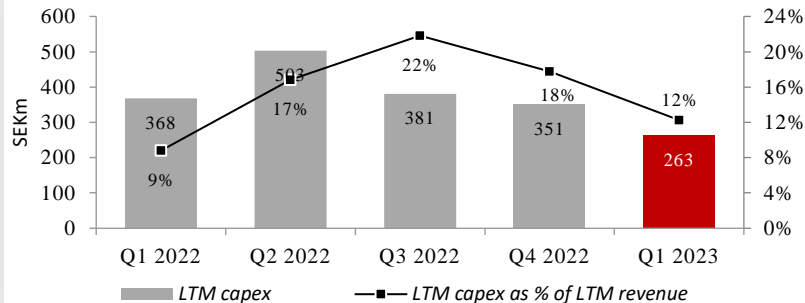
## Working Capital Development



## Net Debt/(Cash) Development



## Capital Expenditure Development



# First quarter 2023

May 2023

# Milestone reached in Germany



## Group

- 39% revenue growth on strong performance in both operating segments
- Improvement in operating result to SEK -14m and in operating margin to -2.2%
- Ferronordic continues to explore new growth opportunities

## Germany

- Revenue increased 30% to SEK 548m, partly due to strong growth in aftermarket sales
- Positive operating result of SEK 5m with an operating margin of 0.8%

## CIS

- Revenue increased 138%, supported by strong new and used equipment sales
- Operating profit of SEK 7m and operating margin of 8.7%

**39%**

Revenue  
growth

**42%**

Operating profit  
growth

**-2.2%**

Operating profit  
margin

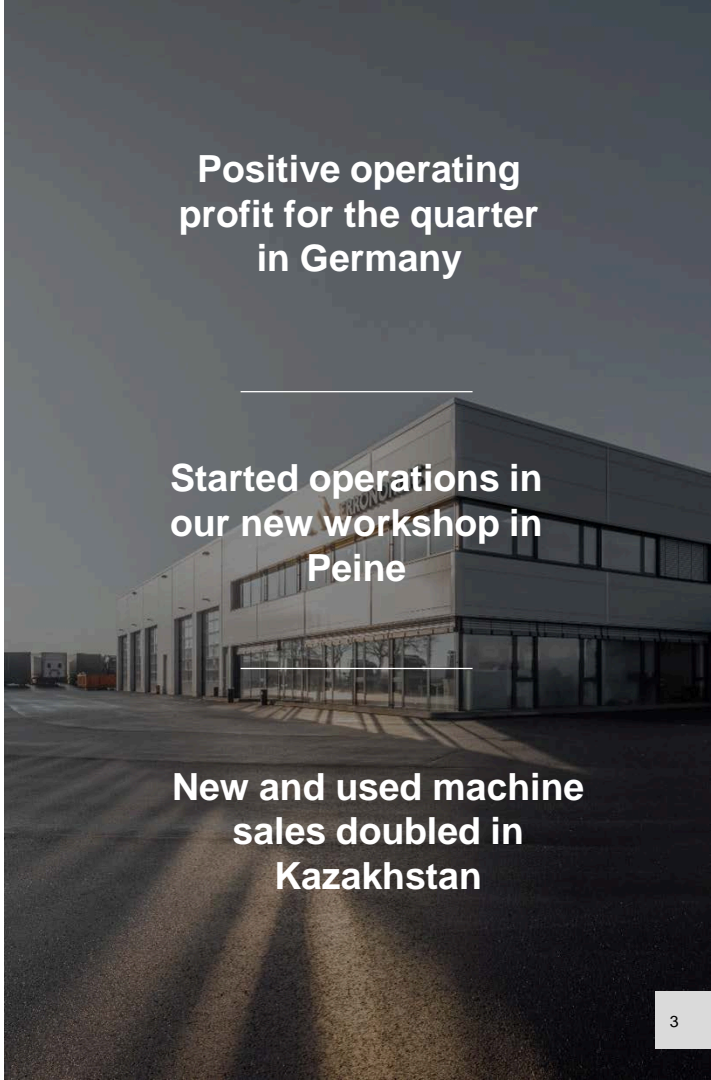
**122%**

EPS increase

# Q1 2023

## Positive result in Germany

- Focus on Germany and Kazakhstan and on Ferronordic's next growth opportunities
- Positive operating profit in Germany for the first time since the start of operations in 2020
- Result of growing our network from 9 to 21 workshops and investing in organisation, processes and creating a performance culture
- Our strategy remains to increase our market share in the new truck sales and aftermarket business in our sales area
- In February, we started operations in our new workshop in Peine
- Work continued with partners and customers to promote electric trucks and offer sustainable transport solutions
- In Kazakhstan, new and used machine sales doubled compared to the same period last year
- Work on reorganising our network to further increase customer focus
- Exploring potential for contracting services projects in Kazakhstan



Positive operating  
profit for the quarter  
in Germany

Started operations in  
our new workshop in  
Peine

New and used machine  
sales doubled in  
Kazakhstan

# Q1 2023

## Group summary financials

### Group revenue +39% to SEK 631m

- German revenue +30% to SEK 548m (+22% in EUR)
  - Truck sales +31% (+22% in EUR), aftermarket sales +33% (+25% in EUR) and other sales +11% (+4% in EUR)
- CIS revenue +138% (+113% in local currency) in SEK 83m
  - Equipment sales +173% (+144% in local currency) and aftermarket sales +51% (+35% in local currency)

### Group operating profit increased from SEK -25m to SEK -14m

- CIS operating profit increased from SEK 3m to SEK 7m
- German operating profit increased from SEK -7m to SEK 5m
- Group operating margin increased to -2.2% (-5.4)
- 59% equity to total assets
- Net cash at SEK -681m or -2.0x EBITDA



SEK 631m  
(+39%) revenue



SEK -14m  
operating profit

-2.2% (-5.4%)  
operating margin

# Q1 2023

## Germany operational highlights

- Based on registrations of new trucks, the total German market for heavy trucks increased by 19% in Q1 2023, mainly as supply improved<sup>1</sup>
- Rigid trucks increased by 11% while tractors grew by 24%
- Despite concerns about the economy, the market remains firm
- The IFO business climate index continued higher in the quarter
- New trucks registered in Ferronordic's sales area increased by 10% and represented 17% of the total German market
- Ferronordic's new truck sales in units increased by 8% to 244 units
- Equipment sales increased by 31%
- Aftermarket sales increased by 33% due to a combination of organic growth (16%) and acquisitions (17%)
- The gross margin increased to 12.3%

1) ACEA statistics



Our new truck sales in units increased by 8% to 244 units in Q1 2023

Aftermarket sales grew by 33% (25% in EUR)



Gross margin of 12.3%, up from 11.2%

# Q1 2023

## CIS operational highlights

- The Kazakh market is supported by Kazakhstan's growing role as a regional hub, strong commodity prices and big infrastructure projects
- In Q1 2023, the Kazakh market for construction equipment declined by 35%. The decrease was however mainly driven by wheel loaders, a segment dominated by Chinese manufacturers
- The market for heavier equipment, such as excavators and rigid haulers, increased
- Ferronordic's sales of new machines increased by 92% to 23 in units
- Our sales of used construction equipment grew by 140% in units
- Equipment sales increased by 173%, while aftermarket sales increased by 51%
- The gross margin increased to 20.4% (18.6%)



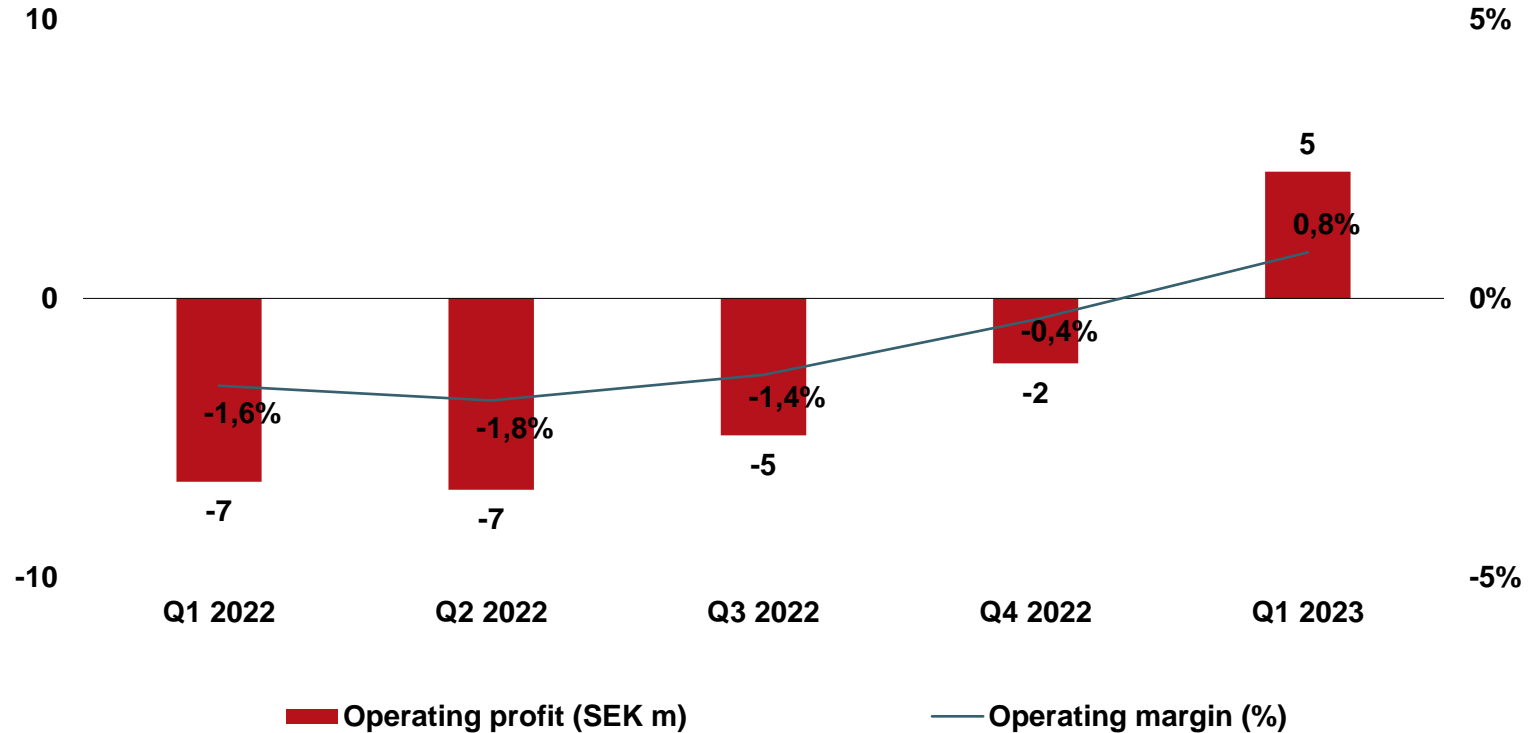
**173% growth  
in equipment sales (144%  
in local currency) in Q1 2023**

**+51%  
in aftermarket sales  
(35% in local currency)**

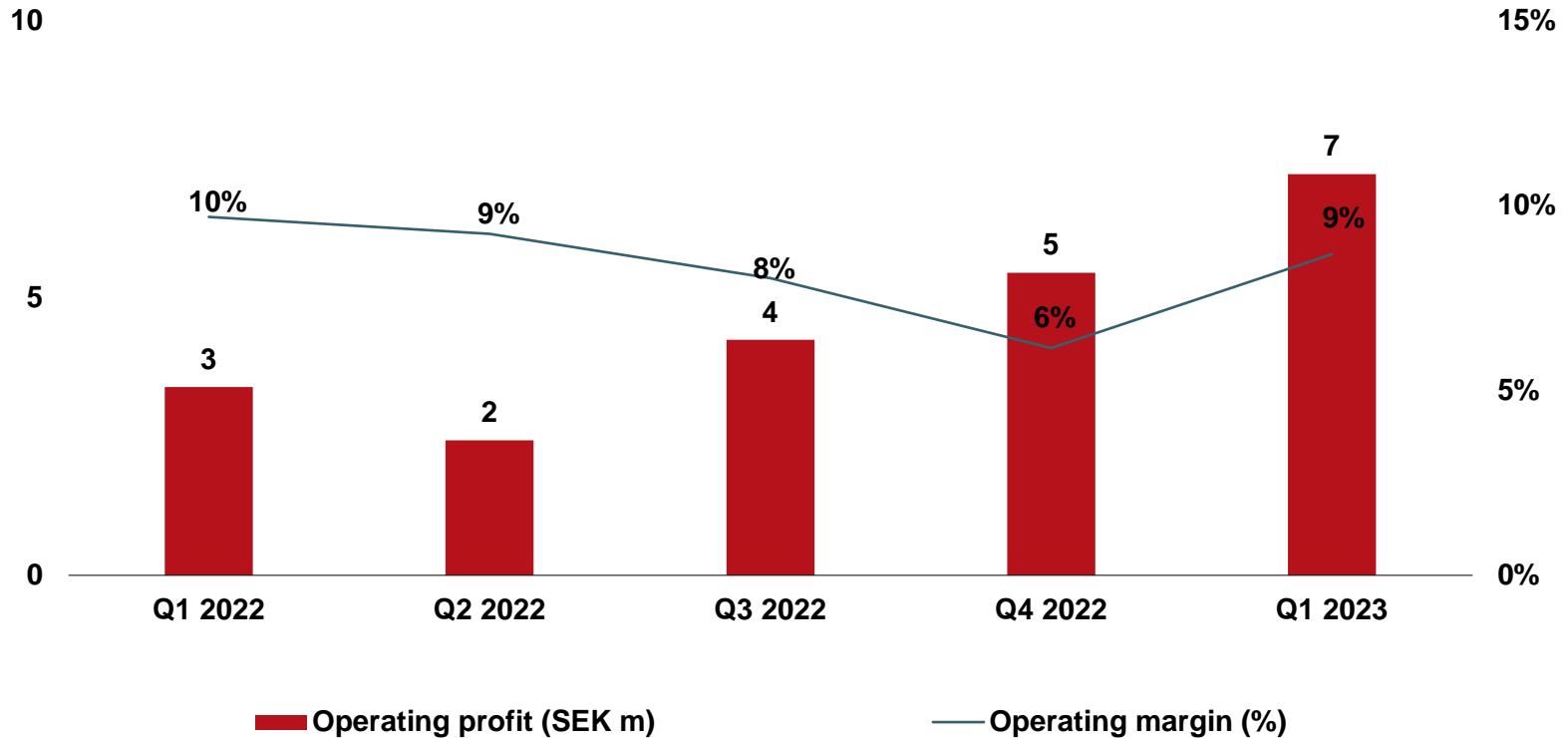
**Kazakh new machine  
sales +92% in units**



# Germany: Trend in operating result and margin



# Kazakhstan: Trend in operating result and margin



# Q1 2023

## Income statement

SEK MM	Q1 2022	Q1 2022	Q1 2022	Q1 2023	Q1 2023	Q1 2023	% change
	CIS	Germany	Group	CIS	Germany	Group	Group
FX (SEK/KZT, EUR/SEK)	48.73	10.48		43.59	11.20		
New units sold	12	226	238	23	244	267	12%
<b>Revenue</b>	<b>35</b>	<b>420</b>	<b>455</b>	<b>83</b>	<b>548</b>	<b>631</b>	<b>39%</b>
<b>Gross profit</b>	<b>7</b>	<b>47</b>	<b>53</b>	<b>17</b>	<b>68</b>	<b>85</b>	<b>59%</b>
% Margin	18.6%	11.2%	11.7%	20.4%	12.3%	13.4%	1.7pp
<b>Operating profit*</b>	<b>3</b>	<b>-7</b>	<b>-25</b>	<b>7</b>	<b>5</b>	<b>-14</b>	<b>-42%</b>
% Margin	9.7%	-1.6%	-5.4%	8.7%	0.8%	-2.2%	3.2pp
<b>Net result for the period</b>			<b>-31</b>			<b>7</b>	-122%
EPS			-2.13			0.46	-122%
EBITDA*	4	9	-8	8	24	6	-176%

- Total revenue of SEK 631m
  - 87% Germany and 13% CIS
  - 70% equipment and trucks, 26% aftermarket and 4% other
- Gross margin stood at 13.4%, up 1.7pp Y-o-Y, mainly on revenue mix
- SG&A as percent of revenue at 15.7% from which 4.1% is Group costs as 11.8% in Germany offset 9.9% in CIS
- Operating margin increased to -2.2% (-5.4%)
- Operating profit 42% to SEK -14m
- FX gains of SEK 23m

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

# Q1 2023

## Segment reporting

	Germany		CIS		Unallocated Group costs <sup>3</sup>		Total	
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
<b>SEK m (or as stated)</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>External revenue</b>	<b>548</b>	<b>420</b>	<b>83</b>	<b>35</b>			<b>631</b>	<b>455</b>
Equipment and truck sales	375	287	68	25			443	312
Aftermarket sales	149	112	15	10			164	122
Other revenue	23	21	0	0			23	21
Gross profit	68	47	17	7			85	53
EBITDA	24	9	8	4			6 <sup>4</sup>	-8 <sup>4</sup>
Operating profit	5	-7	7	3			12	-3
Group costs <sup>3</sup>		-3		0	-26	-18	-26	-21
Operating profit	5	-10	7	3	-26	-18	-14	-25
Finance items (net)							22	-11
Profit(loss) before tax							8	-36
<b>Result from continued operations</b>							<b>7</b>	<b>-31</b>
<i>Gross margin, %</i>	<b>12.3%</b>	<b>11.2%</b>	<b>20.4%</b>	<b>18.6%</b>			<b>13.4%</b>	<b>11.7%</b>
<i>Operating margin, %</i>	<b>0.8%</b>	<b>-2.4%</b>	<b>8.7%</b>	<b>9.7%</b>			<b>-2.2%</b>	<b>-5.4%</b>

<sup>3</sup> Ferronordic has previously reported the result of the operating segments after allocation of Group costs. The Group costs are now reported separately. In Q1 2022 and Q4 2022, the Group costs allocated to Germany were SEK 3m and SEK 2m respectively

<sup>4</sup> After unallocated group costs

# Q1 2023

## Balance sheet

SEK MM	Q1 2022	Q4 2022	Q1 2023
<i>FX (SEK/KZT, EUR/SEK)</i>	<i>49.42, 10.34</i>	<i>44.29, 11.13</i>	<i>43.08, 11.28</i>
Property, plant and equipment	950	560	557
Cash and cash equivalents	593	1,688	1,574
Debt	719	667	834
Finance Leases	130	64	58
<b>Net debt / (cash)</b>	<b>255</b>	<b>-957</b>	<b>-681</b>
Working capital	225	215	503
<i>% of Revenue</i>	<i>3%</i>	<i>11%</i>	<i>23%</i>
Shareholders equity	1,086	1,873	1,886
<b>Total Assets</b>	<b>3,428</b>	<b>3,217</b>	<b>3,203</b>
Equity / Assets	32%	58%	59%

- PP&E decreased Y-o-Y mainly due to the disposal of Russian subsidiaries
- In CIS, net working capital increased Q-o-Q from -3% to 17% of LTM revenue as inventories and receivables increased faster than payables
- In Germany, net working capital increased Q-o-Q from 17% to 27% of LTM revenue, partly as a result of lower payables
- Net debt / (cash) decreased to SEK -681m and net debt/EBITDA decreased to -2.0x
- Equity/assets increased 1pp to 59% Q-o-Q, partly due to translation effects

# Outlook

---

*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 a growing interest in electric trucks. Developing this market is a strategic priority for Ferronordic. 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 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. Meanwhile, we also continue to analyse new opportunities outside our current markets.*



