

Interim report 1 January – 30 September 2022

Refocusing resources

Summary of the third quarter, July–September 2022

- **Group:** Russian business significantly impacted by conflict in Ukraine.
- Revenue decrease of 11% to SEK 1,479m partly offset by currency effects.
- Operating result increased due to compensation payment from Volvo CE for termination of dealership in Russia.
- Adjusted for this compensation, the operating margin increased to 8.8%.
- Compared to Q2 2022, net debt decreased due to compensation from Volvo CE of SEK 321m but increased on higher working capital.
- **Germany:** Trucks sales in units decreased by 5%, partly due to supply constraints.
- Revenue increased 10%, mainly due to growth in aftermarket sales.
- Operating margin and operating result continued to improve, partly due to higher new trucks gross margin and revenue mix.
- State subsidies received on 7 electric trucks for rental to customers.
- **Russia/CIS:** Efforts to sell Ferronordic's Russian business are ongoing.
- New equipment sales in units decrease 84% as sellable inventory declines.
- Revenue decreased by 44% in local currency and 16% in SEK.
- Revenue in Kazakhstan increased 45%.
- Margins affected by revenue mix.
- Further provisions in Russia, mainly for inventories and receivables.
- Select preliminary financials for Russia standalone in October on p. 11.

-11%

Revenue decrease

-12%

Operating profit decrease
(adjusted*)

8.8%

Operating profit margin
(adjusted*)

1%

Earnings per share increase
(adjusted*)

Selected key group ratios

SEK m (or as stated)	2022 Q3	2021 Q3	%	2022 9M	2021 9M	%	FY2021
Revenue	1,479	1,661	-11%	4,915	4,517	9%	6,212
Gross profit	365	324	13%	1,021	825	24%	1,111
Operating profit	451	147	206%	706	371	91%	483
Operating profit adjusted*	130	147	-12%	385	371	4%	483
Result for the period	366	109	237%	461	251	84%	339
Earnings per ordinary share, SEK**	25.20	7.48	237%	31.70	17.27	84%	23.33
Cash flow from operations	240	327		263	538		457
Net debt (cash)	579	-75		579	-75		198
<i>Gross margin, %</i>	24.7%	19.5%	5.1pp	20.8%	18.3%	2.5pp	17.9%
<i>Operating margin, %</i>	30.5%	8.9%	21.6pp	14.4%	8.2%	6.2pp	7.8%
<i>Operating margin adjusted, %</i>	8.8%	8.9%	-0.1pp	7.8%	8.2%	-0.4pp	7.8%
<i>Working capital/LTM Revenue, %</i>	18%	0%	18.4pp	18%	0%	18.4pp	2%
<i>Equity/total assets, %</i>	42%	27%	15.0pp	42%	27%	15.0pp	28%
<i>Return on capital employed, %</i>	31%	27%	3.6pp	31%	27%	3.6pp	29%
<i>Return on equity, %</i>	35%	31%	3.5pp	35%	31%	3.5pp	36%

* "Adjusted" here and in the rest of this reports means excluding the effect of the compensation payment from Volvo of SEK 321m.

** Before dilution.

All amounts are stated in millions of SEK unless stated otherwise. Rounding differences when summing up can occur with +/- SEK 1m.

In cases where an underlying number is rounded off to SEK 0m, this is written as 0. Definitions and purposes of the key ratios are presented on pages 21 and 23.

Refocusing resources

Conditions for our business in Russia continue to deteriorate. We take all measures to ensure that our operations in Russia comply with applicable laws and regulations. As a result, our business is limited in scope. International transfers of capital are restricted and possible only subject to special approvals. Facing an uncertain future, we are actively trying to divest our business in Russia. To ensure that potential negative effects from Russia do not spill over on the rest of the Group, we have continued to isolate the Russian business. By the end of August, we had settled the last outstanding Russia-related payables and obligations secured by Group companies outside Russia. During the quarter, we also agreed with Volvo CE and Sandvik to terminate our dealership agreements for Russia. As these partners had not delivered machines or parts since the end of February, the termination of the agreements did not per se materially change the outlook for the Russian business. From Volvo CE, a compensation of SEK 321m was paid for incurred and potential costs and losses related to the termination.

Meanwhile, we continue to develop our businesses in Kazakhstan and Germany. In the third quarter, we became distributor for Sandvik mobile crushers and screens in Germany and Kazakhstan. Over time, we believe that total sales related to these Sandvik products can reach approx. 15% of our sales in Germany and 10% of our sales in Kazakhstan. In Germany, we are increasing our efforts to promote electric trucks from Volvo and Renault, both through our dealer business and as a rental product. We are working closely with our partners and relevant authorities to bring the concept of sustainable transport solutions to market. In line with this effort, we received our first state subsidies for electric trucks in the quarter. In Kazakhstan, we are looking for opportunities to develop our contracting services business. Simultaneously, we are looking for opportunities to expand our scope of operations, both in terms of new products and services and new markets.

Germany

The German market for heavy trucks increased by 6% in the third quarter 2022. Mainly as a result of supply constraints in July and August, our new trucks sales declined by 5% in units. Our used trucks sales also declined in units but grew in revenue as a result of better price realisation. In contrast to the slower truck sales, our aftermarket business grew by a healthy 42% due to a combination of organic growth and acquisitions. As a result of this product mix, our gross margin increased by 3 percentage points. However, to reach our profitability targets, we need to continue to expand our service coverage and increase market shares in both service and truck sales. In the third quarter, we started a new workshop in Aschaffenburg and signed a lease for a 30 000m² site for a used trucks centre in Coswig. Work on our hub service station in Hannover continues. We are excited and grateful for the confidence to represent Sandvik mobile crushers and screens in most of Germany. We believe that the Sandvik business,



“We are actively trying to divest our business in Russia”.

over time, will allow us to leverage our existing organisation and cross-sell to our customers. We believe that we are on our way to reach a breakeven operating profit run rate in Germany by year-end.

Total revenue in Germany grew by 10% to SEK 359m. The operating result improved by 78% to SEK -7m.

Russia/CIS

All measures are taken to ensure that the business in Russia complies with applicable sanctions laws and regulations. Where possible, we continue to serve our customers. However, the effect of sanctions is becoming increasingly significant. Our new and used machine sales in units decreased by 84% and 72%, respectively, with a big share of sales concluded early in the quarter or in Kazakhstan. We expect sales to continue to decrease. In Russia, we made additional provisions of SEK 54m, mainly for inventories and trade receivables.

Total revenue in Russia/CIS was down by 44% in rubles and 16% in Swedish krona to SEK 1,119m. The operating result declined 49% in local currency and 23% in Swedish krona.

Outlook

The prospects for our operations in Russia continue to deteriorate and we are currently working towards divesting our Russian business. Our operations in Kazakhstan continue to develop positively and we actively seek opportunities to grow our product and business portfolio. In Germany, we continue to see strong demand for service and trucks, with supply constraints so far limiting market growth. However, the macroeconomic uncertainty will likely affect the German economy. In a longer perspective, we nonetheless believe that the underlying conditions and business opportunities in the Kazakh and German markets remain strong.

Lars Corneliusson
President and CEO

Group

Revenue by segment



Revenue

In Q3 2022, the revenue of the Group decreased by 11% to SEK 1,479m (1,661). Sales of equipment and trucks decreased by 53% and aftermarket sales increased by 22%. Revenue from contracting services increased by 117%, partly because projects ramped up during 2021 are still ongoing and partly due to currency effects.

In 9M 2022, the Group revenue increased by 9% to SEK 4,915m (4,517). The sales of equipment and trucks decreased by 15%, aftermarket sales increased by 31% and contracting services sales increased by 83%.

Gross profit and operating result

In Q3 2022, the gross margin for the Group increased to 24.7% (19.5%). As a result of lower revenue but higher gross margin, gross profit increased by 13% to SEK 365m (324).

As a percentage of revenue, selling, general and administrative expenses increased in Q3 2022 to 12.4% (10.1). The operating result for Q3 2022 increased by 206% to SEK 451m (147). The operating margin during the quarter increased from 8.9% to 30.5%. During Q3 2022, Ferronordic received a compensation payment of SEK 321m from Volvo CE for the termination of the Group's dealership in Russia. Adjusted for this compensation, the operating result was SEK 130m, 12% lower than in Q3 2021 (147). Adjusted operating margin was 8.8% (8.9%).

In 9M 2022, the gross margin increased to 20.8% (18.3). As a result of higher margin and higher revenue, gross profit increased by 24% to SEK 1,021m (825).

As a percentage of revenue, selling, general and administrative expenses increased in 9M 2022 to 10.9% (9.8). The operating result for 9M 2022 increased by 91% to SEK 706m (371). The operating margin increased from 8.2% to 14.4%. Adjusted operating profit increased by 4% to SEK 385m (371). Adjusted operating margin was 7.8% (8.2%).

Operating profit and operating margin (adjusted*)



EPS and net margin



Net income

In Q3 2022, finance costs (net) amounted to SEK 26m (13), partly due to higher net debt and higher interest rates. Foreign exchange gains (net) increased to SEK 19m (1). Partly as a result of this and also as a result of the compensation from Volvo CE, the result before income tax for Q3 2022 increased by 228% to SEK 444m (135). The result for Q3 2022 increased by 237% to SEK 366m (109). The adjusted result for Q3 2022 increased by 1% to SEK 109m (109).

In 9M 2022, finance costs (net) increased to SEK 46m (30), partly due to higher net debt and higher interest rates. Foreign exchange losses (net) were SEK 81m (7), mainly as a result of the appreciation of the Russian ruble, including its appreciation against the Kazakh tenge. In Kazakhstan, Ferronordic still has part of its payables in rubles, while the functional currency is Kazakh tenge. Since Q2 2022, payables are in US dollars. The result before income tax for 9M 2022 increased by 74% to SEK 580m (334). The result for 9M 2022 increased by 84% to SEK 461m (251).

Earnings per share

Basic and diluted earnings per share in Q3 2022 amounted to SEK 25.20 (7.48 basic and 7.46 diluted).

Net working capital and % LTM revenue



Adjusted basic and diluted earnings per share in Q3 2022 amounted to SEK 7.53 (7.48 basic and 7.46 diluted).

Basic and diluted earnings per share in 9M 2022 amounted to SEK 31.70 (17.27 basic and 17.25 diluted).

Adjusted basic and diluted earnings per share in 9M 2022 amounted to SEK 14.03 (17.27 basic and 17.25 diluted).

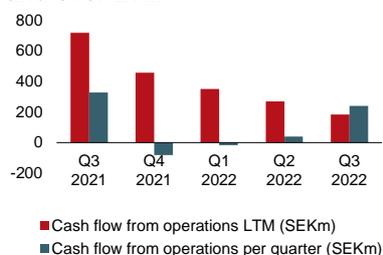
Cash flows

In Q3 2022, cash flows from operating activities decreased to SEK 240m (327). Lower cash flows were a result of an increase in working capital from SEK 918m to SEK 1,184m as payables decreased faster than inventories and as receivables increased. As a percentage of revenue, working capital increased from 14% in Q2 2022 to 18% in Q3 2022. The change in working capital was partly offset by the Volvo CE compensation payment.

Cash flow from investing activities in Q3 2022 amounted to SEK -35m (-80). The main investments in Q3 2022 related to acquisitions of trucks for the German rental business and investments in the German workshop network.

During 9M 2022, cash flows from operating activities decreased to SEK 263m (538). Lower cash flows were partly a result of an increase in working capital from SEK 137m at the end of 2021 to SEK 1,184m at the end of Q3 2022, as payables decreased faster than inventories and as receivables increased. Cash flows from investing activities during 9M 2022 amounted to SEK -277m (-248).

Operating cash flow per quarter and over LTM



Financial position

On 30 September 2022, cash and cash equivalents amounted to SEK 939m, an increase of SEK 171m compared to the end of 2021. The higher cash balance mainly reflected higher result and the compensation payment from Volvo CE, partly offset by outflows from investing activities and higher working capital. SEK 375m of cash and equivalents were in Russia. Cash in Russia is not immediately available to the group due to restrictions on transferring funds from Russia to Sweden. At the end of Q3 2022, interest-bearing liabilities (including lease liabilities and effects of IFRS-16) amounted to SEK 1,518m, an increase of SEK 552m compared to the end of 2021, partly due to currency effects. The net debt position of SEK 198m at the end of 2021 increased to net debt of SEK 579m at the end of Q2 2022, mainly as a result of a higher working capital position and currency effects.

Property, plant and equipment and capital expenditures



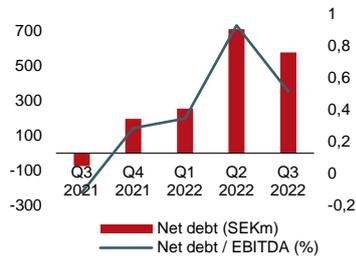
On 30 September 2022, property, plant and equipment (PP&E) amounted to SEK 1,263m, an increase of SEK 257m from SEK 1,006m at the end of 2021. The increase was mainly an effect of translation of fixed assets in the Russian business at a stronger Russian ruble. Fixed assets also increased due to additions in the rental fleet and investment in the workshop network in Germany, partly offset by depreciation of SEK 84m.

On 30 September 2022, equity amounted to SEK 2,108m, an increase of SEK 1,007m compared to the end of 2021. The increase was due to the positive result but also to positive foreign exchange differences of SEK 546m, reflecting an appreciation of the Russian ruble against the Swedish krona of 38% compared to the end of 2021.

Parent company

In Q3 2022, the revenue of the parent company decreased to SEK 7m (41) as intragroup sales of machines from the parent company to its Russian subsidiaries stopped during Q2 2022. Administrative expenses increased by 15% to SEK 7m (8). The operating result increased from SEK -1m in Q3 2021 to SEK 317m in Q3 2022. The adjusted operating result decreased

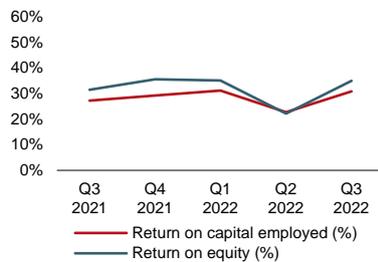
Net debt and net debt/EBITDA



to SEK -4m. The result for the quarter increased to SEK 271m (1). The positive result in Q3 2022 was mainly due to compensation from Volvo CE reflected in other income.

In 9M 2022, the revenue of the parent company decreased to SEK 73m (136), mainly due to lower intragroup sales of machines. Administrative expenses increased by 31% to SEK 37m (28), partly as a result of moving staff from the Parent’s Russian subsidiaries to the Parent. The operating result increased to SEK 297m (-8) in Q3 2022. The adjusted operating result decreased to SEK -24m. The result for the quarter decreased to SEK 313m (273). The positive result in 9M 2022 was mainly due to compensation from Volvo CE reflected in other income. The positive result in 9M 2021 was mainly due to finance income received from the Russian subsidiaries as dividends.

Return on capital employed and return on equity



Foreign exchange rates

The following foreign exchange rates have been used to translate the Q3 2022 (Q3 2021) results to the presentation currency:

- Average rates of RUB/SEK 5.63 (-34% vs 8.50) and SEK/EUR 10.62 (+4% vs 10.20) have been used to translate the income statements.
- End of period rates of RUB/SEK 5.07 (-39% vs 8.27) and SEK/EUR 10.92 (+7% vs 10.20) have been used to translate the balance sheet.

RUB/SEK rates are defined on basis of the rate quoted by Central Bank of Russia. The Kazakh tenge constitutes a smaller part of the Group’s currency exposure. During 9M 2022, however, the Kazakh subsidiary’s trade payables in rubles had a negative effect on the Group’s results when translated to the subsidiary’s functional currency in Kazakh tenge. These payables are now in US dollars. The Group also has minor exposure to movements in British pounds.

Currency index last 5 quarters (indexed 1 July 2021)



Employees

At the end of Q3 2022, the number of full-time equivalent employees in the Group was 1,840 (1,789), of which 1,491 (1,495) related to Russia/CIS, 337 (282) to Germany and 12 (12) occupied group functions. The number of employees in Russia/CIS partly reflects a ramp up of contracting service projects at the end of 2021.

Risks and uncertainties

As described in the 2021 annual report, Ferronordic is exposed to a number of risks. These risks remain and many of them have intensified as a result of the conflict in Ukraine and the sanctions and countersanctions that followed (see also under major events below). Ferronordic’s key partners have stopped deliveries of machines and parts to Russia and dealership agreements for Russia have been terminated with Volvo CE and Sandvik. Part of Ferronordic’s products and services are restricted. Capital flows to and from Russia are restricted and subject to certain approvals. The future of Ferronordic’s business in Russia is uncertain. Ferronordic is currently working towards divesting its Russian business.

Major events

The EU, the US and other countries have imposed wide-ranging sanctions against Russia, including export restrictions, suspension of major banks from SWIFT and measures to prevent the Russian Central Bank from using its international reserves. In Q3 2022, additional sanctions were imposed on Russia, including further export restrictions and measures to constrain the Russian financial system. In September 2022, Russia also announced a partial mobilisation. This has not yet significantly impacted Ferronordic’s organisation.

Currently, Ferronordic can still make payments domestically in Russia. Internationally, payments are restricted but Ferronordic can pay for goods and services. Dividend payments and capital transfers are restricted and subject to special procedures and approvals.

Transport and logistics to, from and within Russia are limited.

Volvo CE and some of Ferronordic's other key suppliers suspended sales to Russia in February 2022. In August 2022, Ferronordic agreed with Volvo CE and Sandvik to terminate its dealer agreements for Russia.

As part of the termination agreement, Volvo CE paid SEK 321m to Ferronordic AB as compensation for incurred and potential costs and losses related to the termination. The compensation is included in other income in Group condensed consolidated statement of comprehensive income and in the Parent company income statement.

Ferronordic takes all measures to ensure that its business complies with applicable sanctions laws and regulations. Ferronordic's assessment of the legal documents issued so far suggests that part of the products and services that Ferronordic has been offering in Russia are subject to restrictions. Ferronordic discontinues sales of such products and services in accordance with applicable legislation. This has and will have a negative effect on the Company's revenues, earnings and cash flows in Russia. Where not affected by restrictions, Ferronordic have so far continued to serve clients and sell products. Ferronordic is currently working towards divesting its Russian business.

The situation in Russia has no direct impact on Ferronordic's operations in Kazakhstan and Germany, which continue as before.

The Russian ruble has been volatile. The strengthening of the Russian ruble since the end of Q1 2022 has increased the amounts of items in both balance sheet and income statement as translated into Swedish krona and consolidated in the Group's accounts. In Kazakhstan, where the functional currency is the Kazakh tenge, the revaluation of the local subsidiary's trade payables in rubles had a negative impact on the Group's results. Going forward payables from the Kazakh subsidiary will be denominated in US dollars or euros.

During Q1 2022, the Russian Central Bank significantly increased its key rate to 20%. In Q2 2022 and Q3 2022, the Central Bank has lowered its key rate to 7.5%. The funding costs in Ferronordic's local credit facilities are based on the Central Bank reference rate and would therefore, if and when utilised, reflect the current key rate of the Central Bank.

Segments

Ferronordic recognises two separate reportable segments: Germany and Russia/CIS (see also note 5 on page 18). In Germany, equipment and trucks sales include sales of new Volvo and Renault Trucks, Renault light commercial vehicles and used trucks. Aftermarket sales include sales of service and parts. Other revenue consists mainly of rental revenue in Germany.

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

	Germany		Russia/CIS		Total	
	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021
SEK m (or as stated)						
External revenue	359	327	1,119	1,333	1,479	1,661
Equipment and truck sales	211	222	268	803	479	1,026
Aftermarket sales	125	88	319	276	443	364
Contracting services	0	0	532	245	532	245
Other revenue	23	17	0	8	23	25
Gross profit	49	34	316	290	365	324
EBITDA	11	-21	524	222	535	201
Operating profit**	-7	-32	137	179	451	147
Operating profit adjusted*	-7	-32	137	179	130	147
Finance items (net)					-7	-12
Profit(loss) before tax					444	135
Result for the period					366	109
Gross margin, %	13.5%	10.4%	28.2%	21.7%	24.7%	19.5%
Operating margin, %	-2.0%	-9.6%	12.2%	13.4%	30.5%	8.9%
Operating margin adjusted*, %	-2.0%	-9.6%	12.2%	13.4%	8.8%	8.9%

	Germany		Russia/CIS		Total	
	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021
SEK m (or as stated)						
External revenue	1,154	923	3,761	3,594	4,915	4,517
Equipment and truck sales	735	618	1,660	2,214	2,395	2,832
Aftermarket sales	348	257	970	748	1,318	1,005
Contracting services	0	0	1,125	614	1,125	614
Other revenue	72	48	6	18	78	66
Gross profit	132	97	889	728	1,021	825
EBITDA	24	-24	899	544	923	520
Operating profit**	-27	-58	413	429	706	371
Operating profit adjusted*	-27	-58	413	429	385	371
Finance items (net)					-127	-37
Profit(loss) before tax					580	334
Result for the period					461	251
Gross margin, %	11.4%	10.5%	23.6%	20.3%	20.8%	18.3%
Operating margin, %	-2.4%	-6.3%	11.0%	11.9%	14.4%	8.2%
Operating margin adjusted*, %	-2.4%	-6.3%	11.0%	11.9%	7.8%	8.2%

**In Q3 2022, besides the operating profits in the Germany and Russia/CIS reporting segments in the amount of SEK -7m and SEK 137m respectively, Group operating profit of SEK 451m also include a compensation payment from Volvo CE of SEK 321m. In 9M 2022, besides the operating profits in Germany and Russia/CIS reporting segments in the amount of SEK -27m and SEK 413m respectively, Group operating profit of SEK 706m also include the compensation payment from Volvo CE of SEK 321m. For more information on the compensation payment from Volvo CE, please refer also to note 10 on page 19.

SEK m	Germany		Russia/CIS		Intersegment		Total	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
Non-current assets	653	485	1,381	841	-402	-134	1,633	1,192
Total assets	1,346	895	4,053	3,213	-402	-134	4,997	3,973

Segment share of revenue, Q3 2022

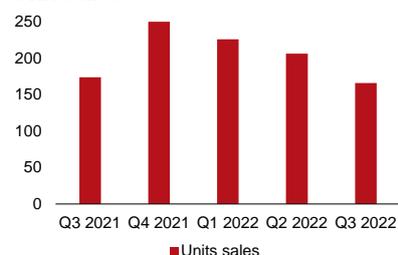


Segment share of total assets, 30 September 2022

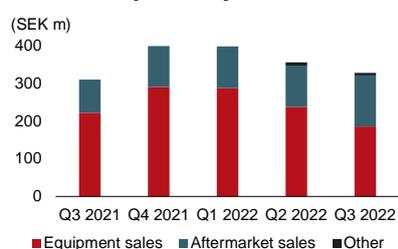


Germany

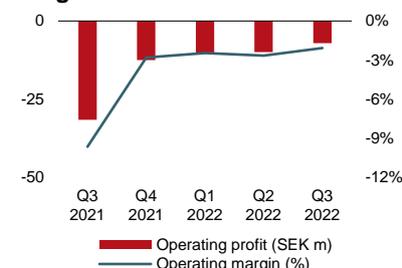
Unit sales



Revenue by activity



Operating profit and operating margin



Market and sales

Based on registrations of new trucks, the total German market for heavy trucks increased by 6% in Q3 2022. Rigid trucks declined by 11% while tractors grew by 24%. The market remains strong, but supply constraints are currently holding back market growth. Rising inflation and energy prices, higher interest rates and weaker business indicators may however affect demand for trucks negatively over time. The IFO business climate index continued to decline in Q3 2022. New trucks registered in Ferronordic's sales area increased by 11% and represented 18% of the total German market. Ferronordic's new truck sales in units decreased by 5% to 166 units, partly due to limitations in the supply chain. The market share for Volvo Trucks thus decreased in the quarter. Customer activity and demand for service and parts was however strong and we increased our share of the aftermarket business in our sales area. We continued to grow our footprint in our area. We also worked with partners and customers to promote electric trucks and develop e-mobility.

Revenue and operating result

Mainly due to higher aftermarket sales, total revenue in Germany increased by 10% (+5% in EUR) to SEK 359m (327) in Q3 2022. Equipment sales was 5% lower due to lower new trucks sales. Aftermarket sales increased by 42%, of which 6% was organic growth. Aftermarket sales increased by 8pp as a share of revenue to 35%. Mainly as a result of this change in revenue mix, the gross margin increased to 13.5% (10.4).

Selling, general and administrative expenses decreased by 10% to SEK 58m. The operating margin increased to -2.0% (-9.6). The operating result improved to SEK -7m (-32).

Cash flows and balance sheet

Cash flows from operating activities were negative at SEK -17m (75) as a result of the operating loss and as working capital increased to SEK 264m from SEK 230m and to 17% from 15% of revenue at the end of Q2 2022. Investments of SEK 25m mainly related to payments for trucks to the rental fleet and investments in workshop expansion.

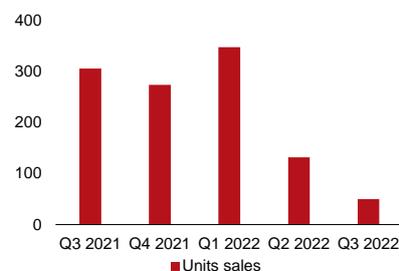
9M 2022

In 9M 2022, revenue in Germany increased by 25% to SEK 1,154m (923) with a gross margin of 11.4% (10.5). The operating result amounted to SEK -27m (-58) with an operating margin of -2.4% (-6.3).

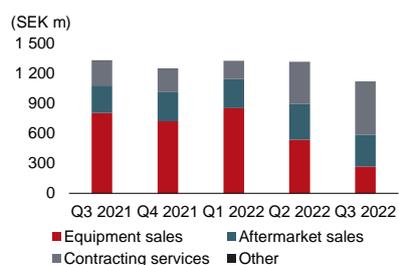
	2022 Q3	2021 Q3	% change	2022 9M	2021 9M	% change	2021 FY
New units	166	174	-5%	598	525	14%	800
Used units	60	77	-22%	169	177	-5%	241
Revenue, SEK m	359	327	10%	1,154	923	25%	1,368
Gross profit, SEK m	49	34	42%	132	97	36%	149
Operating profit, SEK m	-7	-32	78%	-27	-58	53%	-71
Gross margin, %	13.5%	10.4%		11.4%	10.5%		10.9%
Operating margin, %	-2.0%	-9.6%		-2.4%	-6.3%		-5.2%
Working capital/LTM Revenue, %	17%	6%		17%	6%		6%

Russia/CIS

Unit sales



Revenue by activity



Operating profit and operating margin (adjusted*)



Market and sales

According to aebus.ru, which does not include all brands, the Russian market declined 43% in Q3 2022. Ferronordic's assessment is that the total market has indeed declined but that Western brands are being replaced by mainly Asian suppliers. Ferronordic is actively trying to sell its business in Russia. Ferronordic takes all measures to ensure that its business complies with applicable sanctions laws and regulations. To the extent permitted, Ferronordic has so far continued to sell new and used machines from its inventory. Our sales decreased 84% to 50 units in Q3 2022. Most of our sales were in the beginning of the quarter. About one third of sales were in Kazakhstan, where our sales of new machines in units increased by 45%. The population of active machines in Russia will gradually decline. As a result, the aftermarket will slowly decrease.

Revenue and operating result

Total revenue in Russia/CIS decreased by 16% (-44% in local currency) to SEK 1,119m (1,333). Equipment sales decreased by 67%, while aftermarket and contracting services sales increased by 15% and 117% respectively, partly due to a strong ruble. The increase in contracting services was also due to ramp up in the second half of 2021. As a result, the aftermarket and contracting services shares of revenue increased to 28% (21%) and 48% (18%) respectively. Mainly as a result of this change in revenue mix, the gross margin increased to 28.2% (21.7%).

Selling, general and administrative expenses increased by 22%, mainly as a result of the appreciation of the Russian ruble. As a percentage of revenue, these expenses increased to 11.2% (7.7). The operating margin increased to 12.2% (13.4) while the operating result decreased to SEK 137m (179). As a result of the uncertainty in the Russian market, the Group made additional provisions in a total amount of SEK 54m, mainly for inventories and trade receivables.

Cash flows and balance sheet

Cash flows from operating activities decreased to SEK -64m (252). Working capital as a percentage of revenue amounted to 13% in Q3 2022, compared to -2% in Q3 2021. The increase was partly due to payables decreasing faster than inventory. Due to restrictions, cash flow generated in Russia is not immediately available to the Group.

9M 2022

In 9M 2022, new machine sales in units decreased by 45%. Revenue increased by 5% to SEK 3,761m (3,594), but decreased by 13% in local currency. The gross margin increased to 23.6% (20.3), mainly due to revenue mix. The operating profit fell by 4% to SEK 413m (429) with an operating margin of 11.0% (11.9).

	2022 Q3	2021 Q3	% change	2022 9M	2021 9M	% change	2021 FY
New units	50	306	-84%	530	972	-45%	1,246
Used units	40	141	-72%	128	266	-52%	328
Revenue, SEK m	1,119	1,333	-16%	3,761	3,594	5%	4,844
Gross profit, SEK m	316	290	9%	889	728	22%	961
Operating profit, SEK m	137	179	-23%	413	429	-4%	553
Gross margin, %	28.2%	21.7%		23.6%	20.3%		19.8%
Operating margin, %	12.2%	13.4%		11.0%	11.9%		11.4%
Working capital/LTM Revenue, %	18%	-2%		18%	-2%		1%

Russia

Selected balance sheet items and preliminary October revenue

Due to the extraordinary current operating conditions in Russia and as Ferronordic is exploring a sale of its Russian business, Ferronordic presents select balance sheet items for Russia standalone for the end of Q4 2021, Q1 2022, Q2 2022 and Q3 2022 to offer readers of this report better insight into the dynamics of the Company's business in Russia during 2022. Ferronordic also presents select preliminary sales estimates for October. The October amounts are preliminary and may change. The Russian ruble depreciated by approx. 20% against the Swedish krona between 30 September and 31 October 2022, which affects the translation of the balance sheet and, to a lesser extent, sales to the presentation currency.

Average foreign exchange rate RUB/SEK	9.20	6.74	5.63	5.47
Preliminary sales, SEK m	Q1 2022	Q2 2022	Q3 2022	Oct 2022
New units	336	126	34	5
Used units	44	35	31	3
Total revenue	1,291	1,290	1,067	284
Equipment and truck sales	829	526	230	17
Aftermarket sales	281	347	304	92
Contracting services	177	415	532	175
Other revenue	5	2	0	0
Total revenue (% of revenue)				
Equipment and truck sales	64%	41%	22%	6%
Aftermarket sales	22%	27%	28%	33%
Contracting services	14%	32%	50%	62%
Other revenue	0%	0%	0%	0%

RUB/SEK foreign exchange rate used for translation	9.06	5.04	5.07
SEK m	31 Mar 2022	30 Jun 2022	30 Sep 2022
ASSETS			
Non-current			
Property, plant and equipment	529	829	757
Current:			
Inventories	861	977	803
New machines	345	134	76
Used machines	46	81	47
Parts	448	644	579
Other	22	119	101
Trade and other receivables	278	729	872
Cash and equivalents	225	345	375
Other assets	94	797	761
LIABILITIES			
Non-current			
Borrowings	234	641	771
Lease liabilities	82	134	122
Current			
Trade and other payables	1,018	982	833
Other liabilities	67	390	211

Condensed consolidated statement of comprehensive income

SEK m	Q3 2022	Q3 2021	9M 2022	9M 2021	Full year 2021
Revenue	1,479	1,661	4,915	4,517	6,212
Cost of sales	-1,114	-1,337	-3,894	-3,692	-5,101
Gross profit	365	324	1,021	825	1,111
Selling expenses	-83	-69	-236	-186	-256
General and administrative expenses	-101	-98	-302	-255	-358
Other income	332	5	349	9	12
Other expenses	-62	-14	-126	-22	-27
Operating profit	451	147	706	371	483
Finance income	5	7	18	13	23
Finance costs	-31	-20	-63	-43	-49
Foreign exchange gains/(-losses) (net)	19	1	-81	-7	-5
Result before income tax	444	135	580	334	451
Income tax	-77	-27	-119	-83	-112
Result for the period	366	109	461	251	339
Other comprehensive result					
<i>Items that are or may be reclassified to profit or loss:</i>					
Foreign currency translation differences for foreign operations	3	28	546	74	60
Other comprehensive result for the period, net of tax	3	28	546	74	60
Total comprehensive result for the period	369	137	1,007	325	399
Earnings per share					
Basic earnings per share (SEK)	25.20	7.48	31.70	17.27	23.33
Diluted earnings per share (SEK)	25.20	7.46	31.70	17.27	23.26

Condensed consolidated statement of financial position

SEK m	30 Sep 2022	30 Jun 2022	31 Dec 2021	30 Sep 2021
ASSETS				
Non-current assets				
Property, plant and equipment	1,263	1,301	1,006	850
Intangible assets	86	85	81	53
Deferred tax assets	283	183	105	98
Total non-current assets	1,633	1,568	1,192	1,000
Current assets				
Inventories	1,326	1,346	1,432	1,280
Trade and other receivables	856	993	535	566
Prepayments	243	116	46	41
Cash and cash equivalents	939	658	768	897
Total current assets	3,365	3,112	2,781	2,785
TOTAL ASSETS	4,997	4,680	3,973	3,785
EQUITY AND LIABILITIES				
Equity				
Share capital	1	1	1	1
Additional paid in capital	620	620	620	620
Translation reserve	237	234	-309	-295
Retained earnings	789	789	450	450
Result for the period	461	95	339	251
TOTAL EQUITY	2,108	1,739	1,101	1,028
Non-current liabilities				
Borrowings	340	515	490	449
Deferred income	27	26	22	16
Deferred tax liabilities	103	8	7	6
Long-term lease liabilities	111	124	97	49
Total non-current liabilities	581	673	617	520
Current liabilities				
Borrowings	989	673	317	261
Trade and other payables	1,117	1,415	1,809	1,855
Deferred income	33	36	28	25
Provisions	92	86	39	34
Short-term lease liabilities	78	59	62	63
Total current liabilities	2,309	2,269	2,255	2,237
TOTAL LIABILITIES	2,890	2,941	2,872	2,757
TOTAL EQUITY AND LIABILITIES	4,997	4,680	3,973	3,785

Condensed consolidated statement of changes in equity

SEK m	Share capital	Additional paid in capital	Translation reserve	Retained earnings	Total equity
Balance 1 January 2022	1	620	-309	789	1,101
Total comprehensive result for the period					
Result for the period	0	0	0	461	461
Other comprehensive result					
Foreign exchange differences	0	0	546	0	546
Total comprehensive result for the period	0	0	546	461	1,007
Contribution by and distribution to owners					
Total contributions and distributions	0	0	0	0	0
Balance 30 September 2022	1	620	237	1,250	2,108

SEK m	Share capital	Additional paid in capital	Translation reserve	Retained earnings	Total equity
Balance 1 January 2021	1	615	-369	559	806
Total comprehensive result for the period					
Result for the period	0	0	0	251	251
Other comprehensive result					
Foreign exchange differences	0	0	74	0	74
Total comprehensive result for the period	0	0	74	251	325
Contribution by and distribution to owners					
Dividends	0	0	0	-109	-109
Warrant issue	0	5	0	0	5
Total contributions and distributions	0	5	0	-109	-104
Balance 30 September 2021	1	620	-295	701	1,028

Condensed consolidated statement of cash flows

SEK m	Q3 2022	Q3 2021	9M 2022	9M 2021
Cash flows from operating activities				
Result before income tax	444	135	580	334
Adjustments for:				
Depreciation and amortisation	84	54	217	149
(Gain)/loss from impairment of receivables	54	4	61	9
Profit on disposal of property, plant and equipment	-2	0	-4	1
Finance costs	31	20	63	43
Finance income	-5	-7	-18	-13
Foreign exchange losses/(gains) (net)	-19	-1	81	7
Cash flows from operating activities before changes in working capital and provisions	587	205	979	530
Change in inventories	2	126	608	-245
Change in trade and other receivables	66	34	-75	-120
Change in prepayments	-115	11	-141	0
Change in trade and other payables	-230	-31	-935	503
Change in provisions	5	14	17	5
Change in deferred income	-2	6	-9	4
Cash flows from operating activities before interest and tax paid	313	365	444	677
Income tax paid	-42	-18	-120	-98
Interest paid	-30	-19	-61	-41
Cash flows from operating activities	240	327	263	538
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	3	0	5	1
Interest received	5	7	18	13
Acquisition of property, plant and equipment	-42	-86	-299	-165
Acquisition of intangible assets	0	-1	-1	-2
Acquisition of business	0	0	0	-95
Cash flows from investing activities	-35	-80	-277	-248
Cash flows from financing activities				
Dividends	0	0	0	-109
Proceeds from borrowings	103	87	356	273
Repayment of loans	-6	-73	-115	-100
Leasing financing paid	-3	-18	-57	-65
Cash flows from financing activities	94	-4	184	0
Net change in cash and cash equivalents	299	243	170	290
Cash and cash equivalents at start of the period	658	653	768	604
Effect of exchange rate fluctuations on cash and cash equivalents	-18	2	1	4
Cash and cash equivalents at end of the period	939	897	939	897

Parent company income statement

SEK m	Q3 2022	Q3 2021	9M 2022	9M 2021	Full year 2021
Revenue	7	41	73	136	239
Other income	321	0	321	0	2
Cost of sales	-4	-34	-60	-116	-203
Gross profit	324	7	334	20	37
Administrative expenses	-7	-8	-37	-28	-39
Operating profit	317	-1	297	-8	-2
Finance income	3	1	113	285	433
Finance costs	-8	0	-21	-2	-2
Foreign exchange gains/(-losses) (net)	12	2	-22	-1	-1
Result before income tax	324	1	366	273	427
Income tax	-53	0	-53	0	0
Result for the period	271	1	313	273	427

The total result for the period is the same as the result for the period.

Parent company balance sheet

	30 Sep 2022	30 Jun 2022	31 Dec 2021	30 Sep 2022
ASSETS				
Non-current assets				
Intangible assets	0	0	1	1
Financial assets				
Holdings in group companies	175	175	175	175
Loans to group companies	426	376	149	131
Deferred tax assets	0	20	20	20
Total financial assets	601	571	345	326
Total non-current assets	602	571	345	327
Current assets				
Trade and other receivables	60	93	63	74
Prepayments	0	0	0	1
Cash and cash equivalents	516	235	241	7
Total current assets	576	329	304	81
TOTAL ASSETS	1,177	900	649	408
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital	1	1	1	1
Unrestricted equity	0	0	0	0
Share premium reserve	630	630	630	630
Retained earnings	-128	-128	-555	-555
Result for the period	313	42	427	273
TOTAL EQUITY	817	545	504	349
Non-current liabilities				
Borrowings	0	0	31	0
Total non-current liabilities	0	0	31	0
Current liabilities				
Borrowings	312	302	0	0
Trade and other payables	49	52	115	58
Total current liabilities	361	355	115	58
TOTAL LIABILITIES	361	355	145	58
TOTAL EQUITY AND LIABILITIES	1,177	900	649	408

Notes

1. Accounting policies

Ferronordic applies the International Financial Reporting Standards (IFRS) as adopted by the EU. This report has been prepared in accordance with IAS 34, the Swedish Annual Accounts Act and recommendation RFR 2 (only parent company), issued by the Swedish Financial Reporting Board. New or revised standards that come into effect in 2022 or later are not expected to have significant effect on Ferronordic's financial statements.

The same accounting and valuation principles were applied in the preparation of this report as in the preparation of the 2021 annual report (regarding the 2021 financial year).

2. Determination of fair values

The basis for the determination of fair value of financial assets and liabilities is disclosed in note 5 in the 2021 annual report. The fair values of the Group's financial assets and liabilities approximate their respective carrying amounts.

3. Seasonal variations

Ferronordic's revenue and earnings are affected by seasonal variations in the construction industry in Russia/CIS. The first quarter is typically the weakest for sales of machines as activity in construction projects is constrained during the winter months. On the other hand, the demand in aftermarket (sales of parts and services) is usually strong since many customers use the quiet period to service their machines. Demand is typically stronger and relatively even through the rest of the year. In Germany, seasonal trends are less significant.

4. Ferronordic AB (publ)

Ferronordic AB (publ) and its subsidiaries are sometimes referred to as the Group or Ferronordic. Ferronordic AB (publ) is also sometimes referred to as the Company. Any mentioning of the Board is a reference to the Board of Directors of Ferronordic AB (publ).

5. Segment reporting

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 the financial performance of the operating segments, has been identified as the Group Executive Management Team. The Group recognises two separate reportable segments: *Germany* and *Russia/CIS*. The segments are partly managed

separately due to differences in markets, logistics, supply chains, products, customers and marketing strategies. For each segment, management reviews internal reports on at least a monthly basis. Germany comprises sales of new and used trucks, aftermarket sales, rental and other services in Germany. Russia/CIS (the Commonwealth of Independent States), which currently refers to Russia and Kazakhstan, comprises sales of new and used construction and other equipment, mobile crushers and screens, used trucks, aftermarket sales, rental, contracting services and other services.

The accounting policies of the segments are the same as described in Note 4 of the annual report 2021. Group overhead costs, such as Group management costs, are allocated between the segments using principles set forth by the CODM. Information regarding the results of each segment is presented on page 7 of this report. The performance of each segment is mainly evaluated based on revenue, gross profit, gross margin, 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.

Information on Group segments is presented in the front part of this report.

6. Contingencies

Besides as disclosed in this report, the Group has no material contingencies. The parent company has issued a number of guarantees, all as security for the subsidiaries' obligations vis-à-vis suppliers and financial institutions.

7. Related party transactions

There have been no significant changes in the relationships or transactions with related parties for the Group or the parent company compared with the information disclosed in the 2021 annual report.

8. Earnings per share

The calculation of earnings per share is based on the result attributable to the shareholders and thus is calculated as the result for the period divided by the average number of shares outstanding. Dilution can potentially follow from the Group's incentive program for its executive management, which includes warrants. For more information, please refer to Ferronordic's annual report for 2021.

9. Events after the reporting date

Information regarding events after the reporting date is set out in the front part of this report (p. 5).

10. Other events

In Q3 2022 Ferronordic and Volvo CE agreed to terminate the dealer agreement for Russia. As part of the agreement,

Volvo CE paid SEK 321m to Ferronordic AB as compensation for incurred and potential costs and losses related to the termination. The compensation is included in other income in Group condensed consolidated statement of comprehensive income and in the Parent company income statement.

Result for the period, SEK m

	2022	2021	2022	2021
	Q3	Q3	9M	9M
Result attributable to shareholders, SEK m	366	109	461	251
Average number of shares during the period before dilution, thousand	14,532	14,532	14,532	14,532
Earnings per share before dilution, SEK	25.20	7.48	31.70	17.27
Dilution effect	0	47	0	19
Average number of ordinary shares during the period after dilution, thousand	14,532	14,579	14,532	14,551
Earnings per ordinary share after dilution, SEK	25.20	7.46	31.70	17.25
Compensation payment from Volvo CE, net of tax	257	0	257	0
Result attributable to shareholders, SEK m, adjusted	109	109	204	251
Average number of shares during the period before dilution, thousand	14,532	14,532	14,532	14,532
Earnings per share before dilution, SEK, adjusted	7.53	7.48	14.03	17.27

Signatures

The Board of Directors and the Managing Director declare that the report for the third quarter of 2022 provides a true and fair overview of the Group's and the parent company's operations, financial position and performance, and describes material risks and uncertainties facing the parent company and the companies in the Group.

Stockholm, 11 November 2022

Staffan Jufors
Chairman

Aurore Belfrage
Director

Annette Brodin Rampe
Director

Niklas Florén
Director

Lars Corneliusson
Director and CEO

Håkan Eriksson
Director

This report has been reviewed by the company's auditors

Key ratios

Financial information for individual quarters

The financial information below regarding individual quarters during the period 1 July 2020 – 30 September 2022 is collected from Ferronordic's interim reports for the relevant quarters.

Key ratios

Certain key ratios in Ferronordic's interim reports are not defined according to IFRS. The company considers these

ratios to provide valuable supplementary information for investors and the company's management as they enable the assessment of relevant trends. Ferronordic's definitions of these measures may differ from other companies' definition of the same terms. These ratios should therefore be seen as a supplement rather than as a replacement for measures defined according to IFRS. As the amounts in the tables below have been rounded off to SEK m, the calculations do not always add up due to rounding.

Selected key group ratios

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEK m (or as stated)	2020	2020	2021	2021	2021	2021	2022	2022	2022
Revenue	1,129	1,185	1,267	1,590	1,661	1,694	1,746	1,691	1,479
Gross profit	221	187	215	286	324	286	300	356	365
Gross margin, %	19.6%	15.8%	17.0%	18.0%	19.5%	16.9%	17.2%	21.0%	24.7%
Operating profit	107	65	80	144	147	112	108	147	451
Operating margin, %	9.5%	5.5%	6.3%	9.0%	8.9%	6.6%	6.2%	8.7%	30.5%
Result for the period	81	44	56	86	109	88	63	32	366
Result per ordinary share, SEK	5.57	3.05	3.85	5.94	7.48	6.06	4.30	2.20	25.20
Working capital/LTM Revenue, %	8%	5%	4%	3%	0%	2%	3%	14%	18%
Cash flow from operations, Equity/total assets, %	100	179	91	120	327	-81	-16	39	240
Return on equity, LTM%	33%	31%	28%	25%	27%	28%	32%	37%	42%
Return on capital employed, LTM%	28%	26%	31%	30%	31%	36%	35%	22%	35%
Return on capital employed, LTM%	25%	20%	21%	23%	27%	29%	31%	23%	31%

Germany

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEK m (or as stated)	2020	2020	2021	2021	2021	2021	2022	2022	2022
Revenue	229	233	260	336	327	445	420	375	359
Gross profit	23	18	30	32	34	53	47	36	49
Gross margin, %	9.8%	7.7%	11.6%	9.6%	10.4%	11.8%	11.2%	9.7%	13.5%
Operating profit	-17	-25	-14	-13	-32	-12	-10	-10	-7
Operating margin, %	-7.3%	-10.7%	-5.3%	-3.8%	-9.6%	-2.8%	-2.5%	-2.7%	-2.0%
Working capital/LTM Revenue, %	7%	9%	11%	14%	6%	6%	12%	15%	17%

Russia/CIS

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEK m (or as stated)	2020	2020	2021	2021	2021	2021	2022	2022	2022
Revenue	900	951	1,007	1,254	1,333	1,249	1,326	1,315	1,119
Gross profit	199	169	185	254	290	233	254	319	316
Gross margin, %	22.1%	17.8%	18.3%	20.2%	21.7%	18.7%	19.1%	24.3%	28.2%
Operating profit	124	91	94	157	179	124	119	157	137
Operating margin, %	13.8%	9.5%	9.3%	12.5%	13.4%	9.9%	9.0%	11.9%	12.2%
Working capital/LTM Revenue, %	8%	3%	2%	0%	-2%	1%	1%	13%	18%

Net debt

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEK m	2020	2020	2021	2021	2021	2021	2022	2022	2022
Long term borrowings	321	351	385	499	449	490	427	515	340
Long term lease liabilities	100	71	62	63	49	97	88	124	111
Short term borrowings	122	84	101	159	261	317	292	673	989
Short term lease liabilities	79	77	85	75	63	62	42	59	78
Total interest bearing liabilities	622	583	632	796	822	966	848	1,370	1,518
Cash & cash equivalents	539	604	665	653	897	768	593	658	939
Net debt / (cash)	83	-20	-33	143	-75	198	255	712	579
Net debt / EBITDA (times)	0.2	0.0	-0.1	0.3	-0.1	0.3	0.3	0.9	0.5

Working capital

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEK m	2020	2020	2021	2021	2021	2021	2022	2022	2022
Inventory	956	1,014	1,241	1,342	1,280	1,432	1,112	1,346	1,326
Trade and other receivables	433	393	537	588	566	535	517	993	856
Prepayments	39	37	52	51	41	46	53	116	243
Trade and other payables	1,038	1,188	1,611	1,805	1,855	1,809	1,392	1,415	1,117
Deferred income	17	19	18	18	25	28	15	36	33
Provisions	20	26	18	18	34	39	51	86	92
Working capital	354	213	183	140	-26	137	225	917	1,184
Revenue LTM	4,650	4,635	4,783	5,170	5,702	6,212	6,690	6,791	6,610
Working capital / Revenue (%)	8%	5%	4%	3%	0%	2%	3%	14%	18%

Capital employed

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEK m	2020	2020	2021	2021	2021	2021	2022	2022	2022
Long term interest bearing liabilities	421	422	447	561	498	587	515	638	451
Short term interest bearing liabilities	202	161	186	234	324	379	334	732	1,067
Shareholder equity	848	806	888	890	1,028	1,101	1,086	1,739	2,108
Capital employed	1,470	1,390	1,520	1,686	1,850	2,067	1,935	3,109	3,626
Average capital employed	1,464	1,696	1,736	1,766	1,660	1,729	1,727	2,397	2,738
EBIT	358	328	357	396	436	483	511	514	818
Interest income	10	12	13	11	16	23	27	30	28
Result LTM	368	340	370	407	453	506	538	544	846
Return on capital employed (%)	25%	20%	21%	23%	27%	29%	31%	23%	31%

Return on equity

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEK m	2020	2020	2021	2021	2021	2021	2022	2022	2022
Shareholder equity	848	806	888	890	1,028	1,101	1,086	1,739	2,108
Average equity	842	848	835	887	938	954	987	1,315	1,568
Net result LTM	235	222	257	267	295	339	346	291	549
Return on equity (%)	28%	26%	31%	30%	31%	36%	35%	22%	35%

Alternative key ratios not defined by IFRS

EBITDA: Operating profit activities excluding depreciation, amortisation. Provides a measurement of the result from the ongoing business. In financials before and including 2016, certain write-downs of assets were excluded from EBITDA.

EBITDA margin: EBITDA in relation to revenue. Relevant key ratio in evaluating the Group's value creation.

Net debt/(Net cash): Interest-bearing liabilities (including lease liabilities) less cash and cash equivalents. Provides a measurement for the Group's net debt position.

Net debt / EBITDA: Net debt / (net cash) in relation to EBITDA for the last twelve months. Shows to what extent EBITDA covers net debt. Used to evaluate financial risk.

New units sold: Number of new machines and trucks sold. Used to measure and compare number of new units sold during relevant period.

Operating profit: Result before financial items and taxes. Provides a measurement of the result from the ongoing business.

Operating profit adjusted: Result before financial items and taxes, adjusted for compensation from Volvo CE of SEK 321m. Provides a measurement of the result from the ongoing business.

Operating margin: Operating profit in relation to revenue. Relevant key ratio in evaluating the Group's value creation.

Operating margin adjusted: Operating profit in relation to revenue, adjusted for compensation from Volvo CE of SEK 321m. Relevant key ratio in evaluating the Group's value creation.

Revenue growth: Growth in revenue compared to the same period last year, expressed in percentage. Used for comparison of growth between periods as well as comparisons with the market as a whole and with the company's competitors.

Gross margin: Gross profit in relation to revenue. Provides a measurement of the contribution from the ongoing business.

Capital employed: Total equity and interest-bearing liabilities. Shows the capital invested in the Group's business.

Return on capital employed: Adjusted EBIT plus financial income (for the last twelve months) in relation to capital employed (average during the last twelve months). Shows how effectively the capital employed is used.

Return on equity: Net income (for the last twelve months) in relation to shareholders' equity (average during the last twelve months). Net income is calculated before dividends to common shareholders but after dividends to preferred shareholders.

Working capital: Current assets excluding cash and cash equivalents, less non-interest bearing current liabilities. Shows the amount of working capital tied up in the ongoing business.

Working capital/Revenue: Working capital in relation to revenue during the last twelve months. Shows how effective the working capital is used in the business.

Abbreviations

Approx.	Approximately
CEO	Chief Executive Officer
CIS	Commonwealth of Independent States
EUR	Euro
FY	Full year
IFRS	International Financial Reporting Standards
Q1, Q2, Q3, Q4 2022	First, second, third and fourth quarter 2021
RUB	Russian rubles
SEK	Swedish krona
SEK '000	Thousand Swedish krona
SEK m	Million Swedish krona
vs	Versus
LTM	Last twelve months
YTD	Year-to-date
VCE	Volvo Construction Equipment
6M, 9M, 12M	6 months, 9 months, 12 months

This is Ferronordic

Ferronordic is a service and sales company in the areas of construction equipment and trucks. It is dealer of Volvo Trucks and Renault Trucks in Germany and dealer of Volvo Construction Equipment and certain other brands in Kazakhstan. Ferronordic is also operating in Russia where it also offers contracting services where it owns and operates

equipment to carry out works for customers. Ferronordic began its operations in 2010 and now has approx. 100 outlets and approx. 1,800 employees. Ferronordic's vision is to be regarded as the leading service and sales company in its markets. The shares in Ferronordic AB (publ) are listed on Nasdaq Stockholm. www.ferronordic.com

Vision

Ferronordic's vision is to be the leading service and sales company in the company's markets.

Mission

The company's mission is to support the growth and leadership of the company's customers.

Values

Quality, excellence and respect.

Strategic objectives

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

Strategic cornerstones

- Customer orientation
- Superior infrastructure
- Building on a strong brand
- Operational excellence

Investment case highlights

- Strong brand portfolio
- Markets with high potential
- Further growth opportunities with attractive returns
- Resilient business model based on a robust aftermarket business and great team
- Investment in innovation
- Experienced management and strong corporate governance
- Providing sustainable business solutions

Financial objectives and dividend policy (*subject to review*)

KPI	Objective	Last twelve months (LTM)
Revenue	Double the 2020 revenue in its current markets by 2025 (in SEK) ¹	1.5 x 2020 revenue
Operating margin	Above 7%	7.6%
Net Debt / EBITDA	Below 3 times (over a business cycle)	0.9 x
Dividend Policy	The ambition is to pay at least 50% of net income if net debt/EBITDA is less than 1.0 x ² , post dividend payment, and to pay at least 25% if net debt/EBITDA is more than 1.0 x ² . The Board will take several factors into account when proposing the level of dividend including legal requirements, the articles of association, the Group's expansion opportunities, its financial position and other investment needs.	

	2016	2017	2018	2019	2020	2021	LTM
Revenue, SEK m	1,658	2,567	3,241	3,747	4,635	6,212	6,610
Operating margin, %	6.3%	7.3%	8.4%	9.5%	7.1%	7.8%	12.4%
Net debt/EBITDA, x	-1.1	-1.5	-0.9	1.2	0.0	0.3	0.5

1) Current markets are defined as Russia and the whole of CIS and Germany.

2) On prior year accounts and after factoring for effect of dividend payment

About this report

Forward-looking statements

Some statements in this report are forward looking and the actual outcomes could be materially different. In addition to the factors explicitly discussed, other factors could have a material effect on the actual outcomes.

Language

In the event of inconsistency or discrepancy between the English and the Swedish version of this publication, the Swedish version shall prevail.

Totals and roundings

Totals quoted in tables and statements may not always be the exact sum of the individual items because of rounding differences. The aim is that each line item should correspond to its source and rounding differences may therefore arise.

This information is information that Ferronordic AB (publ) is obliged to disclose pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act (2007:528). The information was submitted for publication on 11 November 2022, 07:30 CET.

Financial calendar

Year-end report January-December 2022 - 17 February 2022
Annual report 2022 – 14 April

Conference call

A presentation for investors, analysts and media will be held on 11 November 2022 at 10:00 CET and is accessible at www.ferronordic.com.

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The presentation can also be viewed live at <https://ir.financialhearings.com/ferronordic-q3-2022>

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