

Ferronordic

Third quarter 2023
November 2023

Q3 2023: Weak operationally. Key strategically.



- **Subsequent event:** Ferronordic acquires major Volvo CE dealer in the US Group

- 56% increase in revenue with growth in both operating segments
- Lower margins, higher costs, higher working capital
- Operating result decreased to SEK -28m and operating margin to -4.4%

Germany

- Sales of new trucks in units increased by 45% in line with the market
- Negative operating profit of SEK -16m and operating margin of -2.8%
- First subsidies for electric trucks expected in November

Central Asia (CA)

- Sales of new machines in units increased by 6% in market that decreased by 15%
- Operating profit of SEK 0m
- Continued efforts to offer contracting services in Central Asia

56%

Revenue
growth

-37%

Operating profit
growth

-4.4%

Operating profit
margin

-134%

EPS increase

Q3 2023

Tough but transformational

- On 13 November, Ferronordic agreed to acquire the Rudd Equipment Company, a major dealer of Volvo CE and certain other brands in the US
- In 2022, Rudd had revenue of USD 308m and operating result of USD 16.5m
- A transformational transaction: a first step into the important US market and big step towards rebuilding Ferronordic as a leading service and sales company
- In current markets, the third quarter of 2023 was a setback
- Sales grew 56% but less than expected and with lower gross margins and higher costs
- After two quarters of positive operating profit, Germany slipped back to a negative operating result
- In Kazakhstan, the operating result decreased to break-even
- We have taken measures to reduce the Group's costs and to reduce our working capital to improve our resilience. Most of the cost cuts will be in Germany and affect administrative functions. The effects of these measures are expected to become visible in 2024
- We however remain convinced that the long-term potential in Germany and Kazakhstan is strong

**Ferronordic agreed to
acquire the Rudd
Equipment Company**

**The third quarter
2023 was a setback**

**We have taken
measures to reduce the
Group's costs**

Q3 2023

Group summary financials

Group revenue +56% to SEK 643m

- German revenue +60% to SEK 574m (+44% in EUR)
 - Truck sales +88% (+69% in EUR), aftermarket sales +27% (+14%) and other sales -14% (-22%)
- CA revenue +30% (+23% in local currency) to SEK 69m
 - Equipment sales +41% (+31%) and aftermarket sales +4% (-3%)

Group operating profit increased to SEK -28m

- German operating profit decreased from SEK -5m to SEK -16m
- CA operating profit decreased from SEK 4m to SEK 0m
- Group result partly supported by reversal of provision for claim

Strong balance sheet provides options

- 62% equity to total assets
- Net cash at SEK -378m or -18.4x EBITDA at 30 September 2023



Q3 2023

Germany operational highlights


- Based on registrations of new trucks, the total German market for heavy trucks increased by 45% in Q3 2023¹
- Tractors grew by 50% and rigids by 40%
- The market grew mainly as supply improved to meet pent-up demand
- New trucks registered in Ferronordic's sales area increased by 64% and represented 20% of the total German market
- Ferronordic's new truck sales in units increased by 57% to 232 units or by 45% to 241 including LCVs
- Used vehicle sales grew 72% in units to 103, but greater supply exerted pressure on margins
- Aftermarket sales grew by 27% on a combination of organic growth of approx. 14% and acquisitions
- The gross margin decreased to 11.5% (13.5) on product mix and price realisation

1) ACEA statistics



Our new truck sales in units increased by 45% to 241 units in Q3 2023

Aftermarket sales grew by 27% (14% in EUR)

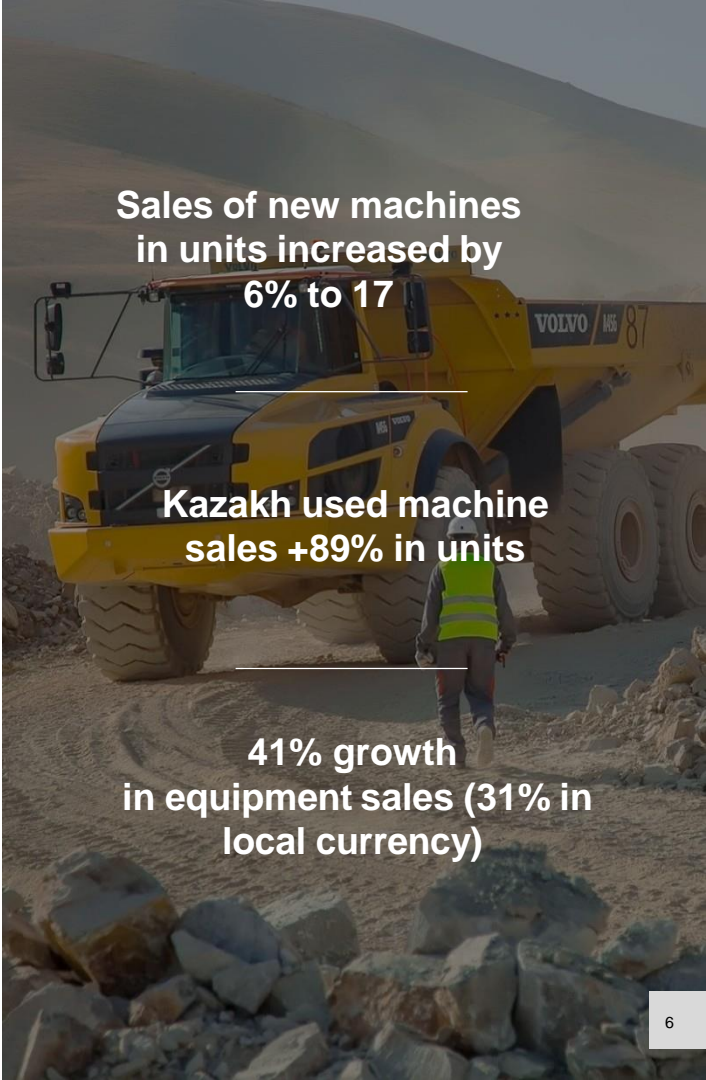


Gross margin of 11.5%, down from 13.5%

Q3 2023

CA operational highlights

- The Kazakh market for construction equipment is supported by Kazakhstan's growing role as a regional hub, strong commodity prices and big infrastructure projects
- Excluding Chinese wheel loaders, the Kazakh market for construction equipment is estimated to have declined by 20% in Q3 2023, partly due to a slowdown in the mining sector
- Ferronordic's sales of new machines in units increased by 6% to 17
- Sales of used construction equipment grew by 89%, also to 17 units
- Equipment sales increased by 41% on strong product mix, while aftermarket sales increased by 4%
- The gross margin decreased to 13.7% (16.7%), partly due to the change in revenue and product mix
- Our contracting services team continues to explore potential project work in Kazakhstan. We see long-term potential for contracting services in Kazakhstan



Sales of new machines
in units increased by
6% to 17

**Kazakh used machine
sales +89% in units**

**41% growth
in equipment sales (31% in
local currency)**

Business development

Germany

- Ferronordic started operations in Northeim in October 2023
- In e-trucks, we rented out our two first heavy-duty tractors
- Our e-trucks became eligible for the “THG Quote” (greenhouse gas quota)
- We launched a cost optimisation program

Kazakhstan

- Ferronordic and Volvo CE jointly organised a second customer event for road construction in Hameln, Germany
- We participated in the 2023 Metals and Mining conference in Almaty
- We keep exploring opportunities to offer contracting services

Group

- We acquired the Rudd Equipment Company
- We continue to look for new markets and business opportunities



**We acquired the Rudd
Equipment Company**

**Promoting electric
transport in Germany**

**Exploring contracting
services in Kazakhstan**

German network expansion

- **Fulda** - Transaction closed in January 2021
- **Limburg** - Transaction closed in April 2021
- **Nordhausen** - Transaction closed in June 2021
- **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 opened in February 2023
- **Hanover service and sales hub**
 - Greenfield project started in 2021
 - Operations opened in Q4 2022
 - Official opening ceremony in May 2023
- **Northeim** – Operations started in October 2023



Kazakhstan network



Economic development

- **Germany**

- +0.2% GDP in Q1, -0.4% GDP in Q2 and -0.8% GDP in Q3 2023¹
- -0.1% GDP expected in 2023²
- +0.9% GDP expected in 2024²
- Inflation rate at +7.9% in 2022 and +3.8% in October 2023³
- Manufacturing PMI and IFO business climate index improved slightly in September and October respectively

- **Kazakhstan**

- +4.6% GDP expected in 2023⁵
- +4.2% GDP expected in 2024⁵
- Inflation rate at +20.3% in 2022 and +10.8% in October 2023⁴
- Central Bank key rate lowered from 16.75% to 16.00% after period
- Concerns that an economic slowdown in China is set to negatively impact the Central Asia region


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

2) https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/DEU

3) 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



Germany's economy
-0.8% in Q3 2023

Inflation reached 3.8% Y-o-Y in
October 2023

Energy prices -3.2% Y-o-Y
in October 2023

Kazakhstan's economy
+4.6% in 2023

Q3 2023

Income statement

| SEK MM | Q3 2022 CA | Q3 2022 Germany | Q3 2022 Group | Q3 2023 CA | Q3 2023 Germany | Q3 2023 Group | % change Group |
|----------------------------------|---------------|--------------------|------------------|---------------|--------------------|------------------|-------------------|
| <i>FX (SEK/KZT, EUR/SEK)</i> | 45.15 | 10.62 | | 42.10 | 11.76 | | |
| New units sold | 16 | 166 | 182 | 17 | 241 | 258 | 42% |
| Revenue | 53 | 359 | 412 | 69 | 574 | 643 | 56% |
| Gross profit | 9 | 49 | 57 | 9 | 66 | 75 | 31% |
| % Margin | 16.7% | 13.5% | 13.9% | 13.7% | 11.5% | 11.7% | -2.2pp |
| Operating profit* | 4 | -5 | -21 | 0 | -16 | -28 | 34% |
| % Margin | 8.0% | -1.4% | -5.1% | 0.4% | -2.8% | -4.4% | -0.7pp |
| Net result for the period | | | 262 | | | -89 | -134% |
| EPS | | | 18.04 | | | -6.16 | -134% |
| EBITDA* | 2 | 9 | 318 | 8 | 22 | -4 | -101% |

- Total revenue up by +56% to SEK 643m
 - 89% Germany and 11% CA
 - 70% equipment and trucks, 27% aftermarket and 3% other
- Gross profit up by +31% as gross margin declined 2.2pp Y-o-Y to 11.7%, mainly on revenue mix and price realization
- SG&A increased by +36% and as percent of revenue stood at 16.8% (19.2%) for Group of which 3.0% (4.9%) are Group costs
- SG&A as percent of revenue at 14.3% (15.6%) in Germany and 10.0% (6.2%) in CA
- Operating margin increased to -4.4% (-5.1%)
- Operating profit decreased to SEK -28m
- FX losses of SEK -84m

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

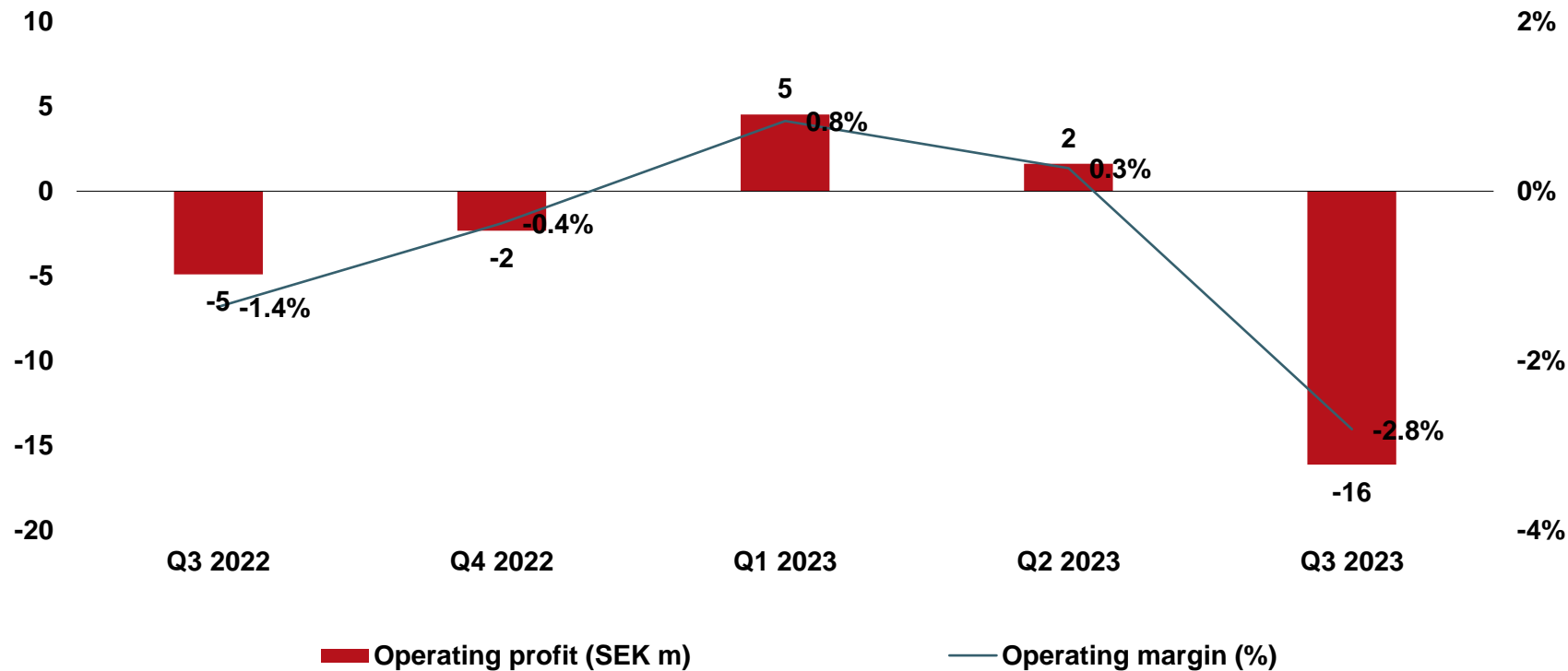
Q3 2023

Segment reporting

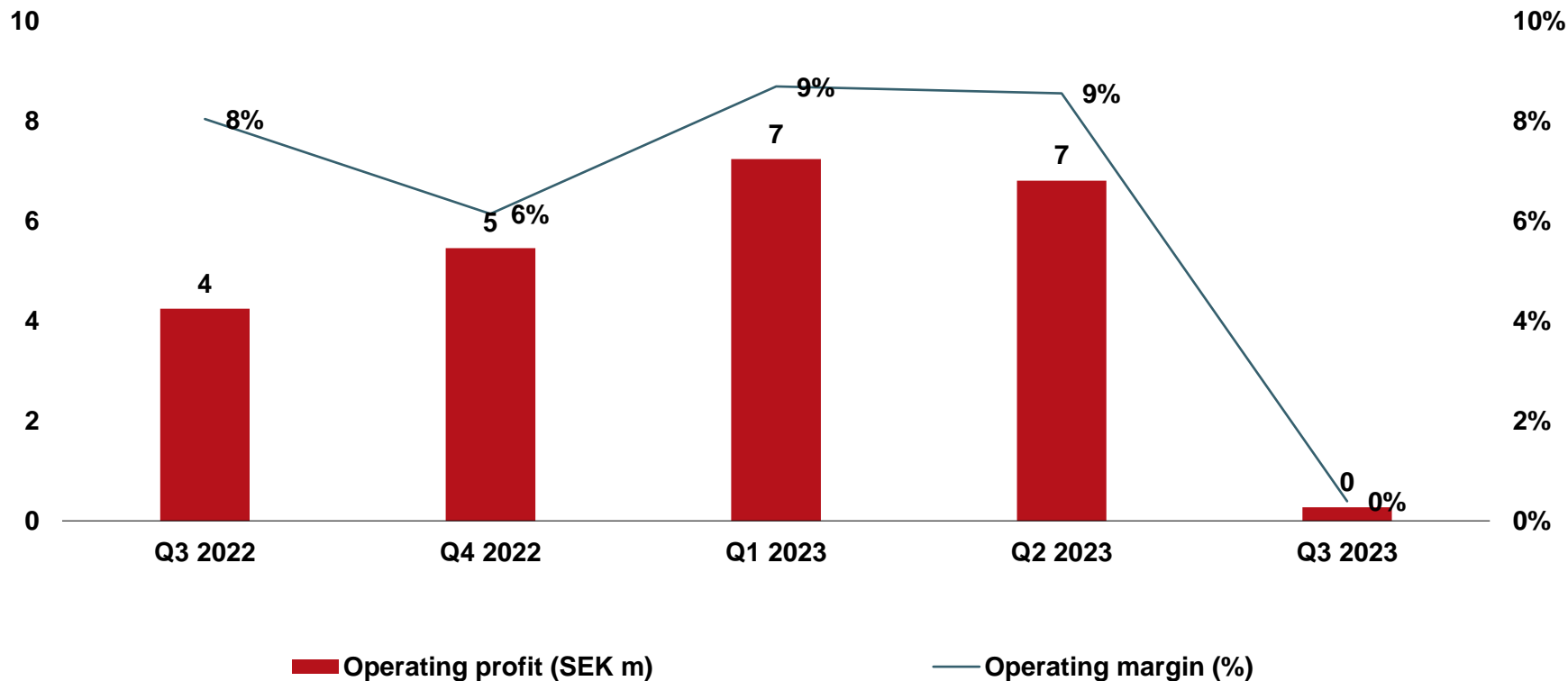
| | Germany | | CA | | Unallocated Group costs ¹ | | Total | |
|---|--------------|--------------|--------------|--------------|---|------|--------------|--------------|
| | Q3 | Q3 | Q3 | Q3 | Q3 | Q3 | Q3 | Q3 |
| SEK m (or as stated) | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| External revenue | 574 | 359 | 69 | 53 | | | 643 | 412 |
| Equipment and truck sales | 396 | 211 | 54 | 38 | | | 449 | 249 |
| Aftermarket sales | 158 | 125 | 15 | 15 | | | 173 | 140 |
| Other revenue | 20 | 23 | 0 | 0 | | | 20 | 23 |
| Gross profit | 66 | 49 | 9 | 9 | | | 75 | 57 |
| EBITDA | 7 | 11 | 1 | 4 | -12 | -18 | -4 | 318 |
| Operating profit | -16 | -5 | 0 | 4 | | | -16 | 320 |
| Group costs ¹ | -16 | -5 | 0 | 4 | | | -16 | -1 |
| Operating profit | 0 | -2 | 0 | 0 | -12 | -18 | -12 | -20 |
| Finance items (net) | -16 | -7 | 0 | 4 | -12 | -18 | -28 | -21 |
| Profit(loss) before tax | | | | | | | -87 | 13 |
| Result from continued operations | | | | | | | -115 | 314 |
| Gross margin, % | | | | | | | -89 | 262 |
| Operating margin, % | 11.5% | 13.5% | 13.7% | 16.7% | | | 11.7% | 13.9% |

1) Before 2023, Ferronordic reported the result of the operating segments after allocation of Group costs. The Group costs are now reported separately. In Q3 2022, the Group costs allocated to Germany were SEK 2m

Germany: Trend in operating result and margin



Kazakhstan: Trend in operating result and margin



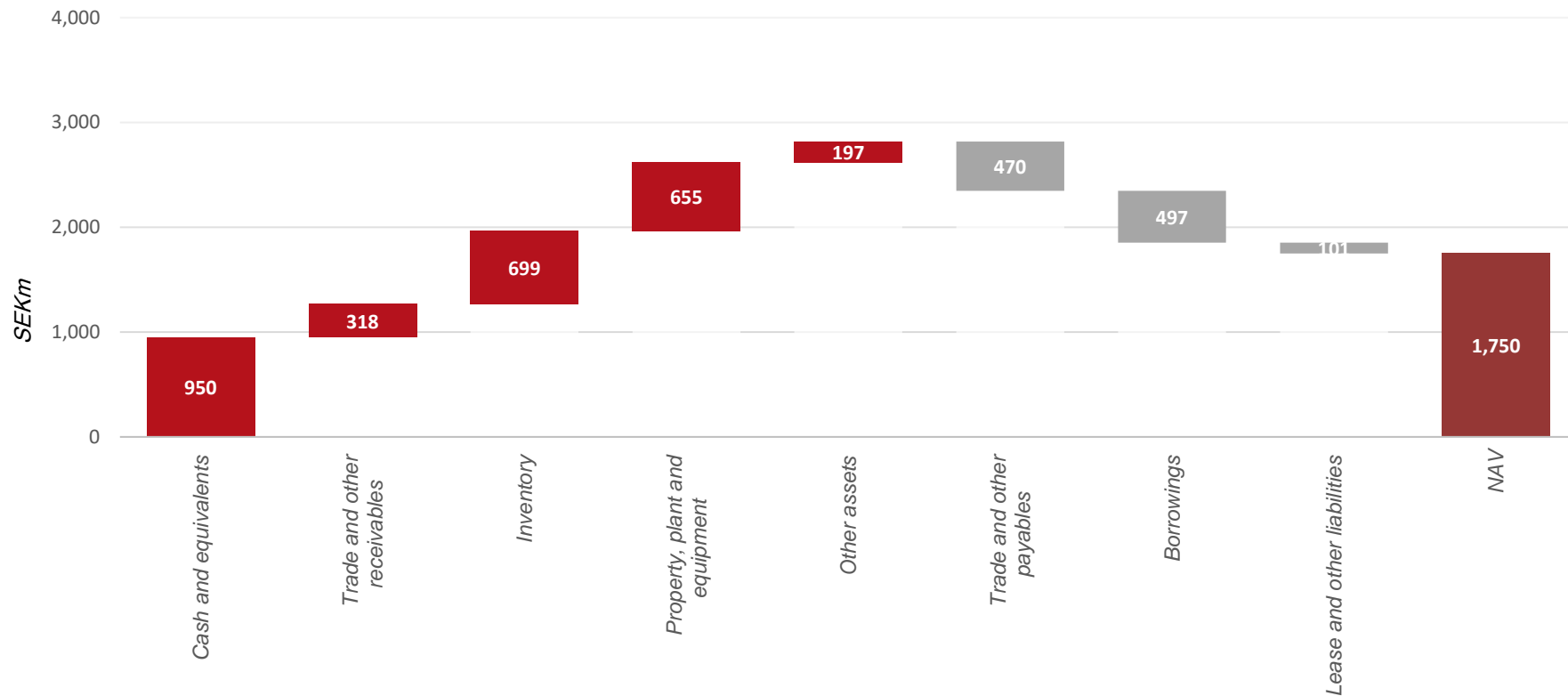
Q3 2023

Balance sheet

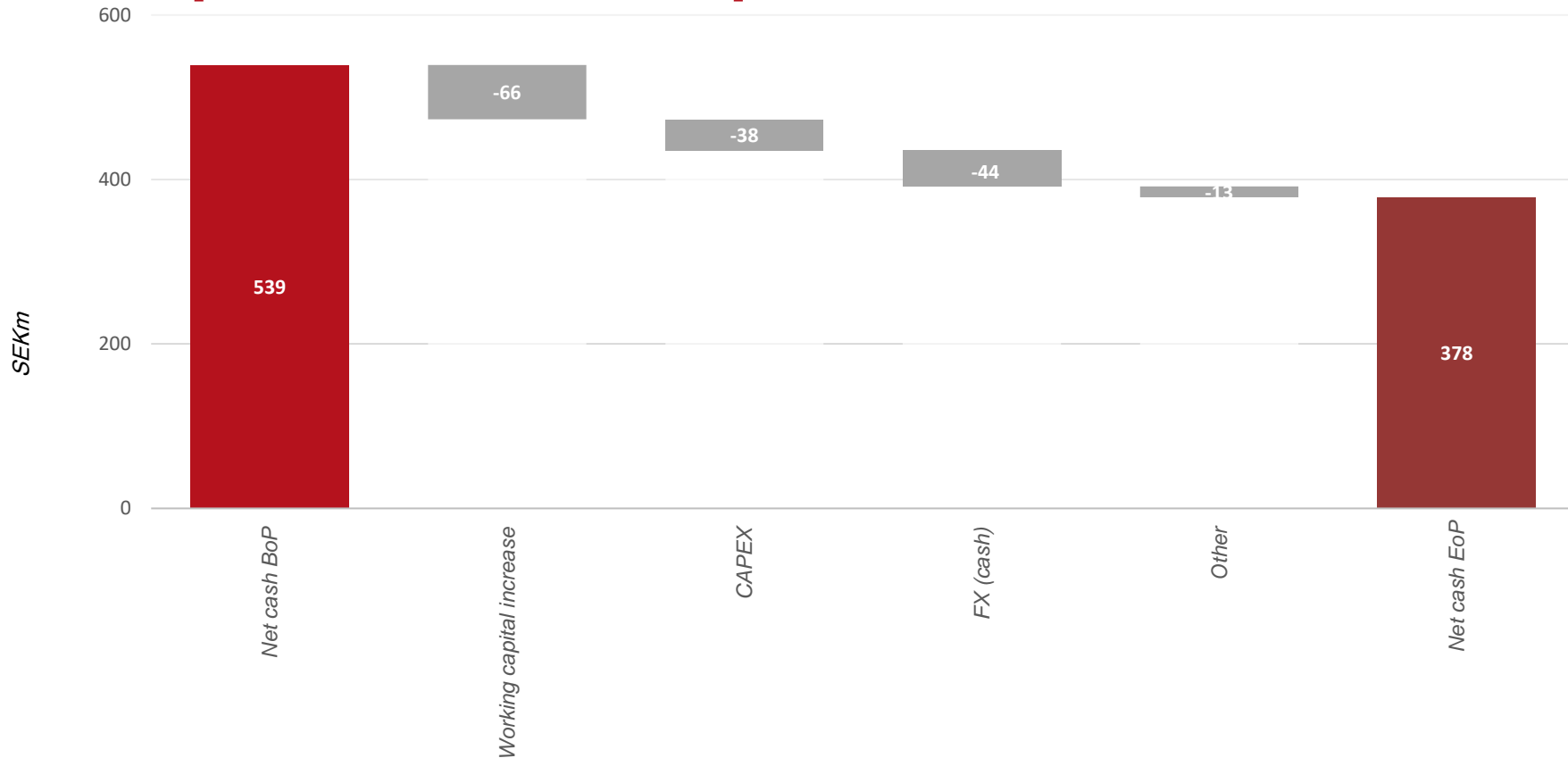
| SEK MM | Q3 2022 | Q2 2023 | Q3 2023 |
|-------------------------------|---------------------|---------------------|---------------------|
| <i>FX (SEK/KZT, EUR/SEK)</i> | <i>42.17, 10.92</i> | <i>42.05, 11.79</i> | <i>43.84, 11.49</i> |
| Property, plant and equipment | 1,263 | 660 | 655 |
| Cash and cash equivalents | 939 | 1,127 | 950 |
| Debt | 1,329 | 507 | 497 |
| Finance Leases | 189 | 81 | 75 |
| Net debt / (cash) | 579 | -539 | -378 |
| Working capital | 1,184 | 472 | 538 |
| <i>% of Revenue</i> | <i>18%</i> | <i>20%</i> | <i>20%</i> |
| Shareholders equity | 2,108 | 1,822 | 1,750 |
| Total Assets | 4,997 | 2,951 | 2,819 |
| Equity / Assets | 42% | 62% | 62% |

- PP&E decreased Y-o-Y mainly due to the disposal of Russian subsidiaries
- In CA, net working capital decreased Q-o-Q from 32% to 23% of LTM revenue as a result of lower inventories and receivables
- In Germany, net working capital increased Q-o-Q from 17% to 22% of LTM revenue, as a result of higher receivables and lower payables
- Net debt / (cash) decreased SEK 161m to SEK -378m, mainly due to working capital increase, exchange rate effects and capex
- Equity/assets remained flat Q-o-Q at 62%

Group NAV Q3 2023



Group net cash development Q3 2023



Outlook

Uncertainty about the German economy increased during the third quarter. Although there were some signs of improvement in recent weeks, higher interest rates and inflation make customers more cautious. The market recovery seen in 2023 will likely slow down. However, we expect stronger demand for service and spare parts. We will adapt our organisation and cost structure to a weaker market. In the longer term, we remain optimistic. Our sales area is at the heart of Europe's transport business and benefits from commercial activity across industries and countries. We see growing interest in electric trucks and remain committed to this promising business area. Our operations in Kazakhstan continue to develop and we seek opportunities to grow our business portfolio. Demand for construction equipment is supported by Kazakhstan's growing role as a regional hub, its infrastructure projects and strong commodity prices. We are excited about the great opportunities in the important US market. The US market is supported by a dynamic economy and strategic infrastructure projects. We believe that the underlying conditions and business opportunities in our markets are strong.



