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Second quarter 2021

August 2021

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Record operating result

Russia/CIS: Revenue up 31% as market picks up speed

Strong performance in aftermarket and contracting services

Germany: Trucks sales in units up 47% with market share gains

Further investments in service network and organisation

Group: Record operating result despite negative currency effects

Strong operating cash flows as working capital remains low

32%	37%	9%	13%
Revenue increase	Operating profit Increase	Operating margin	EPS increase

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Q2 2021
Group financial highlights

Group revenue up 32% to SEK 1,590m

- Russia/CIS revenue up +31% to SEK 1,254m (+54% in RUB)
  - Equipment sales up +28% (+50% in RUB), aftermarket sales +14% (+34%) and contracting services +82% (+115%)
- German revenue up +37% to SEK 336m (+44% in EUR)
  - Equipment sales up +49% (+57% in EUR), aftermarket sales up +28% (34%) and other sales declined -34% (-30% in EUR)

Group operating profit increased by 37% to record SEK 144m

- Russia/CIS operating profit increased 31% to SEK 157m (SEK 120m) on higher revenue and gross margin
- German operating profit increased +14% to SEK -13m (-15) on higher revenue and operating margin
- Group operating margin increased from 8.7% to 9.0%
- Strong cash flows as working capital is declines to 3% of revenue
- Net debt at SEK 143m or 0.3x EBITDA

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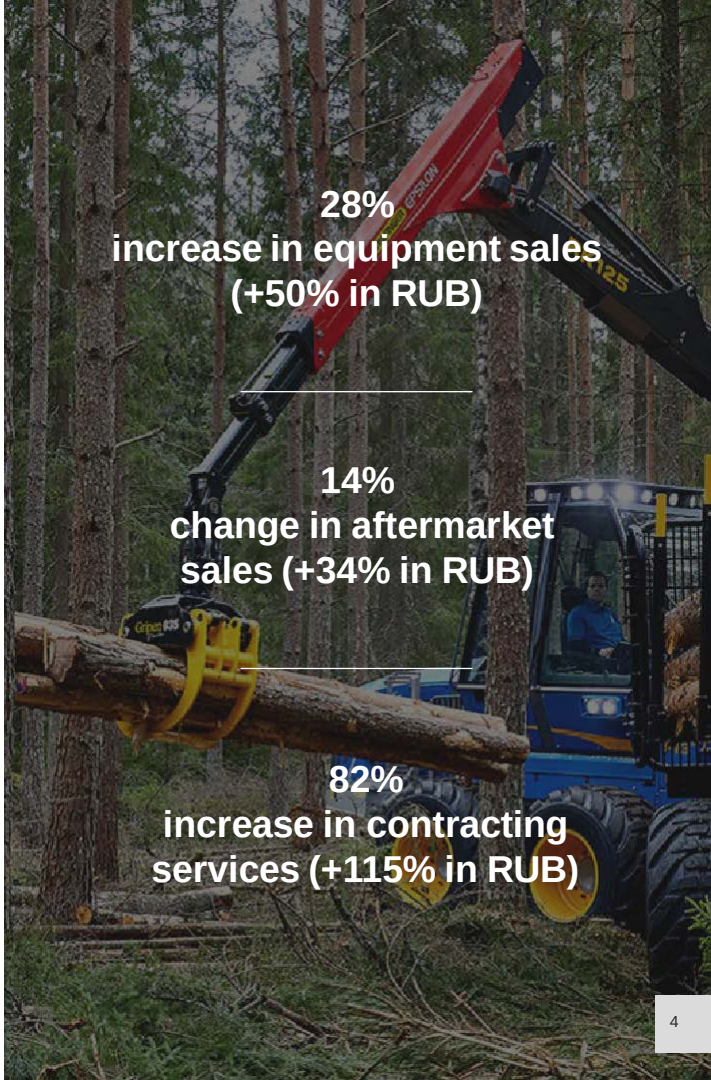
Q2 2021
Russia/CIS operational highlights

- The market for construction equipment (measured in units) grew by 74%[1]
- The market was supported by improving business outlook, pent-up demand, stronger commodity prices and increased government infrastructure spending
- Supply chain concerns and potential changes in utilisation fee may temporarily boost demand
- New construction equipment unit sales grew 26% to 369 units
- Growth in most product groups but notably articulated haulers, forestry and pavers
- Record sales of road construction equipment
- Average sales price +25% in local currency and 5% in SEK, mainly on product mix
- Aftermarket sales increased 14% in SEK (+34% in RUB)
- In contracting services, we reached planned capacity at our operations in Norilsk and expanded or operations in Irkutsk
- The aftermarket share of revenue declined by 3pp to 20% as contracting services increased 5pp to 17%



1) AEB statistics for main product groups (www.aebrus.ru)

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Q2 2021
Germany operational highlights

- In Q2 2021, the German market for heavy trucks, based on registrations, increased by 20% [1]
- Market growth was a result of both economic recovery and pent-up demand and was mainly driven by the tractor segment (+41% for tractor vs +3% for rigid)
- Ferronordic's sales area represented approx. 19% of the total German market and grew faster at 22% Y-o-Y although 2% Q-o-Q
- Ferronordic new truck sales in units increased by 47% to 215 units, partly as some customers had postponed purchases in Q1 2021
- Aftermarket sales increased by 28% (34% in EUR), partly due to acquisitions of new workshops, which contributed approx. 20% of the aftermarket sales
- Gross margin stood at 9.6%, up from 6.7% Y-o-Y mainly as a result of changed product and revenue mix

1) ACEA statistics

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Business development

Germany

- Network expansion and improvement underway
  - Fulda, Nordhausen and Limburg acquisitions completed
  - Further network expansion planned
- Organisation and process changes
  - Incentive structure and CRM system review

Russia/CIS

- Contracting services
  - Norilsk reaches planned capacity
  - Expansion in Irkutsk with GV Gold
- Machine and component rebuild centre in Ekaterinburg
  - 100th component produced and first rebuild warranty periods expire
- Cooperation with Sandvik mobile crushers and screens in all of Russia launched in April

German network expansion

Fulda
- Transaction closed in January 2021

Limburg
- Transaction closed in April 2021

Nordhausen
- Transaction closed in June 2021

Service and sales hub in Hannover
- Greenfield
- Investments in 2021 and 2022
- Expected to be ready in Q3 2022

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Economic development

- **Russia**
  - 10.1% (1.5% to Q2 2019) GDP growth in Q2 2021[1]
  - 4.4% GDP growth expected in 2021[2]
  - 3.1% GDP growth expected in 2022[2]
  - June inflation increased to 6.5% compared to 3.2% in 2020[3]
  - Central Bank raised the key rate by 50bp in June and further 100bp in July to 6.5%
  - Ruble depreciated 18% on average and 13% on the end-of-period rates[3] in Q2 2021
- **Kazakhstan**
  - 2.2% GDP growth in the first half of 2021[4]
  - 3.2% GDP growth expected 2021[2]
  - 4.0% GDP growth expected in 2022[2]
- **Germany**
  - 11.0% GDP growth in Q2 2021[5]
  - 3.6% GDP growth expected in 2021[2]
  - 4.1% GDP growth expected in 2022[2]

1) https://www.economy.gov.ru/material/file/83f4516888010a1612434498e2bf65ec/210728_.pdf
2) https://www.imf.org/en/Publications/WEO/Issues/2021/07/27/world-economic-outlook-update-july-2021
3) http://www.cbr.ru
4) https://primeminister.kz/ru/media/infographic/rasshirennoe-zasedanie-pravitelstva-rk-1062834
5) https://www.destatis.de/EN/Themes/Economy/National-Accounts-Domestic-Product/Tables/domestic-product--q-gdp.html

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Russia/CIS market has long-term upside potential

Russia/CIS Upside Potential

- Number of machines imported to Russia at 62% of 2011 level and 55% of 2012 level
- Ferronordic's revenue 70% higher than 2011
- Operating profit 394% higher than 2011

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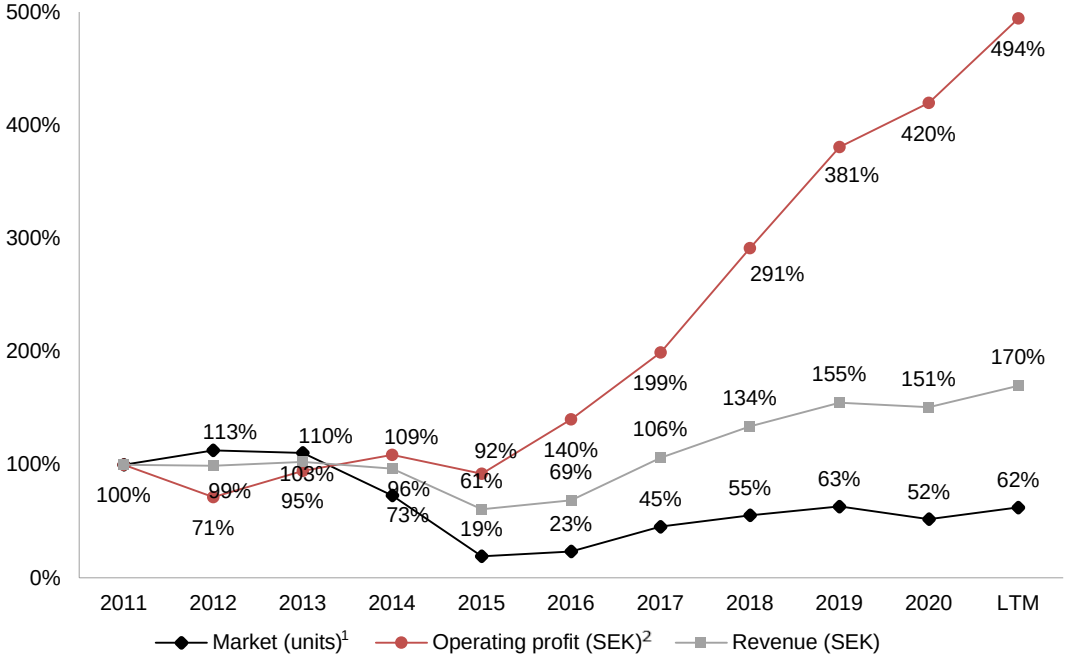

LTM refers to last twelve months as of end of June 2021.
1) Russian import statistics (until May 2021) compiled by Volvo CE.
2) 2011-2016 refer to adjusted EBIT. i.e. operating profit excluding amortisation of transaction-related intangible assets and write-downs of non-current assets in Q4 2016.

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Q2 2021
Income statement

SEK MM	Q2 2020 *Russia / CIS*	Q2 2020 *Germany*	Q2 2020 *Group*	Q2 2021 *Russia / CIS*	Q2 2021 *Germany*	Q2 2021 *Group*	% change *Group*
New units sold	294	146	440	369	215	584	33%
Revenue	**958**	**245**	**1 203**	**1 254**	**336**	**1 590**	**32%**
Gross profit	**190**	**17**	**207**	**254**	**32**	**286**	**38%**
% Margin	*19.9%*	*6.7%*	*17.2%*	*20.2%*	*9.6%*	*18.0%*	*0.8pp*
Operating profit	**120**	**-15**	**105**	**157**	**-13**	**144**	**37%**
% Margin	*12.5%*	*-6.1%*	*8.7%*	*12.5%*	*-3.8%*	*9.0%*	*0.3pp*
Result			**76**			**86**	**13%**
EPS			5.24			5.94	13%
EBITDA	156	-4	152	195	0	195	29%

- Total revenue of SEK 1,590m
  - 79% Russia/CIS and 21% Germany
  - 64% equipment and trucks, 21% aftermarket, 13% contracting services and 1% other
- Gross margin at 18.0% (17.2%) on higher share of Russia/CIS in revenue and higher gross margin in Germany
- SG&A as percent of revenue at 8.9% (9.4%) as 7.7% in Russia/CIS offsets 13.7% in Germany
- Operating margin increased to 9.0% (8.7%) as a result of a greater share of a higher operating margin in Russia/CIS of 12.5% (12.5%) and a less negative operating margin in Germany of -3.8% (-6.1%)
- SEK 3.2m acquisition related costs in Germany
- Operating profit increased 37% to SEK 144m
- Higher taxes partly due to withholding taxes
- Lower financial costs on lower net debt

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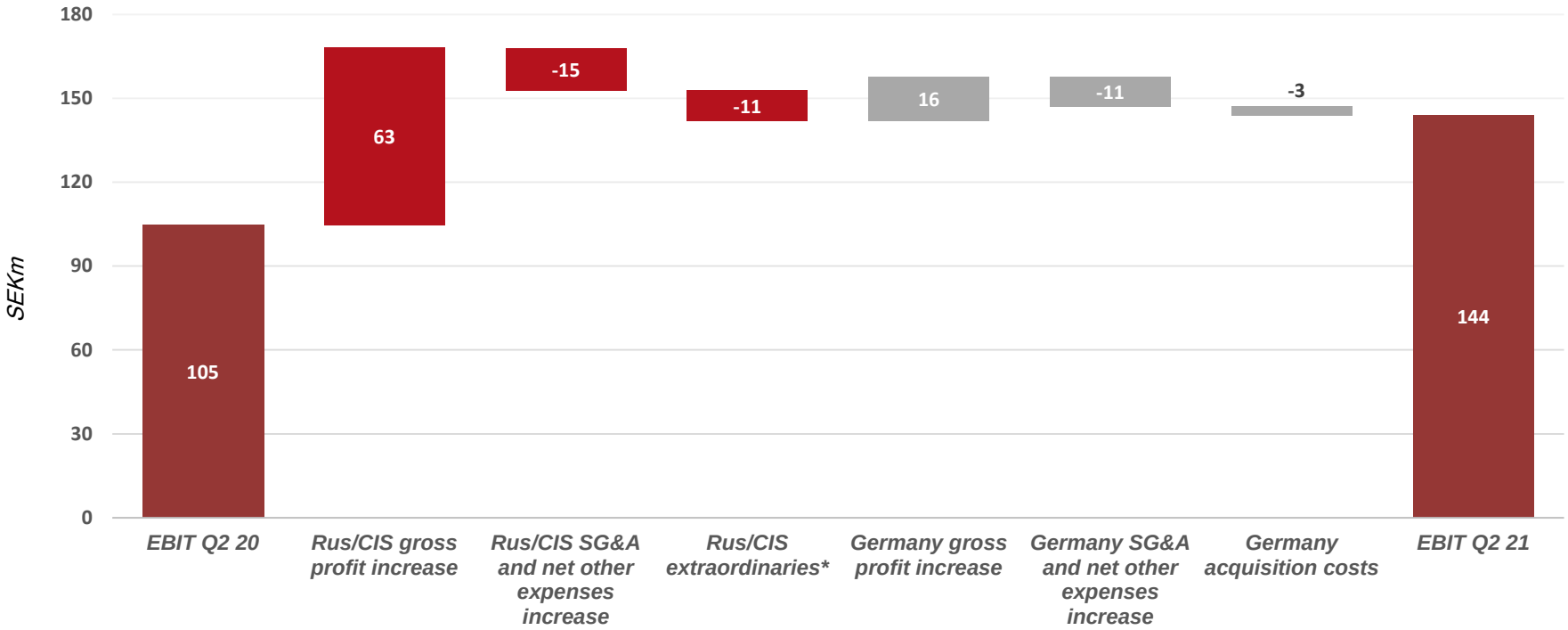
Q2 2021 Y-o-Y operating profit development



** Q2 2020 other income includes a one-off SEK 11m recovery of customs duty*

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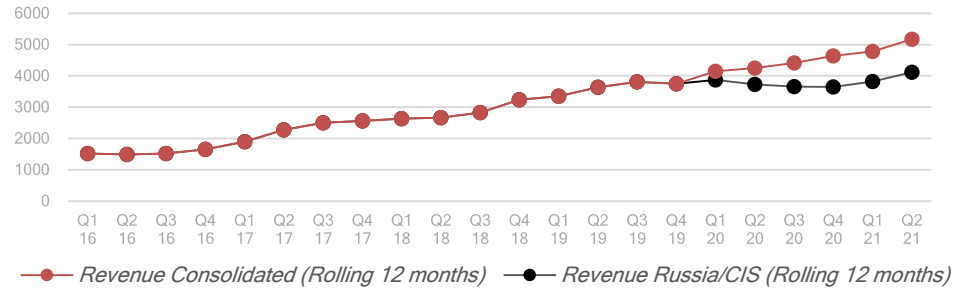
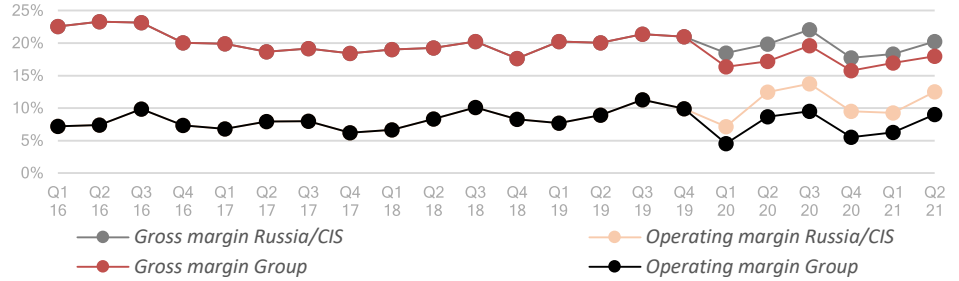
Revenue and margin development

Revenue Trends



- LTM revenue in Russia/CIS increased by SEK 296m to SEK 4.1bn
- LTM revenue from German operations increased by SEK 91m to SEK 1,058m

Margin Trends

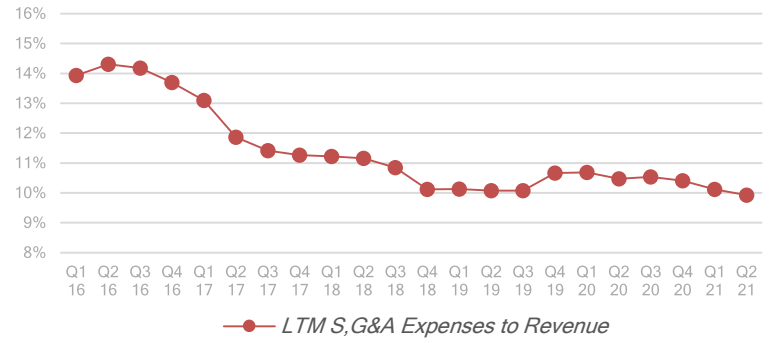


- Q2 2021 consolidated gross margin increased by 0.8pp Y-o-Y to 18.0%
- Q2 2021 consolidated operating margin[1] increased by 0.3pp to 9.0%, mainly due to a greater share of a higher operating margin in Russia/CIS of 12.5% (12.5%) and a less negative operating margin in Germany of -3.8% (-6.1%)

1) 2016 refer to adjusted EBIT. i.e. operating profit excluding amortization of transaction-related intangible assets and write-downs of non-current assets in Q4 2016.

Development of cost and return on capital employed

SG&A Development



ROCE[1]

- Group LTM SG&A expenses to revenue were down by 0.6pp Y-o-Y and 0.2pp Q-o-Q to 9.9%
- LTM SG&A expenses to revenue in Russia/CIS decreased 1.8pp Y-o-Y and 0.3pp Q-o-Q to 8.3%
- LTM SG&A expenses to revenue in Germany decreased 0.1pp Q-o-Q to 16.1%

- ROCE was 23% in Q2 2021
- Increase in ROCE in Q2 2021 was mainly related to higher operating income in Russia/CIS

1) Operating profit plus financial income (LTM) in relation to capital employed (equity and interest-bearing liabilities) (average LTM)
Note: 2016 refer to adjusted EBIT. i.e. operating profit excluding amortisation of transaction-related intangible assets and write-downs of non-current assets in Q4 2016.

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Q2 2021
Cash flows

SEK MM	Q2 2020 *Group*	Q2 2021 *Russia/CIS*	Q2 2021 *Germany*	Q2 2021 *Group*
Cash flows from				
Cash flows from operating activities before changes in working capital	154	195	1	196
Change in working capital	180	-29	14	-15
Interest & income tax paid	-22	-55	-6	-61
Net cash from operating activities	312	111	9	120
Investing activities	-22	-13*	-110	-123
Cash flows before Financing activities	290	98	-101	-3
Financing activities[2]	-194	-117	106	-11
Cash flow (before FX fluctuations)	96	-19	5	-14

- Strong cash flows, partly due to low working capital
- Higher tax payments, partly due to withholding taxes, negatively impacted cash flows
- Lower interest payments on lower net debt
- Cash flows from investing activities increased mainly due to the Group's acquisitions of business and assets in Germany
- Addition of machines to contracting services of SEK 96m and rental machines of SEK 15m in Q2 2021 was reflected as non-cash transaction
- Cash flows from financing activities reflect debt increase in Russia/CIS and Germany[2] and SEK 109m dividend payments

1) For the purposes of the Group's cash flow statement, addition of machines to contracting services of SEK 96m and rental machines of SEK 15m were treated as non-cash transactions, increasing property, plant and equipment and partly increasing payables, partly reducing working capital, as SEK 62m of the machines were transferred from inventory to property plants and equipment
2) Cash flows from financing activities include ICO cash transfer from Russia/CIS to Germany in the amount of SEK 74m

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Q2 2021
Balance sheet

SEK MM	Q2 2020 *Group*	Q1 2021 *Group*	Q2 2021 *Group*
Property, plant & equipment	582	576	766
Cash & cash equivalent	733	665	653
Debt	749	486	657
Lease liabilities	214	146	138
Net debt / (Cash)	**230**	**-33**	**143**
Working capital	476	183	140
% of Revenue	*10%*	*4%*	*3%*
Shareholder equity	883	888	890
Total assets	**2,975**	**3,174**	**3,532**
Equity / Assets	*30%*	*28%*	*25%*

- PP&E increased Q-o-Q partly due to additions of machines in contracting services in Russia/CIS, and partly due to a business acquisition in Germany
- In Russia/CIS net working capital decreased Q-o-Q from SEK 76m to SEK -6m or from 2% to 0% of LTM revenue, mainly on higher payables
- In Germany net working capital increased from SEK 107m to SEK 146m or from 11% to 14% Q-o-Q mainly on higher inventories
- Group net working capital decreased from 5% to 3% of LTM revenue in Q2 2021
- Net debt increased to SEK 143m and net debt/EBITDA increased to 0.3 x
- A credit facility consisting of a EUR 40m revolving credit facility and a EUR 30m term loan was agreed with Nordea Bank in April

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Financial objectives and dividend policy

KPI	Objective	Q2 2021 LTM
Revenue	Double the 2020 revenue in its current markets by 2025 (in SEK)[1]	**1.1 x** 2020 revenue
Operating margin	Above 7%	**7.7%**
Net debt / EBITDA	Below 3 times (over a business cycle)	**0.3 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.	

1) Current markets are defined as Russia and the whole of CIS and Germany.
2) On prior year accounts.

Outlook

Customer activity in our markets has improved. We expect our markets to continue to recover as economies open up and as a result of pent-up demand. In Russia/CIS, our optimism is supported by higher commodity prices and increased activity on the so-called national projects, but moderated by the risk of increased utilisation fees. In Germany, we expect a broader European economic recovery to boost demand. Current uncertainty mainly regards supply chain constraints. In a longer perspective, we see strong underlying fundamentals and business opportunities in our markets.

Record operating result

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