Annual report 2022

FERRONORDIC

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This is Ferronordic

Ferronordic is a service and sales company operating in the areas of trucks and construction equipment in Germany and the CIS. The Group has 28 workshops and employs approx. 450 people in Germany and CIS.

Germany

Since 2020, Ferronordic is a dealer of Volvo and Renault Trucks in parts of Germany and is responsible for sales, service and repairs of Sandvik mobile crushers and screens in most of the country. Ferronordic's sales area covers approx. 20 percent of the total German truck market and includes large commercial hubs such as Frankfurt and Hannover, as well as fast-growing cities in the east part of the country, such as Dresden and Leipzig.

CIS

The CIS segment currently consists of Kazakhstan. Ferronordic is the dealer of Volvo Construction Equipment and Mecalac. The Company is also responsible for sales, service and repairs of Sandvik mobile crushers and screens throughout the country.

Contracting services

In addition to service, sales and rental, Ferronordic offers contracting services, where the Company owns and operates machines or trucks to provide efficient and sustainable transport solutions to its customers. Ferronordic has, for example, worked in the mining industry to excavate and transport overburden or rock for customers. Ferronordic is paid based on the amount and distance of earth and rock transported. Ferronordic sees great potential in employing electric trucks to deliver sustainable transport services.

Headquarters in Stockholm, Sweden

Ferronordic started its business in 2010 and is headquartered in Stockholm. The shares in Ferronordic AB (publ) are listed on Nasdaq Stockholm since 2017.

The year in brief

Group

- Ferronordic divested its Russian business at end of 2022 for a sales price of SEK 1,334m.
- Net sales proceeds of SEK 1,097m from the sale brought the Group to a net cash position of SEK 957m at year-end 2022.
- Key Group functions relocated to offices outside Russia.
- Further development of our businesses in Germany and Kazakhstan.
- Continued focus on a sustainable offer to our customers.
- Total revenue for the continuing Group increased by 31% to SEK 705m (475).
- The operating result for the continuing Group was SEK 247m.
- The adjusted[1] operating result for the continuing Group was SEK -74m.
- The Board recommends a dividend of SEK 7.5/share.

[1]"Adjusted" here and in the rest of this report means excluding the effect of the compensation payment from Volvo of SEK 321m.

Germany

- Greenfield service and sales hub project in Hannover completed in Q4 2022.
- New centre and workshop for used trucks opened in Coswig.
- Three additional workshop acquisitions announced.
- Total network of 20 workshops at year end.
- Further investments to promote electric trucks and sustainable transport solutions.
- Dealer for Sandvik mobile crushers and screens in most of Germany.
- Continued investments in organisation and infrastructure.
- Sales of trucks in units increased by 24% in a market that increased by 4%.
- Aftermarket sales increased by 31% on a mix of organic and acquired growth.
- Total revenue increased by 29% to SEK 1,770m (1,368).
- Operating profit increased by 55% to SEK -32m (-71).
- Operating margin increased to -1.8% (-5.2) as operating margin improved through 2022.
- Reached a breakeven pace for operating profit by end of 2022.

CIS

- New workshop opened in Astana with focus on road construction.
- Reorganisation to better reflect industry segmentation and further drive customer orientation.
- Organised resources to manage contracting services in Kazakhstan.
- Dealer for Sandvik mobile crushers and screens in all of Kazakhstan.
- Sales of construction equipment in units increased by 11% in a market that increased by 25%.
- Strong growth in used equipment.
- Aftermarket sales increased by 30%, partly on better market penetration.
- Total revenue increased by 42% to SEK 203m (143).
- Operating profit increased by 21% to SEK 16m (13) with an improving trend through 2022.
- Operating margin declined to 7.6% (8.9), partly due to greater overhead costs.

	2022	2021	%
New units sold, SEK m	1,052	854	23
Revenue, SEK m	1,973	1,511	31
Growth, %	*31*	*40*	*-9pp*
EBITDA adjusted, SEK m	1	-52	102
EBITDA margin adjusted, %	*0*	*-3*	*3pp*
Operating profit, SEK m	247	-112	321
Operating margin, %	*13*	*-7*	*20pp*
Operating profit adjusted, SEK m	-74	-112	34
Operating margin adjusted, %	*-4*	*-7*	*4pp*
Result per share after full dilution, SEK	30.28	23.26	30
Net debt/(Net cash), SEK m	-957	198	-583
Return on capital employed, %	*11*	*29*	*-19pp*
Working capital/Revenue, %	*11*	*2*	*9pp*
Total assets, SEK m	3,217	3,973	-19
Equity/total assets, %	*58*	*28*	*31pp*

CEO comments

2022 was a challenging year that changed Ferronordic fundamentally. As a result of the conflict in Ukraine, we had to direct significant attention and efforts at separating the Russian operations and preparing them for divestment. Despite considerable difficulties, we managed to sell our Russian subsidiaries. Meanwhile, we continued to develop our businesses in Germany and Kazakhstan. In Germany we invested further into our network and organisation. We also increased our efforts to promote electric trucks and sustainable transport solutions. As a result, we achieved higher market shares, a stronger aftermarket business and an improved operating margin. In Kazakhstan, we expanded our workshop coverage and continued to work towards closer customer orientation and integration. In 2023, we look forward to committing our full focus and energy to these businesses and to developing new opportunities for the Group.

Sale of the Russian business

During the year, we worked hard to isolate the Russian operations from the rest of the Group and to divest the business. In December, we managed to sell our Russian subsidiaries for a price close to the net asset value. Under the current circumstances, this was an achievement. Managing and ultimately selling the business took tremendous efforts in 2022. All our time and energy can now be spent on developing the businesses in Germany and Kazakhstan and focusing on new markets and products.

Germany

In 2022, we continued to invest in our network and organisation. We completed construction of our new service and sales hub in Hannover. We also opened a new centre for used trucks in Coswig. We started operations in Bad Hersfeld and Aschaffenburg. With the acquisition of a workshop in Peine, where operations started in 2023, we now have 21 workshops in our German network. We set up a separate company to focus on electric trucks and sustainable transport solutions. This is an area that is of strategic importance and one that we work closely with our partners and customers to develop. In 2022, we became dealer

> "In 2023, we look forward to committing our full focus and energy to our German and Kazakh businesses and to developing new opportunities for the Group."

for Sandvik mobile crushers and screens in most of Germany. During the fourth quarter 2022, we set up the parts warehouse and service organisation for Sandvik. We also continued to develop our organisation in Germany, partly to service Sandvik machines and support e-mobility.

In 2022, our sales of trucks in units increased by 24 percent in a market that increased by 4 percent, and we took market shares. Aftermarket sales increased by 31 percent on a mix of organic and acquired growth. Total revenue increased by 29 percent to SEK 1,770m (1,368). Operating profit improved 55 percent to SEK -32m (-71) as operating margin improved through 2022. We hit breakeven pace for operating profit by end of 2022 and expect to reach a positive operating result and positive operating cash flow in 2023.

Kazakhstan

In Kazakhstan, we opened a new workshop in Astana with focus on road construction. We changed our organisation to better reflect industry segmentation and further drive customer orientation. We became dealer for Sandvik mobile crushers and screens in all of Kazakhstan and made the related changes to our organisation. We are excited about this cooperation with Sandvik and the opportunities it brings in both Germany and Kazakhstan. We also built the organisational capacity to offer contracting services in Kazakhstan.

Our sales of construction equipment in units increased by 11 percent in a market that increased by 25 percent. Meanwhile, we saw strong growth in used equipment sales. Aftermarket sales increased by 30 percent, partly on better market penetration. Total revenue increased by 42 percent to SEK 203m (143). Operating profit increased by 21 percent to SEK 16m (13) with an improving trend through 2022. The operating margin declined to 7.6 percent (8.9), partly due to greater overheads, which we expect to deliver greater scale in 2023 and beyond.

Outlook

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

Lars Corneliusson
CEO and President

Business model

Ferronordic is a service and sales company operating in the areas of trucks and construction equipment. The business consists of selling, repairing and maintaining trucks, construction equipment, engines and attachments. In addition, Ferronordic provides consultancy services such as machine operator training and offers contracting services and sustainable transport solutions. The vision of Ferronordic is to help its customers achieve industry leadership through an outstanding team, a strong brand portfolio and customer-focused solutions.

Ferronordic's business delivers value through four main types of customer business relationships, where the trend and strategic direction is to move towards closer integration with the customer. This translates into a growing commitment in terms of service and aftermarket coverage, expertise and capital investment. This commitment places increasing demands on customer understanding and financial strength, but also allows for higher margins. For the customer, this trend leads to higher operational reliability and productivity, and thus more stable revenues and stronger margins. It also allows for higher safety, lower emissions and greater financial flexibility. The business model is scalable and can be applied in different industries and geographic markets.

Business arrangement	Truck and machine service, sales and aftermarket	Truck and machine sales with service agreement	Rental of truck and machine with or without operator	Contracting services
Description	The customer buys a truck or machine as well as service and spare parts if needed.	The customer buys a truck or machine as well as on-going service according to an agreed bespoke main-tenance plan.	The customer rents a truck or machine with or without an operator and commits to ongoing service according to an agreed bespoke main-tenance plan.	The customer purchases a service performed by Ferronordic. Ferronordic is responsible for equipment, operators, service and maintenance.
Ferronordic's revenue	Revenue from truck or machine, service and spare parts.	Revenue from truck or machine, contracted service and spare parts.	Rent for machine and possibly for contracted operator, related service and spare parts.	Remuneration for work performed, mainly based on the amount and distance of earth and rock transported.

Background and history

Ferronordic was founded in June 2010 when the Company acquired Volvo Construction Equipment's distribution business in Russia. At the time, the Company had six workshops and 160 employees. By 2019, the business had grown to 90 workshops and approx. 1,300 employees. Over this period, Ferronordic also broadened its product portfolio and expanded its contracting services operations. In 2019, Ferronordic expanded to Kazakhstan and in 2020 to Germany. Following the conflict in Ukraine in 2022, Ferronordic sold its Russian business and exited the Russian market. Ferronordic currently has 28 workshops and approx. 450 employees.

Phase I 2010–2013

Building the business

- Development of organisation, infrastructure and processes.
- Investments in marketing, training and growing market shares.
- Establishment of the first workshop for Volvo and Renault trucks in 2012.
- Issuance and listing of preference shares on Nasdaq First North Premier in October 2013.

At the end of 2013, the operations consisted of 75 facilities and more than 700 employees.

Phase II 2014–2016

Managing the downturn and building resilience

- The Russian market declined by 83% during 2014– 2015 and the Russian ruble was severely weakened due to sanctions and sharply falling oil prices.
- Sales sharply declined but maintained operating profit.
- Network optimisation and adaptation of organisation and business model. Increased focus on aftermarket and cost savings to increase the coverage ratio.
- Expansion of the product offering contributed to a greater degree of utilisation of existing investments.
    - official dealer of Terex Trucks 2014.
    - agreement with Dressta and Rottne 2016.
- Launch of contracting services in 2014.
- Expanded aftermarket operations for Volvo Trucks and Renault Trucks.

At the end of 2016, the operations consisted of 69 facilities and more than 800 employees.

Ferronordic's history started in June 2010, when the Group took over the construction equipment distribution business from Volvo CE in Russia. At the time, the business had six facilities and approx. 160 employees

Establishment of the first workshop for Volvo Trucks and Renault Trucks.

Issuance and listing of preference shares on Nasdaq First North Premier.

Launch of contracting services.

Ferronordic has a network of 69 facilities and more than 800 employees.

2010 2011 2012 2013 2014 2015 2016

Phase III 2017–2021

Leveraging the platform

- Official dealer for Mecalac in Russia in 2017.
- Development of a proprietary digital sales and service platform.
- Listing of ordinary shares on Nasdaq Stockholm at the end of 2017.
- Growth in the contracting services business.
- In 2019, Ferronordic took over the import of machines and spare parts to Russia and Kazakhstan for Volvo CE.
- Geographical expansion.
    - authorised dealer for Volvo CE and Mecalac in Kazakhstan in January 2019.
    - authorised dealer for Volvo Trucks and Renault Trucks in approximately 20% of the German market in January 2020.
- Establishment of a centre for machine and component rebuild in Russia in December 2019.
- Appointed dealer for Sandvik stationary and mobile crushers and screens in Russia in 2021.
- Expansion of networks and investments in organisations in Kazakhstan and Germany.

At the end of 2021, the operations consisted of 109 facilities and approximately 1,800 employees.

Phase IV 2022–

Refocusing resources

- Ferronordic sells and exits its Russian business in the end of 2022, receiving SEK 1,090m (EUR 99m).
- Ferronordic becomes official distributor for Sandvik mobile crushers and screens in Germany and Kazakhstan in 2022.
- Further expansion of network in Germany by acquiring and opening workshops in Bingen, Peine, Coswig and Bad Hersfeld during 2022.
- Investment in electric trucks, infrastructure and organisation to deliver sustainable transport solutions, starting in Germany.
- Active search for opportunities to expand business to new markets.

At the end of 2022, the operations consisted of 28 facilities and approximately 450 employees.

Listing on Nasdaq Stockholm.

Authorised dealer for Volvo CE and Mecalac in Kazakhstan.

Authorised dealer for Volvo Trucks and Renault Trucks in approx. 20% of the German market in January 2020.

Investment in electric trucks, infrastructure and organisation to deliver sustainable transport solutions.

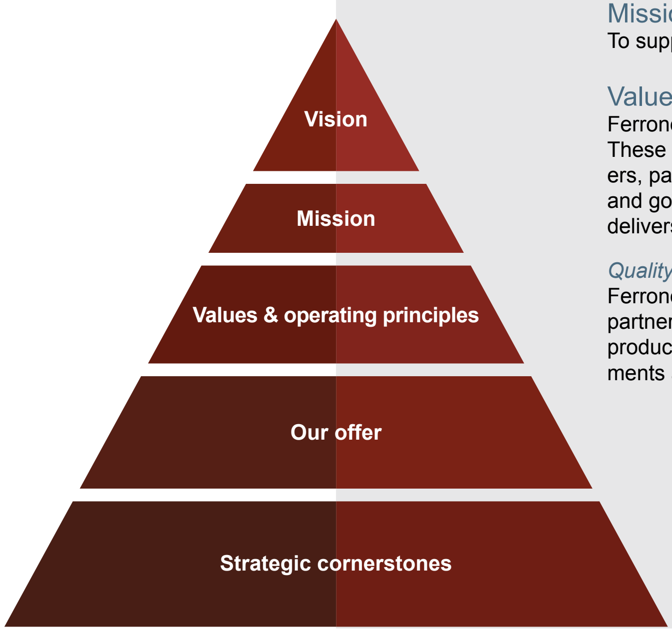
Ferronordic becomes distributor for Sandvik mobile crushers and screens in Germany and Kazakhstan

Ferronordic sells its Russian business, receiving SEK 1,090m (EUR 99m)

2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023

Vision, values and strategic cornerstones

Ferronordic has a vision that the Company strives towards and a mission that underpins its daily operations. A clear picture of who we are, where we are going and the values that lead us creates conditions for business success while ensuring ethical and sustainable business practices.



Vision

To be the leading service and sales company in our markets.

Mission

To support the growth and leadership of our customers.

Values and principles

Ferronordic's core values are quality, excellence and respect. These values guide the Company when interacting with customers, partners, suppliers and each other. They define Ferronordic and govern how the Company deploys resources and how it delivers services and products to its customers.

Quality

Ferronordic values long-term relationships with its customers and partners. This requires a consistent focus on quality in services, products and relationships. The Company lives up to its commitments and strives to exceed expectations in everything it does.

Excellence

Ferronordic's people are passionate specialists and experts who strive for excellence in creating value for customers and partners. Ferronordic is continuously seeking ways to improve its processes and products to deliver a superior customer experience.

Respect

Ferronordic wants a fair and open relationship between its own team members and with its customers, suppliers and the communities the Company operates within. The Company and its employees are open minded and tolerant. Ferronordic sees strength in diversity and promotes equal opportunities for all - regardless of gender, ethnic and religious backgrounds, or disabilities.

Offer

Feronordic's offer is based on a broad experience in its industry and in solving the challenges its customers face in their operations. The offer is built on excellent service, top quality products, a well-developed infrastructure and a dense network of workshops. The offer also extends to more bespoke customer solutions, such as contracting services and sustainable transport.

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Strategic cornerstones

Ferronordic's strategic cornerstones are the principles for the Company to achieve its strategic objectives. The cornerstones reflect Ferronordic's values and guide its employees in their daily work.

Great team

Ferronordic's success is based on a strong team working towards common goals. Working for Ferronordic means taking the initiative and making decisions, regardless of rank or position. The Company's employees are not afraid to make mistakes but see it as part of learning and growing. Ferronordic openly addresses problems and always strives to be part of the solution. The team is fast-paced, dynamic and determined to create value for its customers. Every employee understands that mutual trust, dialogue and openness are the best ways to improve results and move the business forward.

Operational excellence

At Ferronordic, employees have a quality mindset and a focus on continuous improvements. The Company's employees welcome and drive change, are flexible and agile and always strive to improve its services and products for the benefit of both customers and environment. Ferronordic invests in the latest technologies and develops new solutions. The Company strives towards economic and ecological sustainability and to contribute to a circular economy.

Building on strong brands

Ferronordic collaborates with world-leading suppliers of trucks and construction equipment. The Company offers premium products of uncompromising quality, world-class comfort, maximum efficiency, highest safety and minimum environmental impact. Each brand has a leading position in its segment, which Ferronordic contributes to developing and strengthening. The brands and products complement each other, which means that Ferronordic can deliver both broad and customised solutions to its customers.

Customer orientation

Ferronordic's mission is to support its customers' growth and leading positions in their industries and markets. The Company does this by developing products and business solutions based on each customer´s unique needs, which leads to increased productivity, greater flexibility and higher cost efficiency. Ferronordic is keen to establish close collaborations, deliver high-quality services and products as well as offer customised and tailor-made solutions.

Superior infrastructure

Ferronordic cares about its customers, their productivity, efficiency and the safety of their employees. The Company's offering and value creation is based on providing professional services and solutions whenever and wherever the customers need it. A prerequisite for this is Ferronordic's dense network of 28 facilities in Germany and the CIS, some of which are on site at the operations of the customers. The Company's mechanics also travel to customers' facilities to minimise the risk of any downtime.

Strategic objectives

Ferronordic currently operates in two geographical markets. After leaving Russia in 2022, the Company is now active in Germany and Kazakhstan. The Company represents several leading manufacturers. In addition to Volvo, Ferronordic also cooperates with Sandvik and Mecalac. Ferronordic has also developed vertically by expanding its rental and used businesses and offering contracting services and sustainable transport solutions.

Strategic goals

Ferronordic's strategic objectives capture how Ferronordic wants to grow and create value for all its stakeholders.

Leadership in the markets for trucks and construction equipment

Ferronordic's success is based on successful customers. For customers to become leaders in their industries, Ferronordic's offer must be industry-leading in terms of performance, competence and products.

Aftermarket absorption rate of 1.0 x

An aftermarket absorption rate of 1 refers to the dealer business and means that the gross profit from the aftermarket business covers all Ferronordic's fixed costs. This means that Ferronordic is more financially resilient in economic downturns with low or no sales of new machines.

Expansion to related business areas

Ferronordic is building a well-developed service network, a strong organisation, a digital sales system and tailored integrated and sustainable transport solutions. This platform can be used to take on new brands and business models, which results in better capacity utilisation, higher returns on investment and increased value for Ferronordic's partners and customers. In 2020, Ferronordic became dealer for Volvo Trucks and Renault Trucks in parts of Germany. In 2022, Ferronordic became dealer for Sandvik mobile crushers and screens in Kazakhstan and Germany.

Development of contracting services

In contracting services, Ferronordic integrates more closely with its customers. Instead of selling a machine or a truck to a mining or transport customer, Ferronordic owns, services and operates the equipment on behalf of the customer. The customer pays per cubic meter or kilometer in a transport-as-a-service model. For the customer, this means that costs are made more predictable and that some operating and asset risks are transferred to Ferronordic. Meanwhile, Ferronordic can operate the equipment more efficiently and also use experience from other areas of its business. Ferronordic believes that contracting services is an important part of the future of the industry and intends to further develop this part of the business. Ferronordic had a significant contracting services business in Russia. The Company is looking for opportunities to offer this type of service in Germany and Kazakhstan also.

Industry-leading digital service and sales platforms

To further support its service and sales organisation and its customers, Ferronordic has developed a digital platform. This platform converts signals from the machines' so-called telematics systems into information about the operational status and conditions of the machines. This information is disseminated to the relevant customer service or salesperson in Ferronordic's CRM system, which in turn allows Ferronordic to anticipate and prevent problems. Ferronordic's digital platform is operational in the CIS. Ferronordic will continue to invest in the digitalisation of its sales to further develop and apply the logic in Germany and potential future markets.

Geographical expansion

Russia was a demanding and difficult market. The know-how and the experiences accumulated in this market can be employed in other markets. This experience allowed Ferronordic to expand to Kazakhstan in 2019. Ferronordic has built further institutional knowledge since it entered the German trucks market with Volvo Trucks and Renault Trucks in 2020. Ferronordic sees opportunities to leverage its organisation and network infrastructure to offer complementary products and services for new brands or to expand its product offering into new markets. Ferronordic continuously explores such strategic opportunities.

Value creation

Resources

Trust capital
Relationships with 859 customers and partners, as well as suppliers and decision makers.

Intellectual capital
Solution-oriented and performance-driven organisation working closely with world-leading partners, strong suppliers and quality demanding customers. A unique digital sales and service platform that generates sales leads and concrete proposals to customers based on data from the connected machines and trucks.

Manufactured capital
A truck and machine fleet with a value of SEK 254m for rental or use in contracting services.

A network of 28 service workshops at a value of SEK 230m.

Human capital
457 employees with extensive experience, strong customer focus, excellent teamwork, and both broad and deep collective competence.

Financial capital
SEK 2,604m in invested capital from customers, shareholders and credit institutions.

Business model

The business model consists of four types of business approaches where the development is moving towards an increasing integration with the customers' operations and a growing commitment in terms of service, aftermarket, capital and employees.

This puts demands on financial strength and a high degree of staff and parts availability, while at the same time leading to higher margins. For the customer, this development results in increased predictability, higher operational reliability, and thus more secure revenues.

Value creation

For shareholders
Market capitalisation and dividends.

For the society
Opportunity to build infrastructure, extract raw materials and transport goods, i.e. activities that are crucial for modern society. A business model that leads to the application of efficient technologies, battery electric vehicles and the recycling of resources, which minimises the environmental footprint of our customers.

Jobs and tax revenues.

For customers
High-quality and efficient trucks, machines and related services that make it possible to conduct their business sustainably with the highest productivity, minimum emissions, minimal resource waste and without interruptions in profitability.

Business development in collaboration with customers and partners.

For employees
Personal growth and professional development.

Competitive salary.

For financiers and suppliers
Attractive returns, growing market shares and margins to continue to develop their products.

Created value 2022

For shareholders
SEK 1,090m extracted from the sale of the Russian business.

SEK 39m improvement in operating profit in Germany.

For the society
SEK 75m in taxes paid. 457 jobs.

For customers
992 trucks sold.

60 machines sold.

31 million cubic metres transported earth and rock[1].

For employees
98 more jobs in Germany and 6 in Kazakhstan.

57,227 hours of training (of which 42,422 in Russia).

SEK 352m in salaries paid and other remuneration.

For financiers
SEK 19m in interest and other finance costs.

For partners and suppliers
SEK 1,633m in payments to suppliers.

Increase of market share in the trucks market in Germany.

Further investment in brand awareness and new product (eg. electric trucks in Germany) positioning.

[1] Refers to contracting services in discontinued Russian business.

Ferronordic as an investment

1 Strong brand portfolio

Ferronordic's relationships with world-leading manufacturers of trucks and construction equipment provide the Group with a platform from which to offer premium services and products to customers. By developing these relationships and complementing them with other strong brands, Ferronordic can develop its customer offering and grow based on its existing organisation and infrastructure.

2 Robust business model and experienced management

Ferronordic's business model is based on a strong team and a solid aftermarket business. The model has been tested and has shown the ability to withstand extreme market fluctuations. High absorption from the aftermarket business provides resilience. Continued service development - such as contracting services and sustainable transport solutions - aims to diversify the business model and increase integration with customers. Ferronordic has a management team and a Board with extensive experience within the industry and markets.

3 Innovation for increased customer value

The world is changing rapidly. Ferronordic wants to be a leader and drive the development of its markets. The Company's own digital sales and service platform creates value throughout the entire value chain. Through contracting services, Ferronordic has built a business model where the Company becomes an integrated part of the customers' activities and helps them to achieve leadership in their respective industries. Through electric rental and services, Ferronordic wants to promote sustainable transport solutions and help our customers reduce their environmental footprint.

4 Sustainability - a part of the business

Ferronordic strives to help its customers achieve leadership in the broadest sense, including by reducing their emissions and resource waste. The Company aims to be an active player in local communities and a good and fair employer that offers its employees training, professional development and career opportunities. Ferronordic promotes diversity and equal opportunities. The Company strives to contribute to a cleaner environment and be a positive force in the transition to a sustainable society.

5 Conservative financial policy and potential for good returns

To ensure financial flexibility and strength, Ferronordic strives to maintain a strong balance sheet. The Company has historically delivered a strong cash flow over time, which provided opportunities for both reinvestments with good returns and dividends to shareholders. Following the sale of its business in Russia, Ferronordic will seek to redeploy proceeds from the sale to further develop its German and Kazakh businesses, but also to grow into new markets. Ferronordic's financial objectives are under review and will partly depend on where and when the Company will invest in its next growth opportunity.

Market outlook & operations

Market outlook & operations
» Markets and driving forces
Germany
CIS
Sale of russian business
Brands
Digital platform
e-mobility

Markets and driving forces

The world's population is steadily growing, and more people are moving to cities. At the same time, the volume of world trade continues to increase. This, in turn, is increasing the demand for raw materials, transport, infrastructure and buildings - industries in which Ferronordic and its customers operate. The big challenge lies in meeting today's needs without compromising future generations' opportunities to meet theirs. A large part of the solution can be found in increased efficiency and productivity, digitalisation, electrification and circular economy.

Basic trends →
- Population growth and urbanisation
- Globalisation
- Growing prosperity and consumption

Growing demands →
- Raw materials
- Transports
- Infrastructure
- Buildings

The challenge →
- Stress on the environment, climate and societies

The solutions
- Digitalisation
- Electrification
- Circular economy

Basic trends

Population growth and urbanisation
We are over 8 billion people on earth today. In 2030, the world's population is estimated to amount to 8.5 billion. 70 percent of these people are expected to live in cities, which means a continued urbanisation process.

Globalisation
Countries in the world are increasingly closely connected in a network of distribution and communication chains. International trade continues to increase, and volumes remain at high levels. While the current geopolitical tension may slow this trade down in the short-run, Ferronordic believes the long-term trend is firm.

Growing prosperity
According to the IMF, the global economy is estimated to have grown by 3.4 percent 2022. This means that we are back on the growth curve that prevailed before the pandemic. Global growth tends to bring global trade, which in turn, tends to increase the need for transport solutions. Going forward, such transport will need to be sustainable for the planet to bear the pressure from global growth.

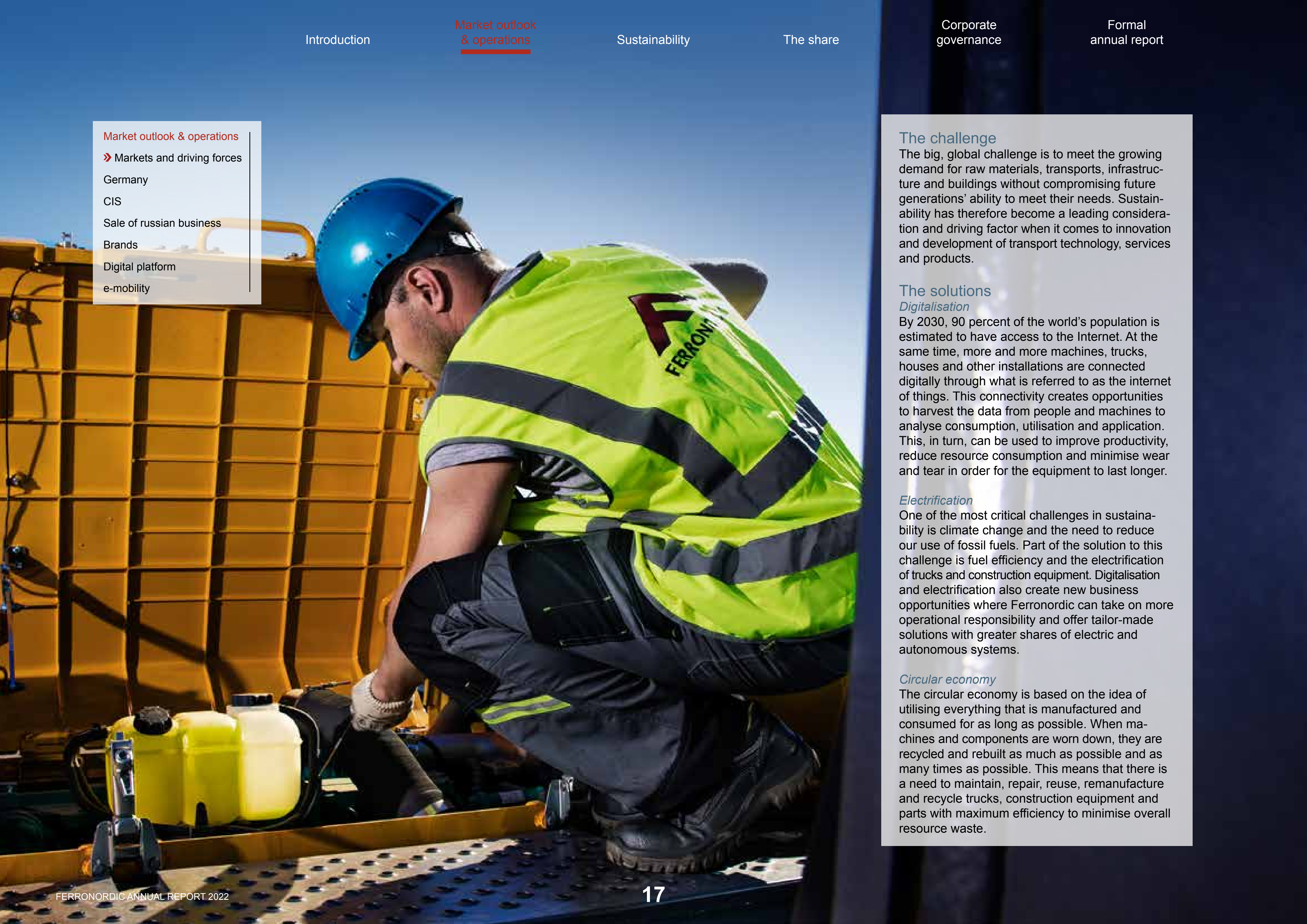
Growing demands

Raw materials
Commodity prices have risen sharply in recent years. Demand is driven by a growing population, increased prosperity and technological development.

Transports
The basic trends all lead to an increased need for transport, both within and between countries.

Infrastructure
Increased demand for transport leads to an increased need for investments in infrastructure. In addition, many countries have not maintained their infrastructure effectively and have a pent-up demand for investment.

Buildings
With more people, growing prosperity and urbanisation comes increased demand for housing, factories, schools and other buildings.



The challenge

The big, global challenge is to meet the growing demand for raw materials, transports, infrastructure and buildings without compromising future generations' ability to meet their needs. Sustainability has therefore become a leading consideration and driving factor when it comes to innovation and development of transport technology, services and products.

The solutions

Digitalisation

By 2030, 90 percent of the world's population is estimated to have access to the Internet. At the same time, more and more machines, trucks, houses and other installations are connected digitally through what is referred to as the internet of things. This connectivity creates opportunities to harvest the data from people and machines to analyse consumption, utilisation and application. This, in turn, can be used to improve productivity, reduce resource consumption and minimise wear and tear in order for the equipment to last longer.

Electrification

One of the most critical challenges in sustainability is climate change and the need to reduce our use of fossil fuels. Part of the solution to this challenge is fuel efficiency and the electrification of trucks and construction equipment. Digitalisation and electrification also create new business opportunities where Ferronordic can take on more operational responsibility and offer tailor-made solutions with greater shares of electric and autonomous systems.

Circular economy

The circular economy is based on the idea of utilising everything that is manufactured and consumed for as long as possible. When machines and components are worn down, they are recycled and rebuilt as much as possible and as many times as possible. This means that there is a need to maintain, repair, reuse, remanufacture and recycle trucks, construction equipment and parts with maximum efficiency to minimise overall resource waste.

Germany

Economic and political development

Germany is Europe's largest economy and among the five largest economies in the world. Germany accounts for 25 percent of Europe's GDP (EU-27) and for 19 percent of the total EU population. The country is one of the world's leading exporters with vehicles, machinery, chemicals, electronics and pharmaceuticals as the largest export goods. In addition to its size, the German economy is characterised by a very high degree of maturity and diversification. The service sector accounts for approx. 70 percent of the total economy.

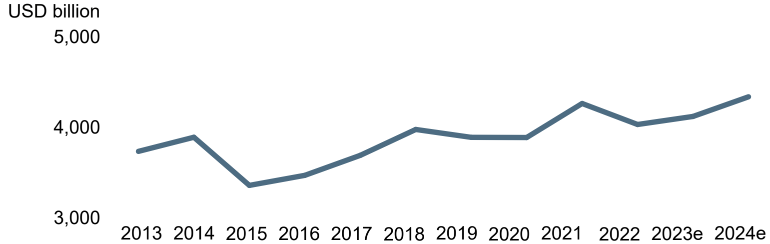
Resilience despite volatile conditions

The German economy grew by 1.8 percent in 2022 according to official German sources. Despite high inflation, growth was supported by the boost in demand that followed the post-pandemic reopening of the economy, in particular in services. Analysts project a slight GDP growth of 0.1-0.2 percent in 2023, driven by an easing of energy price inflation, strong order books and a gradual recovery in supply chains but pressured by higher producer costs, weaker growth in foreign demand and higher financing costs. A gradual economic rebound is expected from 2024 when the growth is anticipated at 1.3-1.4 percent. In 2022, inflation was record-high at 8.7 percent (3.1 percent in 2021). Inflation is however expected to moderate to 7.2 percent in 2023.

German exports (2022)[1]

[1] Source: German Federal Statistical Office

GDP (current prices) Germany[1]



[1] Source: IMF database

Germany

Trends and driving forces

During 2022, continued supply disruptions coupled with high inflation, high energy prices and rising interest rates affected the German market negatively. Despite a less supportive macroeconomic backdrop, the demand for trucks in Germany remained firm as the market was supported by pent-up demand from the pandemic lock-down. As a result, the total German market for heavy trucks declined only by 1 percent.

In a longer perspective, Ferronordic believes that the German truck industry will remain resilient for the following reasons:

A strong German economy

The German economy is expected to continue to play a vital role for the whole of the EU and the rest of Europe. Various development programs, such as Germany's National Recovery and Resilience Plan and the Federal Transport Infrastructure Plan 2030, have been adopted by the German government and will support economic growth. This means a continued demand for trucks and transport services.

Electrification and increased environmental standards

Challenges related to climate change affect all markets and businesses. Climate change is expected to be a top priority for the new German government. Germany will increase the pace of conversion of the transport sector and the phasing out of fossil fuels. The transition to electric transport will start in the lighter segments. In the long run, however, the entire transport sector is facing a transformation. An extensive subsidy program from the German government will contribute to this transition. Electrification brings not only a need to replace the truck fleet, but also demand for completely new services and business solutions. Companies that can provide charging infrastructure and advice on which trucks and what equipment that best meet the needs of customers and the requirements of the future will be able to take market shares.

Development of the transport industry

Road freight transport is the backbone of trade and commerce not only in Germany, but in the whole of Europe. In parallel with the technical development and partly because of it, the transport industry is also developing. Ferronordic estimates that the fragmented German haulage industry will undergo a consolidation with fewer but larger players. This also brings higher degrees of specialisation and professionalism, which in turn puts greater demands on Ferronordic and other partners within the industry.

Continued growth in e-commerce

During 2017-2022, the German e-commerce market expanded by 69 percent, from EUR 59b to EUR 99b[1]. The rapid development of e-commerce puts new and higher demands on transports and logistics. The pandemic has accelerated this trend. The demand for fast deliveries increases the need for logistics and storage hubs in locations close to consumers and for efficient transport both to and from such facilities. This has led several e-commerce operators to take a stronger grip on the entire transport chain to ensure increased delivery capacity to consumers. This, in turn, increases the demand for reliable logistics operators and the pressure on their partners.

[1] Source: German Federal Association of E-Commerce and Mail-Order Trade

Germany

The truck market

The truck market in Germany is mature and demanding, with customers placing great value on brand, tailor-made business solutions and dense and high-quality service network coverage. Maximising the utilisation and minimising unplanned downtime is crucial for the profitability and business success of customers in the industry.

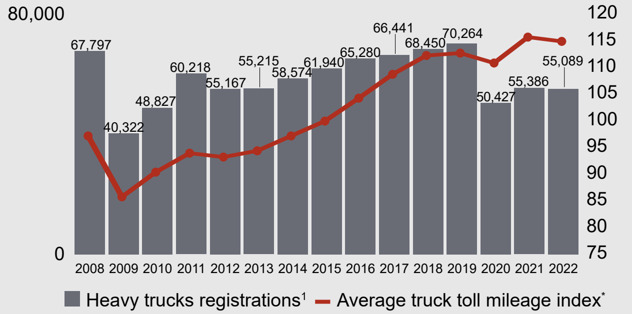
Europe's most important market

Germany's economic importance makes the country the largest market in Europe for heavy trucks. There is a strong correlation between economic activity and new sales of trucks. Germany's geographical position in the EU also makes the country a logistics centre serving over 82 million Germans, 150 million consumers in nine neighbouring countries and almost 500 million EU inhabitants. This has contributed to Germany having one of the most advanced transport infrastructures in Europe with a road network of 230,000 km, over 250 inland ports and 21 international airports.

Development 2022

Ongoing component shortages and supply chain disruptions affected vehicle availability throughout the year. Total new registrations remained mostly unchanged. The supply constraints on new trucks had a positive effect on the market for used trucks – both in terms of truck sales in units and the price development. The total mileage* in 2022 was largely unchanged compared to 2021, remaining at a relatively high level. A high mileage tends to increase the aftermarket sales potential. In 2022, the availability of mechanics was a limiting factor for our aftermarket sales.

Heavy truck registrations in Germany



[1] Germany registrations data compiled by Volvo Trucks (until December 2022).
* 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.

Germany

Market segment trucks

Size segment	Heavy trucks, >16 tons	Medium duty trucks, 7–16 tons	Light trucks, <7 tons
Main customer groups	Logistics and transport companies, construction and civil engineering companies etc.	Logistics and transport companies, construction and civil engineering companies etc.	Logistics and transport companies, construction and civil engineering companies, municipalities and municipal contractors etc.
Main areas of use	Long-distance driving and regional transports, timber transports, heavy transports, construction and civil engineering transports, mining and quarry transports etc.	Local and regional distribution, light construction, utility and refrigerated transport etc.	Many different transport assignments, including mobile workshops, freight transport, postal and courier services etc.
% of new truck sales in Germany in 2022	91	1	8

Germany

Operations

Ferronordic's sales area corresponds to approx. 20 percent of the German market for heavy trucks. The area includes some of the busiest and most developed parts of Germany, such as Hanover and Frankfurt Rhein-Main, the second largest metropolitan region in the country. It also includes a large part of eastern Germany, with rapidly-growing cities such as Leipzig and Dresden. In addition to new sales, the market also consists of used trucks, service, maintenance and rental.

Ferronordic's operations in Germany consist of sales and rental of new trucks from Volvo Trucks and Renault Trucks, sales of used trucks and service and support of trucks and light commercial vehicles. In 2022, Ferronordic also became a distributor for Sandvik mobile crushers and screens in most of Germany.

Ferronordic has been present in the German market since January 2020, when the Company became a dealer of Volvo Trucks and Renault Trucks. At the start in Germany, the Company took over nine of Volvo's own workshops and two workshops from a smaller dealer in Ferronordic's sales area. In 2022, Ferronordic opened a workshop and used trucks centre in Coswig, set up new workshops in Bad Hersfeld and Aschaffenburg, and moved into our newly built service and sales hub in Hanover. In addition, a new workshop in Peine was acquired. Today, Ferronordic has 21 workshops and 382 employees in Germany.

Sales and rental of trucks

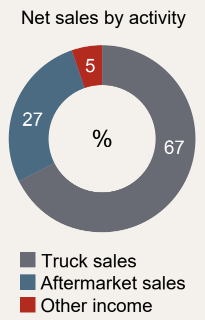
Ferronordic sells and offers rental of new trucks from Volvo Trucks and Renault Trucks with focus on heavy and medium-duty trucks. The trucks are employed in transport and logistics as well as in customers' own operations on construction sites and mines. Ferronordic's product range also includes trucks for local and regional distribution as well as municipal services such as waste management. The segment also includes sales of used trucks. Ferronordic's sales of new trucks in units grew by 24 percent in 2022 to 992, including light commercial vehicles. Sales increased in all weight segments. In terms of revenue, sales of new trucks increased by 32 percent and amounted to SEK 1,034m.

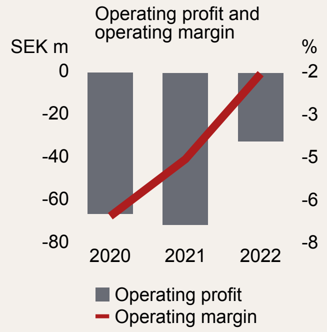
In the coming years, sales of electric trucks are expected to increase significantly. Together with digitalisation, electrification also creates completely new business opportunities where Ferronordic can take greater overall responsibility of the service offering. At the end of 2021, Ferronordic ordered 32 all-electric medium-duty trucks, of which 11 from Volvo and 21 from Renault. In 2022, the trucks were primarily used as demo vehicles for promotional purposes.

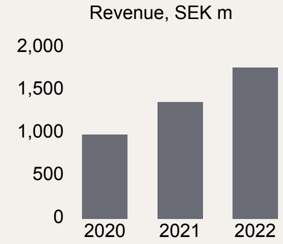
Sales of used trucks in units declined by 12 percent. In terms of revenue, sales of used trucks amounted to SEK 161m, which is an increase of 26 percent compared with the previous year. Ferronordic sees meaningful potential for the used trucks business to complement its product portfolio.

Aftermarket sales

Ferronordic offers maintenance and repairs of trucks. The work is often carried out within the framework of different types of service agreements to meet the needs of each customer. In 2022, aftermarket sales increased by 31 percent and amounted to SEK 479m. A contributing factor behind the positive development is the acquisitions of workshops that Ferronordic made in 2021. Organic growth amounted to 22 percent, while the workshops acquired in 2021 contributed 9 percent of the growth.

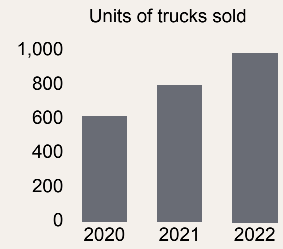






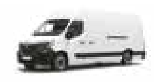
	2022	2021	Change, %, pp
Units of new machines and trucks	992	800	24
Units of used machines and trucks	211	241	-12
Revenue, SEK m	1,770	1,368	29
Gross profit, SEK m	214	149	44
Operating profit, SEK m	-32	-71	55
Gross margin, %	*12.1*	*10.9*	*1.2*
Operating margin, %	*-1.8*	*-5.2*	*3.4*
SG&A/Revenue, %	*14.2*	*15.9*	*-1.7*
Working capital/Revenue, %	*17.0*	*6.4*	*10.6*

Segment	2022	2021
Rigid trucks	238	190
Tractor trucks	673	570
Light commercial vehicles	81	40
Total	992	800
New cars	0	48



Germany

Sales of new trucks 2022

Type of product		Number of sold units	Description
Volvo FH16		14	The most powerful truck in the Volvo Trucks product portfolio. Suitable for a variety of applications including long haul, timber transport, heavy haulage and construction. Available with an electric engine.
Volvo FH		684	Long haul and regional haul truck mainly used in transportation and logistics. Usually comes as a semitrailer tractor or as a rigid haul. The Volvo FH also comes with a liquefied gas (LNG) engine. Available with an electric engine.
Volvo FMX		28	Volvo Trucks' most robust construction truck. Typical areas of use are building and construction transport, as well as mining and quarry transport. Available with an electric engine.
Volvo FM		52	Versatile truck, suitable for a variety of purposes, including long haul, regional haul, building and construction. Available with an electric engine.
Volvo FE		12	Medium-duty truck used for distribution, light construction, utilities and refrigerated transport. Available with an electric engine.
Volvo FL		28	The smallest truck in Volvo Trucks product range. Used for local and regional distribution, refuse collection, light construction, and as a small format tractor. Also available with an electric engine.
Renault T		83	Renault truck for long haul and regional haul. Also used in distribution transport and building and construction transport.
Renault D		5	Used widely in household and industrial waste collection, cleaning and sanitary services, firefighting and rescue services. Available with an electric engine.
Renault C		5	A versatile truck usually used for material transports in construction and civil engineering.
Renault K		0	Complementary truck for Renault C model. A heavy truck suitable for quarries, logging and various construction sites.
Renault Master		81	Light commercial vehicles that carry out a variety of transport assignments, including mobile workshops, freight transport and postal and courier services. Available with electric engine.

Germany

Service network

Ferronordic has 21 workshops in an area that represents approx. 20 percent of the German truck market (based on registrations). The strategy is to continue to expand and improve the Company's network and organisation to increase the market share for Volvo Trucks and Renault Trucks as well as to increase Ferronordic's share of the total aftermarket in its sales area, thus creating a sustainable profitability.

The need for a dense network of workshops is mainly the same as in construction equipment. Trucks are central to the operations of Ferronordic's customers. Any unplanned downtime quickly leads to increased costs and a deterioration in profitability. Proximity to customers, a large number of workshops and good access to spare parts are therefore key success factors for a dealer. Most of the workshops are in larger cities or at important junctions along the Autobahn. Ferronordic's workshops maintain a high and uniform standard in terms of infrastructure, quality and environment.

Region	No. of workshops	Description
West	6	Includes Limburg, Bingen, Bergstrasse, Simmern, Kirn and Haiger.
East	6	Includes fast-growing cities such as Dresden and Leipzig, as well as Bautzen, Coswig, Dessau and Görschen.
South	5	Includes Frankfurt, which is the main city in Rhine Main metropolitan region, Fulda, Kassel, Bad Hersfeld and Aschaffenburg.
North	4	Includes Hanover, which is the largest city in Braunschweig-Göttingen-Wolfsburg metropolitan region, Nordhausen, Magdeburg and Peine.

(21) Ferronordic outlets in Germany as of February 2023

CIS

Economic and political development

Ferronordic refers to CIS as formerly constituent republics of the Soviet Union except Russia, Belarus, Ukraine and Baltic states. CIS is characterised by large natural resources. In 2022, countries comprising CIS accounted for 3.3 percent of total global oil production and 4.8 percent of total global gas production[1]. The region holds substantial reserves of gold (Kazakhstan, Uzbekistan, Kyrgyzstan), zinc (Kazakhstan) and other minerals. In 2022, CIS GDP in current prices amounted to USD 525b with a population of 97m people[2]. In 2022, Ferronordic's CIS operations included only Kazakhstan.

Kazakhstan: maintained growth in turbulent environment

Kazakhstan's economic growth is largely driven by exports of natural resources, oil and gas in particular, which constitute approx. 35 percent of GDP, but also other commodities such as copper, zinc and uranium. Kazakhstan is also developing its agriculture sector which has substantial potential but remains underinvested. The country is emerging as a major transport and logistics hub in the region linking Europe and Asia.

Like many other countries, Kazakhstan faced economic and social challenges in 2022. Unrest and protests in January 2022, regional geopolitical tensions, disruptions in production and logistic chains due to the military conflict in Ukraine led to declining business activity and rising inflation.

As a result, the economic growth slowed from 4.0 percent in 2021 to 3.1 percent in 2022. The slowdown mainly reflected disruptions in oil production in 2022.

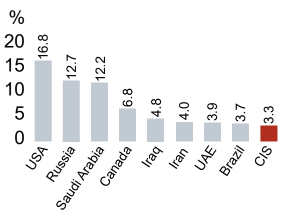
The oil price increased sharply in the first half of 2022 but declined in the second half of the year. On average, oil price in 2022 was approx. 100 USD/barrel.

Inflation pressure grew in 2021 and increased further in 2022, mainly due to spillover effects from the conflict in Ukraine. As a result, inflation reached 20.3 percent in 2022 (8.4 percent in 2021). The Kazakh currency, the tenge, strengthened by 7 percent against the Swedish krona from 47.7 at the beginning of the year to 44.3 at the end of the year.

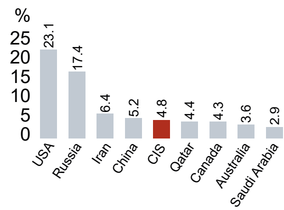
Looking ahead, Kazakhstan's GDP is expected to grow between 3.5-4.3 percent in 2023, partly on stronger commodity prices but also due to significant infrastructure investments and Kazakhstan's growing role as a regional hub.

[1] Source: British Petroleum Statistical Review of World Energy (2022)
[2] Source: IMF database

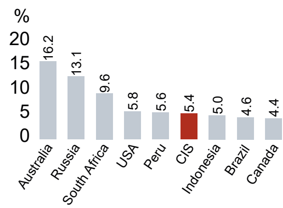
Oil production[1]



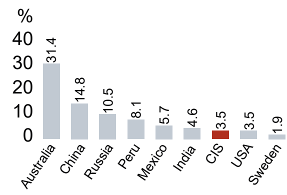
Gas production[1]



Gold reserves[2]



Zinc reserves[2]



[1] Source: British Petroleum Statistical Review of World Energy (2022)
[2] Source: U.S. Geological Survey, Mineral Commodity Summaries (2023)

CIS

Trends and driving forces

The future demand for our products and services in CIS will depend on several economic and industry trends. These include, for example, the activity in the construction and commodity sectors but also the gradual sophistication of Kazakh industry and increasing maturity among our customers.

Activity in the construction sector
The demand for our products and services is mainly driven by the rising demand for infrastructure development, particularly the construction of roads, railways, oil and gas pipelines, ports and other infrastructure. Kazakhstan's infrastructure needs are increasing with its expanding economy, growing role as a regional hub and increasing population. Several large construction projects are planned or ongoing. Among others, these include the construction of Big Almaty Ring Road, the modernisation of the Dostyk-Moyinty railway and the reconstruction of more than 10,000 km of local and national roads. We expect construction activity in Kazakhstan to increase, driven by a long-term need to improve the country's ageing and under-invested infrastructure.

Activity in the commodity sector
Construction equipment is used operationally in numerous industries related to oil and gas, gold, minerals, metals and other commodities. Therefore, the demand for our products and services is also driven by the activity and the investment in these sectors, which in turn depend on the underlying commodity prices. Kazakhstan's economy to a large extent depends on exports of commodities, particularly oil and gas, but also zinc, copper and other natural resources. The continued extraction and processing of these natural resources, as well as the construction and maintenance of the infrastructure required for it, are important drivers for continued growth and for future construction projects. Examples of major projects related to the extraction of natural resources in Kazakhstan include the expansion of the Tengiz and Kashagan oilfields, the construction of a gas processing plant in Kashagan and the construction of an oil refinery in Jezkazgan.

Gradually maturing customers
On more developed markets, companies that procure construction equipment have shifted focus from short- to long-term capex programs and from initial price to total cost of ownership. The total cost of ownership includes fuel costs, repair and maintenance costs, standstill costs and residual value over the machine's life cycle. In Kazakhstan, however, companies often continue to focus on the initial price. This is gradually changing as the companies become more mature and learn more about long-term efficiency and productivity. The availability of high-quality aftermarket service is also expected to become more important as customers become less inclined to repair and maintain equipment by themselves, as their focus on uptime increases and as the machines become more advanced.

CIS

Market segments

Industries	General construction and other	Mining	Road construction	Quarries and aggregates	Oil and gas
Main area of use	Construction, maintenance and demolition of buildings, industrial facilities and infrastructure as well as other areas such as agriculture, recycling and waste management.	Excavation and transportation of earth and rock. Construction and maintenance of roads and other infrastructure in connection to mines.	Construction and maintenance of roads, bridges, landing strips, etc.	Extraction and production of raw materials for the construction industry.	Construction and maintenance of pipelines, refineries and other infrastructure (e.g. roads within or to oil and gas fields).
% of new machines sales in 2022	37	22	16	25	-
Competitors	Caterpillar Hitachi Doosan	Caterpillar Hitachi Komatsu	Wirtgen Bomag Caterpillar	Caterpillar Hitachi Doosan	Caterpillar Hitachi Doosan
Comments	The customers range from large construction companies to smaller subcontractors. Demand includes all from larger production machines to smaller and simpler ones.	Customers' focus on productivity and efficiency creates high demands on spare parts availability and service quality.	Short season creates focus on productivity and demands spare parts availability and service quality. A large population of Volvo CE machines creates demand for spare parts and service.	Larger companies with a focus on productivity prefer premium brands. High machine utilisation requires regular and efficient service and repairs at the right time, preferably in the form of service package solutions.	Dominated by a few large companies that often outsource contracts to subsuppliers.

CIS

Operations

In Kazakhstan, Ferronordic sells new and used machines from premium manufacturers. The Company's main partner is Volvo CE, which manufactures machines such as dump trucks, wheel loaders, excavators and pavers. In addition, Ferronordic sells backhoe loaders and compact equipment from Mecalac and mobile crushers and screens from Sandvik. In 2022, sales of new Volvo CE machines, rental, attachments and Volvo CE aftermarket sales accounted for 90 percent of total sales in Kazakhstan.

In 2022, Ferronordic increased sales of new machines in units in Kazakhstan by 11 percent to 60 machines. In terms of revenue, new machine sales increased by 42 percent to SEK 135m.

Sales of used machines in units increased by 300 percent to 24 machines and trucks. In terms of revenue, sales of used equipment and trucks increased by 108 percent to SEK 14m.

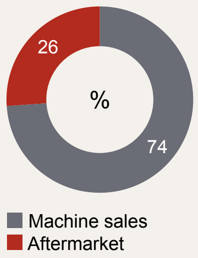
Aftermarket sales

Ferronordic's vision is to be the leading service and sales company in its markets. Professional service and timely supply of spare parts are critical to ensure uptime and productivity for the machines that the Company is responsible for and that are an integral part of its customers' production processes. Ferronordic's digital sales platform (see also p.34) plays an important role in securing this level of uninterrupted performance for our customers. Ferronordic performs planned maintenance, diagnostics and overhauls as well as planned and unplanned repairs. The work is often carried out within the framework of different levels of service agreements to meet each customer's individual needs. The Company also offers training for machine operators. During 2022, aftermarket sales in Kazakhstan increased by 30 percent to SEK 52m.

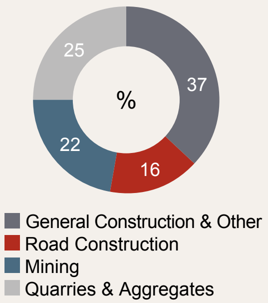
Contracting services

In contracting services, Ferronordic owns, services and operates equipment on behalf of its customers and is paid per cubic meter and kilometer of material transported. Ferronordic creates value by operating the machines more efficiently, with higher utilisation and lower fuel and parts consumption. In 2022, Ferronordic only offered contracting services in Russia. The Group's ambition is to offer contracting services in Kazakhstan in the future.

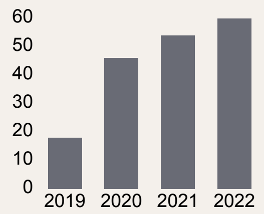
Net sales by activity



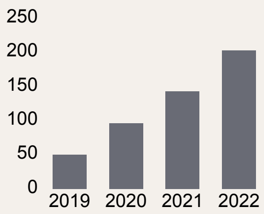
New machine net sales by industry



Number of machines sold



Revenue, SEK m



	2022	2021	Change, %, pp
Units of new machines and trucks	60	54	11
Units of used machines and trucks	24	6	300
Revenue, SEK m	203	143	42
Gross profit, SEK m	36	25	45
Operating profit, SEK m	16	13	21
Gross margin, %	*17.8*	*17.4*	*0.4*
Operating margin, %	*7.6*	*8.9*	*-1.3*
SG&A/Revenue, %	*12.5*	*8.2*	*4.3*
Working capital/Revenue, %	*-3,2*	*-8,1*	*4,9*

CIS

Sales of new machines 2022

Type of product	Number of sold units	Description
Excavators 	34	Used for a wide range of purposes, e.g. landscaping, excavation, trenching, demolition, loading etc.
Wheel loaders 	2	Used to move or load materials. Available in different sizes and models, from compact to large production machines.
Road construction equipment 	5	Pavers (tracked or wheeled) are used to lay asphalt in connection with the construction of roads, airports etc. Compactors are used to press surfaces, e.g. asphalt or earth, often in connection with road construction.
Articulated haulers 	2	Articulated towing vehicles for demanding conditions. Areas of use include road construction, quarrying, mining and waste management.
Backhoe loaders 	17	A tractor with a shovel or scoop in the front and excavator in the back. Used for a wide range of purposes, e.g.digging ditches, lifting, loading, material handling and construction.

CIS

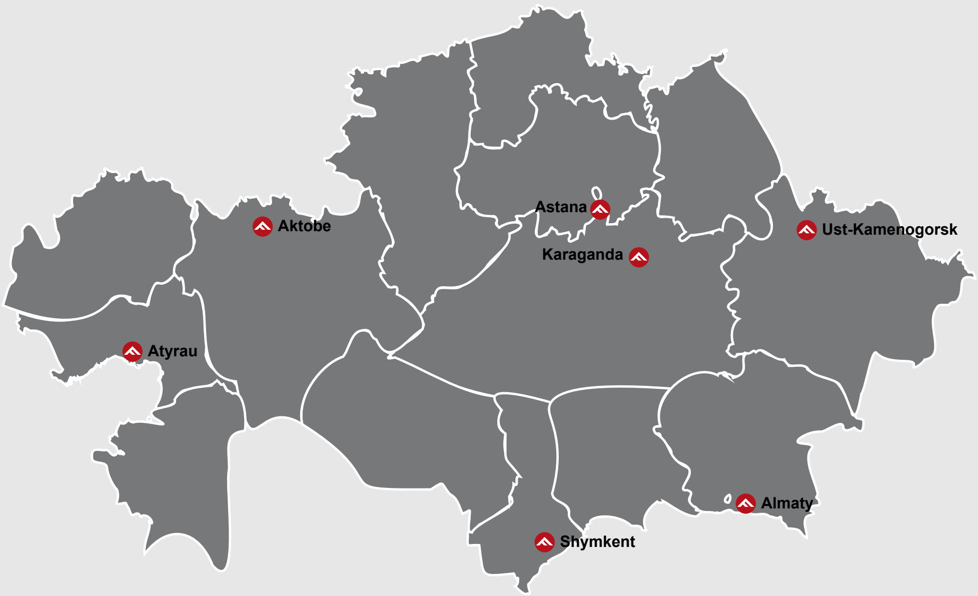
Service network

As of the end of 2022, Ferronordic operated seven workshops in Kazakhstan.

It is important for dealers of construction equipment to be close to their customers:

1. It is typically difficult or impossible to move construction equipment to a work-shop. Instead, the dealers' mechanics usually go to the customer sites, where the machines are operating.
2. Construction equipment is critical for the production process. Idle machines imply large opportunity costs and reduced profitability for the customer. As a result, it is crucial that the dealer's mechanics have good access to spare parts and that they can be on site rapidly to ensure machine uptime.

This means that proximity to customers, a sufficient number of facilities and good access to spare parts are key success factors. Ferronordic aims to always have more than 90 percent of all spare parts available at all workshops. The network facilities vary from simple workshops and sales offices to purpose-built service stations. Mobile service units and on-site workshops at the production sites of large customers complement Ferronordic's network.



(7) Ferronordic outlets in Kazakhstans as of February 2023

Sale of russian business

Ferronordic was founded in 2010 to acquire and operate Volvo Construction Equipment's distribution business in Russia. Ferronordic took over the dealership and the related dealer assets from Volvo and rapidly expanded the operations in Russia. Following the conflict in Ukraine, it became impossible for Ferronordic to continue business in Russia. At the end of 2022, the Group thus sold its Russian subsidiaries for a price close to the net asset value. As a result, Ferronordic in all material respects left Russia.

From its founding in 2010 up to the beginning of 2022, Ferronordic increased the number of workshops in Russia from 6 to 88, the number of employees from 160 to 1,495 and the number of brands in its portfolio from 1 to 7. Besides Volvo CE, Ferronordic was also the authorised dealer and service partner for Sandvik, Rottne, Mecalac, Dressta and Terex and authorised service partner for Volvo Trucks and Renault Trucks. In 2014, Ferronordic began to offer contracting services. It was also in Russia that Ferronordic developed its digital sales tools, which through a digital rules engine automatically converted telematic machine signals into sales leads for Ferronordic's service organisation. Revenue grew from SEK 1.2b[1] to SEK 4.7b and profitability improved. When the conflict in Ukraine began in February 2022, Ferronordic was one of the leading service and sales companies in the market for construction equipment and trucks in Russia.

As a result of the conflict in Ukraine, it became impossible for Ferronordic to continue its business in Russia. Ferronordic thus sold its Russian business at end of 2022 for a price of SEK 1,334m. Approx. SEK 237m of the sales proceeds were used by Ferronordic AB to repay debt to the sold Russian subsidiaries. The remaining part of the purchase price was received in euro on Ferronordic's account in Austria. For the Group, the divestment resulted in a cash inflow of EUR 99m or approx. SEK 1,097m.

At the end of 2022, the net assets of the sold subsidiaries were SEK 1,292m. Against the price of SEK 1,334m, the result from the sale of the subsidiaries was thus SEK 41m. The total result from the discontinued operations in 2022, including the result for the period, costs of sale and foreign exchange effects, was SEK 243m.

The buyer is part of the GILK group, a Russian leasing company. The purchase price was fixed and amounted to RUB 9.2b.

The sale means that Ferronordic in all material respects divested all assets and liabilities related to Russia. The transaction agreements contain basic representations and warranties concerning the sold companies, but Ferronordic does not expect any liabilities or obligations to arise from these. The sold companies may continue the use of the Ferronordic trademark during a transition period of six months after the sale.

As part of the terms of the transaction, Ferronordic obtained an option to repurchase up to 75.1% of the sold companies within seven years for a pre-agreed price. The price is equal to the higher of the sold companies' net asset value at the time of exercising the option, or the purchase price for the sold companies increased by an annual interest of 12% from the date of sale, in both cases multiplied by the percentage of shares acquired. The option becomes void if Ferronordic should restart business activities in Russia on its own.

The sale is not expected to have any direct impact on the Group's operations outside of Russia. The work to isolate and separate the Russian business from the rest of the Group was completed in August 2022. The sale is also not expected to result in any changes to the strategy of the Group in general.

More information about the performance of Ferronordic's Russian business ("the discontinued business") in 2022 and the result of the sale of the Russian subsidiaries can be found in note 32, Sale of subsidiaries, on page 117 of this report.

[1] *Annualised last twelve months ("LTM")*

Brands

Ferronordic is a provider of premium services, products and customised solutions. This places high demands on the Company's choice of partners.

The products Ferronordic offers must always be world-leading in safety, productivity and sustainability metrics in order to best contribute to the customer's business and have a minimal negative impact on the environment. At the core of Ferronordic's offer are trucks and construction equipment from Volvo Trucks, Renault Trucks and Volvo Construction Equipment. From 2021, Ferronordic is a partner for Sandvik's mobile crusher and screens. From 2017, Ferronordic is also a partner for Mecalac's backhoe loaders and compact equipment. In order to leverage its organisation and infrastructure, and offer its customers a more complete range of equipment, Ferronordic is seeking partnerships with other leading brands.

Brand	Descpription
	Volvo Construction Equipment **Profile:** Swedish Volvo CE is a leading manufacturer of construction equipment in the premium segment and one of the largest companies in the industry. The company is part of the Volvo Group. **Business:** Ferronordic is an authorised dealer (including aftermarket) for Volvo CE in Kazakhstan. **Offer:** A wide range of machines in different sizes and categories. **Sales 2022:** 43 new machines.
	Volvo Trucks **Profile:** Swedish Volvo Trucks is one of the world's largest truck manufacturers with customers in more than 140 countries. Volvo Trucks is a leader in areas such as quality, safety and environment. The company is part of the Volvo Group. **Business:** Ferronordic is an authorised dealer and aftermarket partner for Volvo Trucks in an area corresponding to approx. 20 percent of the German truck market. **Offer:** A wide range of trucks in different sizes and categories. **Sales 2022:** 818 new trucks.
	Renault Trucks **Profile:** French Renault Trucks is one of the world's leading truck manufacturers with customers in more than 150 countries. The company is owned by the Volvo Group. **Business:** Ferronordic is an authorised dealer and aftermarket partner for Renault Trucks in an area corresponding to approx. 20 percent of the German truck market. **Offer:** A wide range of trucks of different sizes, segments and categories. **Sales 2022:** 174 new trucks including 81 light commercial vehicles.
	Sandvik **Profile:** Swedish Sandvik is a premium brand and a global leading manufacturer of mobile crushers and screens. The products are used in areas such as open pit mining, mining and recycling. **Business:** Ferronordic is the official distributor of mobile crushing and screens in most of Germany and throughout Kazakhstan. Ferronordic is also responsible for service and repairs **Offer:** Mobile crushers and screens.
	Mecalac **Profile:** French Mecalac is a leading manufacturer of backhoe loaders, compact wheel loaders and other compact machines. **Business:** Ferronordic is the official dealer of backhoe loaders from Mecalac throughout Kazakhstan. **Offer:** Backhoe loaders. **Sales 2022:** 17 backhoe loaders.

* Sales figures for 2022 exclude Russia. In 2022, 511 new machines were sold in Russia.

Digital platform

Connectivity increases operational reliability and efficiency

Ferronordic's services and products are integrated parts of, and directly crucial to, the operations of its customers. Efficiency and reliability are therefore of central importance and place high demands on Ferronordic's product and aftermarket service offering.

Through digital technology and connected machines, Ferronordic provides service and spare parts based on real-time data from the machines. Together with the accumulated experience of Ferronordic's mechanics and salespeople, as well as the Company's knowledge of its customers and their operations, this minimises the risk of unforeseen and costly downtime.

Ferronordic has further developed the connection between customer knowledge and machine data by creating its own system for digital sales support, both for machine sales and aftermarket. Based on its know-how and experience, the Company has developed a "rule engine" to read and convert the signals from the machines' telematics systems into sales leads. The signals are used to create automatic predictive and preventive service and sales offers to customers.

Currently, digital sales support is only available in the operations in Kazakhstan. Ferronordic believes that the system is relatively unique among dealers and that it therefore has great potential for use in other markets and products, including the Company's growing aftermarket business for trucks in Germany.

Telematics system
The telematics systems (e.g. Volvo CE's CareTrack) monitor how the machines are used and send signals about engine hours, fuel consumption, geolocation etc.

Rule engine
The signals of the telematics systems flow through the rule engine, where they are analysed, categorised and combined. The signals are then automatically converted into "sales leads" and concrete customer offers.

Customer offer
The offers generated by the rule engine are automatically uploaded to the mobile phone or tablet computer of the responsible salesperson along with a suggested price and other commercial terms. The data is also collected in Ferronordic's CRM system.

Sales measure
The responsible salespeople contact customers and present the offers.

Follow-up
Customer offers generated by the rule engine are monitored continuously and updated systematically to ensure that they are effective and result in increased productivity and customer value.

e-mobility

Sustainable transport solutions

Climate change is one of the biggest challenges of our time. The transport sector accounts for a significant part of the world's total carbon dioxide emissions and Ferronordic's ambition is to contribute to reducing emissions and be part of the transition to sustainable transport solutions. The increasing focus on sustainability and zero-emission technologies will transform the transportation industry. Volvo Trucks and Renault Trucks are market leaders in battery-electric trucks. Working closely with its key partners, Ferronordic sees opportunities to contribute to the transition to sustainable transport, and thereby shape new business models.

Emissions regulations, purchase subsidies on electric trucks and urban environmental zones with restrictions for diesel trucks are examples of changes that are already transforming the transport industry. Ferronordic sees great business potential in this change and is already employing electric trucks to offer sustainable transport services in Germany. The German government is implementing an extensive subsidy program to promote the transition to electric transport by contributing a large part of the price difference between electric and diesel-powered vehicles. However, the application process for these subsidies is complex, which for individual customers can be an obstacle to buying an electric truck on their own. To further accelerate the transition to sustainable transport, Ferronordic set up a separate subsidiary in 2022 with a focus on rental of electric trucks. At the end of 2022, this company had a business manager responsible for promoting electric mobility and three sales consultants. The first investments in the company have been in vehicles for the rental fleet, charging infrastructure and skills development within the organisation. At the end of 2021, Ferronordic made its first orders for electric trucks in Germany, including 32 fully electric medium duty vehicles from Volvo Trucks and Renault Trucks, which were delivered in 2022. These vehicles are available for rental and sales and are used as demo vehicles. Ferronordic also invested approx. SEK 3m in stationary and mobile electric chargers to our sales outlets in 2022. Future investments will build on these assets and competences.

For Ferronordic, it is important to be a pioneer in electric mobility as future industry development build on understanding and having experience from the changes we see today. This will require attracting new talents from outside the company as well as training new skills to existing staff.

Ferronordic sees as part of its mission to gain a more significant role in the transport industry value chain. From being a supplier of trucks and construction equipment to becoming a performer of the tasks in the transport industry and an enabler for the industry. Over time, Ferronordic aims to move from mainly selling and servicing electric trucks to also offering sustainable transport services using electric trucks. Such services could include offers where Ferronordic owns, operates and maintains the electric trucks on behalf of its clients and is paid per kilometre and volume or weight of goods or material transported. Ferronordic believes that the market will need support to adapt to electric transport solutions. Ferronordic can provide expertise and experience and develop a market niche for such services.


FERRONORDIC
FERRONORDIC
100%
elektrisch

Ferronordic's sustainability approach

This sustainability report concerns Ferronordic's reporting of non-financial information for the financial year 2022 in accordance with Swedish legislation. Information and key figures presented refer to the entire Group, including results from the Russian business divested in December 2022.

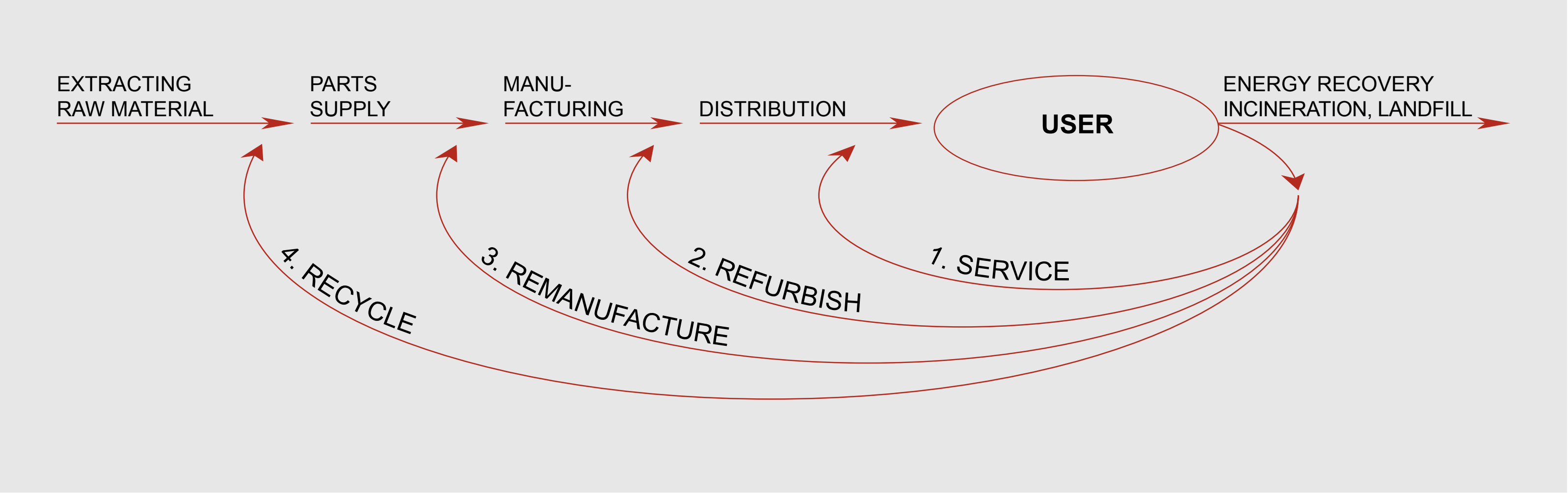
Sustainability is about employing and building natural, human, and technological resources to meet the needs of the present without compromising the ability of future generations to meet their own needs.

For Ferronordic, sustainability involves creating long-term value for all stakeholders of the Company. Ferronordic sees no long-term contradiction between sustainability and profitability, but rather the opposite. Demand for sustainable and environmentally friendly business solutions is steadily increasing, and companies taking the lead in developing and helping their customers meet their objectives will gain competitive advantages.

Ferronordic works with partners and manufacturers focused on creating sustainable business solutions and with customers who strive for resource efficiency and minimised environmental impact. Sustainability is a central part of Ferronordic's strategy and applies to everything the Company does, from culture to processes and operations. Sustainability is essential to Ferronordic's constant efforts to improve and build resilience.

Ferronordic's sustainability strategy

Ferronordic wants to abandon the linear approach for a circular one, a journey that is illustrated below. An essential basis for our sustainability strategy is an emphasis on system thinking, which helps Ferronordic understand how the Company's operations connect to society, the planet, and its inhabitants. One way to visualise these relationships is to study Ferronordic's value chain to identify risks and opportunities and what positive or negative impact the business can have on the environment (see p.39). To further understand Ferronordic's connection with the Company's surroundings, we carried out an extended materiality analysis in 2021, consisting of in-depth interviews with several stakeholders (see p.39). Another underlying aspect of developing our sustainability strategy is a Gap-analysis carried out by a third party in 2021. The Gap-analysis brought certain improvement areas to our attention which helped us further develop our sustainability strategy.



In line with international standards

Ferronordic's sustainability work, including the Company's processes, policies and guidelines, is based on international, national and local laws and standards:

- UN Global Compact
- UN Global Strategic Development Goals (SDGs)
- ILO Basic Conventions
- UN Declaration of Human Rights
- OECD Guidelines for Multinational Enterprises

We have several policies in place to steer us toward sustainability:

Our ***Human Rights Policy*** includes principles for how we endeavour to uphold the highest human rights standards throughout the value chain in order to respect and support the human rights of all people affected by our business throughout our societies.

Our ***Environmental Policy*** includes environmental principles that Ferronordic shall adhere to to ensure that we manage our environmental impact throughout the value chain of delivering our products and services.

Our ***Equality, Diversity, and Non-Discrimination Policy*** include guidelines on how we shall act to be an inclusive organisation, provide equal opportunities and eliminate discrimination to respect and support inclusion of all people affected by our business throughout societies where we operate.

Our ***Anti-corruption Policy*** includes statements regarding business ethics (including issues such as gifts, money laundering, relations with employees, etc.), guidelines for actions in case of suspected irregularities, and whistle-blowing procedures to adhere to Ferronordic's commitment to zero tolerance to corruption.

Our ***Whistle-Blower Policy*** includes principles and guidance on using Ferronordic's whistle-blower function to ensure that the Group provides a practical, secure and trusted whistle-blowing function that encourages employees and third parties to report any suspected misconduct.

Our ***Code of Conduct*** includes principles and guidelines to eliminate unethical behaviour, secure a safe and healthy work environment and fair competition.

A common purpose of all our policies is to communicate the principles in each Policy set forth by Ferronordic internally and externally. The policies apply to all employees and units within the organisation and all consultants working for Ferronordic. The policies are reviewed annually.

Every year, we carry out compliance audits concerning our policies. During these audits, we look at whether the yearly anti-corruption training has been completed, if there have been any issues with corruption or health and safety, how many of our employees have signed our policies, if purchases are made according to our Purchasing Policy and if we follow environmental laws, etc. The personnel involved in the audit processes include the General Counsel, Health and Safety Department, HR department managers and the Head of Development and Training. As a result of this year's audits, we identified improvement areas regarding our waste management that will be addressed 2023. Apart from that, no significant deficiencies were identified in 2022.

UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) serve to develop shared knowledge, facilitate cooperation, produce and harmonise regulation and drive technological development, which ultimately leads to impact and change. Ferronordic is committed to all 17 goals, all of which have some connection to the Company's operations. The focus is on the goals where the Company's business activities can have the most significant immediate impact and effect on positive long-term trends.

6 13 14 15

- Clean water and sanitation
- Climate action
- Life below water
- Life on land

3 5 8 10 16

- Good health and well-being
- Gender equality
- Decent work and economic growth
- Reduced inequality
- Peace and justice strong institutions

5 11 12 17

- Gender equality
- Sustainable cities and communities
- Responsible consumption and production
- Partnerships to achieve the goal

Transparency

Ferronordic reports ESG information using methodologies widely adopted by the industry, such as the GHG Protocol. In 2021, Ferronordic reported in accordance with Nasdaq ESG Reporting Guide 2.0 and gained the "Nasdaq ESG Transparency Partner" badge. This entails that our report contributes to fair, transparent and efficient markets for all stakeholders.

Materiality Analysis

Ferronordic's sustainability work stems from our materiality. The materiality analysis includes the identification and prioritisation of our risks and opportunities – a process that not only enables us to take relevant measures and use our resources efficiently, but also enables us to meet stakeholder expectations. Our latest materiality analysis was carried out in 2021 before the ongoing conflict in Ukraine.

Stakeholder Dialogue

The conducted materiality analysis included stakeholder dialogue consisting of surveys, in-depth interviews, investor meetings, customer conversations and employee surveys. Other essential groups participating in the dialogue were suppliers, partners, authorities, municipalities and non-profit organisations. In addition, customer feedback and complaints were considered in the process to contribute to and increase knowledge of areas of improvement.

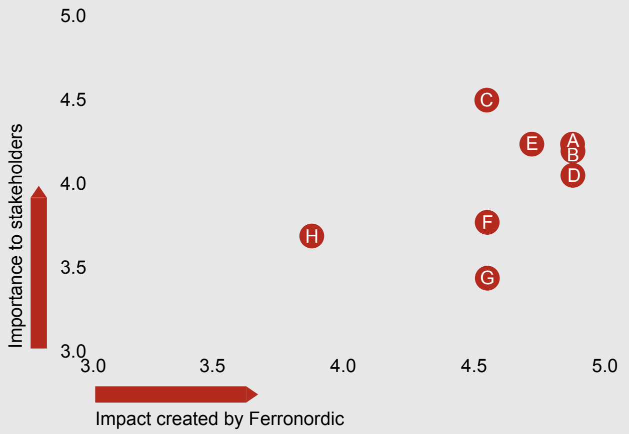
Impact Assessment

An essential part of the materiality analysis is understanding Ferronordic's impact on the environment, climate, society and people. To do so, Ferronordic has participated in internal and external surveys. Ferronordic has also analysed current and future regulations and standards and risk analyses at the country and industry levels. We have also studied how similar companies assess and report their impact on the environment. Together with the stakeholder dialogue, this provides a coherent picture of Ferronordic's impact as well as risks and opportunities, it therefore also shows us what we should focus on regarding our sustainability work.

Material Aspects

The results of the materiality analysis showed that Ferronordic's primary focus should be on the following sustainability aspects:

A. Reduced carbon dioxide emissions
B. Health and safety
C. Anti-corruption and ethics
D. A green customer offer
E. Diversity and equal opportunities
F. Recycling
G. Responsibility for the supply chain
H. Training and development of staff and organisation



As a result, Ferronordic has launched a new sustainability ambition and three focus areas:

- Planet first
- Fair workplace
- Sustainable offerings

Planet first

Volvo, Sandvik and Ferronordic's other partners have high ambitions in terms of sustainability. Ferronordic applies an environmental perspective from production, use, maintenance and repair to reuse and recycling. This year, we have actively worked with Volvo to promote electric trucks in Germany. The ratio of sold electric trucks in 2022 was 1.2% of total share of sold trucks.

Ferronordic has a car policy in Germany to support electric vehicles. Employees are also offered access to charging infrastructure. The goal is to increase the proportion of electric vehicles in the Company's operations. Ferronordic measures its carbon footprint in cases where data is available. Where data is not available, Ferronordic is working towards setting up processes to capture accurate information on emissions. The current mapping covers electricity use, fuel consumption and business travel. We aim to reach net zero in our operations by 2050. In 2021, Ferronordic acquired a renewable energy certificate for its German operations. During 2021, 9 out of 14 workshops were certified. During 2022, there were 20 workshops in Germany and all of them became renewable energy certified. Our target is to only use renewable energy for our workshops by 2025.

Ferronordic maps its carbon footprint throughout the entire value chain. The information is limited to some emission categories but will gradually be complemented with additional data. The information on electricity consumption is usually based on estimates as electricity is often included in the rent. In cases where Ferronordic owns the facilities, the information from the electricity bills is used. Based on this, the Company's carbon footprint has been calculated using emission factors from the International Energy Agency (IEA). Business travel data come from the Company's travel agencies.

Electricity consumption	2022	2021	2020	2019
Electricity, MWh[1]	4,186	3,250	2,501	2,123
Electricity rate[2]	2.83	3.19	-	-
Renewable energy share, %	0	0	0	0

[1] 2019 data refer only to Russia. The 2020 data refer to Russia and Germany. The 2021 and 2022 data refer to Germany, Kazakhstan and Russia.
[2] MWh/revenue. Applies to Germany only and was first calculated in 2021.

Tons of CO_2eq- emissions by source	2022	2021	2020	2019
Electricity[1]	1,667	1,184	882	754
Fuel	74,134[2]	65,253	36,057	32,879
Business travel[3]	879	878	385	1,115
Total	76,680	67,314	37,324	34,747

[1] 2019 data refer only to Russia. The 2020 data refer to Russia and Germany. The 2021 and 2022 data refer to Germany, Kazakhstan and Russia.
[2] 2022 is the first year that car data from Germany is included.
[3] Excluding Germany 2019 and 2020 and domestic travel in Russia. In addition, strongly affected by the pandemic.

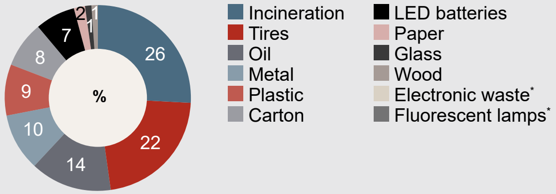
An important part of Ferronordic's sustainability work was the Company's centre for machine and component rebuild in Yekaterinburg, Russia. By restoring older equipment and selling it with new guarantees, Ferronordic enabled better resource utilisation. The business included repairing machines, manufacturing new components and recycling metal and parts of machines that can no longer be restored to usable condition. The facility was launched in December 2019, and its capacity expanded during 2020 and 2021. For equipment and materials that cannot be given a second life, the goal was to increase the proportion of recycling and reduce the proportion that goes to incineration or landfill. Ferronordic's centre for machine and component rebuild was sold together with its Russian business at the end of 2022. However, Ferronordic sees good potential for similar rebuild centres in its other markets.

Information regarding waste generation in the Company's markets shows that the largest categories consist of mixed waste for incineration and used tires, oils and metals. Current data, which is not yet complete, provides an overview of which waste categories Ferronordic should focus on to increase the proportion of recycling. By 2025, we want the share of recycled material in our total waste to be 50%. As shown in the diagram below, used tires made up a significant part of Ferronordic's total waste during 2022. Most of the tires were used in contracting services in projects in difficult conditions and remote parts of Russia, which posed major challenges regarding waste management and recycling. Ferronordic only provided contracting services in Russia and these operations were divested with the rest of Ferronordic's Russian business at the end of 2022. Ferronordic however sees potential to develop contracting services in Kazakhstan. In such business development, used tires will be a priority when it comes to investment in waste management.

Rebuilt categories[1]	2022	2021	2020
Articulated haulers	14	16	3
Engines	22	38	15
Gearboxes	35	50	19
Other components	145	158	45

[1] These machines and components were rebuilt in Ferronordic's rebuild centre in Ekaterinburg, Russia. The facility was sold together with the rest of Ferronordic's Russian business at the end of 2022.

Waste per category



*Electronic waste and flourescent lamps are less than 1 percent.

Sustainability
Ferronordic's sustainability approach
In line with international standards
Transparency
Planet first
» Fair workplace
Sustainable offer
Sustainability risks
Outlook for 2023
EU Taxonomy
KPI index

Fair workplace

Work environment

Health and safety are core aspects of Ferronordic's business. Many of the Company's employees work in challenging and sometimes extreme conditions associated with risks related to health and safety. It is Ferronordic's responsibility to ensure that working conditions are as safe as possible. The goal is of course zero injuries. Ferronordic works systematically and proactively with employees' working environment. This includes, among other things, training. Thus, we have a target of reaching 45 training hours per employee by 2025. It also includes frequent inspections of the Company's facilities and reporting and recording of all incidents. These inspections increase awareness of health and safety amongst employees and remind them of the importance of safety routines. In 2022, the incident reporting system previously implemented in Russia was also implemented in Germany. The system is in the process of being implemented in Kazakhstan.

Diversity and engagement

The transport industry is being transformed at a fast pace. Although it may take several years from the time a decision is made until the actual shift occurs, the technical conditions and business models are changing. For Ferronordic to remain relevant, innovation is a key factor. To be innovative, we need to promote and capture ideas from different business areas. This requires diverse skills, backgrounds and good working conditions. It also requires a shared sense of inclusion and participation, where all employees feel that they are respected and that their views and ideas are appreciated. We have a Competency Development Policy that regulates the process of training and retraining employees and the development and improvement of their personal qualities and professional aptitude. The policy's purpose is to maintain a high professional level of employees, maintain and improve the competitiveness of the Company in the constantly changing market, strengthen the corporate culture, etc.

Ferronordic has a diversity KPI to focus management's attention and measure developments in this area as we strive to be an inclusive company with employees of diverse backgrounds. Ferronordic's business activities and projects cover a wide range of environments and conditions. From large cities to remote mountainous regions. While Ferronordic creates jobs in sparsely populated areas and contributes to the development of local communities, remote work in relatively isolated places can also be challenging for Ferronordic's employees in the long term. Ferronordic invests in its HR function and uses a variety of tools to improve employee satisfaction and maintain diversity. By 2025, we want to reach 80% employee engagement and 30% diversity.

Health & Safety	2022	2021	2020	2019
Hours training total	57,227	61,027	49,761	59,954
Hours training/employee	36	34.1	33.9	47.9
Safety hours training total	33,644[1]	6,810	4,282	9,344
Sick days/employee[2]	10.2	5.9	4.9	2.6
Near-miss[3]	114	129	48	169
Minor injuries[4]	50	24	1	1
Major injuries	16	5	3	4
Fatalities	1	0	0	0
LTIFR Germany[5]	18.11	3.87	-	-
LTIFR Russia[5]	1	2	-	-

[1] The increase is mainly due to stricter laws in Russia regarding first aid training as well as an increase in training in the use of personal protective equipment.
[2] The increase is mainly due to the pandemic.
[3] Refers only to Russia and Kazakhstan. The changes between the years are mainly due to the pandemic.
[4] Minor and serious occupational accidents from 2021 and 2022 also include Germany.
[5] Lost Time Injury Frequency Rate. First calculated year 2021.

Diversity	2022	2021	2020	2019
Women in Board, %	33	29	17	17
Women in management, %[1]	20	32	28	-
Total women employee, %	15	12	10	13
Diversity, %[2]	24	21	-	-
Employee engagement, %[3]	-	77.2	-	-

[1] First calculated year 2020.
[2] First calculated year 2021. Calculated as employees of diverse backgrounds/average total headcount.
[3] First calculated year 2021. Engagement is measured every second year and will next be measured year 2023. Gallup Q12 employee satisfaction survey methodology.

Anti-corruption

Since its founding, Ferronordic has put significant efforts into measures to fight corruption and develop a culture of strong business integrity. We have a Procurement Policy that stipulates rules with different threshold values to ensure that decisions are made by at least two people of relevant level and competence. We run an Anti-corruption Policy to adhere to Ferronordic's commitment to zero tolerance to corruption (for more information, see p.38). An annual anti-corruption training is also mandatory for all employees in all markets. Our prevailing target is for all employees to complete the anti-corruption training. Moreover, Ferronordic's Code of Conduct includes statements on anti-corruption as well as instructions on how to report suspected violations of the code. Our Code of Conduct is available for all employees on our intranet and external users on our webpage. Ferronordic operates under the Swedish Code of Corporate Governance and sustainability is a standing item at management group and Board meetings. To make it easier for employees and external parties to report signs of misconduct and non-compliance, Ferronordic has established a whistle-blower function. A whistle-blower can report any suspicious activity anonymously on the "Ferronordic Hotline". The whistle-blower function is described in the Company Code of Conduct and is managed internally.

Anti-corruption and compliance	2022	2021	2020	2019
Percentage of employees who have completed anti-corruption training, %	100	100	100	100
Number of training hours in anti-corruption/employee	1.14	1.08	1.06	1.04
Reported whistle-blower incidents	4	2	2	1
Whistleblower incidents which led to action	0	1	0	1

Responsibility for the supply chain

Ferronordic's supply chain is associated with risks and opportunities related to sustainability. The largest part of the supply chain consists of manufacturers of trucks, heavy vehicles and construction equipment. Ferronordic has a close relationship with these suppliers, which facilitates a mutual understanding of the importance of our shared environmental footprint. Ferronordic only works with premium manufacturers. These producers have for a long time been working to reduce their environmental impact. This work and the close cooperation with its partners help Ferronordic reduce its supply chain footprint. Ferronordic's centre for machine and component rebuild in Russia was certified according to ISO 45001. Parts of the activities in Russia were certified according to the quality management system ISO 9001 and the environmental management system ISO 14001. ISO 45001 has been implemented in Kazakhstan, but this part of the business is not yet certified. We are currently working with implementing ISO 45001 in our German business. In 2022, we expanded our quality and environmental management systems to Germany.

ISO-certifications	9001	14001	45001
Germany	Yes	Yes	No
Kazakhstan	No	No	No
Russia	Partly	Partly	Yes

Sustainable offer

By a sustainable offer, we mean products and services with minimum emissions (given the technology) and resource waste, both in production and for the customer, that enable maximum recycling.

The impact of customers

Customers are at the centre of all Ferronordic's operations. Ferronordic and its customers are part of each other's value chains. Ferronordic strives not only to meet customers' direct commercial needs but also to support their work on sustainability. This means that Ferronordic always strives to offer products with minimum environmental impact. Ferronordic then works to optimise the product's life cycle through maintenance, repair and remanufacturing. At the end of the product's life, Ferronordic ensures that resources that customers can no longer use are recycled when possible or responsibly disposed of.

Opportunities in transformation of transport

The transport industry is undergoing a transformation. Biodiesel, ethanol, fuel cell technology, biogas and electricity are replacing petrol and diesel as fuels. This transformation requires significant investments in infrastructure, which means that some sources of energy will not be fully available for several years. Through its strategic partnerships, Ferronordic can offer solutions with a low environmental impact that fit the needs of Ferronordic's customers. In addition, the transformation can lead to new partnerships and solutions for the transport, freight and construction industries. Ferronordic's products and services are often linked to critical infrastructure projects, which means that there are strict requirements on quality and sustainability. Both public and private actors are placing ever-higher demands on reducing CO_2 emissions and protecting human rights and biodiversity. This is an advantage for companies that conduct active sustainability work, which is integral to Ferronordic's business activities.

Circular offering

Ferronordic's business model includes maintaining, repairing and renovating machines and components that customers buy or currently operate. This is good resource management that supports improved financial performance and reduced environmental impact for the customers. Ferronordic's IT solutions also make it possible to plan service and maintenance efficiently, thereby reducing the risk of unplanned downtime, which is associated with resource waste, additional costs and loss of revenue for customers. Ferronordic also offers operator and fleet management training to help customers efficiently utilise their machines and other equipment and to minimise environmental impact.

To drive incremental improvements in its environmental performance, Ferronordic has established a KPI and will develop long-term targets for sustainable customer offerings. The KPI include training on how to use the machines in an environmentally sustainable way, remanufactured and rebuilt units, and sales of electric vehicles. The KPI is designed to include more products and services over time. The share of sustainable offerings sold in 2022 was 4.63%. Our target for 2022 was 6%.

Sustainable offerings KPI	2022	2021
Share of total sales, %	4.63	0.95

Sustainability risks

Risk mapping

To identify and calibrate sustainability risks, Ferronordic carried out a renewed risk survey in 2021 on the industries and countries in which it operates. Most of the survey was carried out with internal resources, but it was also complemented by an external consulting firm to ensure that risks were not overlooked or underestimated. The mapping of sustainability risks is linked to Ferronordic's overall process for risk management.

Risk management

Our risk review and management process, which includes sustainability areas, is performed by Ferronordic's internal audit and control. In this process, business managers and area experts work together with Ferronordic's risk officer to identify, describe and manage risks. The level of risk and the implementation of controls are reported by the employees responsible for the relevant risks. The risks and controls are reviewed annually. During 2022, the Group's risk management process has included Sweden, Kazakhstan and Russia. Following the sale of Ferronordic's Russian business, Russia will no longer be part of the risk management process. We plan to include Germany in the group process in the near future. Germany's inclusion was scheduled for 2022 but was not made possible due to a lack of internal resources.

Outlook for 2023

- ***Sustainable transport solution*** – In 2023, we plan to launch our sustainable transport solution and make further investments in electric trucks and charging stations.

- ***Mapping of the value chain's climate footprint*** - In 2023, Ferronordic intends to continue mapping the company's CO_2 footprint throughout the value chain. The work will initially focus on procuring consistent data for purchased products and logistics, both of which are sources of CO_2 emissions.

- ***Impact assessment of climate change*** - In 2023, Ferronordic intends to continue an in-depth impact assessment of climate change to understand to what extent it will be affected and how it can mitigate the effects of climate change.

- ***Preparations for due diligence on human rights*** - Awareness of human rights is increasing among companies worldwide. The issue is central to both consumers and interest groups. Focus is mainly on the supply chain, where the most significant challenges are. More regulations are also expected at the national and EU levels to ensure that companies adequately deal with human rights issues. In 2021, Ferronordic began identifying and resolving gaps in the Company's procurement process. The Company reviews the sustainability obligations associated with procurement. The procurement policy and the procurement process are areas that will be further developed in 2023. Ferronordic will also review other parts of the value chain with risks linked to human rights.

- ***Corporate Sustainability Reporting Directive (CSRD)*** - In 2023, preparations will begin for the transition to reporting in accordance with the EU's new directive for sustainability reporting, CSRD.

EU Taxonomy

Ferronordic is covered by the Taxonomy regulation, including the Climate Delegated Act with associated Annexes I and II. In comparison to 2021, an extended analysis of Ferronordic's operations in relation to the Taxonomy has been carried out in 2022.

The assessments for Taxonomy-eligibility and Taxonomy-alignment are based on the best interpretation of the Taxonomy Regulation, the Climate Delegated Act and the currently available guidelines from the European Commission. NACE codes were analysed and economic activities, not registered according to the NACE system but associated with Ferronordic's operations, were screened. The results of identified economic activities can be found in the tables presented below.

We assessed for substantial contribution and 'do no significant harm' criteria for all identified economic eligible activities to determine their alignment in relation to the taxonomy regulation. The alignment was determined for the climate change mitigation objective. As presented in the table below, the result shows that Ferronordic currently does not meet the requirements for alignment for identified economic activities.

Accounting principles

To estimate the proportion of Taxonomy-eligible activities, Ferronordic included the IFRS-based accounting amounts related to such activities in the revenue, capital- and operational expenditure numerators against the corresponding total revenue, capital- and operational expenditure amounts in the denominators.

The total turnover is Ferronordic's total sales and rental income in 2022, which includes the IFRS 15 and the IFRS 16 income according to the EU Taxonomy turnover definition. The total CapEx is the Group's total capital expenditure in 2022, as presented in the line of additions, excluding goodwill additions, in Note 11, *Property, plant and equipment.* The total OpEx covers the maintenance expenses, short-term lease costs, non-capitalised research and development costs, and repair and maintenance costs at the Group level.

Nothing has been double counted. The risk of double counting is reduced because Ferronordic only reports against the taxonomy's first environmental goal, "Climate change mitigation".

Turnover

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)										
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiveristy and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year N (18)	Taxonomy-aligned proportion of turnover, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		SEK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	Enabling	Transitional
A. TAXONOMY-ELIGIBLE ACTIVITIES %																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		**0**	**0**														0			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
Electricity generation using solar photovoltaic technology	4.1	220,000	11.15																	
Freight transport services by road	6.6	28,600	1.45																	
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**248,600**	**12.60**																	
Total (A.1 + A.2)		**248,600**	**13**														**13**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of taxonomy-non-eligible activities (B)		**1,972,751,400**	**100**																	
Total (A+B)		**1,973,000,000**	**100**																	

CapEX

Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiveristy and ecosystems (10)	DNSH criteria (Does Not Significantly Harm): Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year N (18)	Taxonomy-aligned proportion of CapEx, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		SEK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	Enabling	Transitional
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		**0**	**0**														**0**			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
Electricity generation using solar photo-voltaic technology	4.1	1,400,000	2.69																	
Infrastructure enabling low-carbon road transport and public transport	6.15	4,400,000	8.46																	
Freight transport services by road	6.6	2,700,000	5.19																	
Installation, maintenance and repair of energy efficiency equipment	7.3	704,000	1.35																	
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**9,204,000**	**18**																	
Total (A.1 + A.2)		**9,204,000**	**18**														**18**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of taxonomy-non-eligible activities (B)		**42,796,000**	**82**																	
Total (A+B)		**52,000,000**	**100**																	

OpEX

Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiveristy and ecosystems (10)	DNSH criteria (Does Not Significantly Harm): Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of OpEx, year N (18)	Taxonomy-aligned proportion of OpEx, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		SEK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	Enabling	Transitional
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0**														**0**			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
Freight transport services by road	6.6	5,720	0.002																	
Installation, maintenance and repair of energy efficiency equipment	7.3	66,000	0.02																	
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**71,720**	**0.02**																	
Total (A.1 + A.2)		**71,720**	**0.02**														**0.02**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of taxonomy-non-eligible activities (B)		**83,928,280**	**99.91**																	
Total (A+B)		**84,000,000**	**100**																	

KPI index

Indicator	Market	Unit	2019	2020	2021	2022	2022 vs. 2021 YoY
Number of Board members	Group	#	6	6	7	6	-14%
Number of Board meetings per year	Group	#	10	14	9	16	78%
Board meeting attendance	Group	%	93	98	100	98	-2%
Women members of Board	Group	%	17	17	29	33	14%
Nationalities present in Board	Group	#	1	1	1	1	0%
Independent members of Board	Group	#	4	4	5	4	-20%
Electricity consumption	Group	MWh	2,123	2,501	3,250	4,186	29%
Fuel consumption	Group	1,000 l	12,894	14,140	25,589	29,072	14%
Flight miles	Group	1,000 km	9,980	3,549	8,034	6,780	-16%
CO_2 emissions related to flights	Group	tons	1 115	385	878	879	0%
Share of electronic trucks sold	Group	%				1.2	
Electricity rate (MWh/revenue)	Group	%			3.2	2.8	-11%
Renewable energy share	Group	%	0	0	0	0	0%
Articulated haulers	Group	#		3	16	14	-13%
Engines	Group	#		15	38	22	-42%
Gearboxes	Group	#		19	50	35	-30%
Other components	Group	#		45	158	145	-8%
Incineration	Group	%			28	26	-7%
Tires	Group	%			26	22	-15%
Metal	Group	%			10	10	0%
Oil	Group	%			10	14	40%
Plastic	Group	%			9	9	0%
Carton	Group	%			7	8	14%
LED batteries	Group	%			7	7	0%
Paper	Group	%			1	2	100%
Glass	Group	%			1	1	0%
Wood	Group	%			1	1	0%
Electronic waste	Group	%			<1	<1	0%
Fluorescent lamps	Group	%			<1	<1	0%

KPI Index, cont.

Indicator	Market	Unit	2019	2020	2021	2022	2022 vs. 2021 YoY
Lost Time Injury Frequency Rate	Ru/CIS	#			2	19.11	856%
Accidents at work (minor)	Group	#	1	1	24	50	108%
Accidents at work (major)	Group	#	4	3	5	16	220%
Fatalities	Group	#	0	0	0	1	100%
Personal protective equipment	Ru/CIS	MRUB	28.2	27.1	42.8	45.5	6%
ISO 45001 Certification	Ru/CIS	Y/N	Y	Y	Y	Y	
ISO 14001 Certification	Ru/CIS	Y/N	Y	Y	Y	Y	
ISO 9001 Certification	Ru/CIS	Y/N	Y	Y	Y	Y	
Internal HSE inspections	Ru/CIS	#	52	15	72	113	57%
Number of violations discovered	Ru/CIS	#	618	315	855	1,071	25%
Number of violations closed on time	Ru/CIS	%	60	67	100	95	-5%
Safety walks	Ru/CIS	#	1,480	655	1,104	1,208	9%
Near-miss	Ru/CIS	#	169	48	129	114	-12%
Closed Near-miss reportings	Ru/CIS	%	0	-1	1	1	0%
Near-miss frequency rate	Ru/CIS	#			9	8	-11%
Safety training	Group	hrs	9,344	4,282	6,810	33,644	394%
Anti-corruption training	Group	hrs	1,239	1,556	1,930	2,302	19%
Anti-corruption training/employee	Group	hrs/#	1.04	1.06	1.08	1.14	6%
Reported whistle-blower incidents	Group	#	1	2	2	4	107%
Whistle-blower incidents which led to action	Group	#	1	0	1	0	-100%
Number of employees at end of year	Group	#	1,189	1,469	1,791	1,842	3%
Employee turnover	Group	%	13	15	14	15	7%
Average age of employees at end of year	Group	#	37	39	39	39	0%
Proportion of female/male employees	Group	%	13	10	13	15	15%
Proportion of female/male employees in executive management	Group	%	11	16	15	20	33%
Proportion of female/male employees in management	Group	%	11	17	20	20	0%
Nationalities in workforce	Group	#	7	19	20	23	15%
Diversity (employees of diverse backgrounds/average total headcount)	Group	%			21	24	14%
Vacancies announced internally in year	Group	%	88	93	93	90	-3%
Vacancies filled internally in year	Group	%	60	20	25	20	-20%
Internal promotions made in year	Group	#	268	187	273	148	-46%
Training hours provided in year	Group	hrs	56,954	49,761	61,027	57,227	-6%
Total training hours per Employee	Group	h/#	48	34	34	36	6%
Work-related serious accidents or fatalities in year	Group	#	4	3	5	7	40%
Sick-days in year	Group	#	3,097	7,189	10,502	18,797	79%
Average number of sick-days per employee	Group	#	2.6	4.9	5.9	10.3	75%
Number of partners that signed a Code of Conduct	Group	#			4	5	25%
Number of partners that signed a policy on Human Rights	Group	#			4	4	0%
Share of sustainable offerings sold	Group	%			0.95	4.63	387%

The share

The Ferronordic share

Ferronordic's shares have been listed on Nasdaq Stockholm since October 2017. On 31 December 2022, the share price was SEK 76.70, which is a decrease of 77,2 percent compared to the previous year. This corresponds to a decrease in the market capitalisation of the Company to SEK 1,114m (4,897). The listing refers to all shares in Ferronordic AB (publ), which is the Parent Company of the Group. The shares are traded in the Small segment and belong to the Industrial Goods and Services sector. The ticker is FNM and the ISIN-code is SE0005468717.

Turnover and stock price development

In 2022, 40,492,661 shares (9,267,690) were traded at a total value of SEK 2,929m (2,271). The average turnover was 160,050 shares (36,631) for SEK 11.6m (9.0) per trading day. All listed shares are traded on Nasdaq Stockholm.

Share capital

Ferronordic has only one class of shares: ordinary shares. The number of shares on 31 December 2022 was 14,532,434. Each share carries one voting right at the Annual General Meeting. At the end of the year, Ferronordic owned 0 shares (0).

Dividend policy and dividend

In February 2021, the Board adopted a new dividend policy. According to this policy, Ferronordic's ambition is to distribute at least 50 percent of the net profit if the net debt / EBITDA is less than 1.0 x (after the dividend) and to distribute at least 25 percent of the net profit if the net debt/EBITDA is more than 1.0 x. In addition, the Board considers other factors when the level of dividend is proposed, including legal requirements, the Articles of Association, the Group's expansion opportunities, the Company's financial position and investment needs. For the AGM in 2023, the Board proposes a dividend of 7.5/share.

Ownership

On 31 December 2022, the number of shareholders amounted to 12,248 (9,611). Foreign ownership amounted to 33 percent (29). Among the ten largest shareholders, a few changes took place in 2022. Avanza Pension, AltoCumulus and Nordnet Pension increased their holdings while Swedbank Robur and Unionen decreased their positions. Other changes are of a minor nature.

Data per share (SEK)	2022	2021	2020	2019	2018
Operating profit	17.0	33.2	22.6	24.6	18.8
- after full dilution	17.0	33.1	22.6	24.6	18.8
Profit	30.3	23.3	15.3	17.3	13.2
- after full dilution	30.3	23.3	15.3	17.3	13.2
Operating cash flow	14.8	31.5	47.7	-22.7	10.4
- after full dilution	14.8	31.5	47.7	-22.7	10.4
Equity	128.9	75.8	55.5	61.3	45.1
- after full dilution	128.9	75.8	55.5	61.3	45.1
Stock price by year end	76.70	337	157	163	127
Highest share price	367.50	359	173	167	163
Lowest share price	28.15	154	73	125	113
Dividend[1]	7.5	-	7.5	4.3	3.8

[1] The Board's proposal 2022.

Significant shareholders as at end of 2022*

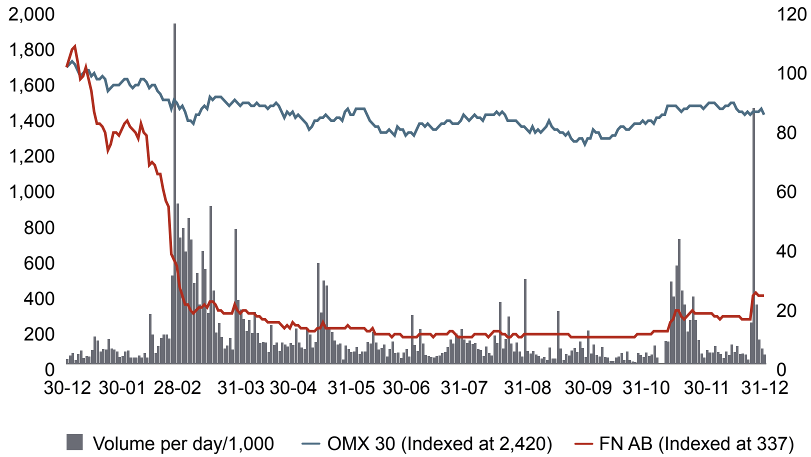
Shareholders	Number of shares	Share of capital and votes, %
1. Skandinavkonsult i Stockholm AB**	2,250,000	15.5
2. Avanza Pension	1,138,231	7.8
3. Lars Corneliusson (directly and through companies)	926,590	6.4
4. AltoCumulus	714,100	4.9
5. Per Arwidsson and associated persons	492,125	3.4
6. Nordnet Pension	471,045	3.2
7. SEB Life International	300,000	2.1
8. PEG Capital Partners AB	300,000	2.1
9. Magallanes Value Investors	216,196	1.5
10. Handelsbanken Nordex Index Criteria	191,574	1.3
Other shareholders	7,532,573	51.8
Total	**14,532,434**	**100.0**

* Euroclear 31 December 2022 and thereafter known changes.
** Associated persons of Håkan Eriksson.

Share-based incentive program

At Ferronordic's Extraordinary General Meeting on 15 December 2022, shareholders resolved to approve an incentive program for members of the group's executive and extended management. The program is intended to create long-term incentives and align the interests of management and shareholders. The duration of the program is three years. The program entails the issuing of a maximum of 1,178,000 warrants, or 7,5% of the Company's outstanding number of shares, to be distributed between approximately 19 people forming the senior management of the Company and its subsidiaries. Subscription of shares is to be done against cash payment to the Company of a strike price equal to SEK 65. Assuming full allotment and subsequent subscription, the Company's equity would increase with approximately SEK 76,570,000. Participation in the program and subsequent subscription requires that a participant remains an employee of the Company or its subsidiaries.

Ferronordic & OMX 2022

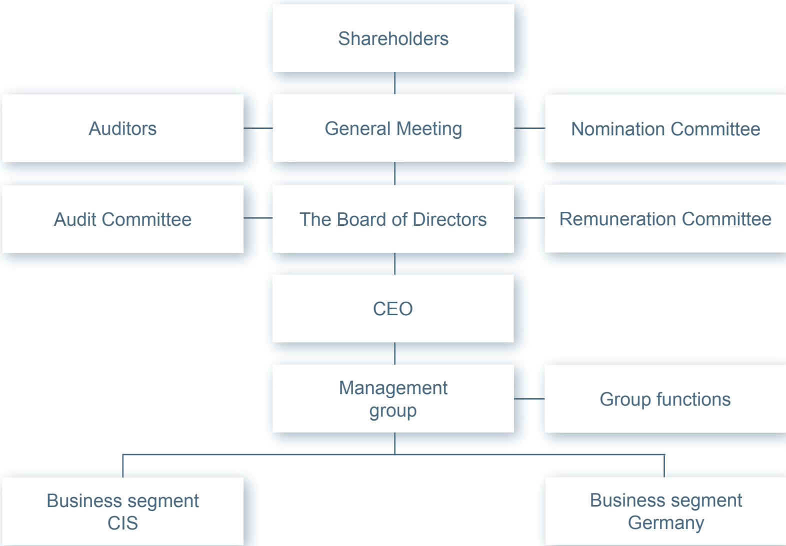


Share capital development

Year	Measure	Number of ordinary shares	Number of ordinary shares, of series 2	Number of A-preference shares	Number of B-preference shares	Change in share capital SEK
2008	New share issue	11,000	-	-	-	98,211
2010	New share issue	89,000	-	-	-	794,619
2013	Share split (100:1)	9,900,000	-	-	-	-
2013	New share issue		-	500,000	-	44,641
2017	Conversion	-	-	-366,544	-366,544	-
2017	New share issue	1,333,333	-	-	-	119,044
2017	Redemption and new share issue	-	3,199,101	-	-366,544	252,899
2017	Redemtion of shares	-	-	-66,728	-	-5,958
2017	Conversion	3,199,101	3,199,101	-	-	-
2018	Redemtion of shares	-	-	-66,728	-	-5,958
Outstanding shares 31 December 2022		**14,532,434**	**-**	**-**	**-**	

Corporate governance

Corporate governance report



Ferronordic AB (publ) is a Swedish public company domiciled in Stockholm. The Company's shares have been listed on Nasdaq Stockholm since October 2017. Ferronordic applies the Swedish Code of Corporate Governance (the Code). It is the Board's opinion that Ferronordic in 2022 has complied with the Code in all respects and therefore has no deviations to report or explain. This corporate governance report is not included in the formal annual report but has nevertheless been reviewed by the Company's auditors.

Control structure

Ferronordic has a clear framework for corporate governance. The purpose is to achieve effective and efficient governance and to maintain and develop a trusting relationship with the Company's stakeholders. Shareholders exercise their influence by participating and voting at the general meeting. Management and responsibilities are divided between the Board and the CEO in accordance with Swedish legislation, the Code, Nasdaq Stockholm's listing requirements and internal instructions and policy documents.

Shareholders

Information about Ferronordic's share capital and owners can be found on pages 54–55.

General Meeting

The Annual General Meeting is the Company's highest decision-making body through which the shareholders exercise their right to make decisions regarding the Company's affairs. The Annual General Meeting shall be held during the first half of the year after the end of each financial year. The Annual General Meeting makes resolutions regarding dividends, the election of the Board members, the election of auditors and other matters required by the Swedish Companies Act, the Articles of Association and the Code. Notice convening a general meeting is published in the Swedish official gazette, Post- och Inrikes Tidningar and on the Company's website. The fact that a notice has been issued is also announced in Dagens Industri. Notices are also communicated to the market through press releases. All shareholders are entitled to participate in the Annual General Meeting, either in person or by proxy, provided that they are recorded in the share register five working days prior to the Annual General Meeting and have given notice of their participation. All shareholders are entitled to have an item dealt with at the Annual General Meeting, provided that they inform the Board in writing early enough so that the item can be included in the notice. At the Annual General Meeting, shareholders also have the opportunity to ask questions to the Board and the management.

Annual General Meeting 2022

The Annual General Meeting took place on 12 May 2022 and was held without physical presence of the participants in accordance with the Act on temporary exemptions to facilitate the execution of general meetings and other associations (SFS 2020:198). At the meeting, 33 percent of the shares and votes were represented in person or by proxy.

The Annual General Meeting made the following resolutions:
- to approve annual and consolidated accounts
- not to pay any dividend
- to discharge the Board members and the CEO from liability
- to determine the remuneration of the Chairman of the Board, Board members and the auditor
- to elect Annette Brodin Rampe, Lars Corneliusson, Håkan Eriksson, Staffan Jufors, Aurore Belfrage and Niklas Florén (all re-elected) Board members
- to elect Staffan Jufors (re-election) as Chairman of the Board
- to elect KPMG AB (re-election) as auditor
- to approve the Nomination Committee's proposal for principles for the Company's Nomination Committee
- to adopt guidelines for remuneration to senior executives

Minutes and other documents from the Annual General Meeting are available at the Company's website www.ferronordic.com.

Extraordinary General Meeting 2022

The Extraordinary General Meeting took place on 15 December 2022 and was held without physical presence of the participants in accordance with the Act on temporary exemptions to facilitate the execution of general meetings and other associations (SFS 2020:198). At the meeting, 34 percent of the shares and votes were represented in person or by proxy.

The Extraordinary General Meeting made the following resolutions:
- to approve the incentive program for the Company's management proposed by the Board, including the issuance of warrants

Minutes and other documents from the Extraordinary General Meeting are available at the Company's website www.ferronordic.com.

Annual General Meeting 2023

Ferronordic AB's Annual General Meeting 2023 will take place on 11 May 2023 at Radisson Blu Hotel, Nybrokajen 9 in Stockholm. Further information is available at the Company's website www.ferronordic.com.

Nomination Committee

At the 2022 Annual General Meeting, the following principles were established regarding the Nomination Committee's appointment and composition:
- The Nomination Committee shall consist of four members
- At the end of the third quarter, the Chairman of the Board shall contact the four largest shareholders and encourage them to appoint their respective representatives to the Nomination Committee

If a member of the Nomination Committee resigns, the shareholder who appointed the resigning member shall be asked to appoint a new member. The Chairman of the Nomination Committee shall, unless the Nomination Committee decides otherwise, be the member appointed by the largest shareholder. The Nomination Committee shall act in the interests of all shareholders. Its duties also include evaluating the composition and work of the Board and submitting proposals for the Annual General Meeting regarding:
- election of chairman for the AGM
- decision on the number of Board members
- election of the Board and the Chairman of the Board
- election of auditor (in collaboration with the Board's audit committee)
- remuneration of Board members, Board committees and auditors
- determination of principles regarding the Nomination Committee for the next Annual General Meeting

The Nomination Committee's mandate applies until a new Nomination Committee has been constituted. In case of material ownership changes during the mandate period, the Nomination Committee shall ensure that a new large shareholder is represented in the Nomination Committee. The composition of the Nomination Committee shall be announced no later than six months prior to the Annual General Meeting. The members of the Nomination Committee receive no compensation from the Company but are entitled to reimbursement for reasonable expenses. Prior to the 2022 Annual General Meeting, the Nomination Committee consisted of Jörgen Olsson (Chairman), representing Skandinavkonsult i Stockholm AB, Peter Zonabend, representing Per Arwidsson and related parties, Anders Blomqvist, representing shareholders employed by the Group, and Caroline Sjösten, representing Swedbank Robur.

The Nominations Committee for the 2023 Annual General Meeting consists of the following persons:
- Jörgen Olsson (chairman), representing Skandinavkonsult i Stockholm AB
- Peter Zonabend, representing Per Arwidsson and related parties
- Anders Blomqvist, representing shareholders employed by the Group
- Lars Hagerud, representing Altocumulus

All members are independent of the company and management. The proposals of the nomination committee will be made public in connection with the notice of the Annual General Meeting, at the latest.

The Board of Directors

The Board is responsible for the Company's organisation and the management of the Company's operations.

The Board's tasks include:
- establishing goals and determine the Company's strategy
- appointing, evaluating and, if necessary, dismissing the CEO
- ensuring that there are effective systems to follow-up and control the Company's operations
- ensuring that there is sufficient control over the Company's compliance with laws and other regulations
- ensure that the Company's information disclosure is characterised by transparency and is correct, relevant and reliable

The Chairman of the Board ensures that the Board's work is conducted efficiently and that the Board fulfils its obligations. In accordance with the Code, the Board evaluates its work each year through a systematic and structured process consisting of a questionnaire completed anonymously by each member. The results are compiled by the Board's secretary and presented to the entire Board. The result is discussed and additional comments are added. The results of the evaluation are documented and presented to the Nomination Committee.

Composition and work in 2022

Since the 2022 Annual General Meeting, the Board has consisted of 6 members without deputies, all elected at the 2022 Annual General Meeting for the period up to the 2023 Annual General Meeting. Detailed information about the Board members, including their shareholdings and other positions, can be found on pages 62–63. According to the Code, a majority of the Board shall be independent in relation to the Company and the management, and at least two of the Board members who are independent of the Company and the management shall also be independent from the Company's major shareholders. The Board meets these requirements as 4 out of 6 Board members are independent from the Company and management as well as major shareholders. When composing the Board, the nomination committee considers the Company's diversity policy. The aim is that the board as a collective and in accordance with the Company's diversity policy should reflect a breadth of knowledge and background. An even gender distribution is considered, and the last time new Board members were elected to the Board, the percentage of the newly elected was 50 percent women. The Board consists of 33 percent women.

Board members, independence, number of meetings and attendance

	Elected year	Independent of the Company and company management	Independent of major owners	Total number of meetings
Annette Brodin Rampe	2017	Yes	Yes	16/16
Lars Corneliusson	2011	No	No	16/16
Håkan Eriksson	2016	Yes	No	16/16
Staffan Jufors	2017	Yes	Yes	16/16
Aurore Belfrage	2021	Yes	Yes	16/16
Niklas Florèn	2021	Yes	Yes	14/16
Erik Eberhardson	2010	Yes	Yes	6/6

The Group's CFO and General Counsel attend the Board's meetings, but without voting rights. The General Counsel is also the Secretary of the Board.

In 2022, the Board held sixteen meetings. Over the year, the Board devoted particular focus to the following:
- The Group's earnings and financial position
- Interim reports
- The development of the CIS and German economy and its impact on the markets and the Group's finances
- The development and divestment of the Russian business
- Corporate governance, risk management and internal control
- Strategy issues and business development, in particular the Group's expansion to Germany
- Financial matters and ESG matters
- The Board continuously evaluates the work of the CEO. At least once per year, the Board discusses the evaluation of the CEO's work without the presence of the CEO or anyone else from the management

As resolved at the 2022 Annual General Meeting, the remuneration of the Board amounted to SEK 2.5m, of which SEK 800 000 was paid to the Chairman and SEK 400 000 to each of the other directors, except for Lars Corneliusson, who was employed by the Group. No additional compensation was paid for committee work.

Audit Committee

The Audit Committee shall ensure the quality of the financial statements, maintain ongoing contacts with the auditors, monitor the auditors' independence and objectivity, prepare the election of the auditors (in collaboration with the Nomination Committee), monitor the internal control within the Group as well as dealing with other related matters.

In 2022, the Audit Committee consisted of the following members:
- Annette Brodin Rampe
- Håkan Eriksson (Chairman)
- Niklas Floren
- Staffan Jufors

All members of the Audit Committee are independent of the Company and the management. Except for Håkan Eriksson, all members are also independent of the Company's major shareholders. The members are deemed to have appropriate knowledge and experience of matters relating to executive remuneration. In 2022, the Audit Committee held 4 meetings. The Audit Committee convenes regularly to review drafts of the Group's interim reports and make recommendations to the Board, as well as sort out any matters before the reports are prepared by the Board. The Group's CFO and General Counsel are usually present at these meetings.

Remuneration Committee

The Remuneration Committee prepares matters concerning remuneration principles, remuneration and other terms of employment, including share-related incentive programs for the CEO and other senior executives. The committee also monitors and evaluates ongoing and during the year completed programs for variable remuneration for management and the application of these guidelines. The follow-up assignment also includes following up and evaluating current remuneration structures and remuneration levels in the Group.

In 2022, the Remuneration Committee consisted of the following members:
- Aurore Belfrage
- Annette Brodin Rampe
- Håkan Eriksson
- Staffan Jufors (Chairman)

All members are independent to the Company and the management. Except for Håkan Eriksson, all members are also independent to the Company's major shareholders. The members are judged to have the required knowledge and experience in matters of remuneration to senior executives. In 2022, the Remuneration Committee held one formal meeting. In addition, the committee had continuous discussions by email and telephone in connection with the Board's meetings.

CEO and management

The Chief Executive Officer (CEO) is appointed by the Board and is responsible for the day-to-day management of the Group. In addition, the CEO has a management group that in 2022 consisted of 9 people. The management convenes on a regular basis and deals with the Group's financial development, Group-wide development projects, business development, leadership, recruitment and other strategic issues. In 2022, the management consisted of:
- Lars Corneliusson, CEO
- Nadia Semiletova, Human Resources Manager
- Erik Danemar, Chief Financial Officer (Group) and Head of Investor Relations
- Dan Eliasson, General Counsel
- Henrik Carlborg, Head of Business Development
- Ceren Wende, Marketing and Communications Manager (until June 2022)
- Onur Gucum, Commercial Manager
- Anton Zhelyapov, Head of Rental, Used and Trucks business
- Martin Bauknecht, Managing Director Germany

Information about management, including age, relevant education and shareholdings can be found on pages 64–65. For certain matters, executive management is supplemented by the regional managing directors and certain other Group functions (Extended Management Team). The Group has established functions that are responsible for Group-wide activities, such as financial reporting, treasury, IT, communications, legal, HR, purchasing, logistics, real estate, etc.

Ferronordic's operations in Germany are divided into four regions:
- Region North (with a hub in Hanover)
- Region East (with a hub in Dresden)
- Region West (with a hub in Frankfurt)
- Region South (with a hub in Kassel)

In 2022, Ferronordic's operations in Kazakhstan/Russia were divided into eight regions:
- Northwest (based in St. Petersburg)
- Central (with a hub in Moscow)
- Volga (with a hub in Kazan)
- South (with a hub in Krasnodar)
- Ural (with a hub in Yekaterinburg)
- Siberia (with a hub in Krasnoyarsk)
- Far East (with a hub in Khabarovsk)
- Kazakhstan (with a hub in Almaty).

Each region had its own manager with responsibility for the operations in the region as well as coordination and implementation of group-wide policies and processes. Each region also had a regional board consisting of parts of the management and the relevant regional manager.

Following the divestment of the Russian subsidiaries, the consists of only Kazakhstan.

Remuneration to senior executives

The 2022 Annual General Meeting approved the following guidelines for remuneration to the Company's senior executives:
- Remuneration to management shall be based on current market conditions in the markets in which Ferronordic operates and in the function in which the individual management person operates. In addition, remuneration shall be competitive to enable Ferronordic to attract and retain competent senior executives.
- Fixed remuneration is determined individually based on the criteria stated above and the individual executive's area of responsibility and performance. For senior executives living abroad with a salary in rubles, the fixed remuneration can be adjusted to reflect exchange rate changes.
- Management may, in addition to fixed remuneration, receive variable remuneration, which must be paid upon fulfillment of predetermined and measurable performance criteria, primarily based on the development for the entire Group or the development for the part of the Group for which the person in question is responsible. The variable remuneration for both the CEO and other management personnel may not exceed 100 percent of the fixed remuneration.
- Management is entitled to customary non-monetary benefits, such as company cars and health insurance. In addition to these benefits, company housing and other benefits can also be offered in individual cases, such as compensation for housing and school for executives living abroad.
- In addition to the pension benefits to which management is entitled by law, senior executives may be offered pension benefits that are competitive in the country where the person in question is or has resided or to which the person has a significant connection. Pension plans must be premium-based without a guaranteed pension level.
- Severance pay shall not exceed 12 months' salary.

Remuneration to the CEO and other members of the management is described in Note 29, *Employees, Board and management.* The Board may deviate from these guidelines if there are special reasons for doing so in an individual case. Remuneration already decided for the management that has not fallen due at the 2022 Annual General Meeting falls within the framework of the guidelines.

Auditors

The Company's annual report and the Board and CEO's management are reviewed by the Company's auditor. The audit results in a report to the Audit Committee, where the auditor attends at least two meetings per year and in an audit report submitted after the end of the financial year to the Annual General Meeting. The Company's auditor is elected at the Annual General Meeting. The current auditor is KPMG AB, re-elected at the 2022 Annual General Meeting for the period until the next Annual General Meeting. The authorised public accountant Mats Kåvik is the auditor-in-charge. In addition to its assignment as auditor, KPMG has assisted Ferronordic in assignments regarding tax and accounting matters. The compensation paid to KPMG is described in Note 30, *Auditors' fees and expenses.*

Report on internal control

According to the Swedish Companies Act and the Code, the Board is responsible for ensuring that the Company has good internal control. The Board shall also ensure that the Company has formalised routines to ensure that established principles for financial reporting and internal control are complied with and that the Company's financial reports are prepared in accordance with law, applicable accounting standards and other requirements for listed companies.

Control environment

The control environment constitutes the basis for the internal control as well as the corporate culture that exists within the Group and within which the Group's managers and employees are operating. The control environment is built around the Group's policies and procedures, as well as the Group's divisions of responsibilities and authorities. The Group's Code of Conduct is an important document that aims to ensure that the organisation is characterised by integrity and good morals and ethics. Important documents for internal control over financial reporting include the Group's financial handbook, with instructions for accounting and reporting, and the Group's financial policy. The Group's responsibility and authority structure is established in the Board's instructions to the CEO and in the Group's signature policy, including authorisation and approval levels for different areas. The Group's insider policy regarding insider matters and the Group's information policy regarding external communication and press releases are other important policies and guidelines that aim to ensure proper internal control.

Risk assessment

Ferronordic has established an annual process for reviewing and assessing the Group's risks relating to financial reporting. The risk assessment also includes risks related to fraud and other irregularities, as well as the risk of loss or misappropriation of assets. Identified risks are prioritised and actions to manage and mitigate the identified risks are established. The risk assessment also forms the basis for the Board's annual plan for internal audit, through which risks related to financial reporting are evaluated on an ongoing basis. Based on the risk assessment, the Group's rules are evaluated continuously. The Board is updated continuously on material risks as well as actions planned or taken to manage and mitigate such risks.

Control activities

The purpose of the control activities is to identify and prevent errors and guarantee the quality of financial reporting. Based on the risk assessment, various control activities have been established. These aim to ensure that the requirements on the external financial reporting are fulfilled. The activities are both manual and automatic and include e.g. reviews and approvals of various types of transactions, analysis of key figures, verification of accounts and checklists and the application of controls for financial information in the IT systems used for the financial reporting. In addition, the Board and its audit committee, as well as management and the Group's internal audit function, constitute the general control bodies that carry out various control measures.

Information and communication

The annual report, year-end report, interim reports and current information are prepared in accordance with law and practice. The provision of information shall be reliable and characterised by transparency and openness. Information on the policies and procedures regarding financial reporting is given to all relevant employees at the beginning of their employment. Subsequent updates of applicable policies and procedures are communicated on an ongoing basis to all relevant employees. Policies and procedures regarding financial reporting are also available on the Group's intranet, available to all employees. The Board regularly receives financial updates and reports. Financial information can only be communicated by the CEO or CFO.

Monitoring

All process descriptions, policies and control documents are updated as needed. In addition, all policies are reviewed once a year. The Company's financial development is reviewed at every Board meeting. All interim reports, the annual report and the administration report are also reviewed and approved by the Board before they are made public. The efficiency of the assessment and management of risks are followed up at various levels within the Group, including during the management group's meetings and regional board meetings as well as within the internal audit process. The monitoring includes both formal and informal processes, e.g. comparisons between result and budget, monthly reviews of overdue accounts receivable etc.

Internal audit

Ferronordic has established an internal audit function. The role of the internal audit function is to independently and objectively assess and improve the efficiency of Ferronordic's internal control, risk management and governance processes. The head of internal audit reports functionally to the audit committee and administratively to the CEO. The internal audit function carries out regular reviews based on an annual internal audit plan, established by the Board based on the Group's risk assessment.

Stockholm, April 2023

The Board of Directors

The Board



	Staffan **Jufors**	Annette **Brodin Rampe**	Lars **Corneliusson**
Function	Chairman of the Board, Chairman of the Remuneration Committee and member of the Audit Committee.	Board member and member of the Remuneration Committee and Audit Committee.	Board member.
Nationality/born	Swedish citizen. Born 1951.	Swedish citizen. Born 1962.	Swedish citizen. Born 1967.
Member since	2017	2017	2011
Education	Master's degree in business administration.	M.Sc. in Chemical Engineering.	M.Sc. in Business Administration.
Other assignments	Board member of the Nordens Ark foundation.	CEO of ImagineCare AB, board chairman of Storskogen Group AB, board member of PION Group AB and Episurf Medical AB.	
Previous assignments and positions	CEO of Volvo Trucks, CEO of Volvo Penta and board member of Akelius Residential Property AB, ÅF AB, Uniflex AB and Haldex AB.	CEO of the International English School. Board member of Peab AB, HerCare AB, Enströmgruppen AB and Stillfront Group AB.	CEO of Volvo Group in Russia and Head of Hifab's operations in Russia.
Shares in Ferronordic	90,000	2,000	926,590 shares and 216,000 warrants (private and through companies).

The board, cont.

	Håkan **Eriksson**	Aurore **Belfrage**	Niklas **Florén**
Function	Board member, Chairman of the Audit Committee and member of the Remuneration Committee.	Board member.	Board member and member of the Audit Committee.
Nationality/born	Swedish citizen. Born 1962.	Swedish citizen. Born 1979.	Swedish citizen. Born 1974.
Member since	2016	2021	2021
Education	M.Sc. in Business Administration.	Master of Business Administration.	M.Sc. in Computer Science and Engineering.
Other assignments	Board member of Skandinavkonsult i Stockholm AB, Skandinavkonsult Holding i Stockholm AB, Nivika Fastigheter AB, DWG Sweden AB, Joheco AB and Winefinder AB.	Several board assignments (incl. My Telescope, Bubbleroom and Söderhub.com) and roles as investor in start-up companies in the technology sector.	CEO for WirelessCar.
Previous assignments and positions	Board chairman and CEO of Kapitalkredit Sverige AB and board chairman of ClearCar AB.	Head of early stage EQT Ventures, co-founder Wrapp, columnist SvD Näringsliv.	Several positions within Sigma IT & Management and Volvo IT.
Shares in Ferronordic	2,250,000 (through companies).	-	50

Management and auditors

	Lars **Corneliusson**	Nadia **Semiletova**	Henrik **Carlborg**	Erik **Danemar**	Dan **Eliasson**
Function	President and CEO.	Human Resources Director.	Business Development Director.	Group CFO and Head of Investor Relations.	General Counsel and Head of Treasury.
Nationality/born	Swedish citizen. Born 1967.	Russian citizen. Born 1979.	Swedish citizen. Born 1975.	Swedish citizen. Born 1976.	Swedish citizen. Born 1971.
Education	M.Sc. in Business Administration.	Studies in Organisational Management.	LL.M.	MBA (LBS) and BAs in Economics & Management and International Business.	Master's degree in law and financing.
Previous assignment and positions	CEO of Volvo Group in Russia and Head of Hifab's operations in Russia.	Leading positions at British Petrol and Shell.	Consultant with a focus on M&A transactions. Partner at Hannes Snellman Attorneys at Law.	Senior positions for EF Education First, Black Earth Farming and Deutsche Bank in Russia.	Associate Lawyer at Linklaters. Senior positions for Nordea, Swedbank, Ikea and Catella in Russia.
Shares in Ferronordic	926,590 shares and 216,000 warrants (private and trough companies).	3,770 shares and 107,500 warrants.	137,000 shares and 107,500 warrants.	30,000 shares and 107,500 warrants.	19,961 shares and 182,500 warrants.
Employed since	2011	2010	2013	2019	2020

Management and auditors, cont.

	Onur **Gucum**	Anton **Zhelyapov**
Function	Commercial Director.	Director of rental and used business.
Nationality/born	Turkish citizen. Born 1973.	Belarusian citizen. Born 1977.
Education	B.Sc. in Economics and Mathematics.	MBA at Stockholm School of Economics.
Previous positions	COO of Zeppelin Caterpillar in Russia and various positions within the Volvo Group.	Various positions at Volvo Trucks.
Shares in Ferronordic	92,000 warrants.	768 shares and 107,500 warrants.
Employed since	2012	2015

Auditor
At the AGM 2022, KPMG was re-elected as the Company's auditor with Mats Kåvik (born 1962) as auditor-in-charge and without a deputy auditor, for a term of office until the next AGM. Mats Kåvik is an authorised public accountant and a member of FAR (the professional institute for authorised public accountants in Sweden).

Directors' report

The Board of Directors of Ferronordic AB (publ), corporate registration number 556748-7953 (the "Parent Company"), hereby presents its annual report and consolidated financial statements for the financial year 2022. Unless otherwise stated, all amounts are indicated in SEK m (SEK m). Amounts in brackets refer to the financial year 2021, unless otherwise stated.

The business

The Parent Company (together with its subsidiaries referred to as the "Group" or "Ferronordic") is a Swedish public limited liability company with its seat in Stockholm. The Parent Company is the holding company of the Group and provides financing, support and management services for the Group's operational companies. To a certain extent, the Parent Company purchases goods that are resold to the subsidiaries. The Parent Company is also the holder of the "Ferronordic" trademark.

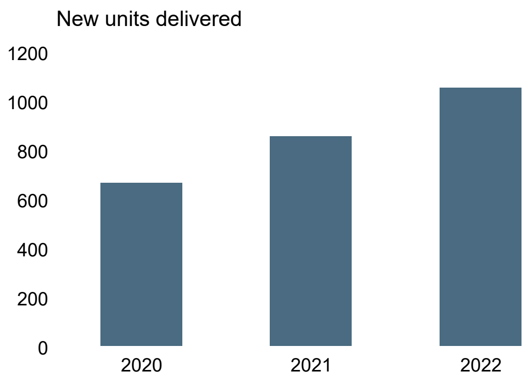
The Group was created in 2010 to acquire and operate Volvo CE's distribution business in Russia. In connection therewith, the Group was appointed the official dealer for Volvo CE in Russia. The Group was subsequently also appointed authorised dealer and service partner for Sandvik, Rottne, Dressta, Mecalac, Terex and certain other brands for all or parts of Russia. Since then, the Group's business has expanded and changed. In 2019, Ferronordic became the official dealer for Volvo CE and Mecalac in Kazakhstan. In 2020, Ferronordic became the official dealer for Volvo Trucks and Renault Trucks in parts of Germany. Following the conflict in Ukraine in, the Group sold its Russian subsidiaries at the end of 2022 for a price close to the net asset value. As a result, Ferronordic in all material respects left Russia. The sale of the Russian business has not affected the Group's remaining operations in Kazakhstan and Germany.

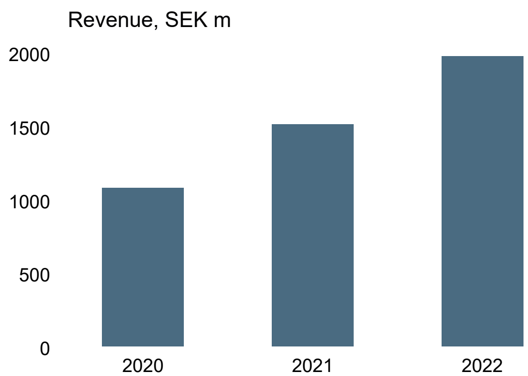
Since 2020, the Group recognised two reportable operating segments: Germany and Russia/CIS. Following the sale of the Group's Russian business at the end of 2022, the Group recognises the reportable segments as Germany and CIS. Kazakhstan is currently the only market in the CIS segment (see also Note 6, *Segment reporting and revenue* on page 89).

Ferronordic's operations consist of selling new and used trucks and construction equipment, spare parts and attachments and providing service of equipment, technical support and other professional services. In Russia, the Group also provided contracting services, where the Group owned, serviced and operated equipment on behalf of its customers and was paid per cubic meter and kilometre of material transported. The ambition is to also offer contracting services in Kazakhstan in the future. In Germany, Ferronordic works closely with its key partners to promote electric trucks and develop sustainable transport solutions, with payment based on volumes and distances of goods transported.

Ferronordic's customers of trucks in Germany include transport operators and logistics companies of various sizes, operating in a wide range of segments including long-haul transport, construction, last-mile delivery and communal services.

Ferronordic's customers of construction equipment in Kazakhstan operate in a number of different industries, such as the construction industry, the mining and the forestry industries.





Sale of the Russian business

Ferronordic divested its Russian business at the end of 2022. The financial statements for 2022 therefore exclude Russia from the consolidation. In the Group's income statement, comparable prior periods also exclude the Russia business. In the Group's balance sheet, the Russian business is excluded in the year end of 2022, but forms part of the Group's consolidation at the year end of 2021. In the Group's cash flow statement, the Russian business is included in the line items and also disclosed separately on a single line. The result from the sale is presented in the result from discontinued operations in the Group's income statement.

The purchase price for the sold business in Russia amounted to SEK 1,334m. Approx. SEK 237m of this amount was used by Ferronordic AB to repay (by means of set-off) debt to the sold Russian subsidiaries. The remaining part of the purchase price was received in euro. For Ferronordic AB, the divestment resulted in a cash inflow of approx. SEK 1,097m. For 2022, the result from the discontinued operations was SEK 243m (448).

Net sales and results

In 2022, Ferronordic's sales of new trucks and light commercial vehicles in Germany increased by 24 percent to 992 (800), while during the same period, the market[1] declined by one percent.

In Kazakhstan, unit sales of new construction equipment increased by 11 percent to 60 (54), while during the same period, the market[2] grew by an estimated 25 percent.

Net sales

The Group's net sales increased by 31 percent to SEK 1,973m (1,511). Truck and machine sales increased by 33 percent while aftermarket sales (spare parts and service) increased by 31 percent. Net sales in other income, mainly rental operations, increased by 3 percent. In Germany, net sales increased by 29 percent to SEK 1,770m (1,368). Net sales in Kazakhstan increased by 42 percent in SEK to SEK 203m (143).

Gross profit and operating profit

Gross profit for the year amounted to SEK 250m (174), an increase of 44 percent. The gross margin increased from 11.5 to 12.7 percent. Selling and administrative expenses increased by 18 percent but decreased as a share of net sales to 16.9 percent (18.7). Other costs were lower in 2022 than in 2021. Operating profit increased by 321 percent from the previous year to SEK 247m (-112). The adjusted[3] operating profit increased by 34 percent to SEK -74m.

Result before income tax

Net financing costs increased and result before income tax increased by 307 percent to SEK 272m (-131).

Result for the year

Profit for continuing operations for the year increased by 280 percent to SEK 197m (-109). Profit for the year including discontinued operations increased by 30 percent to SEK 440m (339).

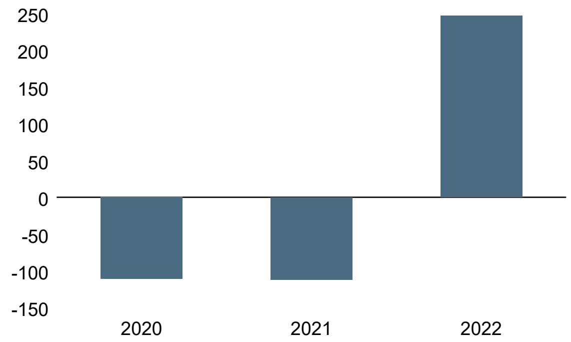
Earnings per share

Earnings per share before dilution amounted to SEK 30.28 (23.33). After dilution, earnings per share were SEK 30.28 (23.26).

Cash flow and investments

Cash flow from operating activities after changes in working capital, financial expenses and taxes decreased to SEK 215m (457). Cash flow from investing activities amounted to SEK 521m (-370). The Group's cash flows resulted in a net cash position, which at the end of 2022 amounted to SEK 957m (net debt of 198).

Results from operating activities, SEK m



[1] ACEA statistics
[2] Market estimate based on data from Volvo CE
[3] Adjusted here and in the rest of this report means excluding the effect of the compensation payment from Volvo of SEK 321m.

Financial position
Cash and cash equivalents on 31 December 2022 amounted to SEK 1,688m (768). Interest-bearing liabilities (including financial leasing) amounted to SEK 731m (966). Tangible fixed assets decreased to SEK 560m (1,006), mainly as a result of the sale of the Group's Russian subsidiaries. Equity on 31 December 2022 amounted to SEK 1,873m (1,101).

Dividend
At the 2022 Annual General Meeting, it was decided not to pay a dividend.

Employees
At the end of 2022, the number of full-time equivalent employees in the Group was 457 (1,791), of which 382 (284) related to Germany, 57 (1,495) to CIS and 18 (12) occupied group functions.

Policy on remuneration for senior executives
Remuneration to the CEO and other members of the management is described in more detail in the Corporate Governance Report and Note 29, *Employees, Board and management*. The Company's remuneration committee handles policies and matters concerning the remuneration of the Company's senior executive management. The AGM adopts policies for remuneration to senior executives as and when needed but not less frequent than every four years. The basic principles imply that remuneration to the Company's executives shall be based on market terms in the markets where Ferronordic operates and the environment in which the individual executive operates. In addition, remuneration shall be competitive in order to enable Ferronordic to attract and retain competent executives.

Fixed salaries
Fixed salaries are established individually based on the criteria specified above, as well as the individual executive's areas of responsibility and performance.

Variable salaries
Executives may receive variable salaries in addition to fixed salaries. Variable salaries shall be paid upon fulfilment of predetermined and measurable performance criteria, primarily based on the development of the Group as a whole or the development of the part of the Group for which the individual is responsible.

Other benefits
The Company may offer its senior executives other customary benefits such as pension plans, company cars, health insurances and allowances for expatriated executives. Severance pay shall not exceed 12 months' salary. The guidelines proposed for 2023 are the same as those that applied for 2022.

Outlook
Following the sale of the Russian business at the end of 2022, Ferronordic's focus is on developing its current markets and investing in new growth opportunities for the Group. In Germany, we see resilient demand for service and trucks, despite concerns about a weaker economy. Supply constraints continue to limit market growth. Our sales area is at the heart of Europe's transport business and benefits from commercial activity across industries. We also see growing interest in electric trucks and sustainable transport solutions. Our operations in Kazakhstan continue to develop and we actively seek opportunities to grow our product and business portfolio, including contracting services. Demand for construction equipment is supported by Kazakhstan's growing role as a regional hub, its big infrastructure projects and strong commodity prices. In a longer perspective, we believe that the underlying conditions and business opportunities in the German and Kazakh markets are strong. We also believe that Ferronordic has the human and capital resources to develop new products and markets.

Shares and shareholders
Please see the section Shares and shareholders on pages 54–55.

The work of the board
Please see the Corporate Governance Report on pages 57–61.

Parent Company
In 2022, the revenue of the Parent Company decreased by 65 percent to SEK 84m (239). Sales and administrative expenses amounted to SEK -57m (-39). The result amounted to SEK 1,544m (427), mainly as a result of the sale of the Russian subsidiaries.

Events subsequent to the reporting date
On 6 March 2023, the Company announced that Martin Bauknecht would step down from the Group Executive Management Team. He will remain in his role as managing director for the German business, reporting directly to Lars Corneliusson, President and CEO of the Group.

On 6 April, the Company announced that Jonathan Tubb had decided to leave his appointment as Deputy Group CFO and Member of the Executive Management Team of Ferronordic to pursue other career opportunities. Jonathan will remain in his position until the last of April 2023.

Proposed allocation of profit

The following amount is available for	SEK
allocation by the AGM	2,056,515,744
Dividend on shares	108,993,255
Amount carried forward	1,947,522,489
of which the following to the Share Premium fund	530,809,445
Total amount allocated	2,056,515,744

Sustainability report
The Group's sustainability report can be found on pages 37–52.

Alternative performance measurements
Definitions of alternative performance measurements are described on page 23 of the 2022 Year-End Report.

Risks and uncertainties

The Group is exposed to various types of operational and financial risks. Operational risks are associated with the Group's daily operations and relate to, inter alia, changes in business cycles, procurement, logistics, capacity utilisation and price risks. Business risks also include supply and demand disruptions. Financial risks are associated with the amount of capital tied up and the Group's long- and short-term capital requirements, but also changes in interest rate and exchange rate movements in the currencies to which the Group is exposed and credit risks to the Group's customers.

Risk management

The management of operational risks consists of a large number of daily routines and standardised processes that are regulated in policy documents, for example, regarding the purchase of machines and parts, approvals of discounts and buy-back offers, tendering for larger purchases, etc.

Financial risks and credit risks are managed centrally to effectively consolidate and balance the Group's total risk exposure. To the greatest extent possible, the Group uses natural hedging to reduce currency risks both in terms of matching cash flows and balance sheet exposures across the Group. In purchase and sales operations, the Group therefore aims to keep accounts receivable and accounts payable in the same currency. Where possible, the Group also procures different types of currency insurance to manage its risks.

The Group's risk management processes have been developed over time and are continuously evaluated and improved. It is important that the Group's employees consistently follow current routines and processes to ensure that operational risks are managed efficiently. The Group conducts an annual risk analysis to evaluate how risks have changed, to develop a culture of risk awareness and to improve risk management.

Operational risks

Political environment and sanctions

The Group has previously had considerable exposure to Russia and its political risk. This had a considerable impact on the Group's operations in 2022. In connection with the sale of the Russian business at the end of 2022, this risk is no longer relevant.

A smaller part of the Group's operations is connected to Kazakhstan, where the political conditions have historically been volatile. Political trends have sometimes been inconsistent, and the Kazakh government has at times been unstable.

The Kazakh political system can be vulnerable to new political trends. In January of 2022, following sharp increases in fuel prices, Kazakhstan faced unrest in several of its major cities. The disturbances resulted in a change of several government positions. Changes in government policy and legislative work are less foreseeable in Kazakhstan than in many Western countries and can disrupt or prevent political, economic and regulatory reforms.

Russia's military conflict in Ukraine has in some ways strained the relationship between Russia and Kazakhstan.

Legal system and legal procedures

The legal system in Kazakhstan is relatively unstable. Some laws and regulations are quite recent. They can contain ambiguous wording and their application can be interpreted in different ways. In addition, there are often discrepancies between laws and regulations at various levels.

Lack of legal or administrative guidance to interpret applicable rules, lack of legal precedents, relatively unstable and immature legal systems, lack of independence vis-à-vis political and commercial interests, relatively untested application of recently adopted legislation and its impact on complex commercial agreements, corruption in the legal system, gaps in the legal regulatory environment due to delays in or lack of implementation of legislation, and undeveloped bankruptcy proceedings can all affect the Group's ability to protect and enforce its legal rights, as well as to protect itself against legal claims.

Corruption

Media have reported on corruption in Kazakhstan. Media reports have also described cases where government officials have initiated targeted investigations and prosecutions to promote the interests of the government, certain individuals or companies.

Ferronordic adheres to the Group's code of conduct and to strict standards of business ethics. The Group has procedures to counter risks of corruption, cases of illegal activity, demands from corrupt officials, allegations that the Group or its management has been involved in corruption or illegal activities and biased articles and negative publicity. Notwithstanding such procedures, corruption and unethical behaviour can have adverse negative effect on the Group's operations, earnings and financial position.

Environmental risks
Environmental legislation may impose obligations or fines on property owners and business operators that violate certain standards or cause certain harm to the environment. Ferronordic strives to be a leader in terms of sustainability and minimising its ecological footprint. No guarantees can however be given that the Group's properties do not contain undetected pollution or that authorities could claim that its operations conflict with licenses or environmental regulations. New and changing regulation could result in the Group's properties (or properties that have previously been owned or operated by the Group) being subjected to stricter audits than previously. Ferronordic may become subject of claims for damages regarding environmental liability. An unfavourable outcome of such proceedings may result in civil, administrative or criminal law liability for the Group or its executives. Changes to laws and their application regarding the environment, health and safety may entail costs and obligations and have adverse negative effect on the Group's operations, earnings and financial position.

Tax system
For information on risks associated with the German and Kazakh tax systems, please see Note 25, *Contingencies*.

Variations in economic activity
The Group's products are to a large extent used in connection with construction, logistics and industrial operations. An economic downturn or reduced industrial activity could lead to a significant reduction in demand for the Group's products.

Furthermore, the Group's markets are affected by changes in the price of commodities as well as the market for extraction and processing of natural resources. Declining commodity prices or a weaker market for natural resources could therefore have an adverse effect on the Group's operations.

The Group's business could also be adversely affected (either temporarily or in the long term) by a decline in customers' expenditure and investment levels, unfavourable credit conditions that negatively affect end customers' financing opportunities, reduced consumption levels, reduced investments in infrastructure projects and increased costs for building materials. Downturns in the consumption, construction and industrial sectors as a result of the above-mentioned or other factors may have an adverse impact on the Group's business, earnings and financial position. Demand for spare parts and service is less sensitive to the economic cycle than new trucks and machine sales.

During the outbreak of the Covid-19 pandemic, authorities issued recommendations and regulations to restrict mobility and social contacts to limit the spread of the virus. Such restrictions had an adverse effect on the Group's business. Companies, including Ferronordic's suppliers, competitors and customers, took measures to adapt to an uncertain business environment. Extensive vaccination programs reduced such risks, but one cannot exclude the risk of new outbreaks and further disruptions on the supply or demand side of the Group's business.

Capacity utilisation
The Group has continuously expanded its network and infrastructure. An unforeseen decline in capacity utilisation, e.g., as a result of economic downturn, discontinuation of certain products etc., generally results in decreased sales which in the short term cannot be offset by a corresponding cost reduction.

The collaboration with Volvo
Sales of Volvo products accounts for the absolute majority of Ferronordic's sales. Ferronordic is thus highly dependent on maintaining good relations with the Volvo Group. A deterioration in such relations could have a significant adverse effect on Ferronordic's business.

Dependence on suppliers
The Group is dependent on strategic decisions taken by its suppliers, including the launch of new products or the discontinuation of existing products, which could affect the Group's product range and sales. In the transition to a zero-emission transport system, Ferronordic will to an extent depend on its partners ability to deliver products that will contribute to this transformation.

Dependence on key employees
The Group is dependent on its ability to identify, recruit and retain qualified executives and other key employees. The Group's ability to recruit and retain qualified personnel is dependent on a number of external factors. Should key employees leave the Group due to retirement, acceptance of employment with a competitor or for any other reason, this may result in a loss of important know-how and experience which may be difficult to replace, and which may delay or adversely impact the Group's ability to implement its business plan and strategy. Inability to recruit or retain such executives and other key employees could thus have an adverse impact on the Group's business, result and financial position.

Price risk
The prices that Ferronordic pays for products from Volvo and other suppliers are important for the Group's profitability and competitiveness. Too high prices may result in loss of sales, lost market share and/or significantly decreased profitability. The Group strives to manage this price risk by, together with its suppliers, continuously monitoring the development of price positioning and market shares, and continuously adjusting the prices that the Group pays for machines and parts.

Insurance coverage
The insurance market in Kazakhstan is underdeveloped. Several types of insurance that are common in other countries are not available or cannot be procured at a reasonable cost. The Group holds insurance against some, but not all, risks relevant to its operations. Hence, there is a risk that loss of assets or claims against the Group may not be covered by the Group's insurance.

Financial risks
For information about financial risks, please see Note 22, *Financial instruments and risk management.*

Material disputes
No material disputes took place during the year.

Consolidated statement of comprehensive income

SEK m	Note	2022	2021
Continuing operations			
Revenue	6	**1,973**	**1,511**
Cost of sales		-1,723	-1,337
Gross profit		**250**	**174**
Selling expenses	7	-140	-100
General and administrative expenses	7	-194	-182
Other income	8	337	6
Other expenses	8	-6	-9
Operating profit		**247**	**-112**
Finance income	9	2	2
Finance costs	9	-19	-18
Net foreign exchange gains/(-losses) (net)		42	-4
Result before income tax		**272**	**-131**
Income tax	10	-75	22
Result from continuing operations		**197**	**-109**
Discontinued operations			
Result from discontinued operations		243	448
Result for the year		**440**	**339**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation difference for foreign operations		322	60
Other comprehensive income for the year, net of income tax		**322**	**60**
Total comprehensive income for the year		**762**	**399**
Earnings per share			
Basic earnings per share (SEK)	31	30.28	23.33
Diluted earnings per share (SEK)	31	30.28	23.26
Basic earning per share from continuing operations (SEK)	31	13.56	-7.53
Diluted earnings per share from continuing operations (SEK)	31	13.56	-7.50

The consolidated statement of comprehensive income forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Consolidated statement of financial position

SEK m	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant, and equipment	11	560	1,006
Intangible assets	12	85	81
Deferred tax assets	13	78	105
Total non-current assets		**724**	**1,192**
Current assets			
Inventories	14	460	1,432
Trade and other receivables	15	344	535
Prepayments		1	46
Cash and cash equivalents	16	1,688	768
Total current assets		**2,493**	**2,781**
TOTAL ASSETS		**3,217**	**3,973**

The consolidated statement of financial position forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Consolidated statement of financial position, cont.

SEK m	Note	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Equity	17		
Share capital		1	1
Additional paid in capital		630	620
Translation reserve		13	-309
Retained earnings		1,229	789
TOTAL EQUITY		**1,873**	**1,101**
Non-current liabilities			
Borrowings	18	393	490
Deferred income	19	22	22
Deferred tax liabilities	13	1	7
Long-term lease liabilities	18	43	97
Total non-current liabilities		**459**	**617**
Current liabilities			
Borrowings	18	274	317
Trade and other payables	21	573	1,809
Deferred income	19	16	28
Provisions	20	1	39
Short-term lease liabilities	18	21	62
Total current liabilities		**884**	**2,255**
TOTAL LIABILITIES		**1,344**	**2,872**
TOTAL EQUITY AND LIABILITIES		**3,217**	**3,973**

The consolidated statement of financial position forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Consolidated statement of changes in equity

SEK m	Note	Attributable to the Parent Company's equity holders: Share capital	Additional paid in capital	Retained earnings	Translation reserve	Total equity
Balance 1 January 2022		1	620	789	-309	1,101
Total comprehensive income for the year						
Result for the year		0	0	440	0	440
Other comprehensive income						
Foreign exchange differences		0	0	0	322	322
Total comprehensive income for the year		**0**	**0**	**440**	**322**	**762**
Contribution by owners						
Warrant issue	17	0	10	0	0	10
Total contributions and distributions		**-**	**10**	**0**	**0**	**10**
Balance 31 December 2022		1	630	1,229	13	1,873

SEK m	Note	Attributable to the Parent Company's equity holders: Share capital	Additional paid in capital	Retained earnings	Translation reserve	Total equity
Balance 1 January 2021		1	615	559	-369	806
Total comprehensive income for the year						
Result for the year		0	0	339	0	339
Other comprehensive income						
Foreign exchange differences		0	0	0	60	60
Total comprehensive income for the year		**-**	**-**	**339**	**60**	**399**
Contribution by and distribution to owners						
Dividends on shares	17	0	0	-109	0	-109
Warrant issue	17	0	5	0	0	5
Total contributions and distributions		**-**	**5**	**-109**	**0**	**-104**
Balance 31 December 2021		1	620	789	-309	1,101

The consolidated statement of changes in equity forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Consolidated statement of cash flows

SEK m	Note	2022	2021
Cash flows from operating activities			
Result before income tax from continuing operations		272	-131
Result before income tax from discontinued operations		510	583
Adjustments for:			
Depreciation and amortisation	11, 12	272	215
Impairment (reversed impairment) of trade receivables	8	52	10
Loss (gain on disposal of property, plant, and equipment)		-4	0
Finance costs	9	95	49
Finance income	9	-24	-23
Net foreign exchange losses (gains) (net)		-14	5
Cash from operating activities before changes in working capital and provisions		**1,158**	**708**
Change in inventories		594	-381
Change in trade and other receivables		341	19
Change in prepayments		-191	-5
Change in trade and other payables		-1,470	336
Change in provisions		4	2
Change in deferred income		-10	4
Cash flows from operations before interest paid and tax paid		**427**	**683**
Income tax paid		-127	-170
Interest paid		-85	-55
Cash flows from operating activities		**215**	**457**
of which from discontinued operations		-11	415

The consolidated statement of cash flows forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Consolidated statement of cash flows, cont.

SEK m	Note	2022	2021
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		5	8
Interest received		18	23
Acquisition of property, plant and equipment		-351	-247
Acquisition of intangible assets		-1	-1
Acquisition of business		0	-153
Sale of subsidiary		849	0
Cash flows from investing activities		**521**	**-370**
of which from discontinued operations		*682*	*-98*
Cash flows from financing activities			
Dividends		0	-109
Proceeds from borrowings		403	371
Repayment of loans		-170	-118
Leasing financing paid		-65	-81
Warrant issue		0	1
Cash flows from financing activities		**168**	**64**
of which from discontinued operations		*195*	*-147*
Net change in cash and cash equivalents		**903**	**151**
of which from discontinued operations		*866*	*170*
Cash and cash equivalents at start of the year		768	604
Effect of exchange rate fluctuations on cash and cash equivalents		17	13
Cash and cash equivalents at year-end	16	**1,688**	**768**

The consolidated statement of cash flows forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Parent Company income statement

SEK m	Note	2022	2021
Revenue		**84**	**239**
Cost of sales		-68	-203
Gross profit		**16**	**37**
Administrative expenses		-57	-39
Other income		330	2
Other costs		-28	0
Operating profit		**261**	**-2**
Finance income	9	1,313	433
Finance costs	9	-26	-2
Net foreign exchange gains/(-losses) (net)		58	-1
Result before income tax		**1,607**	**427**
Income tax	10	-63	0
Result for the year		**1,544**	**427**

Parent Company statement of comprehensive income

SEK m	Note	2022	2021
Result for the year		1,544	427
Total comprehensive income for the year		**1,544**	**427**

The income statement forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Parent Company balance sheet

SEK m	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Intangible assets	12	0	1
Financial assets			
Holdings in group companies	26, 28	35	175
Loans to group companies	26	0	149
Deferred tax assets	13	0	20
Total financial assets		**35**	**345**
Total non-current assets		**36**	**345**
Current assets			
Trade and other receivables	15	77	63
Prepayments		0	0
Loans to group companies		490	0
Cash and cash equivalents	16	1,543	241
Total current assets		**2,111**	**304**
TOTAL ASSETS		**2,146**	**649**

The balance sheet forms part of the consolidated financial statements and shall be read together with the Notes thereto.

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Parent Company balance sheet, cont.

SEK m	Note	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Equity	17		
Restricted equity			
Share capital		1	1
Unrestricted Equity			
Share premium reserve		640	630
Retained earnings		-128	-555
Result for the year		1,544	427
TOTAL EQUITY		**2,058**	**504**
Non-current liabilities			
Borrowings		0	31
Total current liabilities		**0**	**31**
Current liabilities			
Trade and other payables	21	89	115
Total current liabilities		**89**	**115**
TOTAL LIABILITIES		**89**	**145**
TOTAL EQUITY AND LIABILITIES		**2,146**	**649**

The balance sheet forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Parent Company statement of changes in equity

SEK m	Note	Share capital	Share premium reserve	Retained earnings	Total equity
Balance 1 January 2022		1	630	-128	**504**
Total comprehensive income for the year					
Result for the year		-	-	1,544	**1,544**
Total comprehensive income for the year		**-**	**-**	**1,544**	**1,544**
Contribution by owners					
Warrant issue	17	-	10	-	**10**
Total contributions and distributions		**-**	**10**	**0**	**10**
Balance 31 December 2022		1	640	1,417	**2,058**

SEK m	Note	Share capital	Share premium reserve	Retained earnings	Total equity
Balance 1 January 2021		1	625	-446	**180**
Total comprehensive income for the year					
Result for the year		-	-	427	**427**
Total comprehensive income for the year		**-**	**-**	**427**	**427**
Contribution by and distribution to owners					
Dividends on shares	17	-	-	-109	**-109**
Warrant issue	17	-	5	-	**5**
Total contributions and distributions		**-**	**5**	**-109**	**-104**
Balance 31 December 2021		1	630	-128	**504**

The statement of changes in equity forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Parent Company statement of cash flows

SEK m	Note	2022	2021
Cash flows from operating activities			
Result before income tax		1,607	427
Adjustments for:			
Depreciation and amortisation	11, 12	0	0
Finance costs	9	26	2
Finance income	9	-1,313	-433
Net foreign exchange losses (gains) (net)		-58	1
Cash from operating activities before changes in working capital and provisions		**262**	**-2**
Change in trade and other receivables		-4	-29
Change in trade and other payables		-72	87
Cash flows from operations before income tax and interest paid		**185**	**57**
Income tax paid		0	0
Interest paid		-1	-2
Cash flows from operating activities		**184**	**54**

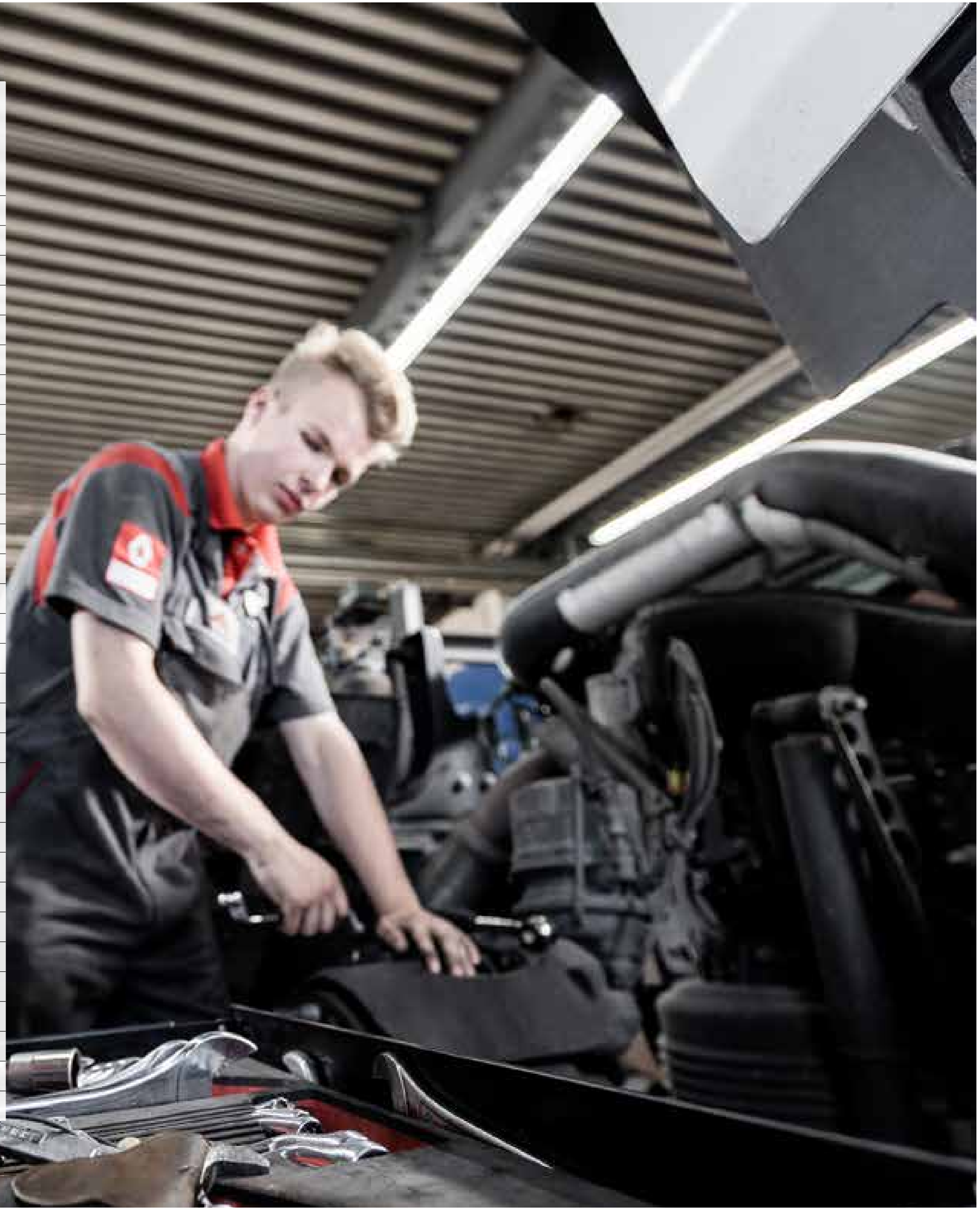
The statement of cash flows forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Parent Company statement of cash flows, cont.

SEK m	Note	2022	2021
Cash flows from investing activities			
Repayment of loan by subsidiary		0	3
Interest received		2	2
Dividend from subsidiary		107	429
Loan to subsidiary		-286	-147
Contributions to subsidiaries		0	-11
Sale of subsidiary		1,097	0
Cash flows from investing activities		**919**	**276**
Cash flows from financing activities			
Repayment of loans		-31	0
Repayment of loans to subsidiaries		0	-33
Loans from subsidiaries		130	0
Loans received		0	31
Dividend		0	-109
Warrant issue		0	5
Cash flows from financing activities		**99**	**-106**
Net increase/(decrease) in cash and cash equivalents		**1,202**	**224**
Cash and cash equivalents at start of year		241	17
Effect of exchange rate fluctuations on cash and cash equivalents		100	-
Cash and cash equivalents at year-end	16	**1,543**	**241**

The statement of cash flows forms part of the consolidated financial statements and shall be read together with the Notes thereto.

Notes



Content of notes

Notes

NOTE 1 » General information

Ferronordic AB, reg. nr 556748-7953 (the "Parent Company") is a Swedish public limited liability company, having its address at Nybrogatan 6, 114 34 Stockholm. The Parent Company together with its subsidiaries comprise the "Group" or "Ferronordic". The shares in Ferronordic AB (publ) are listed on Nasdaq Stockholm, Sweden. www.ferronordic.com.

Ferronordic is a service and sales company in the areas of trucks and construction equipment. It is dealer of Volvo Trucks, Renault Trucks and Sandvik mobile crushers and screens in Germany and dealer of Volvo Construction Equipment, Sandvik mobile crushers and screens and Mecalac in Kazakhstan. Ferronordic began its operations in 2010 and currently has 28 workshops and approx. 450 employees. Ferronordic's vision is to be the leading service and sales company in its markets.

NOTE 2 » Basis of preparation

Ferronordic's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Financial Standards Board (IASB) as well as the interpretations of the IFRS Interpretations Committee, as adopted by the European Union.

RFR 1 on *Supplementary Accounting Rules for Groups*, issued by the Swedish Financial Reporting Board, is applied. The annual accounts of the Parent Company are prepared in accordance with the Swedish Annual Accounts Act and RFR 2, *Accounting for Legal Entities*, issued by the Swedish Financial Reporting Board.

Basis of measurement

The financial statements of the Group are prepared on the basis of historical cost.

Functional and presentation currency

Items included in the various units of the Group are valued in each Group Company's functional currency. The functional currency for the Parent Company is the Swedish krona (SEK). The functional currency for the discontinued Group Companies in Russia and the remaining company in Russia is the Russian rouble (RUB). The functional currency for the Group Company in Kazakhstan is the Kazakh tenge (KZT). The functional currency of the Group Companies in Germany is the euro (EUR). The Group and the Parent Company have selected SEK as presentation currency. Except if otherwise noted, all amounts have been rounded to the nearest thousand.

Note 2, Basis for preparation, cont.

Estimates and judgments

The preparation of the Group's financial statements in conformity with IFRS requires management to make various estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from those estimates and assumptions. Estimates and assumptions are reviewed on an ongoing basis. Changes in estimations and assumptions are recognised in the period when they occur and in future periods affected by the changes. The judgments that have the most significant effect on the amounts recognised in the Group's financial statements are set out in Note 4 *(useful life and the residual value of property, plant, and equipment; recognition of deferred tax assets; obsolescence provisions in relation to inventories),* Note 20 *(recognition and measurement of provisions and contingencies) and* Note 22 *Financial instruments and risk management (allowance for expected credit losses).*

NOTE 3 » Changed accounting policies

No significant changes in accounting policies occurred in 2022.

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NOTE 4 » Significant accounting policies

The accounting policies set out below have been applied consistently by all Group Companies for all periods presented.

Business combinations

The Group accounts for business combinations using the acquisition method when control is passed over to the Group. The consideration transferred in the acquisition, as well as the identifiable net assets acquired, are measured at fair value. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred.

A contingent consideration is measured at fair value at the date of acquisition.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control over the entity until the date when the Group ceases control over the entity.

Elimination of intra-group transactions

Intra-group balances and transactions (and unrealised income and expenses arising from such transactions) are eliminated in the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, unless there is a need for impairment.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the transaction date.

Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate on the reporting date.

Foreign currency gains or losses on monetary items comprise the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in the functional currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in foreign currencies that are measured on the basis of historical cost are translated to the functional currency at the exchange rate at the date of the transaction.

Foreign currency differences are recognised in profit or loss.

Foreign operations

Assets and liabilities of foreign operations are translated to SEK at the exchange rates on the reporting date. Income and expenses of foreign operations are translated to SEK at the exchange rate on the transaction date.

Foreign currency differences on the balance sheet are recognised in other comprehensive income and included in the translation reserve in equity.

If the Group's control, significant influence, or joint control over a foreign operation is lost, the accumulated translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests.

Foreign exchange gains and losses arising from receivables or payables to a foreign operation, which are not expected to be settled in the foreseeable future, form part of net investment in foreign operations and are recognised in other comprehensive income and presented in the translation reserve in equity.

Financial instruments

Financial instruments within Ferronordic are financial assets and financial liabilities which are all, except for contingent consideration, measured at amortised cost.

Except for trade receivables, which are recognised when they originate, all financial assets and financial liabilities are recognised when Ferronordic becomes bound by the provisions of the relevant instrument.

Trade receivables are initially recognised at the transaction price. Other financial assets and financial liabilities are initially recognised at fair value, plus transaction costs directly attributable to the acquisition or issue of the relevant instrument.

A financial asset is measured at amortised cost if it meets both of the following conditions and if it is not designated as at fair value through profit or loss ("FVTPL"):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are derecognised when the rights to the cash flows from the assets expire, or when the rights to receive the cash flows, and substantially all risks and rewards of ownership of the assets, are transferred. Financial liabilities (or a part thereof) are derecognised when the obligations specified in the contract are discharged or cancelled or expire.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities, except for contingent consideration, are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Note 4, Significant accounting policies, cont.

Share capital

Shares in the Parent Company are classified as equity since their holders cannot demand dividends and the shares do not entail obligations on the Group to deliver cash or other assets. Costs that are directly attributable to the issue of shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends are recognised as equity distributions when they are approved by the general meeting of shareholders.

Property, plant and equipment

Except for land, property, plant and equipment is recognised at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self- constructed assets includes the cost of materials and directly attributable labour costs, other costs directly attributable to bringing the asset to a working condition, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Components of an item of property, plant and equipment with different useful lives are accounted for as separate items.

Gains or losses on disposals of property, plant and equipment are determined by comparing the proceeds from the disposal of the asset with the asset's carrying amount and are recognised net within other income/other expenses in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the asset's carrying amount if it is probable that the future economic benefits of the asset will flow to the Group and the cost can be measured reliably. The carrying amount of the replaced component is derecognised.

Costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation of property, plant and equipment is based on the cost of the asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the useful life of each individual asset or group of assets. This reflects how the Group is expected to consume the future economic benefits of the assets. Land is not depreciated.

The estimated useful life of certain significant items of property, plant and equipment

• Buildings	2–45 years
• Machinery and equipment	2–16 years
• Contracting services machines	3 years
• Rental machines	3 years
• Office equipment	2–10 years
• Cars	3–7 years
• Rental trucks	5 years

The residual value for machines in contracting services and machines and trucks in rental is 25% of the cost of the assets. For all other property, plant and equipment, the residual value is zero.

Depreciation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Intangible assets

Intangible assets acquired by the Group with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditures are capitalised only if they increase the economic benefits of the asset. Other expenditures, including expenditures on internally generated goodwill and brands, are recognised in profit or loss when incurred.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses, if applicable. Impairment test on goodwill is performed annually and when there is an indication of impairment.

Amortisation

Amortisation of intangible assets is based on the cost of the asset less its residual value. Estimated useful lives of the Group's intangible assets:

• Software and software licenses	2–5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Leases

Leases are reported as right-of-use assets and corresponding lease liabilities on the commencement day of the lease. Each lease payment is divided between a repayment of the lease liability and an interest expense. The interest expense is distributed over the lease term so that each accounting period is expensed with an amount corresponding to a fixed interest rate for the liability recognised during the respective period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the length of the lease. Liabilities arising from leases are initially recognised at present value, discounted at the implicit interest rate if that rate can be determined, and otherwise at the Group's incremental borrowing rate. Lease liabilities include fixed payments and variable lease payments depending on an index or a rate, initially measured using the index or rate as at the commencement date. The incremental borrowing rate is decided based on contract length and contract transaction currency. Payments for short-term contracts and leases of low value are expensed on a straight-line basis in the income statement. In respect of some short-term contracts the Group has a high degree of certainty that the possibility to extend the contract will be used for a longer period (at least three years) due to economic or other reasons. Leases under such contracts are reported as right-of-use assets and corresponding lease liabilities. Short-term contracts are contracts with a lease term of 12 months or less. Contracts of low value include various IT-equipment and smaller office furniture.

Note 4, Significant accounting policies, cont.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Each truck and machine in inventory has specifically identified costs.

The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Impairment

Financial instruments

The Group uses a matrix of loss rates to measure its expected credit losses of trade and other receivables. Loss rates are calculated as the probability of a loss for each group of receivables, based on the period of delinquency within the Group's different revenue types (i.e. equipment sales, aftermarket sales, contracting services and other revenue). Loss rates are calculated as a proportion of actual average losses to the average amount of receivables for a given revenue type and category of ageing during the twelve months period preceding the reporting date (the Group considers this sufficient to determine whether a loss is likely to happen).

Non-financial assets

Except for inventories and deferred tax assets (please see corresponding sections on the accounting for these items), the carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

Assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The recoverable amount is the higher of an asset's value in use and its fair value, less selling costs. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the present value and the risks specific to the asset.

An impairment loss is recognised in profit and loss if the carrying amount exceeds the estimated recoverable amount.

Employee related liabilities

Termination costs

Termination costs are recognised as an expense when the Group becomes committed to either terminate an employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary resignation. Termination benefits for voluntary resignations are recognised as expenses provided that the Group has made such an offer, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits that are payable for more than 12 months after the reporting date are discounted to present value.

Salaries and other short-term benefits

Obligations related to salaries and other short-term employee benefits are measured on an undiscounted basis and are expensed as incurred. Liabilities related to short-term cash bonus plans (e.g. bonuses to sales personnel & vacation balances) are recognised when the Group becomes obligated to pay the bonus, and the bonus amount can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans (e.g. the Swedish public pension system) are recognised as employee benefit expenses in profit or loss in the periods during which related services are rendered.

Share-based payments

The fair value of options granted is reported as a personnel cost with a corresponding increase in equity over the vesting period for the options. The amount reported as an expense is adjusted to reflect the number of options for which related service terms and non-market terms are expected to be met so that the amount finally reported is based on the number of options that meet related service terms and non-market terms at the time of vesting.

Warranties

The Group provides warranties on new machines and components. The Group's suppliers reimburse the Group for costs incurred as a result of these warranties at agreed rates and amounts. Both the gross provision amount for the warranties and the related receivable from the suppliers are recorded. Provisions for warranties are based on historical data and recognised when the relevant products are sold.

The Group also offers extended warranties for an additional charge. When extended warranties are sold to customers, the Group also purchases a corresponding extended warranty from the relevant supplier. These are recognised as other receivables and amortised to profit and loss evenly during the contract term.

Revenue

Ferronordic categorises revenue as trucks and equipment sales, aftermarket sales (parts and service), contracting services, and other revenue. Revenue is recognised when control has been transferred from Ferronordic to the customer. Control refers to the customers' ability to use machines, spare parts or services in its operations and to obtain the associated cash flows.

Equipment sales includes sales of new and used trucks, construction equipment, light commercial vehicles and attachments. Control over the equipment typically transfers to the customer upon delivery, i.e. when the truck or equipment has been accepted by the customer and the equipment has been physically transferred (although in some cases Ferronordic may allow that the trucks or equipment are stored at its premises until it can be moved to the customer). If the truck or equipment is transferred at the customer's premises but the customer does not accept the equipment, no revenue is recognised and the equipment is instead considered to be stored at the customer's premises. The revenue for each unit of equipment sold is specified in the relevant sales contract.

Note 4, Significant accounting policies, cont.

Aftermarket sales includes sales of spare parts, service (maintenance and repairs) and other aftermarket service (e.g. extended warranties). As for parts sales, control transfers to the customer upon delivery, i.e. when the part has been transferred to and accepted by the customer. As for service sales, control transfers when Ferronordic incurs the associated cost to deliver the service and the customer can benefit from the use thereof. As most services rendered are short-term repairs, this typically occurs when the rendered services are completed. Sales of extended warranty contracts is recognised evenly during the contract period. The revenue for each transaction of parts or service sales is specified in the relevant contract or in the individual specification signed by the customer.

In contracting services control transfers to the customer when the customer can benefit from the use of the rendered service, i.e. when the transported material (e.g. earth or rock) has been physically delivered to and accepted by the customer. Revenue is measured as the volume of contracted units that are delivered and confirmed by the customer, multiplied by the price per volume of unit agreed (e.g. cubic meter, distance moved or surface prepared).

Other revenue mainly consists of rental revenue.

The Group does not have significant contract assets from contracts with customers. Information on receivables from contracts with customers is presented in Note 15, *Trade and other receivables*. Information on contract liabilities from contracts with customers is presented in Note 21, *Trade and other payables*.

Disaggregation of revenue is presented in Note 6, *Segment reporting and revenue*.

Finance income and costs

Finance income consists of interest income and dividends received. Interest income is recognised as it accrues, using the effective interest method.

Finance costs consist of interest expense on borrowings and leases. Borrowing costs directly attributable to the acquisition, construction or production of property, plant and equipment are capitalised to the cost of the asset. Other borrowing costs are recognised in profit or loss using the effective interest method.

Currency gains and losses are reported on a net basis, depending on the currency movements (net gain or net loss).

Income taxes

Income tax consists of current and deferred tax and is recognised in profit or loss (unless the tax relates to a business combination or items recognised directly in equity or other comprehensive income).

Current tax is the expected tax payable on the taxable result for the period, using applicable tax rates, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is based on the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and deferred tax liabilities are only offset if the Group has a right to offset current tax assets and tax liabilities and the tax assets and tax liabilities relate to income taxes levied by the same tax authority on the same legal entity.

In Germany, Kazakhstan and Russia (Ferronordic's Russiain business was divested at the end of 2022), the tax losses and current tax assets of one Group Company cannot be offset against taxable profits and current tax liabilities of other Group Companies.

Unused tax losses, tax credits and deductible temporary differences are recognised as deferred tax assets if it is probable that there will be taxable profits available in the future against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the relevant tax benefit will be realised.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale. The result of discontinued operations is presented as a single amount on the face of the profit and loss statement. An analysis of this amount is presented in a note. The net cash flows attributable to the operating, investing and financing activities of discontinued operations is presented in the statement of cash flows.

Standards and interpretations not yet adopted

There are no new or revised accounting standards or interpretations that have been published which are effective from 2023 and later that are considered to have a material impact on the Group's financial statements.

Information about the Parent Company

Parent Company accounting principles

The annual accounts of the Parent Company are prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities, as issued by the Swedish Financial Reporting Board. According to RFR 2, the Parent Company's annual accounts shall be prepared by applying all IFRS standards adopted by the EU insofar as this is possible under the Swedish Annual Accounts Act and with regard to the relationship between accounting and taxation. The stated accounting policies have been applied consistently for all periods presented.

Differences between the accounting policies applied for the Group and the Parent Company

The Parent Company's income statement and balance sheet are presented according to the structure following from the Swedish Annual Accounts Act.

For the Parent Company, holdings in subsidiaries are recognised at cost (less potential impairment losses). Expenses attributable to business combinations are included in the cost.

Note 4, Significant accounting policies, cont.

The Parent Company does not apply IFRS 9 *Financial Instruments*. However, parts of the principles in IFRS 9 are still applicable - such as principles regarding impairment, recognition/derecognition and the effective interest rate method for interest income and interest expenses.

In the Parent Company, financial fixed assets are valued at acquisition cost less any impairment and financial current assets according to the lower of acquisition cost and fair value less cost to sell. IFRS 9's impairment rules are applied to financial assets that are reported at amortised cost.

The Parent Company classifies all leases as operating leases.

Shareholders´ contributions are recognised in the Parent Company's balance sheet as an increase of the carrying value in the shares.

NOTE 5 » Determination of fair value

To measure the fair value of an item, the Group uses market observable data as far as possible. Fair values are categorised into different levels as follows:

- **Level 1**: quoted prices (unadjusted) in active markets for identical items
- **Level 2**: other observable inputs, either directly (i.e. prices) or indirectly (i.e. derived from prices)
- **Level 3**: other inputs that are not based on observable market data (unobservable inputs)

If the fair value measurement can be categorised at different levels, the measurement is categorised entirely at the lowest level that is used for the measurement. Changes in levels are recognised at the end of the period when the changes occurred.

Fair values of borrowings and finance leases are calculated based on the present value of future cash flows from principal and interest, discounted at the market rate of interest at the reporting date (level 2).

For leases, the market rate of interest is determined by reference to similar lease agreements.

The Group does not disclose the fair values of short-term receivables and payables since it reasonably can be assumed that the carrying amounts are the same as the fair values.

NOTE 6 » Segment reporting and revenue

a) Segment reporting and disaggregation of revenue:

The Group recognises two separate reportable segments: Germany and CIS (the Commonwealth of Independent States). 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 financial performance of the operating segments, has been identified as the Group Executive Management Team.

The segments are partly managed separately due to differences in markets, logistics, supply chains, products, customers and marketing strategies. For each segment, the Group's management reviews internal reports on at least a monthly basis. Germany comprises of sales of new and used trucks, aftermarket sales, rental, and other services in Germany. CIS comprises of sales of new and used construction and other equipment, aftermarket sales, rental, contracting services and other services in CIS and currently only in Kazakhstan. Group overhead costs, such as Group executive management costs, are allocated between the segments using principles set forth by the chief operating decision-maker (CODM). Information regarding the results of each segment is included in this report. The performance of each segment is mainly evaluated based on revenue, gross profit, 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.

Note 6, Segment reporting and revenue, cont.

SEK m	Germany 2022	Germany 2021	CIS 2022	CIS 2021	Reconciling Group costs 2022[2]	Reconciling Group costs 2021[2]	Total 2022	Total 2021
External revenue	**1,770**	**1,368**	**203**	**143**			**1,973**	**1,511**
Equipment and truck sales	1,194	909	151	103			1,345	1,012
Aftermarket sales	479	365	52	40			531	405
Other revenue	97	94	0	1			97	94
Gross profit	214	149	36	25			250	174
EBITDA	50	-5	19	16			69	12
Depreciation and amortisation	-71	-56	-4	-4			-74	-59
Operating profit	-21	-60	16	13			316	-48
Operating profit adjusted[1]	-21	-60	16	13			-5	-48
Group costs	-11	-10	0	0	-57	-54	-68	-64
Operating profit adjusted[1] after Group cost allocation[2]	-32	-71	16	13	-57	-54	-74	-112
Finance items							25	-20
Profit (loss) before tax							272	-131
Result for the period							**197**	**-109**

[1] In 2022, Group operating profit of SEK 316m include a compensation payment from Volvo CE of SEK 321m. In the adjusted operating profit, this extraordinary other income is removed to facilitate comparison over periods. For more information on the compensation payment from Volvo CE, please refer to Ferronordics Q3 2022 report. The profit before tax is derived from the operating profit before any adjustments, with consideration of Group costs and finance items.

[2] In prior periods, Group overhead costs have been allocated on the basis of the share of revenue and gross profit of the business segments in the Group. In 2022, that basis of allocation is maintained for continuity and comparison. This is partly to improve comparability with previous periods, but also to illustrate what share of Group overhead costs were allocated to the discontinued business. In the table above, the costs previously allocated to the discontinued business is under the heading Reconciling Group costs. Starting from Q1 2023, Ferronordic plans to show the Group overheads separate, which also means that no overhead Group costs will fall directly on the business segments.

SEK m	Germany 2022	Germany 2021	CIS 2022	CIS 2021	Intersegment 2022	Intersegment 2021	Total 2022	Total 2021
Deferred tax assets	77	44	2	61	0	0	78	105
Intersegment contributions and loans	0	0	466	134	-466	-134	0	0
Other non-current assets*	636	441	10	645	0	0	645	1,087
Total assets	**1,398**	**895**	**2,284**	**3,213**	**-465**	**-134**	**3,217**	**3,973**
Additions to non-current assets*	219	319	6	466			225	784

* Except for financial instruments and deferred tax assets.

Note 6, Segment reporting and revenue, cont.

Revenue by country

SEK m	2022	2021
Germany	1,770	1,368
Kazakhstan	203	143
Total	**1,973**	**1,511**

Other non-current assets by country

SEK m	2022	2021
Germany	636	441
Kazakhstan	8	8
Russia	2	637
Total	**645**	**1,087**

In Germany, trucks and equipment sales include sales of new Volvo Trucks 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 and sales of passenger cars.

In CIS, equipment and trucks sales include sales of new and used construction equipment, used trucks, attachments and diesel generators. Aftermarket sales include sales of service and parts. Contracting services include only revenue from contracting services operations. Other revenue consists mainly of rental revenue.

Number of units	Germany 2022	Germany 2021	CIS 2022	CIS 2021	Total 2022	Total 2021
New units	992	800	60	54	1,052	854
Used units	211	241	24	6	235	247
Total units	**1,203**	**1,041**	**84**	**60**	**1,287**	**1,101**

No customer represented more than 3% of the revenue in 2022 (7% in 2021).

NOTE 7 » Selling, general and administrative expenses

Selling expenses

GROUP

SEK m	2022	2021
Personnel expenses	127	90
Depreciation	3	2
Other selling expenses	10	8
	140	**100**

General and administrative expenses

GROUP

SEK m	2022	2021
Personnel expenses	134	119
Depreciation and amortisation	12	14
Rent	3	8
Other general and administrative expenses	45	41
	194	**181**

PARENT COMPANY

SEK m	2022	2021
Personnel expenses	44	23
Other general and administrative expenses	12	16
	57	**39**

NOTE 8 » Other income and expenses

Other income

GROUP

SEK m	2022	2021
Other income	337	6
	337	**6**

Other income in 2022 included compensation from Volvo CE for termination of the Group's dealership in Russia in the amount of SEK 321m.

Other expenses

GROUP

SEK m	2022	2021
Impairment of trade receivables	1	8
Sundry expenses	5	1
	6	**9**

In the Parent Company other income in 2022 included compensation from Volvo CE for termination of dealership in Russia in the amount of SEK 321m and management fees charged from subsidiaries.

Other expenses in 2022 in the Parent Company included losses related to divestment in Russia in the amount of SEK 28m.

NOTE 9 » Finance income and finance costs

GROUP

SEK m	2022	2021
Interest income on bank deposits	2	2
Finance income	**2**	**2**
Interest expense on lease obligation	-2	0
Interest expense on bank loans	-12	-14
Other finance costs	-5	-3
Finance costs	**-19**	**-17**
Net finance income/(costs) net	**-17**	**-15**

No interest income or interest expenses relate to financial instruments measured at fair value through profit or loss.

PARENT COMPANY

SEK m	2022	2021
Interest income on loans to subsidiary	11	3
Dividends from subsidiary	107	429
Result from sale of subsidiary (note 32)	1,193	0
Interest income on bank deposits	2	0
Finance income	**1,313**	**433**
Interest cost on loans from subsidiary	-25	-2
Other finance costs	-1	0
Interest costs	**-26**	**-2**
Net finance income	**1,287**	**430**

NOTE 10 » Income taxes

The Parent Company is a tax resident of Sweden where the applicable tax rate for 2022 was 20.6% (20.6% in 2021).

The other Group Companies that were operational in the presented periods are tax residents of Germany and Kazakhstan, where the applicable tax rates for 2022 were 30% and 20% respectively (same as in 2021). In Russia, the applicable tax rate for 2022 was 20% (20). Ferronordic divested its Russian business at the end of 2022.

Income tax is calculated separately for each Group entity by multiplying the applicable tax rate with the taxable results for the period. The average tax rate of the Group in 2022 was 27.6% (16.8%).

SEK m	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
Current tax expense	-85	-3	-43	-
Deferred tax benefit / (expense)	10	25	-20	-
Total income tax	**-75**	**22**	**-63**	**-**

Reconciliation of effective tax rate:

GROUP

SEK m	2022	%	2021	%
Result for the year	197		-109	
Total income tax	-75		22	
Result before tax	272	100	-131	100
Income tax at applicable tax rate	-48	-17.5	27	-20.3
Revaluation of tax loss carryforwards	-	-	-	-
Other items	-28	-10.1	-5	3.5
	-75	**-27.6**	**22**	**-16.8**

The Group recognised as an income tax expense and tax liability a possible payment of tax on goodwill recognised in acquisitions in Germany in 2020-2021 in the amount of SEK 20m. In the tax reconciliation it is included in other items.

PARENT COMPANY

SEK m	2022	%	2021	%
Result for the year	1,544		427	
Total income tax	-63		-	
Result before tax	1,607	100	427	100
Income tax at applicable tax rate	-331	-20.6	-88	-20.6
Dividends from subsidiary (non-taxable)	22	1.4	88	20.7
Result from sale of subsidiary	246	15.4	0	0.0
Non-recognised tax-loss carryforwards	-0	-0.1	-0	-0.1
Other items	0	0	0	0.0
	-63	**-3.9**	**0**	**0.0**

NOTE 11 » Property, plant and equipment

GROUP

SEK m	Land	Buildings	Machinery and equipment	Contracting services machines	Rental machines	Office equipment	Cars	Under construction	Right of use assets related to facilities rent	Total
Cost										
Balance 1 January 2022	54	148	91	527	280	17	182	4	200	1,504
Additions	11	68	3	0	103	2	22	0	16	224
Transfers from inventory	0	0	0	0	0	0	0	0	0	0
Acquisition of business	0	0	0	0	0	0	0	0	0	0
Disposals	0	-2	-3	0	0	-2	0	0	-24	-31
Transfers to inventory	0	0	0	-66	-39	0	0	0	0	-105
Transfers	0	5	-2	0	0	0	8	-3	-8	0
Disposed of in a sale of subsidiary	-15	-87	-72	-571	-24	-14	-198	0	-140	-1,122
Translation difference	7	25	16	109	37	3	38	0	35	270
Balance 31 December 2022	57	157	33	0	356	7	52	1	78	740
Depreciation and impairment losses										
Balance 1 January 2022	8	35	50	152	71	11	82	0	88	498
Depreciation	0	15	2	133	55	0	24	0	40	270
Disposals	0	0	0	0	0	0	0	0	-24	-24
Transfers to inventory	0	0	0	-45	-27	0	0	0	0	-72
Transfers	0	0	0	0	0	0	5	0	-5	0
Disposed of in a sale of subsidiary	-9	-52	-51	-274	-19	-12	-100	0	-85	-603
Translation difference	2	7	10	34	22	2	17	0	17	111
Balance 31 December 2022	0	6	11	0	102	2	28	0	31	180
Carrying amounts										
1 January 2022	46	113	41	375	209	6	101	4	112	1,006
31 December 2022	57	151	22	0	254	5	23	1	47	560

Note 11, Property, plant and equipment, cont.

SEK m	Land	Buildings	Machinery and equipment	Contracting services machines	Rental machines	Office equipment	Cars	Under con-struction	Right of use assets related to facilities rent	Total
Cost										
Balance 1 January 2021	26	93	67	236	134	16	123	6	116	818
Additions	16	15	14	0	91	3	63	5	73	279
Transfers from inventory	0	0	0	302	70	0	0	0	0	372
Acquisition of business	7	28	8	0	16	0	0	0	0	59
Disposals	-3	0	-4	0	-29	-1	-17	0	0	-54
Transfers to inventory	0	0	0	-101	-17	0	0	0	0	-118
Transfers	0	2	0	0	0	0	0	-2	0	0
Translation difference	7	11	6	90	16	-1	13	-5	11	148
Balance 31 December 2021	54	148	91	527	280	17	182	4	200	1,504
Depreciation and impairment losses										
Balance 1 January 2021	2	23	41	90	28	9	60	5	54	312
Depreciation	0	10	11	80	55	2	28	0	29	215
Disposals	0	0	-3	0	-6	-1	-12	-5	0	-29
Transfers to inventory	0	0	0	-75	-18	0	0	0	0	-93
Translation difference	6	3	2	58	12	1	6	0	6	93
Balance 31 December 2021	8	35	50	152	71	11	82	0	88	498
Carrying amounts										
1 January 2021	25	70	27	146	105	7	63	1	62	507
31 December 2021	46	113	41	375	209	6	101	4	112	1,006

Additions of machines in contracting services in CIS are reflected in investment activities as outflows when payment for the machines is made to the supplier. These machines were initially purchased as inventory for equipment sales but then transferred from inventories to property, plant, and equipment.

Depreciation was allocated as follows:
- Cost of sales: SEK 59m (SEK 44m)
- Selling expenses: SEK 3m (SEK 2m)
- General and administrative expenses: SEK 12m (SEK 14m)
- Discontinued operations: SEK 196m (SEK 156m)

Note 11, Property, plant and equipment, cont.

Right of use assets:

SEK m	Machines and trucks in rental	Contracting services machines	Cars	Right of use assets related to facilities rent	Total
Cost					
Balance 1 January 2022	0	39	68	200	**307**
Additions	0	0	17	15	**32**
Disposals	0	0	0	-24	**-24**
Buy-out from lease	0	-46	-44	0	**-90**
Reclassification	0	0	8	-8	**0**
Disposed of in a sale of subsidiary	0	0	-36	-137	**-173**
Translation difference	0	7	14	32	**53**
Balance 31 December 2022	0	0	25	78	**104**
Depreciation and impairment losses					
Balance 1 January 2022	0	26	23	88	**138**
Depreciation	0	8	15	40	**63**
Disposals	0	0	0	-24	**-24**
Buy-out from lease	0	-38	-27	0	**-66**
Reclassification	0	0	5	-5	**0**
Disposed of in a sale of subsidiary	0	0	-11	-83	**-95**
Translation difference	0	5	5	15	**25**
Balance 31 December 2022	0	0	10	31	**41**
Carrying amounts					
1 January 2022	0	13	44	112	**169**
31 December 2022	0	0	16	47	**3**

SEK m	Machines and trucks in rental	Contracting services machines	Cars	Right of use assets related to facilities rent	Total
Cost					
Balance 1 January 2021	0	70	51	116	**237**
Additions	0	0	34	73	**108**
Disposals	0	0	0	0	**0**
Buy-out from lease	0	-40	-14	0	**-54**
Translation difference	0	8	-4	11	**16**
Balance 31 December 2021	0	39	68	200	**307**
Depreciation and impairment losses					
Balance 1 January 2021	0	28	18	54	**100**
Depreciation	0	20	14	29	**62**
Disposals	0	0	0	0	**0**
Buy-out from lease	0	-25	-6	0	**-31**
Translation difference	0	3	-2	6	**7**
Balance 31 December 2021	0	26	23	88	**138**
Carrying amounts					
1 January 2021	0	42	33	62	**138**
31 December 2021	0	13	44	112	**169**

Note 11, Property, plant and equipment, cont.

PARENT COMPANY

SEK m	Office equipment
Cost	
Balance 1 January 2022	0
Balance 31 December 2022	0
Depreciation and impairment losses	
Balance 1 January 2022	0
Depreciation	-
Balance 31 December 2022	0
Carrying amounts	
Balance 31 December 2022	0

SEK m	Office equipment
Cost	
Balance 1 January 2021	0
Balance 31 December 2021	0
Depreciation and impairment losses	
Balance 1 January 2021	0
Depreciation	-
Balance 31 December 2021	0
Carrying amounts	
Balance 31 December 2021	0

NOTE 12 » Intangible assets

GROUP

SEK m	Software and software licenses	Goodwill	Total
Cost			
Balance 1 January 2022	9	77	**87**
Acquisitions – separately acquired	1	-	**1**
Disposals	-4	-	**-4**
Disposed in a sale of subsidiary	-5	-	**-5**
Translation difference	1	7	**8**
Balance 31 December 2022	3	84	**87**
Amortisation			
Balance 1 January 2022	6	-	**6**
Amortisation	2	-	**2**
Disposals	-3	-	**-3**
Disposed in a sale of subsidiary	-3		**-3**
Translation difference	0	-	**0**
Balance 31 December 2022	1	-	**1**
Carrying amounts			
31 December 2022	2	84	**85**

SEK m	Software and software licenses	Goodwill	Total
Cost			
Balance 1 January 2021	9	3	**12**
Acquisitions – separately acquired	1	-	**1**
Business acquisition	-	73	**73**
Disposals	-4	-	**-4**
Translation difference	3	1	**5**
Balance 31 December 2021	9	77	**87**
Amortisation			
Balance 1 January 2021	3	-	**4**
Amortisation	3	-	**3**
Disposals	-1	-	**-1**
Translation difference	0	-	**0**
Balance 31 December 2021	6	-	**6**
Carrying amounts			
31 December 2021	4	77	**81**

Amortisation of SEK 0m (SEK 0m) was recognised as general and administrative expenses and SEK 2m (SEK 2m) in discontinued operations.

At the end of 2022, Ferronordic conducted an impairment test on the German business unit, to which goodwill of SEK 84m is allocated. The test was based on value in use and 2023-2027 discounted cash flows (DCF), which in turn are based on budget and forecasts approved by management. Long-term growth rate after forecast period is 3% (2%). Discount rate before tax is 10% (7%). Important variables in the impairment test are sales and EBIT. Assumptions are based on historic outcome and assumed market growth. Based on these tests, the Group concluded not to impair any goodwill in 2022 (same as in 2021).

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Note 12, Intangible assets, cont.

PARENT COMPANY

SEK m	Software and software licenses
Balance 1 January 2022	1
Acquisitions	-
Balance 31 December 2022	1
Amortisation	
Balance 1 January 2022	0
Amortisation	0
Balance 31 December 2022	0
Carrying amounts	
31 December 2022	1

SEK m	Software and software licenses
Balance 1 January 2021	1
Acquisitions	-
Balance 31 December 2021	1
Amortisation	
Balance 1 January 2021	0
Amortisation	0
Balance 31 December 2021	0
Carrying amounts	
31 December 2021	1

NOTE 13 » Deferred tax assets and liabilities

(a) Deferred tax assets and tax liabilities:

GROUP

	31 December 2022			31 December 2021		
SEK m	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, plant and equipment	**-**	**-1**	**-1**	**-**	**-7**	**-7**
Intangible assets	-	-	-	-	0	0
Inventories	-	-	-	11	-	11
Trade and other receivables	-	-	-	-	-4	-4
Prepayments	-	-	-	3	-	3
Provisions	-	-	-	8	-	8
Deferred income	-	-	-	4	-	4
Trade and other payables	-	-	-	14	-	14
Tax loss carryforwards	78	-	78	69	-	69
Tax assets/ (liabilities)	78	-1	77	109	-11	98
Set off of tax	0	-0	-	-4	4	-
Net tax assets/(liabilities)	**78**	**-1**	**77**	**105**	**-7**	**98**

Note 13, Deferred tax assets and liabilities, cont.

PARENT COMPANY

	31 December 2022			31 December 2021		
SEK m	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Tax loss carryforwards	20	-	20	20	-	20
Net tax assets/(liabilities)	**20**	**-**	**20**	**20**	**-**	**20**

b) Changes in deferred tax:

GROUP

SEK m	1 January 2022	Recognised in profit or loss	Disposed of in sale of subsidiary	Effect of movement in exchange rates	31 December 2022
Property, plant and equipment	-7	-1	7	-1	-1
Intangible assets	0	0	0	0	0
Trade and other receivables	-4	26	-23	0	0
Inventories	11	-2	-11	2	0
Prepayments	3	-3	-1	1	0
Trade and other payables	14	-5	-12	3	0
Provisions	8	2	-11	2	0
Deferred income	4	-2	-2	1	0
Tax loss carryforwards	69	27	-22	4	78
Net tax assets/(liabilities)	**98**	**43**	**-75**	**11**	**77**
of which from discontinued operations	36	33	-75	6	0

PARENT COMPANY

SEK m	1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movement in exchange rates	31 December 2022
Tax loss carryforwards	20	-20	-	-	-
Net tax assets/(liabilities)	**20**	**-20**	**-**	**-**	**-**

Note 13, Deferred tax assets and liabilities, cont.

GROUP

SEK m	1 January 2021	Recognised in profit or loss	Effect of movement in exchange rates	31 December 2021
Property, plant, and equipment	4	-8	-3	-7
Intangible assets	0	0	0	0
Inventories	0	11	0	11
Trade and other receivables	-1	-4	1	-4
Prepayments	0	1	2	3
Trade and other payables	11	5	-1	14
Provisions	0	5	3	8
Deferred income	3	0	1	4
Tax loss carryforwards	43	25	1	69
Net tax assets/(liabilities)	**59**	**35**	**3**	**98**

PARENT COMPANY

SEK m	1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movement in exchange rates	31 December 2021
Tax loss carryforwards	20	-	-	-	20
Net tax assets/(liabilities)	**20**	**-**	**-**	**-**	**20**

NOTE 14 Inventories

SEK m	Group 31 December 2022	Group 31 December 2021	Parent Company 31 December 2022	Parent Company 31 December 2021
Raw materials and consumables	1	7	-	-
Work in progress	0	28	-	-
Goods for resale	459	1,398	-	-
	460	**1,432**	**-**	**-**

Inventories of SEK 1,526m (SEK 1,183m) were sold during the year and recognised as cost of sales. Write-down of inventories to net realisable value of SEK 0m (SEK 0m) was recognised as cost of sales.

NOTE 15 Trade and other receivables

SEK m	Group 31 December 2022	Group 31 December 2021	Parent Company 31 December 2022	Parent Company 31 December 2021
Trade receivables	312	365	-	-
Trade receivables due from subsidiaries	-	-	61	62
VAT receivable	5	20	1	0
Warranty claims	1	26	-	-
Prepaid income tax	0	29	-	-
Other receivables	26	94	15	1
	344	**535**	**77**	**63**

Credit risks, currency risks and losses related to trade and other receivables are presented in Note 22, *Financial instruments and risk management.*

NOTE 16 Cash and cash equivalents

SEK m	Group 31 December 2022	Group 31 December 2021	Parent Company 31 December 2022	Parent Company 31 December 2021
Bank balances	1,680	471	1,543	241
Call deposits	8	297	0	0
Cash and cash equivalents	**1,688**	**768**	**1,543**	**241**

Interest risk, currency risk and a sensitivity analysis for financial assets and liabilities are presented in Note 22, *Financial instruments and risk management.*

NOTE 17 » Capital and reserves

a) Share capital and additional paid-in capital

	Shares	
Number of shares	**2022**	**2021**
In issue 1 January	14,532,434	14,532,434
Issue of ordinary shares	-	-
Conversion of preference shares	-	-
Redemption of preference shares	-	-
In issue 31 December, fully paid	14,532,434	14,532,434
Par value per share, SEK	**0.089**	**0.089**

Each share carries one vote.

b) Translation reserve

The translation reserve comprises foreign currency differences arising out of the translation of financial information of foreign operations from functional currency to presentation currency.

c) Dividends

At the general meeting on 12 May 2022, it was decided that no dividend was to be paid on the Company's shares.

SEK m	**2022**	**2021**
Dividends paid on shares	0	109

Proposed allocation of profit

SEK 2,056,515,744 is available for distribution by the AGM. The Board proposes that this amount be allocated as follows:

SEK	
Dividend on shares	108,993,255
Amount carried forward	1,947,522,489
of which to the share premium reserve	530,809,445
Total amount allocated	**2,056,515,744**

The Board recommends AGM that the dividend of 7.5 SEK per share be paid.

d) Share based incentive program

At Ferronordic's extraordinary general meeting on December 15, 2022, the shareholders decided to approve an incentive program for members of the Group's management and extended management teams. The program is intended to create long-term incentives and align the interests of management and shareholders. The duration of the program is three years. The program involves the issue of a maximum of 1,178,000 warrants, or 7.5% of the Company's outstanding number of shares, distributed among 19 people, who make up the top management of the Company and its subsidiaries. Each warrant entitles the participant to subscribe for a share in the Company no earlier than three years after the issue of the warrant. The warrants vests proportionally over 3 years. The company reserves the right to take back unvested warrants. The warrants are acquired at fair value as assessed by an external and independent financial advisor and based on the Black-Scholes option pricing model. Subscription of shares would be executed by cash payment to the Company with an exercise price corresponding to SEK 65. In the event of full allocation and subsequent subscription of warrants, the Company's equity would increase by approximately SEK 76,570,000.

Background and previous incentive programs

In 2020, the Board proposed to introduce a long-term incentive program for Ferronordic's management and certain other senior executives. The program was designed to run over a three-year horizon and to be repeated three years in three installments, where each year's program would require separate approval by the annual general meeting. The maximum potential dilution for the Company's shareholders throughout the program would be approx. 2.5% per annum and no more than 7.5% in total. Each warrant would give the participant the right to subscribe for a share in the Company no earlier than three years after the issue of the warrant. According to the program, the participants would receive a cash compensation from the group which, after tax, would cover 80% of the cost of acquiring the warrants under the program. The remaining 20% of the cost to acquire the warrants would be borne by the participants themselves. The warrants would be acquired at fair value as assessed by an external and independent financial advisor and based on the Black-Scholes option pricing model. Subscription of shares would take place against cash payment to the Company at the redemption price. Participation in the program and subsequent subscription of shares requires that a participant remains employed by the Company or its subsidiaries. Should a participant terminate their employment before the end of the program, the Company reserves the right to buy back 20% of the participant's warrants at original cost.

The extraordinary general meeting on November 5, 2020 approved the first round of the long-term incentive program. On November 30, 2020, the Company issued 332,000 warrants with a subscription price of SEK 206 to 24 management participants. In case of full participation in the program and subsequent subscription, the Company's equity would increase by approximately SEK 71 million.

The annual general meeting on 12 May 2021 approved the second round of the long-term incentive program. On May 28, 2021, the Company issued 364,500 warrants with a subscription price of SEK 344 to 27 management participants. In case of full program retention and subsequent subscription, the Company's equity would increase by approximately SEK 130 million.

The 2022 program can be viewed as a continuation of the incentive program launched in 2020. The 2020 and 2021 programs remain active, but as a result of the sharp stock price decline in 2022, the 2020 and 2021 programs lost most of their value and effectiveness as incentive mechanisms.

NOTE 18 » Borrowings

a) Short-term borrowings

GROUP

SEK m	31 December 2022 Outstanding balance	31 December 2022 Credit facility limit	31 December 2021 Outstanding balance	31 December 2021 Credit facility limit
Current liabilities				
Unsecured short-term borrowings	274	870	317	870
	274	**870**	**317**	**870**

PARENT COMPANY

SEK m	31 December 2022	31 December 2021
Loan from subsidiary	-	-
	-	**-**

b) Long-term borrowings

GROUP

SEK m	31 December 2022 Outstanding balance	31 December 2022 Credit facility limit	31 December 2021 Outstanding balance	31 December 2021 Credit facility limit
Non-current liabilities				
Unsecured long-term borrowings	393	393	490	490
	393	**393**	**490**	**490**

PARENT COMPANY

SEK m	31 December 2022	31 December 2021
Loan Nordea	-	31
	-	**31**

Interest-bearing liabilities include liabilities in the German operations amounting to SEK 163m (87) that were transferred from payables to borrowings in 2022, mainly to Volvo Financial Services. The liabilities mature when the trucks to which the payables are related to are sold, but not later than 2023 (one and a half year after inception). As such transfers were non-cash, they are not reflected in cash flows.

In 2022, the Group used borrowings from Volvo Financial Services in the German operations to finance machines in rental fleet. In these transactions the Group transfers title for the machines to Volvo Financial Services and gets financing in return. The outstanding amount of such borrowings at the end of 2021 was SEK 56m (68). In the consolidated statement of cash flows, the financing received in these transactions was shown as increase in borrowings. The maturity years for the current contracts are 2022-2024.

In 2022, the Group recognised its liabilities in buy-back operations in Germany as financial liabilities. The outstanding amount of such liabilities at the end of 2022 was SEK 29m (zero in 2021).

At the end of 2022, the Group also had several outstanding credit and lease obligations with different years of maturity in Germany, which in total amounted to SEK 87m (SEK 49m in 2021).

On 30 April 2021, it was announced that Ferronordic and Nordea Bank had agreed on a credit facility, consisting of a EUR 40m revolving credit facility and a EUR 30m term loan. The facility is running for three years. The purpose of the facility is partly to finance the Group's working capital, and partly to finance the group's continued investments in Germany. The facility were also used to refinance the loan that was drawn from Nordea Bank in connection with Ferronordic's establishment in Germany in December 2019.

The outstanding amount of the loan as at the end of 2022 was SEK 335m (336), in 2021 there was also the outstanding amount SEK 31m drawn by the Parent Company.

The remaining balance at the end of 2021 of SEK 236m related to the Russian subsidiaries which were sold at the end of 2022.

The interest rate on the Group's loans and borrowings in 2022 varied between 1-6% in the German operations.

Note 18, Borrowings, cont.

c) Lease liabilities
The weighted-average rate applied for discounting lease payments when measuring lease liabilities was 3.0% (6.2%).

The repayment of lease liabilities is reflected in the consolidated statement of cash flows as leasing financing paid.

Future minimum lease payments (where Group is a lessee):

GROUP

SEK m	31 December 2022 Future minimum lease payments	Interest	Present value of minimum lease payments	31 December 2021 Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	22	-1	21	73	-11	62
Between one and five years	43	0	43	97	-10	87
More than five years	0	0	0	12	-2	10
	65	**-1**	**64**	**182**	**-23**	**159**

d) Reconciliation of movements of liabilities to cash flows from financing activities

GROUP

SEK m	Liabilities: Lease liabilities	Liabilities: Borrowings	Total
Balance 1 January 2022	159	808	966
Changes in cash flows from financing activities			
Proceeds from borrowings	0	403	403
Repayment of loans	0	-170	-170
Leasing financing paid	-65	0	-65
Total	**-65**	**233**	**168**
Other changes related to equity			
Effect of changes in foreign exchange rates	22	56	78
Total	22	56	78
Other changes related to liabilities			
New leases	32	0	32
Reclassification from payables	0	65	65
Buyback liabilities	0	27	27
Disposed in a sale of subsidiary	-84	-521	-605
Total	-53	-429	-481
Balance 31 December 2022	64	667	731

GROUP

SEK m	Liabilities: Lease liabilities	Liabilities: Borrowings	Total
Balance 1 January 2021	148	435	583
Changes in cash flows from financing activities			
Proceeds from borrowings	0	371	371
Repayment of loans	0	-118	-118
Leasing financing paid	-81	0	-81
Total	-81	253	172
Other changes related to equity			
Effect of changes in foreign exchange rates	-16	18	1
Total	-16	18	1
Other changes related to liabilities			
New leases	108	0	108
Reclassification from payables	0	87	87
Business acquisition	0	14	14
Disposals	0	0	0
Total	108	101	209
Balance 31 December 2021	159	808	966

NOTE 19 » Deferred income

SEK m	Group 31 December 2022	Group 31 December 2021	Parent Company 31 December 2022	Parent Company 31 December 2021
Deferred income short-term due to lease back and buy back transactions	16	12	-	-
Deferred income short-term relating to service contracts	0	16	-	-
Total	**16**	**28**	**-**	**-**

SEK m	Group 31 December 2022	Group 31 December 2021	Parent Company 31 December 2022	Parent Company 31 December 2021
Deferred income long-term due to lease back and buy back transactions	22	22	-	-
Total	**22**	**22**	**-**	**-**

NOTE 20 » Provisions

GROUP

SEK m	Warranties	Other	Total
Balance 1 January 2022	27	12	39
Provisions made	27	10	37
Provisions used	-26	0	-26
Disposed of in sale of subsidiary	-32	-25	-57
Translation difference	5	3	8
Balance 31 December 2022	**1**	**0**	**1**
Non-current provisions	-	-	-
Current provisions	1	0	1
	1	**0**	**1**

GROUP

SEK m	Warranties	Other	Total
Balance 1 January 2021	12	13	26
Provisions made	33	11	45
Business acquisition	-	4	4
Provisions used	-20	-18	-38
Translation difference	2	1	2
Balance 31 December 2021	**27**	**12**	**39**
Non-current provisions	-	-	-
Current provisions	27	12	39
	27	**12**	**39**

Warranties on new machines and components
The Group's suppliers provide warranties on new machines and new components, which the Group extends to its customers. The suppliers also offer extended warranties for an additional charge, which the Group offers its customers, also for an additional charge. The suppliers compensate the Group for costs related to the warranties at pre-agreed rates and amounts.

Both the gross provision amount of the standard warranties and the receivables from the suppliers are recognised. Provisions for standard warranties are recognised when the products that the warranties relate to are being sold. Warranty provisions are based on historical data. Amounts of expected reimbursement as of 31 December 2022 and 31 December 2021 respectively, are disclosed in Note 15, *Trade and other receivables.*

NOTE 21 » Trade and other payables

SEK m	Group 31 December 2022	Group 31 December 2021	Parent Company 31 December 2022	Parent Company 31 December 2021
Trade payables	451	1,416	-	103
Advances from customers	29	149	-	-
Other payables and accrued expenses	43	176	43	11
Payables to subsidiaries	-	-	-	-
Income tax payable	41	1	41	-
Other taxes payable	8	68	4	1
	573	**1,809**	**89**	**115**

The Parent Company's trade payables related to machines from Mecalac and machines and spare parts from Sandvik purchased by the Parent Company and resold to its subsidiaries.

Currency and liquidity risks related to trade and other payables are disclosed in Note 22, *Financial instruments and risk management.*

NOTE 22 » Financial instruments and risk management

The Group is exposed to various types of credit risk, liquidity risk and market risk. The Group has established policies and procedures to identify, analyse and minimise these risks, as well as to establish appropriate limits and control mechanisms to monitor that these are adhered to. Employees are trained to understand the risks at hand and the requirements of applicable policies and procedures. Policies and procedures are reviewed regularly and amended to reflect changed market conditions or changes in the business.

The purpose of the Group's policies and procedures is to develop a control environment where employees understand their roles and obligations. The Board also oversees how management monitors compliance with the Group's policies and procedures and reviews the adequacy of the risk management framework in relation to relevant risks.

The Group's internal auditor evaluates the Group's risks, monitors that established policies and procedures are complied with and suggests how the Group's control environment can be improved. The internal auditor reports to the Board's audit committee.

Credit risk

General

The Group to a certain extent sells products and services on credit and is thus exposed to certain credit risk. The risk is influenced mainly by the characteristics of the individual customers, but management also considers the demographics of the Group's customer base as a whole, such as general default risk in the customers' different industries.

At the end of 2022, the 20 largest trade receivables comprised 20% of the total trade receivables (at the end of 2021, the corresponding figure was 50%).

To minimise credit risk, the Group first and foremost strives to sell as much as possible without credit.

For machine sales, customers are usually financed by leasing companies that purchase the machines from the Group in cash. For aftermarket sales, the Group typically require payments in advance. However, there are cases where the Group itself offers credit to its customers, both for machine sales and sales of parts and services.

For machines, the Group can provide credit up to 12 months, but typically with a relatively large down-payment and always with retention right or pledge to the sold machines (in some cases, additional collateral can be requested, usually in the form of sureties from the customers' owners). To meet the customers' financing needs, the Group may also offer short-term rental agreements, also up to 12 months, where the Group retains ownership in the machine. Often the customer then purchases the machine from the Group at the expiry of the rental agreement.

For sales of spare parts and service, the Group typically does not require any collateral, but in some cases, personal sureties are requested.

Credit approvals

The Group has a structured process for approving credits and settling credit limits where all customers are screened and assessed individually by both the finance and the security department before any credit is approved.

The credit review typically includes external ratings (when available) and the use of credit databases. New credit and/or new limits are then referred to the regional management and/or to the Group's credit committee for approval, depending on the size of the credit and the recommendation of the finance and security departments.

Note 22, Financial instruments and risk management, cont.

i) Exposure to credit risk

GROUP

SEK m	Note	2022 Carrying amount	2021 Carrying amount
Trade receivables	15	312	365
Cash and cash equivalents	16	1,688	768
		2,001	**1,133**

Cash and cash equivalents are held with banks, which are rated AA-, A- (S&P) in Sweden, Germany and Austria, B (Fitch) in Kazakhstan and non-rated in Russia (the Russian business was divested at the end of 2022). Expected credit losses from cash and cash equivalents were on 31 December 2021 considered not material and were thus not accounted for.

The credit risk in the periods presented by geographical region is:

SEK m	Note	2022 Carrying amount	2021 Carrying amount
Germany		277	103
Kazakhstan		36	19
Russia		0	242
		312	**365**

ii) Impairment of receivables

Ageing of trade receivables

GROUP

SEK m	31 December 2022 Gross amount	Average loss rate, %	Impairment
Not past due	228	0.9	-2
Past due 0–30 days	34	0.0	0
Past due 31–120 days	41	0.0	0
Overdue above 120 days	15	20.0	-3
	318		**-5**

SEK m	31 december 2021 Gross amount	Average loss rate, %	Impairment
Not past due	176	0.0	0
Past due 0-30 days	114	0.9	-1
Past due 31-120 days	55	3.6	-2
Overdue above 120 days	42	45.2	-19
	387		**-22**

Movement in expected credit losses in respect of trade receivables

GROUP

SEK m	2022	2021
Balance 1 January	-22	-18
Net change during the year	-52	-10
Amounts written off against trade receivables	0	0
Disposed of in a sale of subsidiary	78	0
Translation differences	-9	6
Balance 31 December	**-5**	**-22**

Liquidity risk

The Group strives to maintain sufficient cash and cash equivalents to meet its operational needs and financial commitments.

The Group's treasury department monitors liquidity risk continuously and controls that financial liabilities are discharged on time, using a payment calendar tool. The treasury department performs annual, monthly and daily planning to control cash flows.

Note 22, Financial instruments and risk management, cont.

Maturities of financial liabilities (including estimated interest payments)

GROUP

SEK m	Carrying amount	Contractual cash flows	0–6 months	6–12 months	1–2 years	2–3 years	3–4 year	4–5 year	Over 5 years
	31 December 2022								
Lease liabilities	64	65	11	11	20	15	7	1	0
Borrowings	667	692	145	143	388	15	0	0	0
Trade and other payables	531	531	531	-	-	-	-	-	-
	1,263	1,288	688	154	408	30	7	1	0

GROUP

SEK m	Carrying amount	Contractual cash flows	0–6 months	6–12 months	1–2 years	2–3 years	3–4 year	4–5 year	Over 5 years
	31 December 2021								
Lease liabilities	159	182	48	25	41	31	18	7	12
Borrowings	808	872	190	162	227	292	0	0	0
Trade and other payables	1,141	1,141	1,141	-	-	-	-	-	-
	2,108	**2,196**	**1,380**	**187**	**269**	**324**	**18**	**7**	**12**

The cash flows presented are not expected to occur significantly earlier or in amounts that differ significantly.

The amount of cash and cash equivalents is disclosed in the credit risk section of this note and current available credit lines are disclosed in note 18, *Borrowings.*

Currency risk

While most of the Group's sales and purchases are made in EUR, KZT and USD, the Group is also exposed to currency risk on purchases and borrowings that are denominated in other currencies. These transactions primarily occur in GBP or SEK. With the sale of Russian operations at the end of 2022, the Group effectively has no material exposure to the RUB.

Interest on borrowings is denominated in the same currency as the borrowings. In respect of other financial assets and liabilities denominated in foreign currencies, the policy is to minimise net exposure and to keep residual net exposure at an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk related to change of rate of USD, EUR, SEK, GBP

GROUP

SEK m	USD 2022	USD 2021	EUR 2022	EUR 2021	SEK 2022	SEK 2021	GBP 2022	GBP 2021
Cash and cash equivalents	20	-	2	20	0	8	0	22
Trade and other payables	-131	-4	-9	-35	0	-2	0	-6
Net exposure	**-111**	**-4**	**-7**	**-15**	**0**	**5**	**0**	**15**

Note 22, Financial instruments and risk management, cont.

Applied exchange rates

IN SEK	Average rate 2022	Reporting date spot rate 2022	Average rate 2021	Reporting date spot rate 2021
EUR	10.93	11.13	10.14	10.23
KZT (per 100)	2.08	2.29	2.02	2.11
USD	10.12	10.44	8.58	9.04
RUB (per 100)	14.38	14.71	11.65	12.16

Sensitivity analysis
The Group is mainly exposed to movements in EUR, KZT, USD and GBP. Given the size of the exposure, the Group considers the main currency risk to be related to EUR in its Germany segment. Given the volatility of the currency, the Group also has exposure to the KZT.

A strengthening (weakening) of the EUR and KZT against other currencies would at 31 December 2022 have increased (decreased) profit or loss before taxes by the amounts shown below.

The analysis assumes that other variables, in particular interest rates, remain unchanged. The analysis was performed on the same basis as for 2021.

A strengthening (weakening) of the EUR by 20% against SEK would at 31 December 2022 have a meaningful effect on foreign currency translation difference for foreign operations in other comprehensive income.

A strengthening (weakening) of the KZT by 20% against SEK would at 31 December 2022 have no significant effect on foreign currency translation difference for foreign operations in other comprehensive income.

31 December 2022	Strengthening	Weakening
USD (20% movement)	22	-22
EUR (20% movement)	1	-1
GBP (20% movement)	0	0
SEK (20% movement)	0	0

31 December 2021	Strengthening	Weakening
USD (20% movement)	1	-1
EUR (20% movement)	3	-3
GBP (20% movement)	-3	3
SEK (20% movement)	-1	1

Interest rate risk
The Group seeks to borrow funds at variable interest rates and is therefore normally exposed to interest rate risk during the term of its credit facilities. Part of the Group's borrowings is based on a fixed interest rate.

Profile of interest-bearing financial instruments at the reporting date:
The Group has fixed rate borrowings and borrowings at rates calculated on the basis of the variable central bank key rate in the country of borrowing. These instruments are included in the table below.

GROUP

SEK m	31 December 2022	31 December 2021
Variable rate instruments		
Borrowings	-461	0
	-461	**0**

GROUP

SEK m	31 December 2022	31 December 2021
Fixed rate instruments		
Bank deposits	8	297
Borrowings	-207	-808
Lease liabilities	-64	-159
	-263	**-670**

Sensitivity analysis
Ferronordic is predominantly exposed to flexible rates. Ferronordic's fixed rates are also of relatively short duration, on average less than 3 years. A continued increase in interest rates will raise the interest costs for Ferronordic. A 1% increase in rates across Ferronordic's borrowings would raise interest costs for the Company by approx. 21%.

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial instruments at fair value through profit or loss. A change in interest rates at the reporting date would therefore not affect profit and loss or equity.

Carrying values and fair values
The carrying amounts of the Group's financial assets and liabilities as of 31 December 2022 approximate their fair values. As for variable rate instruments interest rate of the borrowings approximate market rate, for fixed rate instruments the difference between carrying amounts and fair values is not significant.

Note 22, Financial instruments and risk management, cont.

Capital management

Debt to capital ratio

GROUP

SEK m	31 December 2022	31 December 2021
Total liabilities	1,344	2,872
Cash and cash equivalents	-1,688	-768
Net debt	**-345**	**2,104**
Total equity	1,873	1,101
Debt to capital ratio	**-0.18**	**1.91**

The Group has no formal policy for capital management but seeks to maintain a sufficient capital base for meeting its operational and strategic needs, and to maintain the confidence of market participants. This is achieved by efficient cash management, constant monitoring of the Group's revenues and profit, and a long-term investment plan, mainly financed by the Group's operating cash flows.

Offsetting financial assets and liabilities

The Group may enter into sales and purchase agreements with the same counterparty in the normal course of business. The related amounts receivable and payable do not always meet the criteria for offsetting in the statement of financial position. This may be because the Group lacks a currently legally enforceable right to offset the recognised amounts or because the right to offset may be enforceable only on the occurrence of certain future events.

There was no such agreements at the end of 2022. Financial instruments subject to such agreements are presented in the table below.

Financial instruments subject to the above agreements

GROUP

SEK m	Trade and other receivables	Trade and other payables
31 December 2021		
Gross amounts	82	1,015
Net amounts presented in the statement of financial position	82	1,015
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria	-24	-24
Net amount	**58**	**991**

The net amounts presented above are recognised in the statement of financial position and form part of trade and other receivables and trade and other payables, respectively. Other amounts included in these line items do not meet the criteria for offsetting and are not subject to the agreements described above.

NOTE 23 » Leases

a) Leases as lessee
The following information is related to lease agreements for the Group where the Group is the lessee. The Group rents premises and facilities used for workshops, warehouses and offices. Right-of-use assets under IFRS 16 related to these rental contracts are presented in Note 11, *Property, plant and equipment*. Interest expenses on lease liabilities are disclosed in Note 9, *Financial expenses*. The future minimum lease payments are disclosed in Note 18, *Borrowings.*

The table below summarises expenses relating to short-term leases and expenses relating to variable lease payments not included in the measurement of lease liabilities.

GROUP

SEK m	2022	2021
Short-term lease of premises and facilities	4	2
Short-term lease of equipment	0	0
Variable lease payments	14	12
	18	**14**

The Group had no significant expenses relating to the lease of low value assets.

Cash outflow for leases during 2022 amounted to SEK 85m (SEK 229m), including short-term leases and expenses relating to variable lease payments. The amount for 2021 was recalculated correspondingly.

b) Leases as lessor
The Group to some extent makes short-term and long-term operating leases of equipment to customers. The rental income during 2022 from such arrangements amounted to SEK 81m (SEK 64m).

The table below shows maturity analysis of lease payments to be received after the reporting date (not discounted):

GROUP

SEK m	31 December 2022	31 December 2021
Less than one year	51	10
1-5 years	77	52
	128	**62**

NOTE 24 » Capital commitments

At the reporting date the Group had no significant capital commitments.

NOTE 25 » Contingencies

Taxation contingencies
Significant changes to the Kazakh tax system have taken place in recent years as previous legislation regarding important taxes (e.g. corporate income tax, transfer pricing, taxing at source and VAT) has been gradually replaced. The application of the legislation is, in many aspects, still unclear. The application of established tax rules, such as existing double-taxation treaties, is also subject to regular review. Furthermore, the Kazakh tax authorities can be unpredictable in their interpretation of tax legislation and their enforcement and collection of tax.

Technical violations of contradictory laws and edicts may lead to severe penalties. The tax authorities can interpret legislation to the disadvantage of the taxpayers, which thus are required to turn to the courts to defend their positions. Consequently, the Group's tax liability may come to significantly exceed the amounts which thus far have been booked, paid, or reported in the Group's financial statements. Additional tax liability, as well as unforeseen changes in Kazakh tax legislation, could have an adverse effect on the Group's business, result, and financial position.

NOTE 26 » Related party transactions

Control relationships
The Group's consolidated annual and interim financial statements are publicly available.

At the end of 2022, members of management and the Board controlled 24% of the shares and votes in the Parent Company (28% in 2021).

Transactions with other related parties

PARENT COMPANY

Revenue

SEK m	2022 Transaction value	2021 Transaction value
Services and other income:		
Subsidiaries	23	30
Interest accrued:		
Subsidiaries	11	3
Equipment sold		
Subsidiaries	71	211
Dividends received:		
Subsidiaries	107	429
	211	**673**

Expenses

SEK m	2022 Transaction value	2021 Transaction value
Interest expense:		
Subsidiaries	-25	-

Transactions with employees
Except for regular salary payments and similar, there were no transactions between the Group and its employees during the year.

Remuneration to management is included in personnel costs and presented in Note 29, *Employees, Board and Management.*

Outstanding balances

SEK m	31 December 2022	31 December 2021
Contributions to subsidiaries	35	175
Loans to subsidiaries	-	149
Short-term loans to subsidiaries	490	19
Trade and other receivables	61	43
	586	**386**

Services provided constitute compensation from subsidiaries to the Parent Company for the usage of the Ferronordic trademark and compensation for sureties provided by the Parent Company to secure the subsidiaries' obligations. The outstanding balance as of 31 December 2022 represents accrued royalties under an intra-group trademark license agreement.

Interest accrued relates to loans from the Parent Company to its subsidiary in Kazakhstan.

In 2022, equipment sold related to machines from Dressta, Rottne and Mecalac and machines and parts from Sandvik purchased by the Parent Company and sold to the subsidiaries in Russia that were divested at the end of 2022.

NOTE 27 » Events subsequent to the reporting date

On 6 March 2023, the Company announced that Martin Bauknecht would step down from the Group Executive Management Team: Mr Bauknecht will remain in his role as managing director for the German business, reporting directly to Lars Corneliusson, President and CEO of the Group.

On 6 April, the Company annoucned that Jonathan Tubb had decided to leave his appointment as Deputy Group CFO and Member of the Executive Management Team of Ferronordic to pursue other career opportunities. Jonathan will remain in his position until the last of April 2023.

Other than as stated above, nothing material has changed that the Group is aware of and that requires disclosure in the financial statements.

NOTE 28 » Interests in group companies

As of 31 December 2022, the Group consists of the following legal entities:

Subsidiary	Corporate identity number	Country of incorporation	2022 Ownership/ voting, %	2022 Carrying amount	2021 Ownership/ voting, %	2021 Carrying amount
Ferronordic AB	556748-7953	Sweden	Parent Company	-	Parent Company	-
Ferronordic Kazakhstan LLP		Kazakhstan	100	14	100	14
Ferronordic Torgoviy Dom Kazakhstan LLP		Kazakhstan	100	0	100	0
Ferronordic Germany Holding AB		Sweden	100	21	100	11
Ferronordic GmbH		Germany	100	26	100	26
Ferronordic Immobilien GmbH		Germany	100	1	100	1
Ferronordic Auto GmbH		Germany	100	10	100	27
Ferronordic Charter GmbH		Germany	100	1	100	11
Ferronordic Electric Trucks GmbH		Germany	100	0	-	-
Truck Center Krämer GmbH		Germany	100	3	100	3
Thomas Nutzfahrzeuge GmbH		Germany	100	1	100	1
Ferronordic Machines LLC		Russia	0	-	100	138
Ferronordic Machines Arkhangelsk LLC		Russia	0	-	100	13
Ferronordic Torgovaya Kompaniya LLC		Russia	0	-	100	0
Ferronordic Torgoviy Dom LLC		Russia	0	-	100	1
Ferronordic LLC		Russia	100	0	-	-
				77		**247**

NOTE 29 » Employees, board and management

a) Number of employees (average)

	2022	of which female, %	2021	of which female, %
Parent Company – Citizenship				
Sweden	6	17	6	28
Germany	0	0	1	100
Total in Parent Company	**6**	**17**	**7**	**38**
Subsidiaries – Citizenship				
Germany	330	17	252	20
Kazakhstan	14	43	32	25
Russia	19	21	5	0
Sweden	1	0	2	0
Other	61	13	26	10
Total in subsidiaries	**425**	**18**	**316**	**19**
Total Group	**430**	**18**	**323**	**20**

b) Breakdown between men and women in management

	Group Female representation		Parent Company Female representation	
	2022	**2021**	**2022**	**2021**
Board, %	33	33	17	17
Management, %	14	18	10	0

c) Personnel costs

	2022		2021	
SEK m	**Salaries and other remuneration**	**Social security expenses**	**Salaries and other remuneration**	**Social security expenses**
Parent Company	34	8	17	6
(of which pension costs)		1		1
Subsidiaries	271	38	226	39
(of which pension costs)		21	-	21
Total	**305**	**47**	**242**	**45**
of which pension costs		22	-	22

The personnel costs included in cost of sales in the subsidiaries amounted to SEK 96m (SEK 73m).

The Parent Company's personnel costs include remuneration to the members of the Board.

Note 29, Employees, board and management, cont.

The table below shows salaries and other remuneration (excluding pension costs) distributed between the Parent Company and its subsidiaries and between management and other employees.

The members of the Board in 2022 amounted to 6 (7) and management in the Parent Company and the Group to 4 (5) and 8 (9), respectively.

During 2022 and partly as a result of the Group's sale of its Russian business, the Group transferred some executives from Group subsidiaries to the Parent Company.

	2022		2021	
SEK m	**Board and management**	**Other employees**	**Board and management**	**Other employees**
Parent Company	**30**	**4**	**16**	**1**
(of which bonuses)	18	1	6	0
Subsidiaries	**19**	**252**	**33**	**193**
(of which bonuses)	0	35	14	47
Total	**49**	**256**	**49**	**194**
(of which bonuses)	19	36	19	47

d) Remuneration to the Board
Remuneration paid to the Board in 2022 was fixed and amounted to SEK 2.6m (2.4). At the AGM 2022, it was resolved that the remuneration to the Board should be paid in an amount of SEK 2.6m. Of this amount, SEK 800,000 should be paid to the chairman and SEK 400,000 to each of the other Board members, except for Lars Corneliusson, who is employed by the Group. No additional remuneration is paid for work on the board committees.

Remuneration to the Board (SEK)

Name	2022	2021
Staffan Jufors	800,000	766,667
Aurore Belfrage	400,000	233,333
Magnus Brännström	-	25,000
Annette Brodin-Rampe	400,000	383,333
Lars Corneliusson	-	-
Erik Eberhardson	166,666	358,333
Håkan Eriksson	400,000	383,333
Niklas Florén	400,000	233,333
Total	**2,566,666**	**2,383,333**

e) Remuneration to management
Remuneration to management consists of fixed and variable salaries, with the variable part based on achieved results and individual targets. Potential severance pay to the CEO shall not exceed 12 months' salary while severance pay for other senior executives ranges from three to 12 months' salary. The principles for remuneration to management, as adopted by the AGM, are described in the corporate governance report. A long-term share-based incentive program was introduced for senior management in 2020 and was continued in 2021 and 2022. For more information on this program, please refer to Note 17, *Capital and reserves.*

The CEO's remuneration in 2022 amounted to SEK 15,300,648 (13,393,403). The right to pension contributions amounted to 9% (10%) of the fixed gross salary.

Management

Name	2022	2021
Martin Bauknecht	full year	from January
Henrik Carlborg	full year	full year
Lars Corneliusson	full year	full year
Erik Danemar	full year	full year
Dan Eliasson	full year	full year
Onur Gucum	full year	full year
Nadia Semiletova	full year	full year
Ceren Wende	until May	from August
Anton Zhelyapov	full year	full year

Note 29, Employees, board and management, cont.

Remuneration to CEO and other executives

	2022			2021		
SEK	**CEO**	**Other executives**	**Total**	**CEO**	**Other executives**	**Total**
Fixed salary	7,520,660	20,642,950	28,163,610	6,963,574	19,427,665	26,391,238
Variable salary	7,058,139	11,066,542	18,124,681	5,720,884	14,415,725	20,136,609
Pension costs	721,849	282,660	1,004,509	708,945	339,888	1,048,833
Total	**15,300,648**	**31,992,153**	**47,292,801**	**13,393,403**	**34,183,278**	**47,576,681**

NOTE 30 » Auditors' fees and expenses

	Group		Parent Company	
SEK m	**2022**	**2021**	**2022**	**2021**
KPMG				
Audit assignments	2	3	2	2
KEPT (Russia)				
Other assignments	2	-	-	-
	4	**3**	**2**	**2**

NOTE 31 » Earnings per share

The calculation of earnings per share is based on the result attributable to holders of shares and is thus calculated as the result for the year divided by the average number of shares outstanding. Below is the calculation of basic and diluted earnings per share for the Group. The dilutive effect on shares was due to the warrant programs described in Note 17, *Capital and reserves.*

	2022	2021
Result attributable to shareholders, SEK m	**440**	**339**
Average number of shares during the period before dilution, thousand	14,532	14,532
Earnings per share before dilution, SEK	**30.28**	**23.33**
Dilution effect	0	47
Average number of shares during the period after dilution, thousand	14,532	14,580
Earnings per share after dilution, SEK	**30.28**	**23.26**

Earning per share from continuing operations

	2022	2021
Result from continuing operations, SEK m	**197**	**-109**
Average number of shares during the period before dilution, thousand	14,532	14,532
Earnings per share from continuing operations before dilution, SEK	**13.56**	**-7.53**
Average number of ordinary shares during the period after dilution, thousand	14,532	14,580
Earnings per share from continuing operations after dilution, SEK	**13,56**	**-7,50**

NOTE 32 » Sale of subsidiaries

At end of 2022, Ferronordic divested its Russian business for a sales price of SEK 1,334m. In the transaction, Ferronordic sold its main Russian subsidiaries Ferronordic Machines LLC, Ferronordic Torgoviy Dom LLC, Ferronordic Torgovaja Kompanija LLC and Ferronordic Arkhangelsk LLC. Approx. SEK 237m of this amount was used by Ferronordic AB to repay (by means of set-off) debt to the sold Russian subsidiaries. The remaining part of the purchase price was received in euro on Ferronordic's account in Austria. For the Group outside Russia, the divestment resulted in a cash inflow of EUR 99m or approx. SEK 1,097m.

The buyer is part of the GILK group, a Russian leasing company. The purchase price was fixed and amounted to RUB 9.2b. From this amount, RUB 1.6b was used by Ferronordic AB to repay debts to the former subsidiaries. The purchase price largely corresponded to the sold companies' expected net asset value in local currency at the time of the transaction.

In 2021, the Russian business generated revenue of SEK 4.7 billion with an operating profit of SEK 564m, corresponding to 76% and 117% of the Group's total revenue and operating profit, respectively. During the same period, the Group's other business, excluding Russia, generated revenue of SEK 1.5 billion with an operating loss of SEK -81m (9% of the revenue related to Kazakhstan and the rest to Germany).

The sale means that Ferronordic in all material respects divested all assets and liabilities related to Russia. The transaction agreements contain basic representations and warranties concerning the sold companies, but Ferronordic does not expect any liabilities or obligations to arise from these. The sold companies may continue the use of the Ferronordic trademark during a transition period of six months.

As part of the terms of the transaction, Ferronordic obtained an option to repurchase up to 75.1% of the sold companies within seven years for a pre-agreed price. The price is equal to the higher of the sold companies' net asset value at the time of exercising the option, or the purchase price for the sold companies increased by an annual interest of 12% from the date of sale, in both cases multiplied by the percentage of shares acquired. The option becomes void if Ferronordic should restart business activities in Russia on its own.

Ferronordic will maintain one subsidiary in Russia to keep a small number of key employees in Russia working for the Group. The intention is that these employees will relocate to other markets over time.

The sale is not expected to have any direct impact on the Group's operations outside of Russia. The work to isolate and separate the Russian business from the rest of the Group was completed in August 2022. The sale is also not expected to result in any changes to the strategy of the Group in general. In Germany, more focus will be directed at promoting electric trucks and sustainable transport solutions. In Kazakhstan, Ferronordic is looking for opportunities to develop its contracting services business. Simultaneously, Ferronordic is looking for opportunities to expand its operations, both in terms of new products and services as well as new markets.

Calculation of sales price for the sale of subsidiary

SEK m	
Cash compensation	1,097
Intercompany loan netted off	237
Contract price	**1,334**

Result from sale of subsidiary

SEK m	
Contract price	1,334
Less net assets end of 2022	-1,292
Result from sale of subsidiary	**41**

Cash proceeds from sale of subsidiary

SEK m	
Cash proceeds	1,097
Cash in subsidiary at the moment of sale	-248
Net cash flow from sale of subsidiary	**849**

Note 32, Sale of subsidiaries, cont.

Profit and loss for discontinued operations

SEK m	2022	2021
Revenue	**4,496**	**4,700**
Cost of sales	-3,408	-3,764
Gross profit	**1,089**	**937**
Selling expenses	**-193**	**-156**
General and administrative expenses	**-227**	**-176**
Other income	**44**	**7**
Other expenses	**-122**	**-17**
Operating profit	**591**	**594**
Finance income	22	21
Finance costs	-76	-32
Foreign exchange gains/(-losses) (net)	-28	-1
Result before income tax	**510**	**583**
Income tax	-98	-134
Result for the period	**412**	**448**

SEK m	2022	2021
Result for the period	412	448
Result from sale of subsidiary	41	0
Other expenses related to sale of subsidiary (net of tax)	-22	0
Reclassification of exchange differences from other comprehensive income	-188	0
Result from discontinued operations	**243**	**448**

For the Parent Company, the result from sale of subsidiary was calculated as follows:

SEK m	
Contract price	1,334
Carrying value of investment	-139
Result from sale of subsidiary	**1,193**

The tax effect on the sale of subsidiary for Group is the same as for the Parent Company and is presented in the income tax reconciliation for the Parent Company in note 10, *Income taxes.*

Net assets of subsidiaries end of 2022

SEK m	31 Dec 2022
ASSETS	
Non-current assets	
Property, plant and equipment	519
Intangible assets	2
Intercompany loans	230
Deferred tax assets	151
Total non-current assets	903
Current assets	
Inventories	672
Trade and other receivables	319
Prepayments	224
Cash and cash equivalents	248
Total current assets	**1,461**
TOTAL ASSETS	**2,364**
Non-current liabilities	
Borrowings	0
Deferred income	0
Deferred tax liabilities	76
Long-term lease liabilities	53
Total non-current liabilities	**129**
Current liabilities	
Borrowings	521
Trade and other payables	321
Deferred income	12
Provisions	57
Short-term lease liabilities	31
Total current liabilities	**942**
TOTAL LIABILITIES	**1,072**
NET ASSETS	**1,292**

Calculation of earnings per share from discontinued operations

	2022	2021
Result from discontinued operations, SEK m	**243**	**448**
Average number of shares during the period before dilution, thousand	14,532	14,532
Earnings per share from discontinued operations before dilution, SEK	**16.72**	**30.84**
Avarage number of shares during the period after dilution, thousand	14,532	14,580
Earnings per share from discontinued operations after dilution, SEK	**16.72**	**30.74**

Board signatures

The Board of Directors and the Managing Director warrant that the annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The annual accounts and consolidated financial statements give a true and fair view of the Parent Company's and Group's financial positions and results. The audit report for the Parent Company and Group gives a true and fair overview of the development of the Parent Company's and Group's activities, their financial positions and results, and describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group. The annual accounts and consolidated financial statements were approved for release by the Board of Directors on 13 April 2023. The consolidated statement of comprehensive income and the consolidated statement of financial position and the Parent Company income statement and the Parent Company balance sheet will be submitted for adoption at the Annual General Meeting on 11 May 2023.

Stockholm, 13 April 2023

Staffan Jufors
Chairman

Aurore Belfrage
Director

Annette Brodin Rampe
Director

Håkan Eriksson
Director

Niklas Florén
Director

Lars Corneliusson
Director and CEO

Our audit report was submitted on 13 April 2023

KPMG AB

Mats Kåvik
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Ferronordic AB (publ), corp. id 556748-7953

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Ferronordic AB (publ) for the year 2022, except for the corporate governance statement on pages 57–61 and the sustainability report on pages 37–52. The annual accounts and consolidated accounts of the company are included on pages 37–52, 57–61 and 66–119 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 57–61 and sustainability report on pages 37–52. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of inventory
See disclosure 14 and accounting principles on page 87 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter
The consolidated statement of financial position includes inventory amounting to SEK 460m as at 31 December 2022.

Inventory mainly represents goods for resale with a mix of new and used construction machines, spare parts and attachments. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out method (FIFO). The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The valuation of inventory is presented as a key audit matter as the valuation contain several elements of estimates and judgements from management. There is therefore a risk that the net realisable value of inventory could be lower than the book value and that a write-down will have an impact on the reported result.

Response in the audit
We have assessed design and implementation of controls and processes implemented by the group over valuation of inventory.

We have performed the following substantive audit procedures:

- Review of Group's model for inventory provision and assessment of the application thereto
- Retrospective review of net realizable value of inventories estimated by the Group as at previous reporting dates by comparing estimate to actual outcome;
- Reconciliation of write-down to net realisable value to supporting schedules and testing of data for accuracy and completeness
- Analysis of sales with negative margin after the reporting date
- Inquiries to sales staff about possibility to sell items, which were without movement for significant period of time and discount relevant to sale these items;
- Attendence at inventory counts

We have also evaluated the completeness of the information in the annual report and assessed whether they correspond to applied accounting principles.

Valuation of accounts receivables
See disclosure 15 and 22 and accounting principles on pages 85 and 87 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter
Consolidated statement of financial position includes accounts receivables amounting to SEK 312m after provision for bad debts by SEK 5m as at 31 December 2022.

The Group performs regular assessments of outstanding accounts receivables and provision for bad debts.

The provision for bad debts is based upon an individual assessment of customers ability to pay invoices and is also based upon the number of days of outstanding receivables and payment history.

The valuation of accounts receivable is presented as a key audit matter as the valuation contain several elements of estimates and judgments from management. This is one of the key areas of estimation uncertainty, because Russian economic environment in general and construction industry, where significant portion of Group's customers operate, are unstable. There is therefore a risk that the recoverable amount could be lower than the book value and that a write-down or provision will have an impact on the reported result.

Response in the audit
We have assessed design and implementation of controls and processes implemented by the group over valuation of accounts receivable.

We have performed the following substantive audit procedures:

- We reviewed the Group's analysis of the allowance for doubtful debts as at 31 December 2022 based on expected credit losses in accordance with the requirements of IFRS 9. We also evaluated the historical result of credit provisions and credit losses to assess the reliability of doubtful debts at the reporting date
- Review of ageing list of receivables as at 31 December 2022 to verify its accuracy and completeness;
- We examined significant balances overdue more than 90 days at reporting date, but not included in the provision and investigated reasons for non-inclusion.
- We have also considered effect of payments from customers received after year end on valuation of trade receivables as at 31 December 2022
- Retrospective review of the provision recognised as at 31 December 2021 by comparing the amount of provision to actual outcome to obtain information regarding the effectiveness of Group's estimation process and identify potential bias

We have also evaluated the completeness of the information in the annual report and assessed whether they correspond to applied accounting principles.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–56 and 62–65 The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements
Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Ferronordic AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's
Our objective concerning the audit of the proposed appropriations of the company's
profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Ferronordic AB (publ) for year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Ferronordic AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHMTL format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 57–61 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 37–52, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Ferronordic AB (publ) by the general meeting of the shareholders on the 12 May 2022. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2010.

Stockholm 13 April 2022

KPMG AB

Mats Kåvik
Authorised Public Accountant

FERRONORDIC

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