

Ferronordic sells its Russian business

Ferronordic has divested its Russian business. The purchase price corresponds to SEK* 1,320m. Approx. SEK 230m of this amount has been used by Ferronordic AB to repay debt to the sold Russian subsidiaries. The remaining part of the purchase price has been received in euro on Ferronordic's account in Austria. For the Group, the divestment thus entails a cash inflow of approx. SEK 1,090m. Ferronordic's other operations in Germany and Kazakhstan are not directly affected by the transaction.

Ferronordic has today, 23 December 2022, sold its main Russian subsidiaries Ferronordic Machines LLC, Ferronordic Torgoviy Dom LLC, Ferronordic Torgovaja Kompanija LLC and Ferronordic Arkhangelsk LLC. The buyer is part of the GILK group, a Russian leasing company.

The purchase price is fixed and amounts to RUB 9.2b. From this amount, RUB 1.6b has been used by Ferronordic AB to repay debts to the former subsidiaries. The remaining part of the purchase price has been paid to Ferronordic's account in Austria. The euro amount received is EUR* 99m, corresponding to SEK 1,090m.

The sale means that Ferronordic in all material respects has divested all assets and liabilities relating 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.

Lars Corneliusson, CEO of Ferronordic, comments: *"We are happy to have succeeded in completing this transaction. Despite extreme circumstances, we have managed to sell the Russian business at a price on par with the sold companies' net asset value and received the sales proceeds in Austria. We now look optimistically into 2023 and beyond. In Germany we expect to reach a pace for positive operating profit before year-end. The business in Kazakhstan is growing and developing well. At the same time, we now have an even stronger balance sheet. Hence we stand well prepared to both further developing the businesses in Germany and Kazakhstan, and to realise our strategy and expand the business beyond our current markets and services."*

Background

The conditions for Ferronordic's business in Russia have deteriorated significantly during the year. Extensive sanctions have been introduced, e.g. bans for EU citizens to sell certain goods and services in Russia. Russia has in turn introduced restriction that cause difficulties for foreign-owned companies. Ferronordic's main partners have also stopped sales to Russia and in August Ferronordic agreed with Volvo CE and Sandvik to terminate their respective dealer agreements for Russia. Under current circumstances, Ferronordic no longer deems it possible for the company to run any meaningful business in Russia. Ferronordic has thus chosen to divest its Russian business.



Remaining assets and employees in Russia

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.

Buy-back option

Ferronordic has obtained an option within seven years to repurchase up to 75.1% of the sold companies 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 % of shares acquired. The option right terminates if Ferronordic restarts business activities in Russia on its own.

Impact on Ferronordic's strategy and operations outside Russia

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.

Neither is the sale expected to result in any changes to the strategy of the Group in general. In Germany, more focus will be directed at driving the electrification of 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.

Financial impact on Group and parent company

The purchase price is fixed but largely corresponds to the sold companies' expected net asset value in local currency at the time of the transaction. The transaction's actual impact on the Group's result during Q4 2022 will thus amount to the difference between the purchase price received and the sold companies' net asset value at the time of the transaction in the reporting currency. This will be further presented in Ferronordic's report for Q4 2022.

In Q4 2022, full year 2022 and comparative periods, Russia will be reported as the result of a discontinued business in the Group's income and cash flow statements. The Group's year-end balance sheet will exclude assets and liabilities related to the sold Russian companies.

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 (from the said revenue, 9% related to Kazakhstan and the rest to Germany).

During the first nine months of 2022, the Russian business generated revenue of SEK 3.6 billion with an operating profit of SEK 432m, corresponding to 74% and 112% of the Group's total revenue and adjusted operating profit, respectively. During the same period, the Group's other business, excluding Russia, generated revenue of SEK 1.3 billion and an operating loss of SEK -47m (from the said revenue, 9% related to Kazakhstan and the rest to Germany).

At the end of Q3 2022, the net assets of the sold companies amounted to SEK 1,630m. The net asset of the other Group companies at the same time amounted to SEK 477m.

The net cash position of the Group increased by SEK 1,090m as a result of the transaction. At the end of Q3 2022, the net debt of the Group was SEK 579m. Not including the debt from



Ferronordic AB to the sold Russian subsidiaries, which was fully repaid as part of the sale of the subsidiaries, the net debt of the Group excluding Russia was SEK 65m at the end of Q3 2022.

These estimates have not been reviewed by the Group's auditor.

** Translation between currencies has been made at the exchange rates SEK/EUR 10.99 and RUB/SEK 6.97.*

About Ferronordic

Ferronordic is a service and sales company in the areas of construction equipment and trucks. It is dealer of Volvo Trucks, Renault Trucks and Sandvik Mobile Crushers in Germany and dealer of Volvo Construction Equipment and certain other brands in Kazakhstan. Ferronordic began its operations in 2010 and currently has 28 outlets and approx. 450 employees. Ferronordic's vision is to be the leading service and sales company in its markets. The shares in Ferronordic AB (publ) are listed on Nasdaq Stockholm. www.ferronordic.com

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