Ferronordic
Annual Report 2020

FERRONORDIC

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ABOUT THE **ANNUAL REPORT**

The annual report describes Ferronordic's operations and financial result for 2020 and includes a corporate governance report and a sustainability report. The statutory annual report comprises pages 42-58 and pages 66-118. The statutory sustainability report according to the Annual Accounts Act can be found on pages 42-58.

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This is
Ferronordic

Ferronordic (the “**Company**” or "the **Group**") is a service and sales company in the areas of construction equipment and trucks. It is the dealer of Volvo Construction Equipment, Rottne, Mecalac, Dressta and certain other brands in all of Russia. It is the dealer of Volvo Construction Equipment and Mecalac in Kazakhstan. Ferronordic is also an aftermarket partner to Volvo Trucks and Renault Trucks in parts of Russia and the dealer for Volvo Trucks and Renault Trucks in a part of Germany. The Company also offers contracting services where it owns and operates equipment to carry out works for customers. Ferronordic began its operations in 2010 and now has more than 90 outlets and about 1,500 employees. Ferronordic’s vision is to be regarded as the leading service and sales company in its markets. Its mission is to support sustainable growth and leadership for its customers. The shares in Ferronordic AB (publ) are listed on Nasdaq Stockholm since 2017.

3 **Markets**	**Multiple brands**	1,469 **Employees**	96 **Outlets**	SEK 4,635m **Revenue**	7.1% **Operating margin**	10 **Years**

Ferronordic

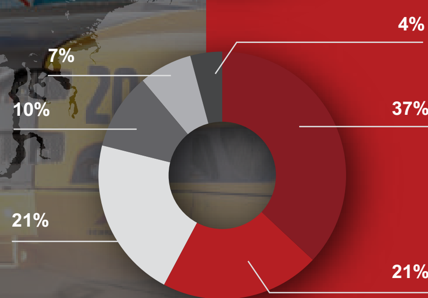
Founded in 2010
Approx. 1,500 employees
Listed on Nasdaq Stockholm in 2017
Head office in Stockholm, Sweden

Revenue by Activity (2020)

Equipment and Truck Sales 63%
Aftermarket Sales 25%
Contracting Services 10%
Other Revenue 2%

Russia/CIS

· Dealer of Volvo Construction Equipment, Dressta, Rottne and Mecalac
· Aftermarket dealer for Volvo Trucks, Renault Trucks and Terex in parts of Russia
· Sales of new and used construction equipment
· Service and technical support
· Sales of used trucks
· Rental business
· Growing contracting services business
· Machine and component rebuild centre
· CIS markets currently include Russia and Kazakhstan



Revenue by Industry Russia/CIS (2020)

General Construction & Other 37%
Road Construction 21%
Mining 21%
Forestry 10%
Quarries & Aggregates 7%
Oil & Gas 4%

Germany

· Dealer of Volvo and Renault Trucks in parts of Germany from January 2020
· Sales of new and used trucks
· Rental business
· Service and technical support

Revenue by Geographical Segment (2020)

Russia/CIS 79%
Germany 21%

The year **in brief**

- The Covid-19 pandemic caused uncertainty and disruption in our markets.
- Currency headwinds as the Russian ruble declined 36% by year-end.
- Despite this, Russia/CIS delivered its best operating result and cash flow to-date.
- In Russia/CIS, unit sales of new machines increased by 15% in a market that declined 4%.
- We expanded our contracting services operations and took on the role as a general contractor at a platinum group metals mine site in Norilsk.
- Launch of production and expansion of Ferronordic's centre for machine and component rebuild in Ekaterinburg.
- We started operations in a part of Germany as the authorised dealer of Volvo and Renault Trucks.
- Investments to integrate the assets acquired in Germany at the end of 2019 into our organisation and processes as well as to expand and improve our network.
- Revenue increased by 24% to SEK 4,635m (SEK 3,747m), partly due to the consolidation of the operations in Germany.
- Operating profit declined by 8%, as start-up and restructuring costs in Germany offset a record result in Russia/CIS.
- Cash flow from operations of SEK 693m (SEK -330m), as working capital declined from 20% to 5% of revenue.
- Board updates financial objectives and dividend policy and recommends a dividend of SEK 7.5 per share.
- Much of our focus was on the health and safety of our employees and customers.

15%
Increase in sales of new machines in units (Russia/CIS)

24%
Increase of Group revenue

SEK 693m
Cash flows from operations

7.1%
Operating margin

SEK MM	**2016**	**2017**	**2018**	**2019**	**Russia/CIS 2020**	**Germany 2020**	**Group 2020**
New units sold	479	738	948	965	1,106	631	1,737
Revenue	1,658	2,567	3,241	3,747	3,652	983	4,635
Growth	*13 %*	*55 %*	*26 %*	*16 %*	*-2 %*		*24 %*
EBITDA	154	214	322	494	533	-29	504
Margin	*9.3%*	*8.3%*	*9.9%*	*13.2%*	*14.6%*	*-2.9%*	*10.9%*
Operating profit*	132	187	274	358	394	-66	328
Margin	*7.9%*	*7.3%*	*8.4%*	*9.5%*	*10.8%*	*-6.7%*	*7.1%*
Result per share	3.03	8.06	13.22	17.26			15.25
Net debt / (Net cash)	(173)	(312)	(303)	593	(351)	333	(20)
Return on capital employed	*32 %*	*36 %*	*41 %*	*27 %*	*30 %*	*-19 %*	*20 %*
Working capital / Revenue	*7 %*	*5 %*	*1 %*	*20 %*	*3 %*	*9 %*	*5 %*
Total assets	1,033	1,414	1,727	2,343	2,172	464	2,628
Equity / Total assets	*43 %*	*43 %*	*38 %*	*36 %*	*39 %*	*-8 %*	*31 %*

*2016 refer to adjusted EBIT, i.e. operating profit excluding (i) amortisation of transaction-related intangible assets until May 2016, and (ii) write-downs of non-current assets during the fourth quarter 2016.

CEO **comments**

Strong performance and focus on business development

Lars Corneliusson, CEO

"Despite substantial headwinds and uncertainty, we achieved our best result ever in Russia/CIS and continued to develop our business in Germany"

RESILIENCE, RESULTS AND GROWTH IN A TURBULENT YEAR. In 2020, the global pandemic presented our business with uncertainty and market disruption. Against this backdrop, and a sharp decline in the Russian ruble, our business in Russia/CIS demonstrated great resilience and delivered its best ever operating result and cash flow. Meanwhile, we continued to expand our business in Russia/CIS and to integrate and develop our German operations, which we started in January 2020. Despite challenging conditions and by working closely with our partners, we managed to deliver uninterrupted service to our customers throughout 2020. I am proud of how our team responded and performed and of the results that we achieved in the year.

WE ACHIEVED STRONG SALES IN RUSSIA/CIS DESPITE MARKET DISRUPTION. In late March 2020, the Volvo Group and several other producers announced a temporary suspension of production due to the Covid-19 pandemic. Meanwhile, governments took measures to restrict contact and social interaction. In response, we prepared for a contraction in both supply and demand. Partly with our support, many of our customers, however, continued to demonstrate resilience in their operations and maintained both high fleet utilisation and capex program implementation. As a result, our new unit sales grew 15% and we gained market shares, as the market for our main product groups declined 4%.

WE CONTINUED TO BUILD OUR BUSINESS FOR THE FUTURE. In line with our strategy, we expanded our contracting services business. We increased our cooperation with GV Gold in the Irkutsk region and started a new project as a general contractor at a platinum group metals mine in Norilsk in the Krasnoyarsk region. Although we only launched operations at our component and machine rebuild centre in Ekaterinburg at the end of last year, we started and completed an expansion in the second half of 2020 and supplied components both to external customers and our own contracting services business. Our operations in Kazakhstan developed well under the circumstances of the pandemic and made a positive contribution to Ferronordic's bottom line. We continued to grow our Volvo and Renault trucks aftermarket business, servicing new customers and opening new remote service projects in the Far East. Our used truck sales more than doubled. In March 2021, we also announced a new cooperation as distributor for Sandvik mobile crushers and screens in the whole of Russia.

IN GERMANY, WE STARTED OPERATIONS AND WORKED TO INTEGRATE AND DEVELOP THE BUSINESS. While the Covid-19 restrictions undeniably complicated our work, we successfully launched service and sales operations in January 2020 and implemented plans to improve the organisation and expand the network throughout the year. Towards the end of 2020 and in early 2021, we announced the acquisition of three strategically located workshops and one greenfield project.

We also announced the appointment of a new country manager. We will continue to grow and improve the coverage of our sales area.

THE MARKET FOR HEAVY TRUCKS IN GERMANY DECLINED 28%, which hurt our new truck sales. While the aftermarket was more stable, it was negatively impacted by lower utilisation and restrictions on movements and contacts. The market, however, showed signs of recovery towards year-end and we remain confident that our investments in the business will pay off in the future and that we will be better positioned when the market recovers.

REVENUE FOR THE GROUP WAS UP 24% TO SEK 4,635M, mainly as the operations in Germany added SEK 983m and made up 21% of the Group's total sales. Total sales in Russia/CIS increased 13% in ruble terms but declined 2% in SEK as the RUB depreciated 16% against the SEK.

THE GROSS MARGIN DECLINED TO 17.2%, mostly as a result of a lower gross margin in Germany. The margin in Russia/CIS, however, also decreased, partly as the revenue share of aftermarket sales declined. There were also start-up costs at our new contracting services project in Norilsk and the use of subcontractors typically imply lower margins.

SG&A COSTS DECLINED 17% IN RUSSIA/CIS, as a result of cost controls and a weaker RUB, which more than offset the lower gross margin.

THE RUSSIA/CIS OPERATING PROFIT GREW 10% TO A RECORD SEK 394M and an operating margin of 10.8%. The Group's operating result however declined 8% to SEK 328m, as start-up, acquisition and restructuring costs added to a negative contribution from Germany. The net result for the Group declined 12% to SEK 222m and earnings per share declined to SEK 15.25 from SEK 17.26.

CASH FLOW FROM OPERATIONS INCREASED TO SEK 693m vs SEK -330m. Strong cash flow was partly a result of lower working capital. The buildup in working capital that partly resulted from taking over responsibility for importation of machines and parts from Volvo was thus reversed and working capital declined as a percentage of revenue from 20% in 2019 to 5% in 2020.

IN LIGHT OF FERRONORDIC'S ROBUST PERFORMANCE IN 2020, and with due consideration to its current outlook and growth opportunities, the Board has decided to update the Group's financial objectives and its dividend policy. We now aim to double the 2020 revenue in our current markets by 2025, keep our operating margin higher than 7% and keep our net debt/EBITDA leverage ratio below 3.0. Meanwhile, the ambition should be to distribute at least 50% of net income if net debt/EBITDA is less than 1.0 and to pay at least 25% if net debt/EBITDA is more than 1.0.

WITH REGARD TO THE OULOOK, we recognise that uncertainty remains on both supply and demand sides of our business. We, however, currently expect the general economic situation to improve and for markets in Russia/CIS and Germany to recover in 2021. In Russia/CIS, our optimism is supported by stronger commodity prices and increased activity on the so-called national projects in Russia but checked by risks of potential changes in taxation. In a longer perspective, we believe that the underlying fundamentals and business opportunities in our markets are strong.

Background and history
Building the business

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 outlets and about 160 employees.

FERRONORDIC'S DEVELOPMENT AS A BUSINESS COULD BE SEEN OVER THREE PHASES:

Phase I:
2010-2013 Building the platform.

- Ferronordic rapidly expanded its organisation and infrastructure and, by the end of 2013, it had established a network with 75 outlets and over 700 employees across Russia.
- Processes and procedures were put in place.
- The business invested in marketing and training and grew awareness and market shares.
- The first Volvo and Renault Trucks workshop opened in east Moscow in 2012.
- In October 2013, the Group issued preference shares on Nasdaq First North Premier and became public.

Phase II:
2014-2016 Managing the downturn and building resilience.

- In 2014-2015, the market for construction equipment declined 83% compared to the 2013 level and the RUB collapsed as oil prices declined. During this challenging but important period, Ferronordic optimised its network, adapted its organisation and developed its business model. While Ferronordic's revenue declined 41%, its operating profit declined only 3% as its margin expanded. The economic crisis helped Ferronordic to build resilience and strengthen its business platform.
- Measures included an increased focus on the aftermarket and costs to increase absorption*.
- We focused on working capital efficiency and capital structure.
- Ferronordic started to leverage its platform by adding other brands and partners. In 2014, Ferronordic was appointed the official dealer for Terex Trucks in Russia.
- In 2016, Dressta and Rottne brands were added to the portfolio.
- In 2014, Ferronordic began to offer contracting services to its customers.
- Ferronordic continued to expand its aftermarket network for Volvo and Renault Trucks.

Phase III:
2017-2020 Capturing the recovery and leveraging the platform.

- In 2017 Ferronordic grew its product portfolio further and became the official dealer for Mecalac in Russia.
- Ferronordic started the development of its digital sales and service platforms.
- In late 2017, Ferronordic ordinary shares were listed on Nasdaq Stockholm.
- In late 2018, Ferronordic's contracting services commenced a big project with GV Gold.
- In January 2019, Ferronordic started its geographic expansion with Volvo CE and, subsequently, Mecalac, and became authorised dealer in Kazakhstan.
- In December 2019, Ferronordic opened its machine and component rebuild centre. In the second half of 2020, the centre's capacity was expanded, increasing Ferronordic's ability to offer services to customers and its own contracting services. This in turn supports Ferronordic's contribution to building a circular economy.
- In 2019, Ferronordic was awarded EMEA Dealer of the year by Volvo CE.
- In 2019, Ferronordic took over the importation of Volvo CE products and parts to Russia and Kazakhstan.
- In late 2019, Ferronordic expanded outside of CIS and became dealer for Volvo and Renault Trucks in part of Germany. Operations in Germany started as planned from January 2020.
- At the end of 2020, Ferronordic expanded its contracting services business and started a new project as a general contractor to support the development of a new platinum group metals mine site.

*The percent of fixed costs covered by aftermarket profit only.

10 Years

3 Markets

Russia Kazakhstan Germany

1,469 Employees

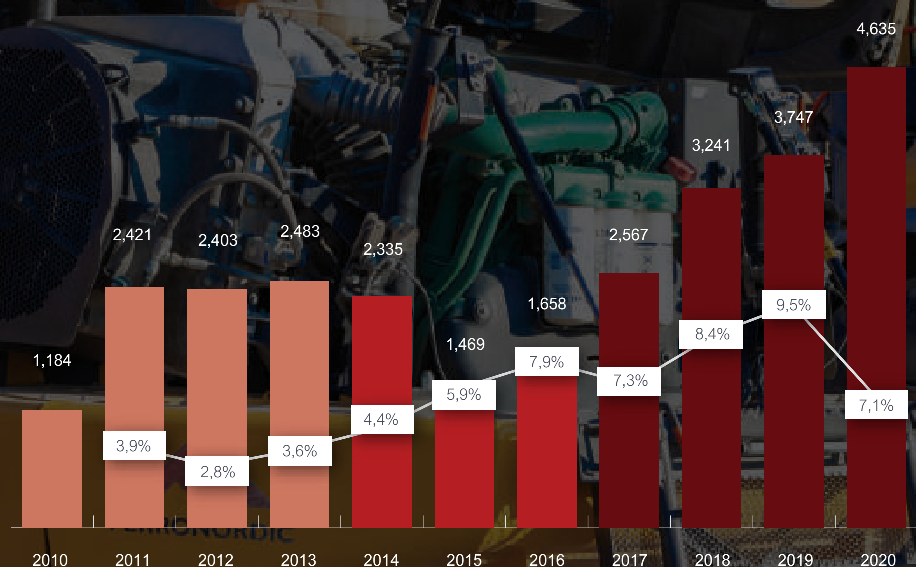
7.1% Operating margin

10-year anniversary

In June 2020, Ferronordic celebrated its 10th birthday.

Over 10 years, Ferronordic has grown and developed as a business and an organisation. From one market, in Russia, to three: Russia, Kazakhstan and Germany. From one brand partner, we now represent several and cover more industries and sectors. From a business based on service and new machine sales, we have kept that focus but also developed vertically, by moving into contracting services and machine and component rebuild centre and by further developing our used and rental businesses to increase our offering to our customers. Ferronordic's network coverage across its markets has grown from 6 to almost 100 outlets and its employees have grown from 160 to approx. 1,500 people. We have moved from an unlisted to a publicly listed entity. Our revenue has grown from SEK 2.4b in 2011 to SEK 4.6b in 2020 and our operating margin from 3.9% to 7.1%.

Throughout our development, and as we continue to grow, we remain true to our principles and values. We believe in the potential of our people, and offer training and equal opportunities to unlock their value. We believe in good governance and transparency. We believe that we can contribute to a more efficient and sustainable future for the benefit of all our stakeholders.



Staples depict revenue and line depict operating margin

Values, objectives and **strategy**

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

Our mission is to support the growth and leadership of our customers

Ferronordic's value pyramid

Our corporate values define our corporate culture and determine how we execute our strategy to reach our objectives and accomplish our mission.

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

Mission
- To support the growth and leadership of our customers.

Values & Operating Principles
- Quality
- Excellence
- Respect

Our Offer
- Diversified experience
- Innovative solutions
- Complex approach
- Superior service

Strategy
- Great team
- Operational excellence
- Building on a strong brand
- Customer orientation & superior infrastructure

Our strategic objectives

Our strategic objectives set out how we believe we best can deliver growth and value to all our stakeholders.

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

Our strategic cornerstones

Our strategic cornerstones capture pillars and principles that underpin how we build our business.

Customer orientation

- Customer centricity
- Leading service and product availability
- Tailored customer solutions (including contracting and other business services)

Build on strong brand - Volvo

- World leading manufacturer of trucks and construction equipment
- Strong brand position (leading in Russia)
- Development through additional strong brands

Great Team

Superior infrastructure

- Mobile workshops and service vans/trucks
- Well equipped, purpose-built facilities in select locations
- Infrastructure to be used for all brands and business areas
- Superior IT infrastructure for digital service and sales processes

Operational excellence

- Continuous improvement of practices and processes
- Business driven digital service and sales processes
- Close cooperation with manufactures
- High employee engagement
- Safety and sustainability

Financial objectives

Our financial objectives should be aligned with and support our strategic objectives.

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

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

The Ferronordic **value proposition**

The Ferronordic value proposition is built on customer centricity, competence and entrepreneurial spirit. The backbone of our business is built upon our services and products, our focus on innovation and sustainability and the way we help our customers achieve industry leadership.

THE FERRONORDIC VALUE PROPOSITION IS BUILT ON FIVE STRATEGIC CORNERSTONES

1 GREAT TEAM

Ferronordic's success is built on a strong team working together towards shared business goals. Each employee has responsibilities and commitments that go beyond their formal role or job description. Our teams are agile, trained, dynamic, and determined to make a difference and to walk that extra mile for our customers. Regardless of rank or position, working for Ferronordic means that we take initiative and make decisions. We are not afraid of making mistakes but learn from them to improve and move forward. We openly address problems and strive for always being a part of the solution.

Being a great team also means that we value collaboration and understand that mutual trust, dialogue, and openness is the best way to improve our performance and move our business forward.

2 CUSTOMER ORIENTATION

Ferronordic's mission is to support the growth and leadership of our customers in their industries. We do this by creating businesses and solutions to service the needs of our customers. We know that each customer's business is different. Meeting customer needs starts with knowing our customer, delivering quality services and premium products and extends to offering tailor-made and bespoke solutions, including financing, trade-ins, residual value management and contracting services. When developing these business solutions, we collaborate closely with our partners and customers, focusing on improving productivity, flexibility and cost-efficiency, for our customers to achieve sustainable leadership in their respective industries.

3 BUILDING ON A STRONG BRAND

In the Volvo Group, Ferronordic works with a world-leading provider of construction equipment and trucks. We offer premium products that promise uncompromising quality, industry-leading innovations, world-class comfort, maximum efficiency and safety and minimum resource waste and emissions. All the brands that Ferronordic partners with have a leading position in their respective market segment and we have an important role in upholding and building on that position by providing operational excellence and best-in-class services. The brands and products in Ferronordic's product portfolio complement each other, which allows us to deliver broader and more precise solutions to our customers.

4 SUPERIOR INFRASTRUCTURE

At Ferronordic, our commitment is to keep our customers' people safe, their machines productive and their operations efficient. A critical part of this commitment is our dense network of approx. 100 locations in Russia/CIS and Germany. By being near our customers, we can be the partner they need to achieve high productivity and great results. However, our offering is not confined to workshops or physical infrastructure but is rather built on an ambition to provide professional services and solutions whenever and wherever our customers need them. It is about earning our customers' trust - trust in the products and solutions we provide and the service we deliver to support the productivity of our customers. Prime examples of this are mobile services, workshops at our customers' sites or business models like contracting services.

5 OPERATIONAL EXCELLENCE

Operational excellence is about a mindset of quality and of continuous improvement. We operate in a competitive and rapidly changing industry. Our success depends on our ability to embrace and drive change, be flexible and agile, work collaboratively and always strive for improving our products and services for the benefit of our customers. Operational excellence is also about anticipating the needs of tomorrow. Digitalisation, connectivity and sustainability are fundamentally changing our industry. We are investing in these areas to create solutions that drive value for our customers. Our digital solutions convert machine telematics signals into automated customer recommendations to increase their productivity. In contracting services we offer our customers transport as a service, that is a full ecosystem of transport solutions including excavation, transport, operator training, service and maintenance to mitigate costs and maximise productivity.

Our machine and component rebuild centre in Ekaterinburg offers a second or third life to our customers' products, a viable economic alternative and an opportunity to recycle machines and parts to contribute to the circular economy. Meanwhile, our product range is constantly upgraded to increase safety and productivity while minimising resource consumption and emissions. These are examples of how we are integrating with our customers to improve and transform both our business and that of our customers.

VALUES AND OPERATING PRINCIPLES

Ferronordic's core values are quality, respect, and excellence. They guide us when we interact with customers, partners, suppliers, and each other as well as when we think of our development going forward. They define Ferronordic, what we invest in and how we deliver products and services.

QUALITY

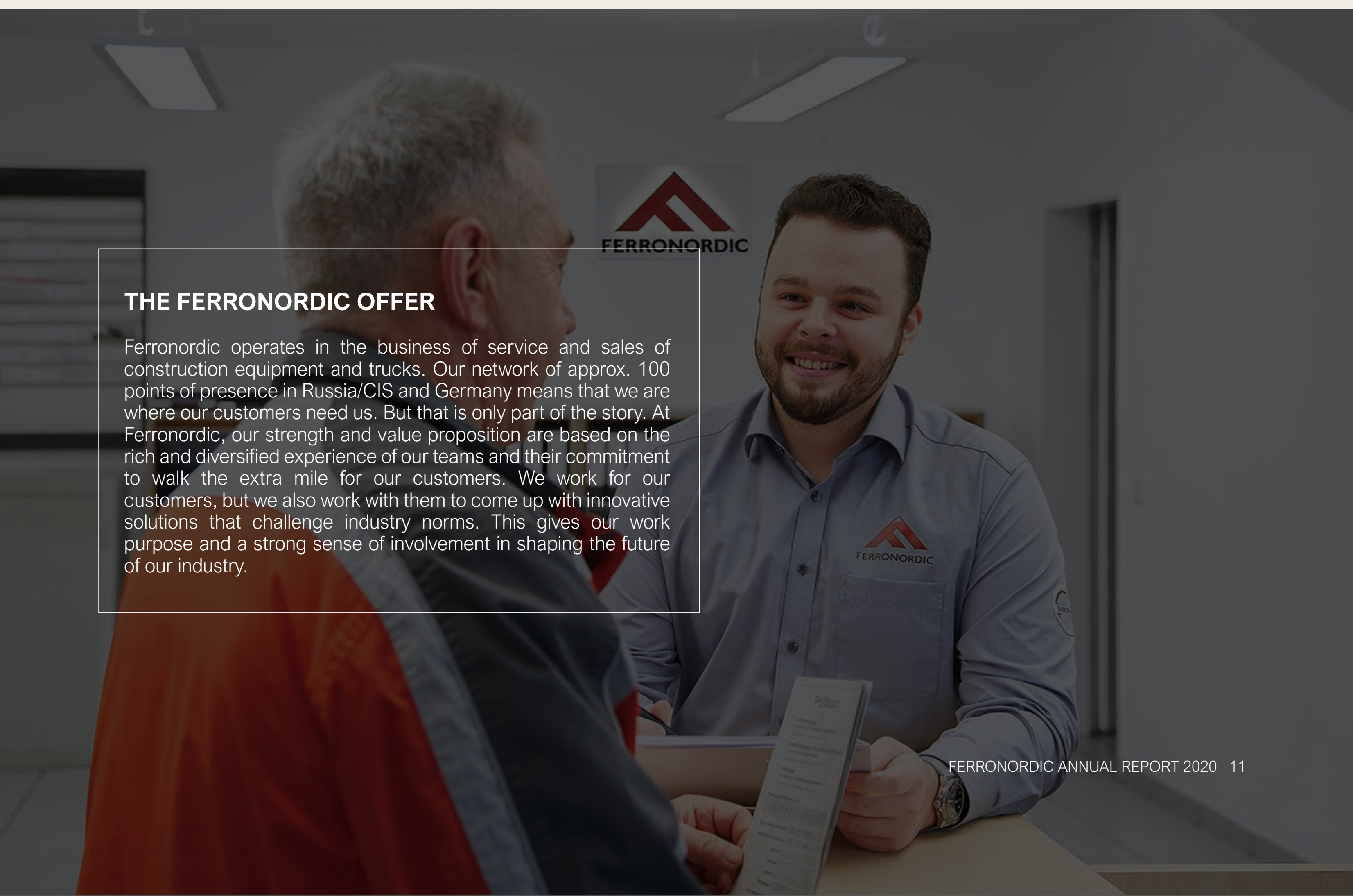
We value long-term partnerships with our customers and partners. This demands a consistent focus on quality in products, services, and relationships. Quality also means that we meet our commitments and strive for exceeding expectations in everything we do.

RESPECT

We deal fairly and openly with each other, customers, supplier partners and the society. Respect also means that we show tolerance and promote equal opportunities for all, irrespective of gender, race, background, creed, ability, or disability.

EXCELLENCE

We create value for our customers and partners through performance, innovation, and service quality. We continuously improve our processes and solutions with the aim to exceed customers' expectations.



THE FERRONORDIC OFFER

Ferronordic operates in the business of service and sales of construction equipment and trucks. Our network of approx. 100 points of presence in Russia/CIS and Germany means that we are where our customers need us. But that is only part of the story. At Ferronordic, our strength and value proposition are based on the rich and diversified experience of our teams and their commitment to walk the extra mile for our customers. We work for our customers, but we also work with them to come up with innovative solutions that challenge industry norms. This gives our work purpose and a strong sense of involvement in shaping the future of our industry.

Ferronordic as an **investment**

We have **more opportunities** to leverage our existing organisation to **add complementary products and services** and grow to new **geographical markets.**

STRONG BRAND PORTFOLIO

Our partnership with Volvo – a world-leading manufacturer in the areas of construction equipment and trucks – gives Ferronordic an opportunity to offer premium products and services to a growing base of demanding customers. Complemented by other strong brands, our portfolio and our strong relationships with our partners enable Ferronordic to drive safety, productivity and value for our customers and provide a solid base for us to build customer trust, loyalty, and satisfaction. We continue to see potential to expand our portfolio with complementary brands to leverage our organisation and infrastructure, for the benefit of our partners, our customers, our owners and other stakeholders.

MARKETS WITH HIGH POTENTIAL

We see strong underlying fundamentals in the markets where we operate. Russia/CIS is a relatively young market characterised by underinvested infrastructure and by significant pent-up demand for construction equipment. Our customers represent a cross-section of the industries in Russia/CIS. Strong commodity companies and state-backed infrastructure investment programs support a positive demand outlook. Germany has a highly industrialised and developed economy with the largest truck market in Europe. As the manufacturing powerhouse in the center of Europe, Germany also drives much of industrial innovation and benefits from growing economic activity, which provides opportunities for the world-class Volvo products that Ferronordic supplies and services.

FURTHER GROWTH OPPORTUNITIES WITH ATTRACTIVE RETURNS

Ferronordic sees the potential to double its 2020 revenue in its existing markets by 2025, with significant contributions from contracting services and Germany, while maintaining an operating margin above 7%. We believe that our markets offer upside for our core business and that we have more opportunities to leverage our existing organisation to add complementary products and services. In addition, Ferronordic's existing experience and business model provide opportunities for further geographic expansion.

RESILIENT BUSINESS MODEL AND ROBUST AFTERMARKET BUSINESS

Our business model, which is built around a great team and robust aftermarket business, has been tested by currency volatility, turbulent market conditions and both supply and demand disruption in recent years. Our focus on aftermarket absorption makes us resilient, while our strong service platform allows us to work more closely with our clients helping them through their challenges. Our used business, contracting services and machine and component rebuild centre complement and diversify our business model and drive further customer integration. We coexist with our customers; their resilience is ours and we help our customers to run more efficient and sustainable operations.

INVESTING IN INNOVATION

The world is changing rapidly. Apart from adapting to an ever-changing world, we also want to drive that change. Our digital sales and service platforms show that our innovation and integration with partners and customers is creating value across the value chain. Through our contracting services we have invested in a business model that is more focused on the outcome than the product that our customers are looking for. Ferronordic will continue to work with its partners and customers to deliver innovative products and business solutions.

EXPERIENCED MANAGEMENT AND STRONG CORPORATE GOVERNANCE

Ferronordic is a Swedish company with an international management team with long experience from the industry and the markets where we operate. We also have a strong board of directors.

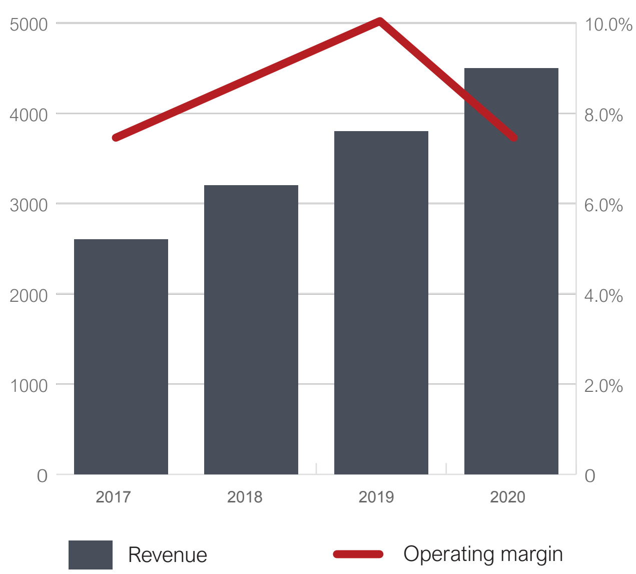
WORKING TOGETHER TOWARDS A SUSTAINABLE FUTURE

We are committed to being a good, fair, and safe employer, applying the strictest standards of corporate governance and transparency and minimising our ecological footprint and resource waste. We also work actively to enable our partners and customers to increase safety and reduce their environmental impact. Volvo's commitment to shape the future of infrastructure and build tomorrow's fossil-free transport system allows us to help our customers to achieve leadership as that future is built.

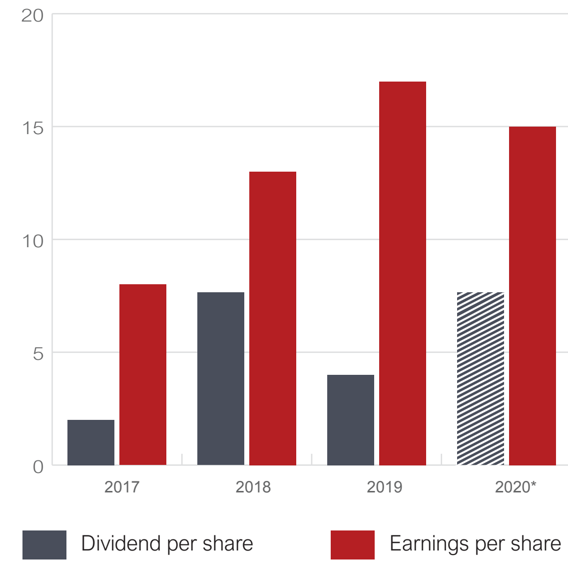
STRONG BALANCE SHEET AND CASH FLOW SUPPORT RETURNS TO SHAREHOLDERS

Ferronordic's ambition is to maintain a strong balance sheet to retain financial flexibility and strength. While short-term cash flows are sensitive to movements in working capital, Ferronordic has delivered strong cash flow performance over time. We are confident that Ferronordic has many opportunities to reinvest its cash flow with attractive returns to its shareholders. However, we also believe that we should distribute profits to shareholders. Ferronordic's dividend policy is to distribute at least 50% of net profit if net debt/EBITDA is below 1 x and at least 25% if the leverage ratio is above 1 x.

REVENUE AND OPERATING MARGIN

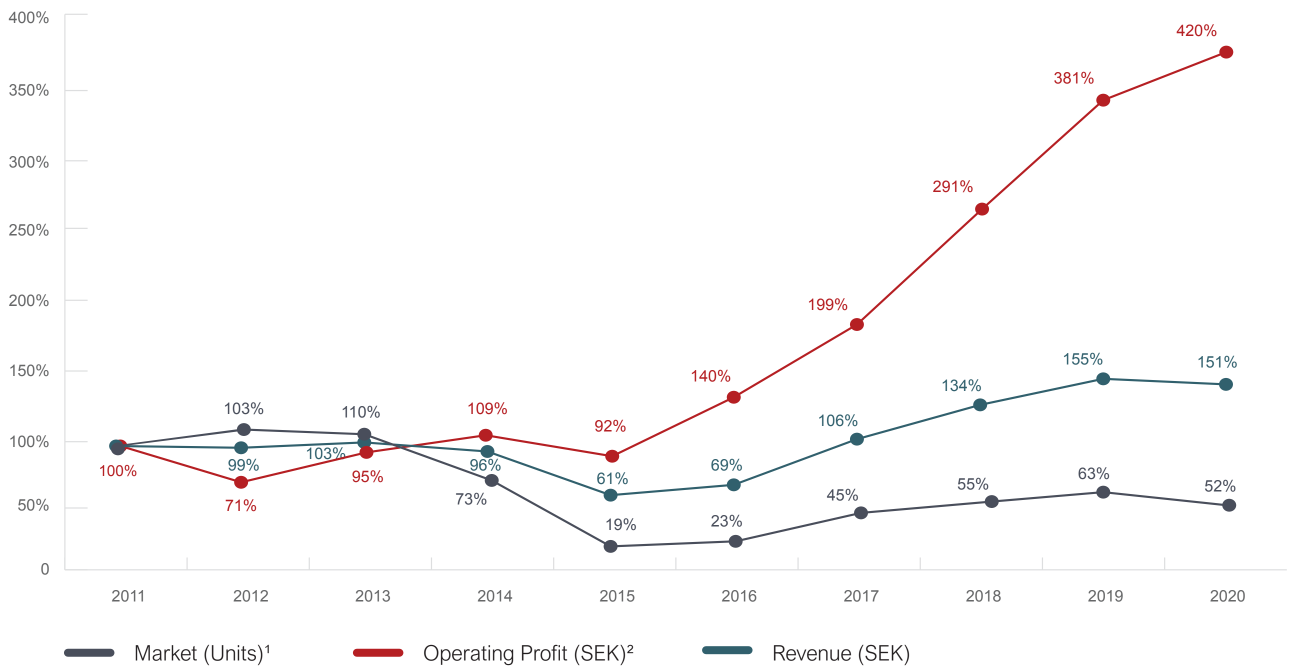


DIVIDEND PER SHARE AND EARNINGS PER SHARE



*2020 recommended dividend per share.

STRONG DEVELOPMENT DESPITE LOW MARKET VOLUMES IN RUSSIA/CIS



1) Source: Russian import statistics (until December 2020) compiled by Volvo CE.
2) 2011-2016 refer to adjusted EBIT, i.e. operating profit excluding (i) amortisation of transaction-related intangible assets and (ii) write-downs of non-current assets in Q4 2016.

From 2016-2020

- 120% revenue growth in Russia/CIS
- 200% operating profit growth in Russia/CIS
- Average operating margin of 8.5% in Russia/CIS
- From one to three markets and two operating segments
- Scaling contracting services and starting machine and component rebuild business

Financial objectives from 2020-2025

- Double the revenue in its current markets
- Operating margin above 7%
- Net debt/EBITDA below 3 times (over a business cycle)

The **Group**

Ferronordic is a service and sales company in the areas of construction equipment and trucks. Ferronordic's vision is to be the leading service and sales company in our markets. Our mission is to support the growth and leadership of our customers.

Ferronordic is the authorised dealer of Volvo Construction Equipment, Terex, Dressta, Mecalac and Rottne in Russia and for Volvo Construction Equipment and Mecalac in Kazakhstan. In parts of Russia, Ferronordic has been appointed aftermarket partner for Volvo and Renault Trucks. In March 2021, Ferronordic announced that it has been appointed the authorised dealer of Sandvik mobile crushers and screens in all of Russia. The company also offers contracting services where it owns and operates equipment to carry out works for customers.

Starting from January 2020 Ferronordic is also the authorised dealer for Volvo and Renault Trucks in parts of Germany.

Ferronordic began its operations in Russia in 2010 with six outlets and about 160 employees. It expanded to Kazakhstan in January 2019 and to part of Germany in January 2020. At the end of 2020, Ferronordic had 96 outlets and 1,469 employees across its markets. Eleven outlets and 257 employees relate to Ferronordic's business in Germany.

Part of Ferronordic's strategy is to expand into related business areas and new geographical markets. We see further opportunities to leverage our organisation and network infrastructure to offer complementary products and services for new brands or to expand our product offering in new markets.

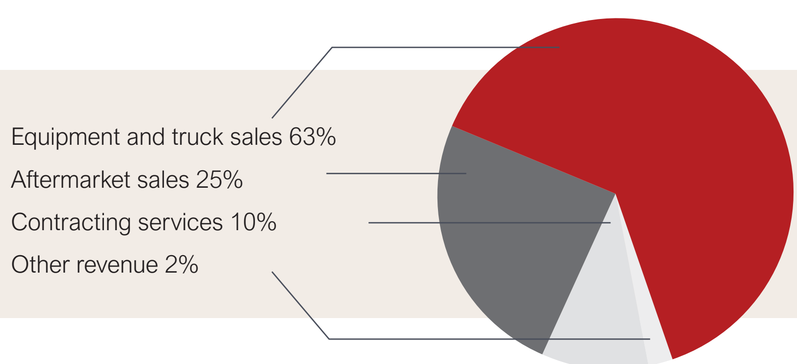
Beginning from Q1 2020, and following the Group's expansion of its operations to Germany, the Group recognises two separate reportable segments: Russia/CIS and Germany. Russia/CIS currently comprise Russia and Kazakhstan. The segments are partly managed separately due to differences in markets, logistics, supply chains, products, customers and marketing strategies. In each segment, we distinguish four revenue streams: equipment and trucks sales, aftermarket sales, contracting services and other revenue.

Ferronordic's corporate head office is in Stockholm, Sweden. The shares in Ferronordic AB (publ) are as of November 2017 listed on Nasdaq Stockholm.

Group	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Outlets (at end of period)	12	57	69	75	75	64	73	74	79	92	96
Employees (at end of period)	326	540	654	731	767	685	782	848	1,032	1,239	1,469
Revenue (SEK M)[1]	1,184	2,421	2,402	2,483	2,335	1,469	1,658	2,567	3,241	3,747	4,635
Operating margin[2]	n.m.	3.9%	2.8%	3.6%	4.4%	5.9%	7.9%	7.3%	8.4%	9.5%	7.1%

1) Annualised.
2) 2010–2016 refer to the adjusted EBIT margin, i.e. operating margin excluding amortisation of transaction-related intangible assets until May 2016, and write-downs of non-current assets during the fourth quarter of 2016. .

GROUP REVENUE BROKEN DOWN BY REVENUE SEGMENT, 2020



SERVICES AND PRODUCTS

Equipment and trucks sales

Ferronordic equipment and trucks sales consist of sales of construction equipment, mainly from Volvo CE, and Volvo and Renault Trucks. Construction equipment machines are widely used in different industries including general construction, mining, quarries and aggregates, oil and gas, road construction and forestry.

Trucks sales include new trucks from Volvo and Renault Trucks, as well as light commercial vehicles. Trucks are used in long and regional haulage in logistics, agriculture, construction, quarries, timber transport, and waste collection and recycling.

We also sell used machines and trucks. These are machines and trucks sold from our own rental fleet or contracting services business, or purchased from customers in connection with trade-in deals, or purchased for resale.

Aftermarket sales

The aftermarket is the core part of our business and consists of sales of parts and service. Being able to provide timely and professional support, wherever and whenever, is critical for our customers to maintain high uptime for their machines and trucks, which is critical for their productivity, which in turn is critical for the cost efficiency and profitability of our customers' businesses. Therefore, we invest significant resources in the training of our staff, the systems they use, their organisational support, parts availability and, importantly, in a dense workshop network and mobile service fleet.

The largest share of the aftermarket sales consists of sales of spare parts for construction equipment and trucks. Good parts availability is significant for dealers and can be a distinguishing competitive factor. For this reason, we maintain stocks of parts throughout our markets.
The other part of the aftermarket sales consists of service. This includes scheduled maintenance, diagnostics, overhauls, operator training sessions as well as scheduled and unscheduled repairs. We offer various types of service contracts to tailor our offering and meet each customer's individual needs. Service contracts provide increased stability in the business and improve the possibility to predict future costs of maintenance and service. Service is provided in respect of both machines and trucks out in the field, at the customer or at our service stations.

Contracting services

As part of our strategy of becoming increasingly integrated into the business of our customers, and to grow into related business areas, we offer contracting services where we own the equipment and engage the operators to carry out works and specific tasks for customers. At present, Ferronordic only offers contracting services in Russia, but we see potential for developing similar products in other markets.

Other revenue

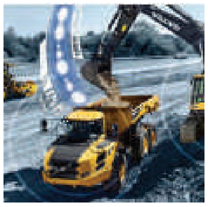
Other sources of revenue include hot and cold rental, that is rental with or without a Ferronordic operator, and sales of other products.

DIGITAL CUSTOMER SUPPORT

Given its importance to our customers' success, Ferronordic has a strong focus on the efficiency of our aftermarket offering. This includes a proactive and predictive approach to providing service and parts based on a combination of the experience accumulated by our mechanics and sales personnel over the years, our knowledge about our customers and their businesses and real-time data from the existing machine population.

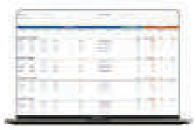
Ferronordic has further developed this nexus of our organisational knowledge and the data and signals from our machines to create our own system for digital sales support, both for equipment sales and aftermarket. We have developed a proprietary "rules engine" combining our expertise and experience with the signals from the machines' telematics systems (e.g. Volvo CE's CareTrack) to produce automatic sales leads and concrete equipment or maintenance recommendations to optimise the efficiency and performance of our customers' fleets of machines. The recommendations and proposals are automatically uploaded to the smartphones or tablets of the responsible salespersons, including prices and other commercial terms. Our recommendations are continuously evaluated, and the rules engine constantly refined to ensure that our suggestions are appropriate and result in sales and higher performance for our customers.

Currently, the digital service tool only supports our business in Russia/CIS. We believe that our digital customer support system is rather unique among construction equipment dealers, not only in Russia, and believe it has good potential going forward. Potentially it can be applied to other types of commercial vehicles, e.g. in our growing aftermarket business for Volvo and Renault Trucks in both Russia and Germany.



TELEMATICS SYSTEMS

- Telematics systems, e.g. Volvo CE's CareTrack, monitor the usage of the machines and transmit signals regarding e.g. motor hours, fuel consumption, location, etc.

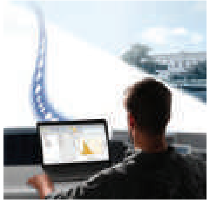


RULES ENGINE

- Signals from the telematics systems flow through the rules engine and automatically transform into sales leads and concrete customer recommendations
- The rules engine is developed by Ferronordic internally based on Ferronordic's know-how and experience accumulated over the years

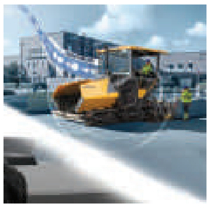
CUSTOMER RECOMMENDATIONS

- Sales leads and concrete customer proposals are created automatically by the rules engine
- Recommendations are uploaded automatically on the smartphones of the responsible sales personnel, including price and other commercial terms



SALES ACTION

- Responsible sales personnel contact customers and make recommendations
- Adherence to sales process is followed up as part of calculating sales commissions



FOLLOW UP

- Customer recommendations created by the rules engine are reviewed continuously and systematically to ensure they are effective and result in sales
- Inefficient recommendations are stopped and the rules are updated

BRANDS

Ferronordic is a provider of premium service, products, and business solutions. For us to deliver uncompromising quality to our customers and to build trust with our customers, we need to work with the best partners. In the Volvo Group, Ferronordic works with a provider of premium construction equipment and trucks. Together with Volvo, we offer products that come with world-leading safety, quality, productivity and minimum resource waste and emissions.

As we continue to expand our brand portfolio, we build on our relationship with the Volvo Group and form relationships with other premium suppliers that offer top quality products to complement and broaden our offer to our customers. All the brands that Ferronordic partners with have a leading position in their respective market and we have an important role in upholding and building on that position by providing operational excellence and best-in-class services.

Segment
Russia/CIS

Activity
Sales and service of Volvo CE machines in Russia and Kazakhstan

Segment
Russia/CIS

Activity
Sales and service of Rottne harvesters and forwarders in Russia

Segment
Russia/CIS

Activity
Authorised aftermarket dealer (parts and service) for Volvo and Renault Trucks in certain parts of Russia

Segment
Russia/CIS

Activity
Sales and service of Ferronordic branded diesel generators (gensets)

Segment
Russia/CIS

Activity
Authorised aftermarket dealer (parts and service) for Terex Trucks in Russia

Segment
Russia/CIS (from 2021)

Activity
Sales and service of Sandvik mobile crushers and screens in Russia

Segment
Russia/CIS

Activity
Sales and service of Dressta bulldozers in Russia

Segment
Germany

Activity
Sales and service of Volvo and Renault Trucks in parts of Germany

Segment
Russia/CIS

Activity
Sales and service of Mecalac product range, including backhoe loaders and compact equipment, in Russia and Kazakhstan

General **market overview**

RUSSIA /CIS

Ferronordic operates on the market for construction equipment in Russia since 2010 and since 2019 also in Kazakhstan. The machines are used for various types of construction projects, such as the construction of roads and other infrastructure but also operationally in a number of different industries such as mining, oil and gas and forestry

RUSSIA'S ECONOMY

Russia is the largest country in the world measured by area and has a population of 144 million people. It is the world's third largest producer of oil, the second largest producer of natural gas and a leading producer and exporter of minerals and gold. Furthermore, Russia is the largest forestry country in the world with approx. 800 million hectares of forest land (1/5 of the world's total). These natural resources are, and are expected to remain, important to Russia's economy.

From 2017 and until 2020 Russia's economy has been growing on average by 1.7% per year. The Covid-19 outbreak caused a global recession and had a negative effect on Russia's economy. In 2020, Russia's GDP contracted by 3.1%.

Between February and April 2020, the oil price declined by 60% as the pandemic led to a collapse in global oil demand and concerns about storage capacity. Thanks to supply reductions, from late April onward, the oil price partially recovered but remained well below early January 2020 levels. On average, the oil price in 2020 was 35% lower than in 2019 and amounted USD 42/barrel (compared to an average of USD 64/barrel in 2019).

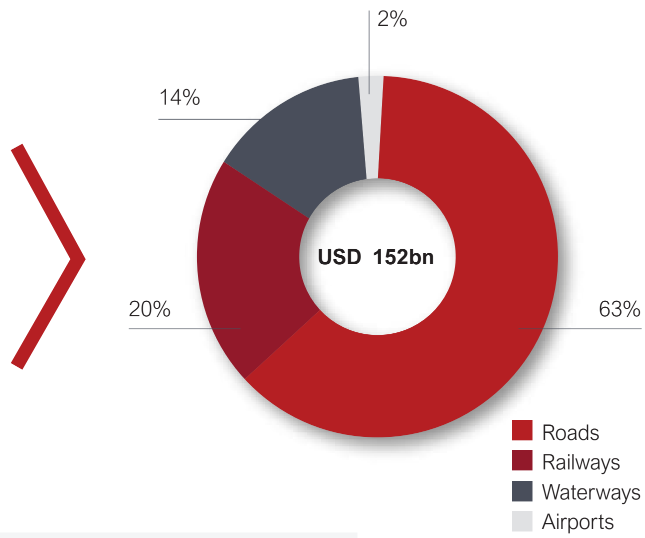
The RUB weakened against the SEK from 6.6 at the beginning of the year to 9.0 at the end of the year. Inflation increased to 4.9%, compared to 3.0% in 2019.

Baseline consensus forecasts for economic growth in 2021 are between 2.6-3.0%.

Despite persisting uncertainty, in the long term, our expectation is that Russia's economy will continue to grow, partly because of the country's significant natural resources, and partly because of the infrastructure investments that will be necessary for the country to increase its capacity.

The importance of infrastructure investments was a significant part of the 2018 May Decrees, where the Russian President set new targets to modernise Russia's economy and upgrade the country's infrastructure.

The so-called National Projects is a USD 350 billion investment program started in 2019 and designed to transform the economy and promote economic growth. Approx. USD 150 billion relate to infrastructure investments, including the road network.

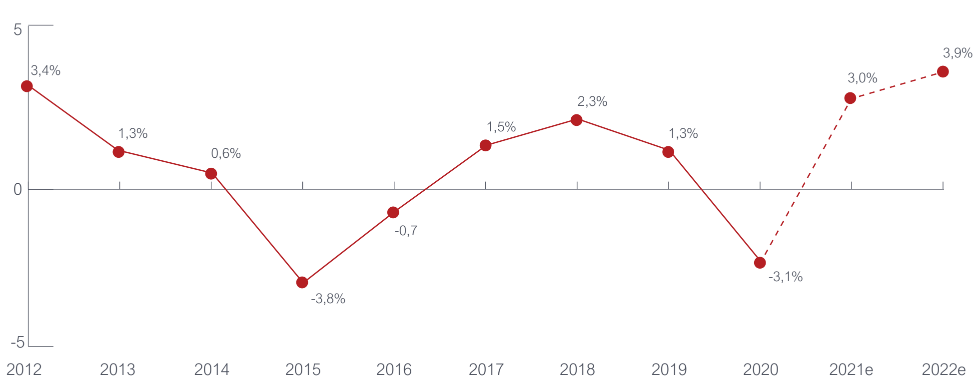


The National Projects

- The latest President's decree signed in July 2020 includes the following strategic targets for national development: population health and well-being, comfortable and safe environment, sustainable employment and decent work and digital transformation.
- 13 so-called national projects with approx. 150 development goals are set to achieve the strategic targets.
- Special focus is placed on sustainable population growth and poverty reduction.
- The projects imply a total spending of approx. USD 350bn and are planned to be implemented by 2030.
- Almost half of the budget for the projects is earmarked for infrastructure development, particularly regional road networks, bridges, railways and airports.
- The aim is to bring over 85% of roads in large metropolitan areas in line with national quality standards.
- The intention is to increase the volume of residential construction to at least 120 million m² per year.
- The objective is to transform regional roads to improve links between Russian cities.
- The railway program includes high-speed rail and an increase of the freight capacity between key logistical hubs
- The waterways development plan aims at growing sea port capacity and developing the Northeast Passage.

Sources: The Russian Government, InfraOne Research, Executive Order No. 474 On Russia's National Development Goals through 2030 (July 2020)

RUSSIA'S GDP DEVELOPMENT AND FORECAST

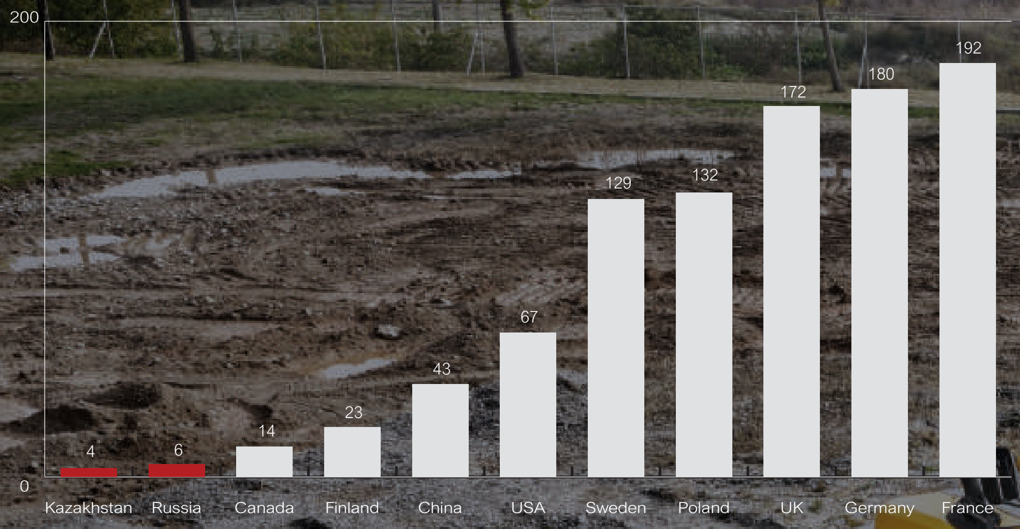


Sources: IMF, World Bank and Rosstat (January 2021).

UNDERINVESTED INFRASTRUCTURE

The construction equipment market is expected to benefit from the long-term growth in Russia. An important driver for this will be the need to improve the country's ageing infrastructure, the bulk of which was built during the Soviet era and generally needs to be upgraded. A clear example of underdeveloped infrastructure is the Russian road network, which is not only in poor condition but also is low in density. According to the Global Competitiveness Report, issued by the World Economic Forum in 2019, Russia is ranked 99 out of 141 countries in terms of road quality (behind e.g. Tunisia and Uganda). The road density amounts to only 6 km per 100 km², compared to 129 km per 100 km² in Sweden and 14 km per 100 km² in Canada.

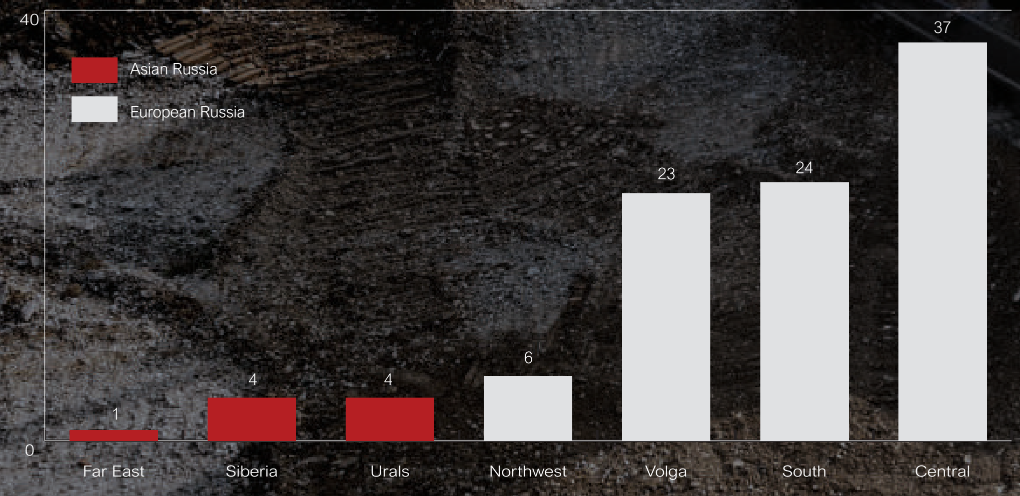
ROAD DENSITY IN SELECTED COUNTRIES (KM ROAD PER 100 KM² LAND AREA)



Source: The World Bank.

Due to variations in population and area, there are major differences between the federal districts in Russia. The Central federal district (where Moscow is located) has the largest population, the most developed road network, and the highest road density. However, compared to most European countries, the road network is underdeveloped also in this district. For example, road density in the Central federal district is almost four times lower than in Sweden, even though the district has a significantly higher population density (60 people per km², compared to 22 people per km² in Sweden). The same applies to other districts with relatively high population density, such as South (40 people per km²) and Volga (29 people per km²). This highlights the great need for investments in the Russian road network.

ROAD DENSITY PER DISTRICT (KM ROAD PER 100 KM² LAND AREA)



Source: Rosstat (Federal State Statistics Service) Russia in Figures 2019

RAIL DENSITY IN SELECTED COUNTRIES (KM RAILWAY PER 1,000 KM² LAND AREA)

Source: Global Competitiveness Report 2019

The development of Russia's road and railway networks is expected to account for an important part of the country's future economic development. Several large construction projects are planned or ongoing.

Among others, these include the construction of a new latitudinal highway with a bridge spanning the Neva River in St. Petersburg, as well as the construction of a new 729 km long highway between Moscow and Kazan. Projects aimed at the improving country's railways are also planned, such as the construction of a railway line extending more than 700 km from the oilfields in western Siberia to the Arctic Ocean ("Northern Latitudinal Railway") and the modernisation of the Baikal-Amur Mainline and Trans-Siberian Railway.

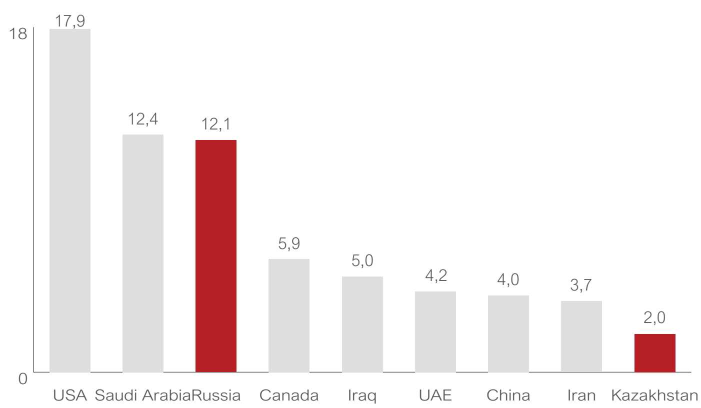
We believe that the number of construction machines in Russia needs to grow significantly in order to provide the required productive capacity to implement these projects.

Continued extraction and refinement of natural resources

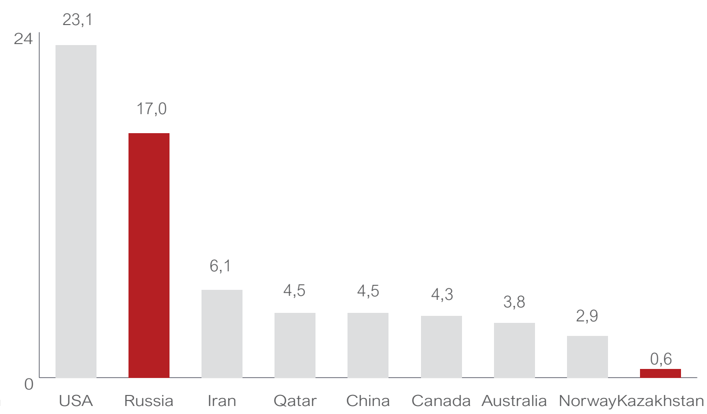
As mentioned above, Russia enjoys an important position in the world market in terms of several natural resources, particularly oil and gas, but also gold, timber, and other commodities. The continued extraction and refinement of these natural resources, as well as the construction and maintenance of the infrastructure required for this, will constitute an important driver for continued growth and future construction projects.

Examples of major projects related to the extraction of natural resources include the "Vostok Oil" project (development of oil and gas fields in Russia's Far North), the expansion of the Udokan copper field, the implementation of the Baimskaya copper project, the development of the Sukhoy Log gold field and the construction of a factory for liquefied natural gas at the Gydan peninsula ("Arctic LNG 2").

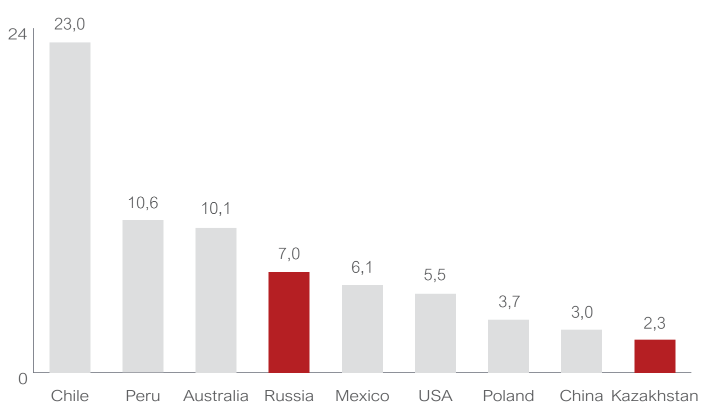
OIL PRODUCTION (% OF TOTAL)



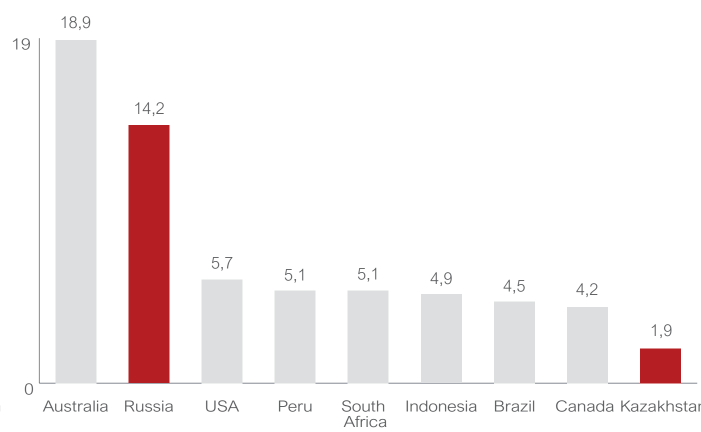
NATURAL GAS PRODUCTION (% OF TOTAL)



COPPER RESERVES (% OF TOTAL)



GOLD RESERVES (% OF TOTAL)



Source: British Petroleum Statistical Review of World Energy (2020) and U.S. Geological Survey, Mineral Commodity Summaries, (2021).

KAZAKHSTAN

As of January 2019, Russia/CIS includes Russia and Kazakhstan. Kazakhstan is the ninth largest country in the world by area and it is the second largest economy in the former Soviet Union (after Russia). In 2020, the country's economy declined by 2.6%.

The country is rich in oil and other natural resources. For example, it is the world's 12th largest oil producer, the world's largest producer of uranium and has the world's 9th largest copper reserves.

In 2020, the Kazakh machine market within Volvo CE's product offering (excluding asphalt pavers) amounted to approx. 2,200 units, an increase of approx. 27% compared to 2019.

As in Russia, the Kazakh machine market is shaped by an economy based on oil and other natural resources. There is also an increasing need to expand and upgrade the country's infrastructure. According to the 2019 Global Competitiveness Report, Kazakhstan's road quality is ranked 93 out of 141 countries, which is similar to Russia in terms of quality and density.

Except for rigid haulers, the Kazakh market for high-quality machines is still relatively small and therefore, in our view, has great growth potential, partly because of continued economic development and increased infrastructure investment, and partly as customers become more mature and sophisticated.

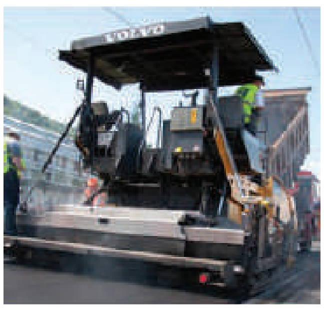
Ferronordic's **market** in Russia/CIS

MARKETS AND CUSTOMERS

Construction equipment is used in different types of construction projects, e.g. construction and maintenance of infrastructure, roads and different types of facilities.

The machines are also used operationally in various sectors, such as mining, quarries and aggregates, as well as oil and gas and forestry.

Industries	General construction	Mining
		
Main area of use	• Construction, maintenance and demolition of buildings, arenas, industrial facilities, infrastructure, etc. • Also includes other areas, such as agriculture, recycling and waste management.	• Operational use such as excavation and transportation of earth and rock. • Construction and maintenance of roads and other infrastructure inside and in connection with mines.
Main geographic area	Whole Russia Kazakhstan	Urals Siberia Far East North West Kazakhstan
% of new machines sales in 2020	37%	21%
Comments	Customers include everything from large construction companies to smaller subcontractors and machines include everything from larger production machines to smaller and simpler machines.	Customer focus on productivity and efficiency creates high demand on parts availability and service quality, which fits our business model well.

Road construction	Forestry	Quarries and aggregates	Oil and gas
			
• Construction and maintenance of roads, landing strips, etc.	• Operational use such as logging, log transportation, stacking, etc. Construction and maintenance of roads and other infrastructure in connection with the forestry operations.	• Extraction and production of raw materials for the construction industry.	• Construction and maintenance of pipelines, refineries and other infrastructure (e.g. roads within and to oil- and gas fields).
Whole Russia Kazakhstan	Northwest Siberia Volga Far East Central	Northwest South Siberia Central Urals Kazakhstan	Volga Urals Siberia Kazakhstan
21%	10%	7%	4%
Short season (due to climate) creates high focus on productivity and high demand on parts availability and service quality, which fits our business model well. Large population of Volvo CE machines generates extensive demand in the aftermarket (parts and service).	The core operations in forestry (e.g. logging) are generally on a higher technical level than, e.g. transportation of logs. The customers' purchasing strategy thus differs for different parts of the value chain.	Medium-size and large companies focusing on productivity, which favors high quality brands. High machine utilisation requires regular and efficient service and repairs at the right time, which favors service and repair package solutions.	Dominated by a few large companies that often outsource construction works to subcontractors.

MARKET DEVELOPMENT

The market for foreign, high-quality construction equipment only took off around 2005–2006 and is still relatively young in Russia/CIS. In 2003–2013, the number of imported machines grew at a compound annual growth rate ("CAGR") of 34%*. The main reason for the growth was an increase in construction in general, as well as a need to replace and upgrade the existing machine population. Companies and our customers are also becoming increasingly sophisticated, comparing the total cost of ownership of different machines and brands. We believe that these trends will continue going forward.

Due to the economic downturn partly related to a sharp drop in the oil price and the Russian ruble, the number of construction machines imported to Russia in 2014 and 2015 fell by 34% and 74% respectively. The market then started to recover modestly in 2016 and then significantly in 2017, when the number of machines imported to Russia increased by 94% compared to the year before. The recovery slowed down to 22% in 2018 and continued to moderate in 2019.

Although the market partially recovered during 2017-2019, the number of machines imported is still only about half of what it was in 2012–2013. During 2020, the number of machines imported to Russia declined by 18%, mainly as a result of operational restrictions and uncertainty caused by Covid-19. We continue to see significant potential for the market in Russia/CIS to grow.

* These numbers exclude Chinese brands, bulldozers, forestry machines and rigid haulers.

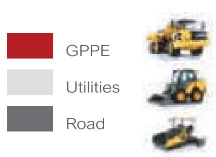
Ferronordic divides the market for construction equipment into three segments:

GPPE comprises larger and more complex production equipment such as larger wheel loaders, larger excavators (mainly tracked) and haulers.

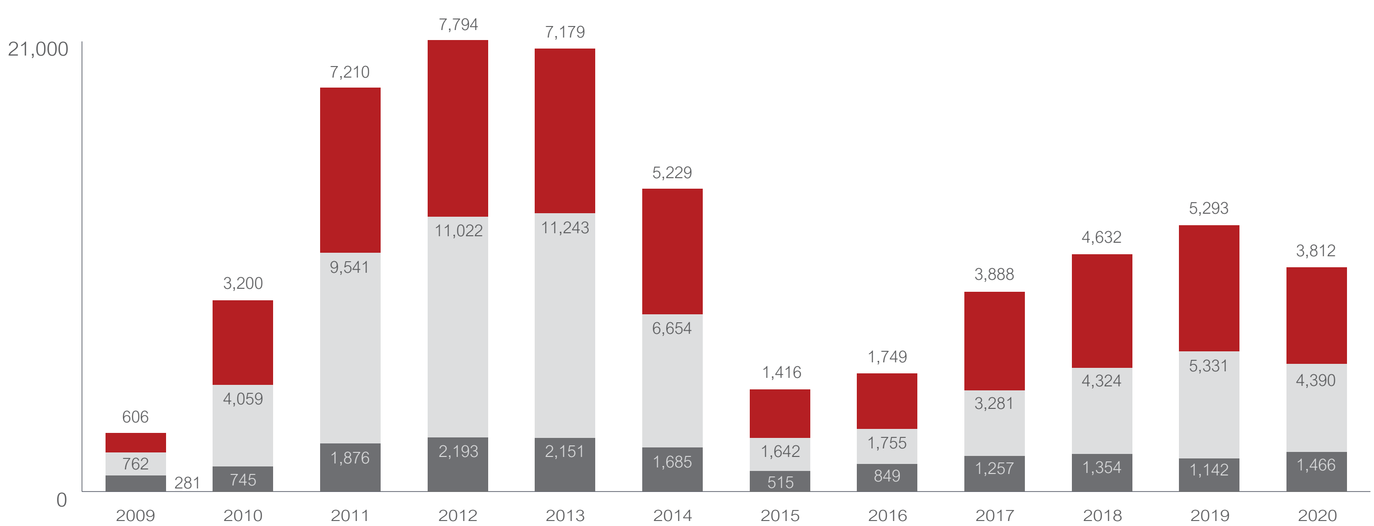
Utilities comprises smaller and simpler equipment such as backhoe loaders, smaller excavators (mainly wheeled) and smaller wheel loaders.

Road comprises equipment specifically used for construction/maintenance of roads, such as pavers and compactors.

IMPORT OF CONSTRUCTION EQUIPMENT TO RUSSIA BY SEGMENT (UNITS)



	CAGR '09 - 13	CAGR '13 - 15	CAGR '15 - 20
GPPE	86%	–56%	22%
Utilities	96%	–62%	22%
Road	66%	–51%	23%



Source: Russian import statistics compiled by Volvo CE.
Note: Excluding Chinese brands, bulldozers, forestry equipment and rigid haulers.

TRENDS AND DRIVERS

The future demand for our products and services in Russia/CIS will depend on a number of trends and drivers. These include, for example, the activity in the construction and commodity sectors, a growing population of old and inefficient equipment, as well as gradually increasing maturity among our customers.

ACTIVITY IN THE CONSTRUCTION SECTOR

The demand for our products and services is mainly driven by the activity in the construction industry, particularly the construction of bridges, railways, oil, and gas pipelines, ports, and other infrastructure.

These projects in turn depend on a number of factors such as access to capital, commodity prices and political priorities. However, in the long-term, the construction activity in Russia and Kazakhstan is expected to increase, driven by a long-term need to improve the ageing and underinvested infrastructure existing in the countries today and which to a large extent was built during the Soviet era. It is believed that these investments could also drive the countries' long-term economic growth going forward. As described above, several major projects are ongoing or planned. In order to realise these projects, we estimate that the number of machines in the countries needs to increase significantly. Ferronordic is well-positioned to capture the opportunities that would be created by the increased demand.

ACTIVITY IN THE COMMODITY SECTOR

Construction equipment is used operationally in numerous industries related to oil, gold, minerals, forestry and other commodities. Therefore, demand for our products and services is also driven by the activity and the willingness to invest in these sectors, which in turn is dependent on the relevant commodity prices.

Generally, however, activity in the commodity sector is less sensitive to local business cycle fluctuations and price changes (for example, during the most recent economic downturn in Russia, mining and forestry remained relatively strong). Even if investments by customers usually decline during periods of recession and/or low commodity prices, they nevertheless continue to use their existing equipment. Therefore, reduced machine sales are usually compensated partly by increased sales of parts and service. Moreover, most of the commodity producers in Russia and Kazakhstan tend to sell their produce in USD, while their costs are mainly in RUB. As the RUB tends to decline when the economy is weaker, this currency relationship tends to provide some support to the commodity producers.

PENT-UP DEMAND

The number of new machines imported to Russia during the last ten years is approx. 120,000 units. Ferronordic estimates that the total need for equipment in Russia, based on the prevailing investment level between 2011–2014, amounts to approx. 185,000 units. Thus, the pent-up demand on the market amounts to at least 65,000 units.

By the end of 2020, over 60% of the new machines imported during the last ten years were over five years old and, whereas many need to be replaced with new equipment or undergo overhauls. In addition, there is undoubtedly a large number of machines that have been imported over ten years ago, including the relatively large number of machines imported in the years preceding the financial crisis in 2009, as well as domestic and Chinese machines, which need to be replaced with new and/or more efficient equipment.

The pent-up demand partly explains the market recovery seen during 2017-2019, a trend which we expect will continue after 2020.

GRADUALLY MATURING CUSTOMERS

Since the mid-2000s, an increasing number of Russian machines have been replaced by imported machines, a trend driven primarily by demand for better quality, increased efficiency and stronger aftermarket support, and not merely initial purchase price. On more developed markets, purchasers of construction equipment have generally shifted focus from initial price to total cost of ownership over the machine's life-cycle, including fuel costs, repair and maintenance costs, standstill costs, residual value, etc.

In Russia and Kazakhstan, however, customers often continue to focus on the initial price. This is gradually changing as the customers mature and become more focused on efficiency. The importance of high quality aftermarket service is also expected to increase 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.

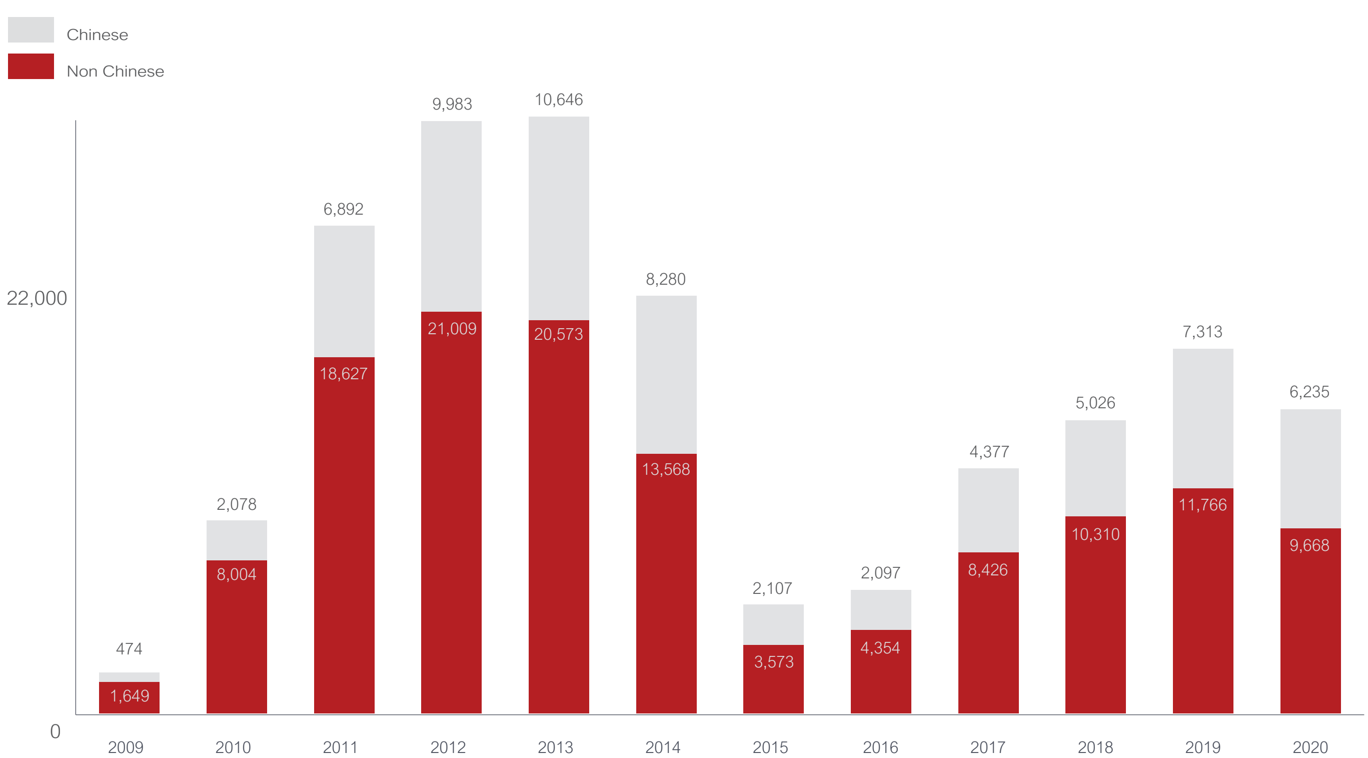
COMPETITION

Ferronordic's main competitors are other manufacturers/dealers of high-quality construction equipment, such as Caterpillar, Komatsu, and Hitachi.

As regards imported machines, we differentiate between, on the one hand, manufacturers/dealers of premium quality machines and good aftermarket support but at higher prices and, on the other hand, Chinese brands that offer simpler, standardised machines with inferior aftermarket support but at lower prices.

Historically, Chinese brands have represented approx. one-third of the total import of construction equipment to Russia, measured in units (in value these machines represent a considerably smaller part of the imports). However, these machines have mainly consisted of simpler wheel loaders (approx. 82% during 2020). Since we mainly focus on larger and more complex machines, supported by strong aftermarket service, we do not at present include Chinese brands among our main competitors.

IMPORT OF CONSTRUCTION EQUIPMENT TO RUSSIA BY ORIGIN (UNITS)



Source: Russian import statistics compiled by Volvo CE.

Note: excluding bulldozers, forestry equipment and rigid haulers.

Our **operations**
in Russia/CIS

Ferronordic began its operations in Russia in 2010. It started with six outlets and about 160 employees. It expanded to Kazakhstan in January of 2019. At the end of 2020, the company had 85 outlets and about 1,200 employees in Russia and Kazakhstan.

In its growing contracting services business, Ferronordic owns and operates machines to carry out works for customers, mainly in the mining industry. In contracting services, revenue is typically based on volumes excavated and transported. Ferronordic also offers consulting and construction services to customers.

From late 2019, Ferronordic also operates a machine and component rebuild centre in Ekaterinburg in Russia. This facility allows Ferronordic to recycle engines, gearboxes, and other parts, to utilise scrap metal and to rebuild machines for second or third life cycles.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Outlets (at end of period)	12	57	69	75	75	64	73	74	79	90	85
Employees (at end of period)	326	540	654	731	767	685	782	848	1,032	1,189	1,200
Revenue (SEK M)	1,184[1]	2,421	2,402	2,483	2,335	1,469	1,658	2,567	3,241	3,737	3,652
Operating margin[2]	n.m.	3.9%	2.8%	3.6%	4.4%	5.9%	7.9%	7.3%	8.4%	9.6%	10.8%

1. Annualised.

2. 2010–2016 refer to the adjusted EBIT margin, i.e. operating margin excluding amortisation of transaction-related intangible assets until May 2016, and write-downs of non-current assets during the fourth quarter 2016.

CUSTOMER FOCUS

In developed markets, construction equipment customers have generally shifted focus from initial purchase price to total cost of ownership during the machine's life cycle, including fuel costs, cost of repair and maintenance, cost of standstill and residual value.

On Ferronordic's markets in Russia/CIS customers still often focus on initial price. We however see that this is changing as the customers become more mature and look for increased efficiency.

To meet the individual needs and growing demands of our customers, we have developed a complete offering for both Volvo CE and our other brands. In addition to delivering high-quality machines, we also provide consultancy services such as operator training, trade-in of used machines, advice regarding optimal fleet composition and specifications, etc. Since 2014, we also offer contracting services where Ferronordic, using its own machines and operators, excavates and transports earth and rock for mining customers. We expect this business to grow in the future.

To reduce the total life cycle cost, machines must have high utilisation. Machines at standstill, because of poor planning or breakdown, can have a significant effect on project profitability for a customer. The high opportunity cost of machines at standstill results in great demand for dealers providing timely service levels and ensuring high availability of spare parts. For Ferronordic, this was a decisive factor in the establishment of a dense and mobile network throughout Russia/CIS.

Proximity to customers, a large number of outlets and high availability of service and parts are three factors that drive our value proposition and our customers' trust in Ferronordic. The fact that we operate in the whole of Russia and Kazakhstan has also been important in recent years as we have been able to reallocate resources across regions and sectors to diversify our revenue stream and improve our resilience to economic downturns.

Ferronordic's business model has contributed to Volvo CE's position as the leading brand in Russia.[1] Surveyed customers have recognised our customer focus and service offering, our dense network and our aftermarket support. In February 2020, Volvo CE awarded Ferronordic EMEA dealer of the year in recognition of our customer focus and investments to develop our staff and digitise our service and sales channels.

1) According to Volvo Construction Equipment Brand Track survey from 2016.

Our **network**
in Russia/CIS

OUTLETS IN RUSSIA AND KAZAKHSTAN AS OF 31 DECEMBER 2020

(85) Ferronordic outlets in Russia/CIS as of January 2021

Construction equipment dealers must be close to their customers. To begin with, the machines are usually difficult or impossible to move to a workshop. Instead, the dealers' mechanics usually travel to the sites where the machines are located and operating.

Secondly, because the machines are typically critical to the production process, and any standstill results in major costs and deteriorating profitability for the customer, it is crucial that the dealers' mechanics can be on site quickly and have good access to parts in order to repair machines. Proximity to customers, a dense network of well-located outlets and good parts availability are therefore key success factors.

In December 2020, we had 85 outlets in Russia and Kazakhstan. Most of them are located in larger cities or other places that have, or are expected to get, strong demand for construction equipment (e.g. clusters for the oil and gas industry or mining industries). The standard varies from simple workshops and sales offices to purpose-built service stations for both construction equipment and trucks.

In certain cases, outlets are established on a project basis at the site where the equipment is used, often in remote locations (e.g. mines in Siberia and Far East). These projects can be so large and demanding that we must establish our own workshops with our own mechanics and parts warehouses at the production sites of our customers.

Since our customers operate in different industries in different parts of Russia and Kazakhstan, we are less exposed to trends and business cycles that affect specific regions and industries. For example, during the 2015-2016 economic downturn, the market was particularly weak in the European part of Russia where the building construction sector is of greater importance, but less weak in Siberia and Far East, where mining and forestry are important. Similarly, in 2019, coal prices declined and reduced demand for our products and services. At the same time, however, gold prices increased and created other business opportunities for us. Our strong aftermarket focus, including the increasingly important aftermarket sales relating to Volvo and Renault Trucks, constitutes another buffer. In general, aftermarket sales tend to be more stable and less sensitive than machine sales to business cycle fluctuations.

Also, if our customers buy less new equipment to maintain their machine fleets, they generally need more parts and maintenance services. This was noticeable during the economic downturn in 2015–2016.

REGIONAL COVERAGE

We have a well-developed workshop network across Russia and Kazakhstan. The network is divided into eight regions: Central, Northwest, Volga, South, Urals, Siberia, Far East and Kazakhstan. At the end of 2020, we had seven outlets in Kazakhstan, and we continue to develop our presence and organisation. We also have a department in Moscow, responsible for relations with certain major customers with operations across multiple regions.

When Ferronordic was founded in 2010, 82% of all units were sold in the Northwest and Central regions. Since then, we have steadily expanded the business to other regions in order to capitalise on major projects in the eastern parts of Russia. In 2020, the share of machines sold in other regions was 56%, compared to 58% in 2019.

Region	Outlet	Description
Central	16	• Central includes Moscow and is Russia's most densely populated region with approx. 39 million inhabitants. • Most of Russia's major companies are headquartered in or around Moscow. • Demand is driven primarily by general construction, road construction and other infrastructure spending, but also by quarries and aggregates as well as forestry.
Northwest	15	• Northwest includes St. Petersburg, Russia's second-largest city, and has a population of approx.14 million. • The region contains large forest areas and demand is largely driven by forestry, but general construction, quarries and aggregates and mining are also important.
South	5	• South, comprising the South and North Caucasus federal districts, has a population of approx. 24 million. • Demand is mainly driven by general construction, road construction and other infrastructure investments, but the region also contains an important part of Russia's agriculture industry, as well as Russia's largest port.
Volga	9	• Volga includes numerous large cities and is an industrially well-developed region in the central parts of Russia. It has a population of 30 million inhabitants. • Demand is largely driven by general construction, but oil and gas and forestry are also important.
Urals	11	• Urals is a geographically large region with both large cities and great natural resources. The population is approx.12 million. • Demand is largely driven by mining and oil and gas, but also by general construction.
Siberia	10	• Siberia is a geographically very large region with great natural resources but poorly developed infrastructure. The population is approx. 19 million. • Demand is mainly driven by natural resources such as mining, forestry and oil and gas, but also general construction and other infrastructure investments.
Far East	12	• Demand is mainly driven by natural resources such as mining, forestry and oil and gas, but also general construction and other infrastructure investments. • The region is dominated by mining and the transportation of natural resources.
Kazakhstan	7	• Kazakhstan is the world's ninth largest country by area and has a population of approx. 19 million. • Demand is largely driven by oil and mining, but also by general construction and road construction.

Our **brands**
in Russia/CIS

Ferronordic is the authorised dealer of Volvo Construction Equipment, Terex, Dressta, Mecalac and Rottne in Russia, and for Volvo Construction Equipment and Mecalac in Kazakhstan. In parts of Russia, Ferronordic has been appointed aftermarket partner for Volvo and Renault Trucks.

During 2020, sales of products and services related to Volvo CE accounted for 72% of sales in Russia/CIS while sales of products and services related to other brands accounted for 15%. Our contracting services business accounted for most of the remaining 13%.

VOLVO CONSTRUCTION EQUIPMENT

Ferronordic is the authorised dealer for Volvo CE in Russia since 2010 and in Kazakhstan since 2019. Volvo CE is a leading manufacturer of premium construction equipment and, with over 14,400 employees, it is one of the largest companies in the industry. Volvo CE is the strongest construction equipment brand in Russia. The product offering includes a wide range of machines in different sizes and categories. In 2020, we sold 959 new Volvo CE machines.

VOLVO TRUCKS AND RENAULT TRUCKS

Ferronordic is an authorised aftermarket dealer (parts and service) for Volvo and Renault Trucks in certain parts of Russia. At the end of 2020, Ferronordic operated authorised truck workshops in eleven locations: Pavlovskiy Posad (east Moscow) in the Central region, Arkhangelsk and Koryazhma in Northwest, Krasnodar and Rostov-on-Don in South, Orenburg in Volga, Surgut and Noviy Urengoy in Urals, Norilsk in Siberia, and Khabarovsk and Sakhalin in Far East. The business is a good complement to our core business as it is scalable, increases our workshop network utilisation and improves customer experience and satisfaction as many of our customers manage both Volvo Construction Equipment and Volvo and Renault Trucks fleets.

TEREX TRUCKS

In 2014, Ferronordic was appointed official dealer for Terex Trucks (owned by Volvo CE) in all of Russia. In 2020, we sold 7 machines from Terex Trucks. In 2019, Volvo CE's old line of Terex- branded rigid haulers was replaced with the new series of Volvo-branded haulers. While Ferronordic continues to act as an aftermarket dealer for the existing population of Terex-branded rigid haulers in Russia, we are now selling new Volvo-branded rigid haulers.

DRESSTA

In 2016, Ferronordic was appointed the official dealer for Dressta bulldozers and pipelayers in all of Russia. Dressta is based in Poland and is a global manufacturer of bulldozers and pipelayers.

Bulldozers complement our Volvo CE offering and improve our ability to offer package solutions. The appointment was fully in line with our strategy to use our network for complementary products. In 2020, we sold 4 bulldozers from Dressta.

MECALAC

In 2017, Ferronordic became the official dealer for backhoe loaders from Mecalac in all of Russia. The manufacturing, acquired by Mecalac from Terex Corporation in 2016, is based in the UK.

The product range includes backhoe loaders, compact wheel loaders and other compact equipment. As of 2019, we also service and sell Mecalac machines in Kazakhstan. In 2020, we sold 102 machines from Mecalac.

ROTTNE

As of 2016, Ferronordic is the official dealer for Rottne forestry equipment in all of Russia. Rottne is a Swedish manufacturer of forwarders and harvesters for the forestry industry. As part of the cooperation with Ferronordic, Rottne developed a new series of products for the Russian market, equipped with engines from Volvo Penta. Forestry equipment complements our Volvo CE product and service offering. During 2020, we sold 14 machines from Rottne.

DIESEL GENERATORS

We also sell Ferronordic branded diesel generators (gensets). The gensets consist of an electric generator, powered by a Volvo Penta engine. Diesel generators are used in places that lack connection to a power grid or as an emergency power supply if the grid fails. In 2020, we sold 20 Ferronordic gensets.

Our **services and products**

in Russia/CIS

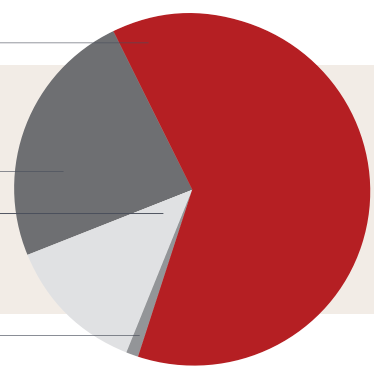
EQUIPMENT SALES

Machine sales consists of sales of new and used machines and trucks. Most of the machine sales in Russia/CIS comes from new Volvo CE machines, such as haulers, wheel loaders, excavators, and pavers. In 2020 sales of Volvo CE machines accounted for 87% of the new machine sales (measured in units). New machine sales also include bulldozers from Dressta, backhoe loaders and compact machines from Mecalac and forestry machines from Rottne. In addition, we sell attachments from various producers.

Machines sales also includes used machines and trucks. These are either machines from our own rental fleet or contracting services business, machines purchased from customers in connection with trade-in deals or machines and trucks purchased for resale. Compared to dealers in more developed markets, our used equipment sales are still small and thus has the potential to grow as the market develops.

Since 2017 we are a supplier of Volvo Certified Rebuild for articulated haulers, excavators, and wheel loaders. Volvo Certified Rebuild is a program where used equipment is rebuilt in accordance with Volvo CE's standards in order to obtain a second or even third life cycle. The rebuilt machines can then be sold as "Certified Rebuild" with a new warranty from Volvo CE. Ferronordic was one of the first Volvo CE dealers to be approved for the program and the first dealer in Europe to be approved for excavators.

RUSSIA/CIS REVENUE BROKEN DOWN BY REVENUE SEGMENT, 2020



AFTERMARKET SALES

The aftermarket consists of sales of parts and service. Our service offering in Russia/CIS includes scheduled maintenance, diagnostics, overhauls, operator trainings as well as scheduled and unscheduled repairs. We offer various types of service contracts in order to tailor our offering and meet each customer's individual needs. In Russia/CIS, service of both machines and trucks are often provided out in the field, at the customer or at our service stations. This means that we need to equip our dense network with mobile service vans that quickly can travel to customer sites. Starting in fourth quarter of 2019, Ferronordic also operates a machine and component rebuild centre in Ekaterinburg in Russia (see below). This facility allows Ferronordic to overhaul engines, gearboxes, and other parts but also to rebuild machines for customers.

COMPONENT AND MACHINE REBUILD CENTRE

Ferronordic opened a component and machine rebuild centre at the end of 2019. The centre allows for the recycling of used equipment and contributes to building a circular economy for construction equipment and trucks. The centre rebuilds engines and gearboxes for Volvo CE and Volvo and Renault Trucks. The components are resold to customers with a warranty from Ferronordic or installed in used machines in the "Volvo Certified Rebuild" program. The first components were produced in January 2020. The centre also rebuilds machines and has a chop-off line, to utilise parts and scrap metal. The first articulated haulers were successfully rebuilt in Q2 2020. At the end of 2020, the machine rebuild capacity was expanded to meet the growing demand. Part of the centre's capacity will be used by Ferronordic's own contracting services business, contributing to building an ecosystem that allows Ferronordic to recycle its own machines one or more times, using recycled parts and components from own or customer used equipment.

NEW MACHINES SOLD IN 2020

Product Type	Example	New Units Sold in 2020	Description
Excavators		628	Used for a wide range of purposes, e.g. landscaping, excavation, trenching, demolition, loading etc.
Articulated haulers		100	Volvo CE developed the articulated hauler concept and is the market leader in articulated hauling in demanding conditions. Applications include road construction, quarrying, mining and waste handling.
Wheel loaders		122	Used to move or load materials. Come in several sizes and models, from compact machines to large production machines.
Road construction equipment		116	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.
Backhoe loaders		99	A tractor with a shovel or scoop in the front and an excavator in the back. Used for a wide range of purposes, e.g. digging ditches, lifting, loading, materials handling and construction.
Diesel generators		20	Power generators driven by a diesel engine from Volvo Penta, assembled in Russia and sold under Ferronordic's brand.
Bulldozer		4	Used to move earth, for example in road construction, aggregates, mining, etc.
Rigid haulers		3	Massive trucks with payloads ranging from 41 to 91 tons. Used to move earth and other heavy loads in mining, aggregates, etc.
Forestry machines		14	Harvesters are used for felling, delimbing and bucking trees. Forwarders are used to transport logs from the stump to the roadside landing.

Contracting **services**

As part of our strategy of becoming increasingly integrated into the business of our customers, and growing into related business areas, Ferronordic offers, as of 2014, contracting services where we own the equipment and employ the operators to carry out works and specific tasks for customers.

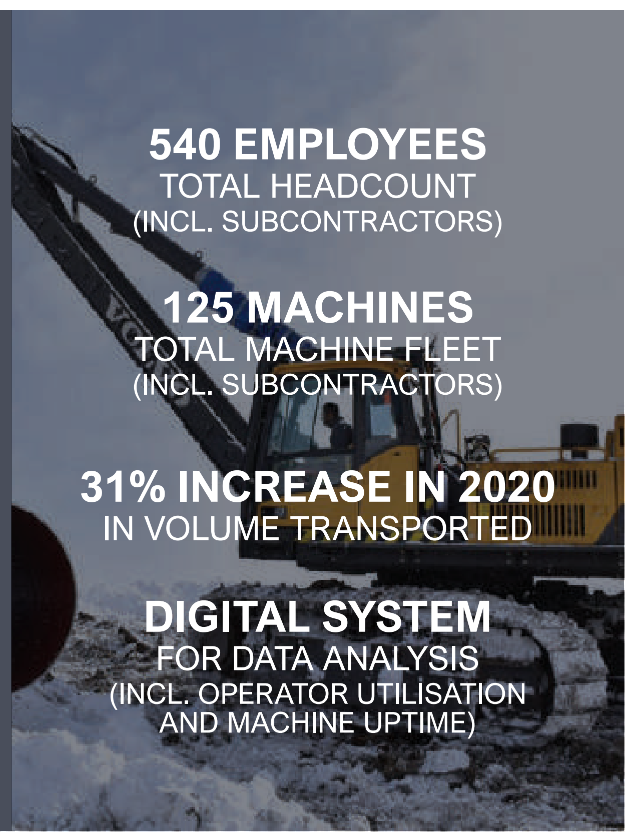
The current contracting services projects mostly involve excavation and transportation of overburden, rock, or ore for customers in the mining industry. Payment is based on the volume of earth and rock transported.

This type of outsourcing is common in the mining industry in other parts of the world but is still relatively undeveloped in our markets. However, we believe that demand for contracting services will grow in both Russia and Kazakhstan and we see opportunities to expand this business. In the future, we may also extend similar services to customers in other industries and other markets.

In September 2020 we signed agreements with Chernogorskaya Mining Company to support the development of a new platinum group metals mine site in the Krasnoyarsk region. Ferronordic will assume the role of a general contractor to prepare the site for the subsequent construction of a processing plant and ancillary mining infrastructure. The project, which is expected to run until the end of 2022, includes drilling and blasting, excavation, and removal of rock and overburden, surface levelling, drainage, rock crushing and screening and the construction of access and on-site mine roads.

TRADITIONAL DEALERSHIP METHOD VS OUTSOURCING/CONTRACTING SERVICES METHOD

	Traditional Method	Contracting Services Method
Machines	FERRONORDIC	FERRONORDIC
Parts	FERRONORDIC or the customer	FERRONORDIC
Service	FERRONORDIC or the customer	FERRONORDIC
Operators	Provided by: The customer	Provided by: FERRONORDIC
Payment	Cost of machine, parts and service	Volume based (per tonne, cubic meter, kilometer, square meters, etc)



GERMANY

GERMANY'S ECONOMY AND THE GERMAN TRANSPORT INDUSTRY

Home to 16% of Europe's population, Germany is Europe's largest economy and constitutes 25% of European GDP. The German economy is highly industrialised and equally diversified between goods and services. Germany is also Europe's export and manufacturing powerhouse. In 2020, Germany exported EUR 1.3 trillion of its products worldwide and its production was 30% of the EU-27's value of sold production. The German economy has been on a steady growth streak for several years but in 2020, the country's economy shrunk by 5% due to Covid-19 and the measures introduced to prevent the spread of the virus, which negatively impacted much of economic and public activity throughout the year. Though significant, the slowdown in Germany's economy was less severe than in some other European nations, thanks in part to the country's resilient manufacturing base.

GERMAN HEAVY TRUCK MARKET DEVELOPMENT

Consistent with its economic significance, Germany is also the largest market in Europe for heavy trucks. The slowdown of the Germany economy thus inevitably had a significant impact on the country's truck market. In 2020, the total market for heavy trucks (>16 tons) shrunk by 28%[1], and registrations were down to 50,500 units from a peak of 70,000 units in the previous year. This contraction in new vehicle registrations was however only partly due to economic slowdown and reduced demand for commercial vehicles. Factory closures, lockdowns and supply chain challenges around the world also reduced the supply of available vehicles in the market. In addition, 2019 was an all-time high market in Germany and therefore a high base to compare against. Truck mileage was, as an indication of utilisation, less sensitive to the economic downturn but also declined compared to 2019.

HEAVY TRUCK REGISTRATIONS IN GERMANY

1) Germany registrations data compiled by Volvo Trucks (until December 2020).
* 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.

TRENDS AND DRIVERS

Looking into the future, many of the challenges that faced the German truck business in 2020 will likely remain in 2021 and only gradually ease as vaccination programs are rolled out and supply chains are restored. In the longer term, we believe that the German truck industry remains resilient for a number of reasons including Germany's central position in the EU as a central logistics hub serving over 82 million Germans, 150 million consumers in its 9 neighbouring countries, and nearly 500 million EU residents. Germany also has one of the most advanced transport infrastructures in Europe, including the continent’s second largest port, over 250 inland ports and 21 international airports. Moreover, in 2020 the German government has shown its commitment to helping the transport industry recover by introducing a EUR 8 billion support scheme that includes a temporary fleet renewal program.

- Ferronordic expanded to become dealer for Volvo and Renault Trucks in Germany in January 2020
- Germany is Europe’s largest trucks market with 70,000 registrations in 2019 and 50,000 in 2020
- Ferronordic’s sales area covers approx. 20% of the German market for heavy trucks
- The area includes some of the busiest and most developed parts of Germany, like Hannover and Frankfurt Rhine-Main, the second largest metropolitan region in the country
- It also includes a large part of Eastern Germany with fast growing cities, like Leipzig and Dresden

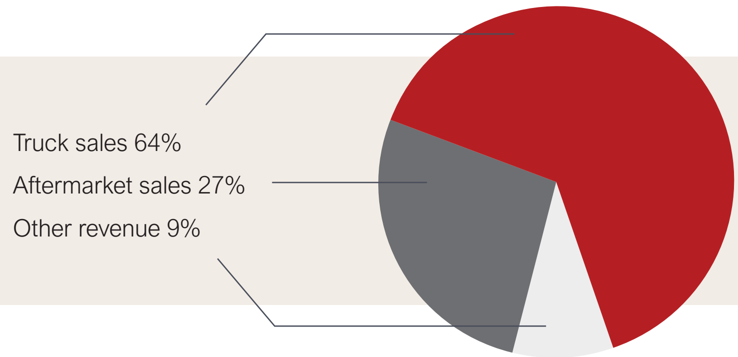
(11) Ferronordic outlets in Germany as of January 2021
Acquisitions of the workshops in Nordhausen and Limburg were announced in 2021

OPERATIONS IN GERMANY

Our activities in Germany include sales of new Volvo and Renault Trucks, sales of used trucks, rental of trucks, as well as service and technical support of trucks and other commercial vehicles. Our sales area in Germany represents approx. 20% of the entire German truck market (based on registrations). Our strategy is to continue to grow and improve our network and organisation to increase the market share of Volvo and Renault Trucks and increase our share of the total aftermarket business in our sales area.

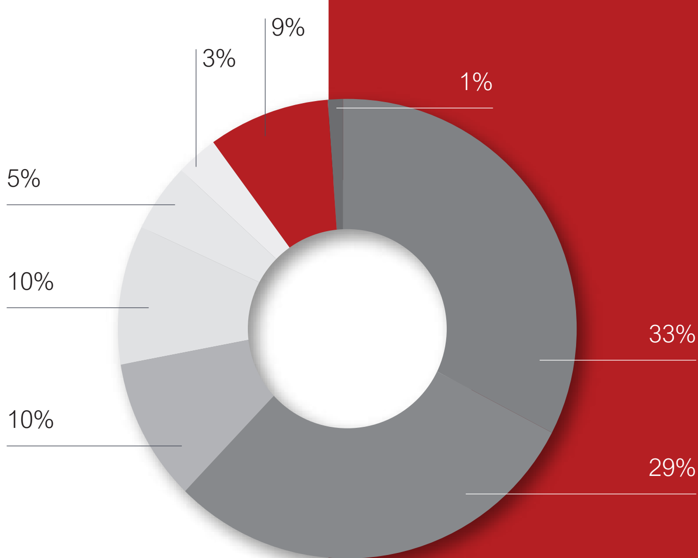
The German truck market is competitive. It is dominated by two local players - Mercedes and MAN. Combined, these two brands hold about 60% of the total German commercial vehicle market. The remaining 40% is split relatively evenly between DAF, Scania, Iveco, and Volvo Trucks. Renault Trucks holds about 1% of the market.

GERMANY REVENUE BROKEN DOWN BY REVENUE SEGMENT, 2020



The truck market in Germany is mature and demanding, with customers putting a high value on brand image, solutions tailored for their business and high-quality network coverage. Volvo Trucks has a strong image in the German market and is generally perceived as an innovative brand with unique offerings like I-Save and Volvo Dynamic Steering, which other OEMs do not have in their portfolio. The introduction of the new Volvo Trucks range in 2020, with particularly big advances in fuel efficiency and driver comfort, will likely further strengthen the solid positioning of the brand in Germany. In addition to its well-received diesel-powered range, Volvo Trucks is also perceived to be leading in the field of alternative fuels, with a strong offering in liquefied natural gas (LNG) in the long-haul segment and electric trucks for distribution and last-mile delivery.

The brand image of Renault Trucks is currently not as well established as that of Volvo Trucks in Germany but shows great potential thanks to the advanced features, quality, and robustness of the vehicle line-up.



GERMAN HEAVY TRUCK MARKET BY BRAND, 2020

Mercedes-Benz 33%

MAN 29%

DAF 10%

Scania 10%

Iveco 5%

Others 3%

Volvo Trucks 9%

Renault Trucks 1%

NEW TRUCKS SOLD IN 2020

Brand	Model	Example	New Units Sold in 2020	Description
Volvo	FH16		5	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.
Volvo	FH		457	Long haul and regional haul truck mainly used in transportation and logistics. Usually comes as a semitrailer tractor, and also as a rigid for long and regional haul. The Volvo FH also comes with a liquefied gas (LNG) engine.
Volvo	FMX		24	Volvo Trucks most robust construction truck. Typical areas of use are building and construction transport, as well as mining and quarry transport.
Volvo	FM		31	Versatile truck suitable for a range of applications including long haul, regional haul, building and construction.
Volvo	FE		21	Medium-duty truck used for distribution, light construction, utilities, and refrigerated transport. Available with an electric powertrain.
Volvo	FL		7	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		32	Renault truck for the long haul and regional haul. Also used in distribution transport and building and construction transport.
Renault	D		26	Used widely in household and industrial waste collection, cleaning and sanitary services, firefighting and emergency services. Available with an electric powertrain.
Renault	C		5	Part of the Renault Trucks construction range. A versatile truck usually used in material transportation.
Renault	K		2	Complementary truck for Renault C model. Heavy-duty truck suited for quarries, logging and various construction sites.
Renault	MASTER		21	A light commercial vehicle used in a variety of transport assignments including mobile workshops, goods transportation, postal and courier services, etc. The Renault Master is also available with an electric engine.

SELECTED VEHICLES SOLD IN GERMANY (NEW)

	2020
Rigid trucks	136
Tractor trucks	474
Light commercial vehicles	21
New cars	61

NETWORK

Ferronordic entered Germany at the beginning of 2020 with the acquisition of nine Volvo and Renault Trucks workshops in some of the biggest cities in Germany, including Hannover, Frankfurt, and fast-growing cities in the east like Leipzig and Dresden.
At the same time, we took over two locations by acquiring the private dealer company Auto-Haas GmbH. In December 2020, in February 2021 and in March 2021, Ferronordic announced the purchase of three additional strategically located workshops, bringing the total number of workshops to 13.

Region	Workshops	Description
West	4	Includes Frankfurt, which is the main city in Rhine-Main metropolitan region, Kassel, Haiger and Fulda.
East	5	Includes fast-developing cities Dresden and Leipzig, as well as Bautzen, Dessau and Görschen.
North	2	Includes Hannover, which is the largest city in Braunschweig-Göttingen-Wolfsburg metropolitan region, and Magdeburg.

At the end of 2020, the number of full-time equivalent employees in Germany was 257, most of whom were in sales representative or service roles in Ferronordic. This represents a small increase from the headcount of 250 following the initial acquisition and start of operations in January 2020. As we continue to expand our network of sales areas in Germany, we expect the organisation to grow, mainly in sales and service functions.

As 2020 was our first year of operations in Germany, following a relatively large acquisition of different workshops from the Volvo Group and Auto-Haas, we spent a lot of time and effort establishing a functioning organisation and setting up structured commercial processes, both for sales of new trucks, truck rental and aftermarket.

OUTLOOK

Looking ahead, an important factor that will contribute to the success of the German business is the implementation of a customer-centric and performance-based culture similar to what Ferronordic has achieved in Russia/CIS. This partly means various degrees of reorganisation and restructuring, but also the introduction of a new commission and bonus systems for our employees, which due to German legal requirements is not always straightforward. We also need to enhance the know-how of our German personnel, not least when it comes to the commercial understanding of our customers' needs and total cost of ownership.

At the same time, we need to continue to expand and improve our service network in Germany. Partly, this will be done by expanding the number of workshops in our sales area. The first steps on this strategy were taken with the acquisitions of new workshops in Fulda, Nordhausen and Limburg in the beginning of 2021. Partly, it will be done by mobile service where we service and repair trucks at customer sites, similar to what we do for our construction equipment and also many truck customers in Russia/CIS.

We are also taking steps to build greater awareness of the Ferronordic brand in Germany, with the launch of a new website and social media channels, the re-branding of all workshops and re-build of some locations based on a new Ferronordic brand concept.

The process to turn our German business around has started. Over time our ambition is to build a leading service and sales company in Germany that supports the growth and leadership of our customers and makes a positive contribution to the overall profitability of the Ferronordic Group.

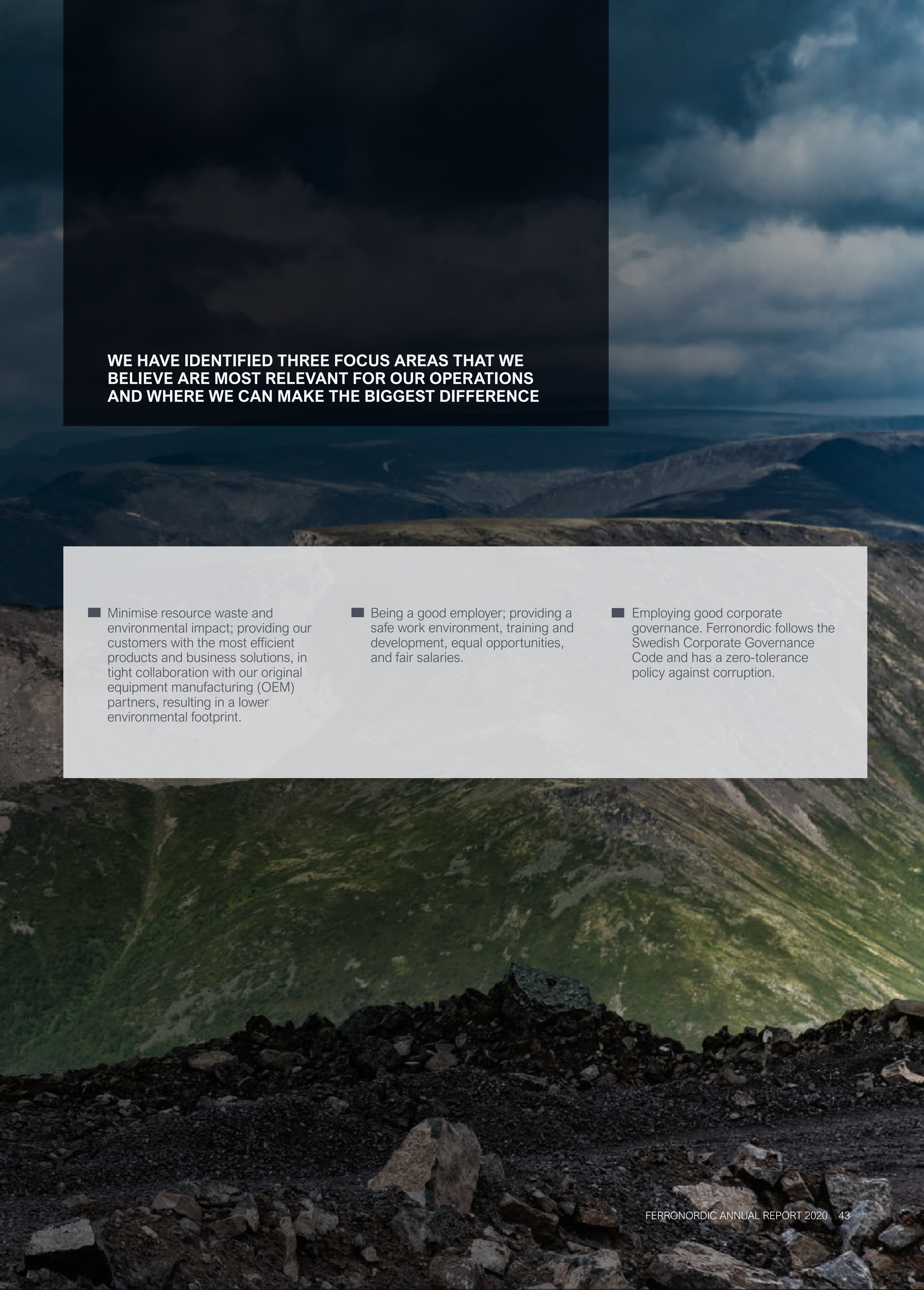
Sustainability

SUSTAINABILITY IS ABOUT EFFICIENCY, SOCIAL RESPONSIBILITY AND GOOD GOVERNANCE

Sustainable development is necessary for the prosperity of the world as a whole but also for its constituent parts, including that of Ferronordic and our stakeholders. Sustainability is about employing and building natural, human, and technological resources in a way that meets the current needs of the planet while providing opportunities for future generations to build a better world.

For Ferronordic, sustainability involves managing a responsible business that directly and indirectly contributes to a cleaner environment and a less wasteful economy and that creates long-term value for all our stakeholders. We see no long-term trade-off between sustainability and profitability - rather the contrary. The world needs sustainable and environmentally friendly business solutions and leading that trend will be a source of competitive advantage. We work with partners that are focused on driving sustainable business solutions and with customers that need to be efficient and minimise their environmental footprint. Our interests are aligned.

When we look at our pyramid of values (see page 8), all levels build on each other and each level includes a focus on sustainability: our vision, our mission, our values, our offer and our strategy. We work to embed sustainability in everything we do: in our culture, our processes and our business activities. It is an essential part of our work to constantly improve and make our business more efficient.



WE HAVE IDENTIFIED THREE FOCUS AREAS THAT WE BELIEVE ARE MOST RELEVANT FOR OUR OPERATIONS AND WHERE WE CAN MAKE THE BIGGEST DIFFERENCE

- Minimise resource waste and environmental impact; providing our customers with the most efficient products and business solutions, in tight collaboration with our original equipment manufacturing (OEM) partners, resulting in a lower environmental footprint.
- Being a good employer; providing a safe work environment, training and development, equal opportunities, and fair salaries.
- Employing good corporate governance. Ferronordic follows the Swedish Corporate Governance Code and has a zero-tolerance policy against corruption.

GOVERNANCE, STRATEGY, RISKS AND OPPORTUNITIES

The issues around sustainability, and in particular the challenges related to climate change, carry risks to our business model but also offer opportunities for us to, on the one hand, contribute to solutions that will reduce emissions and prevent global warming and, on the other, to mitigate the impact and deal with the consequences of a warmer climate. Ferronordic has a close dialogue with all its stakeholders, and notably with its OEM partners and its customers, on the effects of climate change on our shared value chain.

Ferronordic's executive management team takes the risks and business opportunities of climate change into account in the long-term and strategic planning that is ultimately presented to Ferronordic's Board. Our climate strategy is integrated with our strategic business objectives and aligned with the climate strategies and product development plans of our OEM partners.

Our objective is to minimise our own ecological footprint while helping our customers to achieve leadership in their respective markets, also in terms of minimum emissions and resource waste. Ferronordic is currently working on initiatives to improve the precision of its metrics on its ecological footprint to allow for better follow up on emissions specifically.

The world is slowly but deliberately moving away from fossil fuels to slow down the potential warming of our planet. This transition has and will continue to impact regulatory frameworks, technological and product development and markets in products and commodities with a significant carbon footprint.

This will in turn mean that certain sectors that we currently serve may come under pressure; from regulators, consumers, employees, investors, and media. Therefore, the direct and indirect reputational risks might increase. In 2020, oil and gas customers accounted for 4% of our Russia/CIS revenue, compared to 5% in 2019. Sales related to coal mining and production made up approx 1.7% in 2020, compared to 10.2% in 2019. The decline was mainly a result of lower coal prices and investment activity.

The coal industry will need to transform or shrink. We can help less clean industries transform or help reduce their environmental impact through a gradual decline. As one sector declines, other sectors in construction and transportation may grow faster and offer new opportunities for us to offer climate-efficient solutions.

As for regulatory and product risks related to emissions, we believe that the Volvo Group, as well as our other partners, are in such advanced technological competitive positions that we, as their interface with customers and representatives in local markets, may benefit from stricter rules and faster adoption by customers of fossil-free technologies.

We also believe that government initiatives to support cleaner technology are likely to benefit manufacturers and distributors of leading technology and engineering solutions. Indeed, we believe that being at the forefront of this technological shift could open both new product and geographical markets.

A similar logic would hold for our so-called scope 1 emissions, which is the direct emissions we incur in our production process. These emissions are mainly related to diesel consumption by our service van fleet and our machines in our contracting services. Moving to carbon-free technologies will ultimately be a source of total cost efficiency and a goal that will be shared all through our value chain: from manufacturer to end-customer.

Our machine and component rebuild centre recycles used machines, components, parts, and metal. The centre is important to our contribution to the circular economy and reduces the waste of scrapping old machines and producing new ones as opposed to providing used machines with second or third life cycles.

There is some risk that the local support infrastructure would not keep pace with the innovation of our partners, for example in terms of charging capacity for electric machines. This could however also carry opportunities to promote such infrastructure in our markets. In Germany, as we expand our network, we make sure that sufficient power supply is available for an electric vehicle future.

There are also some balance sheet risks related to the rapid development of new products and technologies by our partners or their competitors. Fast and discreet product development could make our inventory of new and used machines, and our machines in contracting services, less valuable. We however welcome the technological development as key to the long-term success and competitive strength of Ferronordic, its partners and its customers, and see a limited risk that we could not turn our inventory within the product development cycles.

The effects of a warmer climate on weather stability, sea levels and building standards are likely to place higher demands on construction equipment and the transportation system and to increase demand for the most advanced technologies to build protection to prevent climate related effects or to mitigate such effects under harsh conditions in affected areas.

Ferronordic wants to contribute to slowing down and potentially reversing climate change, to contain and mitigate the risks related to a warmer climate, and to provide the best equipment and construction or transport solutions when and where it is needed as a result of climate change.

EFFICIENT PRODUCTS AND BUSINESS SOLUTIONS DECREASE ENVIRONMENTAL FOOTPRINT

Our success is dependent on the success of our partners and customers. To grow sales, we must be able to offer our customers more efficient products with lower environmental footprint and constantly improving safety standards. Our OEM partners have ambitious targets to limit emissions, make efficient use of natural resources and act socially responsible in all parts of the value chain whilst offering competitive products and services that enable investments in a better future.

The Volvo Group is making significant investments in fuel cell technologies and electric drivelines to build tomorrow's fossil-free transport system. In 2020, electric distribution trucks were put in operation both in Europe and US.

In 2021, Volvo Trucks plan to launch heavy-duty electric trucks in Europe. Meanwhile, Volvo CE is rolling electric compact equipment. Our customers are looking to achieve maximum output or infrastructure development with minimum resource waste and environmental impact.

Meanwhile, the regulatory environments in our markets keep evolving and demand lower emissions and safer working conditions; pushing manufacturers and end-customers alike to reduce their footprints. Ferronordic is a critical part of the construction equipment and transportation value chain and shares these objectives with our OEM partners and customers, both as a distributor of premium products and as a customer in our contracting services.

We work closely with our supply-side partners to align standards and business practices and bring their latest and most efficient technological innovations to our customers. At the same time, by providing high-quality, fuel-efficient and safe machines and trucks, and ensuring that they work when, how, and where they should, we contribute to increasing the efficiency and long-term success of our customers.

This helps us to build a sound basis for a sustainable and profitable business going forward. It also facilitates the development and maintenance of long-term relations based on mutual trust with Volvo and other OEM partners, which further benefit our business and improve our ability to provide better support to our customers.

TO CONTRIBUTE TO THE SUCCESS OF OUR CUSTOMERS, WE MUST HAVE ENGAGED EMPLOYEES

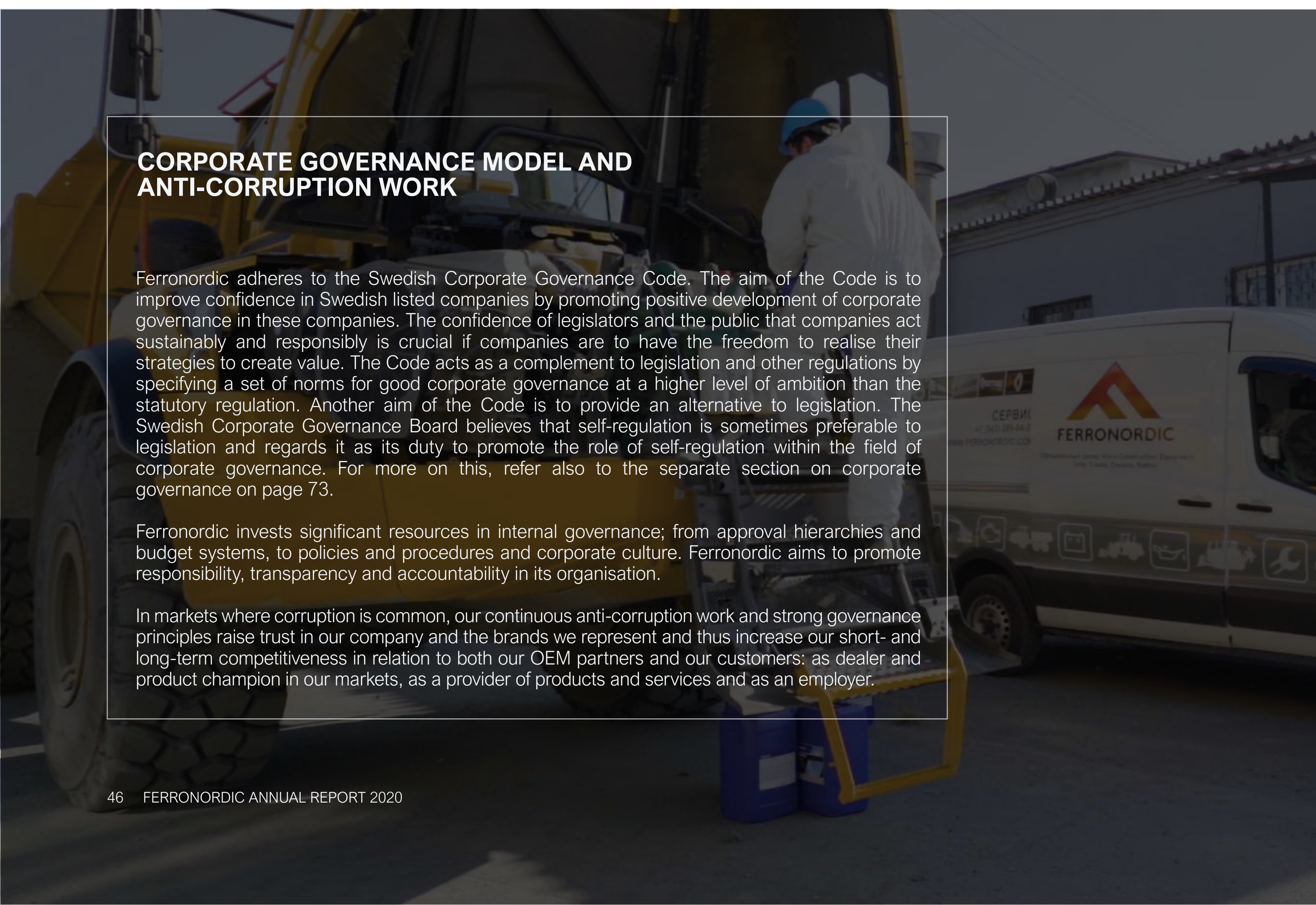
By encouraging our people to learn from their mistakes, we encourage initiatives and creativity.

By caring for their safety and wellbeing, we create trust and loyalty.

By paying fair salaries and transparent bonuses, we increase motivation and bring out talent.

By investing in training and development, we not only increase the productivity of our staff and enhance their ability to deliver customer satisfaction but also raise their sense of self-realisation, achievement, and commitment to our organisation.

According to our latest employee survey (2018), we have an overall employee engagement score in the company as high as 78%. This company wide engagement has been essential for our success so far and will be equally important for our business going forward.



CORPORATE GOVERNANCE MODEL AND ANTI-CORRUPTION WORK

Ferronordic adheres to the Swedish Corporate Governance Code. The aim of the Code is to improve confidence in Swedish listed companies by promoting positive development of corporate governance in these companies. The confidence of legislators and the public that companies act sustainably and responsibly is crucial if companies are to have the freedom to realise their strategies to create value. The Code acts as a complement to legislation and other regulations by specifying a set of norms for good corporate governance at a higher level of ambition than the statutory regulation. Another aim of the Code is to provide an alternative to legislation. The Swedish Corporate Governance Board believes that self-regulation is sometimes preferable to legislation and regards it as its duty to promote the role of self-regulation within the field of corporate governance. For more on this, refer also to the separate section on corporate governance on page 73.

Ferronordic invests significant resources in internal governance; from approval hierarchies and budget systems, to policies and procedures and corporate culture. Ferronordic aims to promote responsibility, transparency and accountability in its organisation.

In markets where corruption is common, our continuous anti-corruption work and strong governance principles raise trust in our company and the brands we represent and thus increase our short- and long-term competitiveness in relation to both our OEM partners and our customers: as dealer and product champion in our markets, as a provider of products and services and as an employer.

THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs) SET THE WORLD'S **COMMON AGENDA FOR 2030**

The United Nations 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 what we do.

We strive to foster awareness in our organisation and to make our contribution to the global effort. We, however, put more focus on the goals where our business activities can have the biggest immediate impact and where we can have the biggest effect on positive long-term trends.

MINIMISE RESOURCE WASTE AND ENVIRONMENTAL IMPACT

A large part of the existing machine population in Russia/CIS consists of old machines with engines of inferior emission standards and suboptimal fuel-efficiency. By replacing these machines with new, efficient, and innovative machines or business solutions, we contribute to a better environment in Russia and Kazakhstan.

By promoting and distributing high-quality, long-life, fuel-efficient and safe machines, and by providing service, support, and training, we ensure that our customers' machines work when, how, and where they should. Thereby, we contribute to improving the efficiency, reducing emissions and resource waste, and increasing safety for our customers and their employees.

In contracting services, we optimise fuel consumption and machine depreciation on behalf of our clients by employing the right fleet of machines, using the machines in the right way, and managing experienced and well-trained operators.

Our certified rebuild program and our machine and component rebuild centre in Ekaterinburg allow for the used equipment to have second and third life cycles and customers to extend the efficient use of their machine fleet. The rebuild centre also supports the recycling of components and parts that might otherwise be scrapped as waste. The centre repairs used machines, rebuilds new components and utilises metal and parts from machines that cannot be restored to working capacity.

Some of the centre's capacity is used to repair and rebuild the machines and components from our own contracting services. Our rebuild program and our machine and component rebuild centre in Ekaterinburg contributes to the circular economy within Ferronordic and for our OEM partners and customers. Although the centre was completed only in December 2019, we expanded its capacity in late 2020, to handle bigger volumes of machine rebuilds. In 2020, we rebuilt three articulated haulers, 15 engines, 19 gearboxes and 45 other components.

In Germany, the general population of trucks is of higher quality, lower age and with better fuel efficiency than in Russia/CIS. In addition, emission regulations are stricter allowing for higher demands in the market to operate more environmentally friendly vehicles. At the same time society, customers and OEMs are focusing on the development of alternatives to fossil-fuelled drivelines such as electric and fuel cell technologies. However, a complete move away from diesel will take time. With the rapid innovation and product rollout from Volvo and Renault Trucks, Ferronordic will work together with its partners for the transition to happen as fast as possible.

BEING A GOOD AND FAIR EMPLOYER THAT INVESTS IN AND DEVELOPS HUMAN RESOURCES

We strive to promote a diverse workforce and are an equal opportunities employer. We do not tolerate any form of discrimination. We respect the rights of all employees to join an association to represent their interests as employees, to organise and to bargain collectively or individually.

We make significant investments in the training and development of our employees. By developing a more qualified organisation, we become better at offering the right solutions to the right customers, at servicing and maintaining the customers' machines and trucks and at advising on the efficient utilisation of the vehicles. In 2020, the total number of training hours provided to our employees was about 50,000, compared to about 57,000 in 2019. The decline of 13% in 2020, despite the expansion to Germany, was mainly driven by the restrictions on contacts and travel caused by the Covid-19 pandemic. Per employee, training hours declined by 29%, to 34 hours in 2020 from 48 hours in 2019.

The overall proportion of women in Ferronordic's workforce declined from 13% in 2019 to 10% in 2020. The decline was partly driven by a lower share of women employees in Germany, and partly by most of the new hires being either mechanics or operators in contracting services, where the share of women is also lower.

In 2020, the proportion of women in management positions remained at 17%, the same level as in 2019 but an increase from 13% in 2018. The increase in women in management in 2019 was partly a result of targeted programs to promote professional development and career growth for women.

Providing a safe workplace is a top priority for us. The goal is to achieve an injury-free workplace. A total of 4,282 hours were provided in Russia/CIS in health- and safety training in 2020. That is a decline of 37% compared to the 6,810 hours provided in 2019, mainly due to travel and contact restriction related to the Covid-19 pandemic. In 2019, Ferronordic was awarded ISO 45001 certification. In December 2020, this certification was confirmed by an external body. ISO 45001 is a standard for management systems of occupational health and safety, published in March 2018. The goal of ISO 45001 is the reduction of occupational injuries and diseases, including promoting and protecting physical and mental health.

According to our latest survey, conducted in 2018, we have an overall employee engagement score of 78% and overall employee satisfaction of 82%.

50,000 | Training hours provided

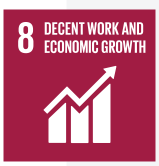
4,282 | Hours provided in health and safety training

ISO 45001 | Certification confirmed

BEING A GOOD CORPORATE CITIZEN

Ferronordic adheres to the Swedish Corporate Governance Code, a standard for good corporate governance. Ferronordic has a zero-tolerance policy against corruption. Our anti-corruption program is set out in our Code of Conduct and consists of various policies and procedures, regular trainings (including an annual online training), regular risk assessments, whistleblower procedures and audits. By building transparency and trust with employees, customers, partners, and authorities, we believe that we contribute to more open and fair market environment.

CONTRIBUTING TO ECONOMIC GROWTH AND CREATING OPPORTUNITIES FOR LOCAL COMMUNITIES



11 SUSTAINABLE CITIES AND COMMUNITIES

By providing equipment and business services that are used to build critical infrastructure, Ferronordic contributes to economic growth and social development in regions where infrastructure was lacking. By working in some of the most remote areas of Russia and Kazakhstan, Ferronordic also helps to develop and offer work opportunities to otherwise isolated communities.

Stakeholders and **materiality**

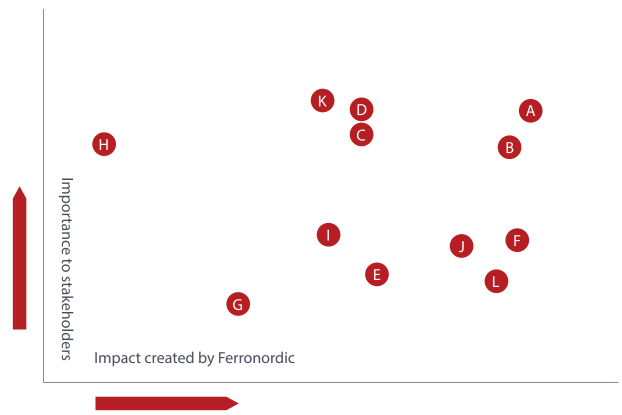
Ferronordic's main stakeholders are the following:

- **Customers**
- **OEM partners**
- **Other suppliers**
- **Shareholders**
- **Employees**
- **Banks and credit institutions**
- **Goverments and municipalities**

We keep an ongoing dialogue with our stakeholders to understand their expectations and how our business creates additional value for them, ourselves, and the society at large. Our most important stakeholders are our customers, OEM partners, shareholders, and employees.

In this report, we have tried to identify the areas where Ferronordic has the most significant economic, environmental, and social impact, as well as the areas that have the most impact on the assessments and decisions of our stakeholders. The assessment is mainly based on ongoing discussions with our stakeholders. Many of our OEM partners, however, in particular Volvo, also communicate their sustainability priorities in their own annual and sustainability reports and on their websites.

Based on this analysis we have identified twelve topics that particularly reflect Ferronordic's economic, environmental, and social impact.



A. Customer satisfaction
B. Product safety
C. Business ethics
D. Legal compliance
G. Diversity and equal opportunity
H. Environmental impact (operations)
I. Environmental impact (products)
J. Social engagement
E. Occupational health and safety
K. Energy efficiency
F. Financial health
L. Employee engagement

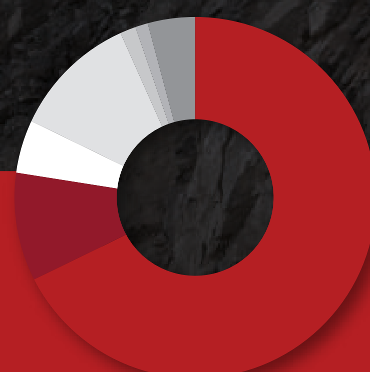
Economic **impact**

We support our customers' value creation by delivering high productivity outcomes by providing premium quality products, high parts availability, and good service solutions. In 2020, we delivered 1,106 new machines in Russia/CIS, compared to 965 machines in 2019. At the same time, we continued to service the existing population of active Volvo machines of about 13,000 units and a large number of Volvo and Renault Trucks. In Germany, we sold 631 units and serviced a share of the truck population in our sales area.

These machines and trucks support our customers' profitability by enabling them to meet their customers' needs at a lower total cost of ownership and higher efficiency. At the same time, we create additional value for our OEM partners whose brands we represent, not only by purchasing machines and parts but also by promoting their brands and providing feedback as to how the customers' needs can be better satisfied, including how fuel-efficiency, operational reliability and safety can be further improved.

By providing equipment and business services that are used to build critical infrastructure, Ferronordic also contributes to economic growth and social development in these regions. By working in some of the most remote areas of Russia/CIS, Ferronordic also helps to develop and offer work opportunities to otherwise isolated communities.

During 2020, our Group revenue amounted to SEK 4,635m (SEK 3,747m in 2019), of which SEK 3,652m related to our Russia/CIS segment and SEK 983m to our German segment. The total revenue was distributed among our stakeholders as per the chart to the right.



- Volvo and other manufacturers, whose brands we represent 68%
- Other suppliers 9,6%
- Shareholders (result of the year) 4,7%
- Employees (salaries incl. social security contributions and pensions) 11,3%
- Banks and credit institutions 1,3%
- Governments and municipalities (taxes and social charges) 1,2%
- Other* 3,9%

*Other includes items that cannot be attributed to individual stakeholders, mainly relating to depreciation, impairment and foreign exchange differences.

Customer **satisfaction**

Customer satisfaction is one of our most important business parameters. For a company like Ferronordic, customer satisfaction is crucial for building credibility, trust and strong long-term relationships with both customers and manufacturers.

We achieve high customer confidence in Ferronordic by providing high-quality machines and trucks in combination with high parts availability and good, timely and reliable service. Put differently, we make sure that our customers' machines and trucks work whenever and wherever they should and that they deliver maximum productivity and safety at minimum waste and environmental impact.

Another important aspect is our strategic strive towards increased customer integration, for example through our contracting services business, where we excavate and move earth and rock for customers in the mining industry. In contracting services, we believe that we – due to our knowledge of our equipment, the training of our staff and the systems that they employ – can execute the same operations more efficiently, with less fuel and parts waste and less standstill.

We monitor customer satisfaction regularly, e.g. by systematic complaints management. Other important tools are Volvo's regular surveys regarding customer satisfaction and brand image, where we tend to score well both for construction equipment and for trucks.

Environmental **impact**

The business of Ferronordic shall have as limited adverse environmental impact as possible. This refers to our direct impact as well as our indirect impact, through third parties on both sides of the value chain.

In general, our direct impact on the environment is limited and the risk of accidents that could have a material negative impact on the environment is considered relatively low. Much of our direct impact stems from the use of our fleet of service vans to reach customers in remote locations or urgent situations. Service vans and cars are serviced and replaced regularly to maximise productivity and reduce environmental impact. Within our service work the environmental risks are related to the handling, storing and recycling of waste, oils, and parts.

In contracting services, we also use significant amounts of diesel and spare parts to run our fleets of haulers and excavators. Machine operators are trained to operate machines efficiently and control mechanisms have been implemented to minimise any unnecessary fuel consumption and reduce costs. As we are typically paid per cubic meter, it is in our interest to minimise the total cost of ownership of our machines. In contracting services, we believe that we can do the work with less fuel and parts waste, less machine depreciation and higher safety.

Another negative effect of our operations comes from the transportation of machines and parts across Russia/CIS and Germany. Since 2015, our main transport opeations in Russia/CIS are outsourced to an external logistics company. Our logistics partner is certified in accordance with ISO 14001. To reduce transportation cost and environmental impact, heavy transports are largely made by rail.

Given the size of our markets, business travel has a negative impact on our surroundings, whether we fly or go by car. Where possible and efficient, we try to travel by train.

An essential part of our work to promote environmental sustainability is our daily work to deliver and maintain fuel- efficient products. A large part of the existing machine population in Russia/CIS consists of old machines with suboptimal emission standards and fuel-efficiency. By replacing these machines, we contribute to a better environment in Russia and Kazakhstan in general. We also use machine data from the machines' telematics systems to detect inefficient machine usage and make proactive offers to our customers on how they can improve their fuel efficiency and optimise their parts consumption. In Germany, our task is less to replace outdated or inefficient trucks and more about promoting and selling best-in-class fuel-efficient or electric trucks to reduce our customers' impact on the environment.

Compliance with legal and other applicable environmental standards is a requirement included in our Code of Conduct. No breaches of operational conditions or environmental legislation occurred in 2020. There were also no breaches reported in 2019 or 2018. In 2017, a minor non-observance took place that resulted in a fine.

Environmental **footprint**

As regards Ferronordic's ecological footprint, on current technologies, our business and service activities inevitably involve fuel consumption, entails air travel across significant distances and implies certain greenhouse gas emissions. In this context, we see it as our mission to always strive to minimise this footprint, by employing the most economic and efficient technologies, products, and business processes ourselves, but also by advancing the most progressive and efficient products and business solutions to our customers. We believe that our products offer world-leading economic and ecological efficiency and that our aftermarket service programs optimise equipment utilisation and machine life for our customers.

Our certified rebuild program and our machine and component rebuild centre in Ekaterinburg allow for an extension of the lives of machine fleets and the recycling of components and parts that might otherwise be scrapped as waste. The centre repairs and rebuilds used machines, rebuilds worn out components and utilises metal and parts from machines that cannot be restored to working capacity.

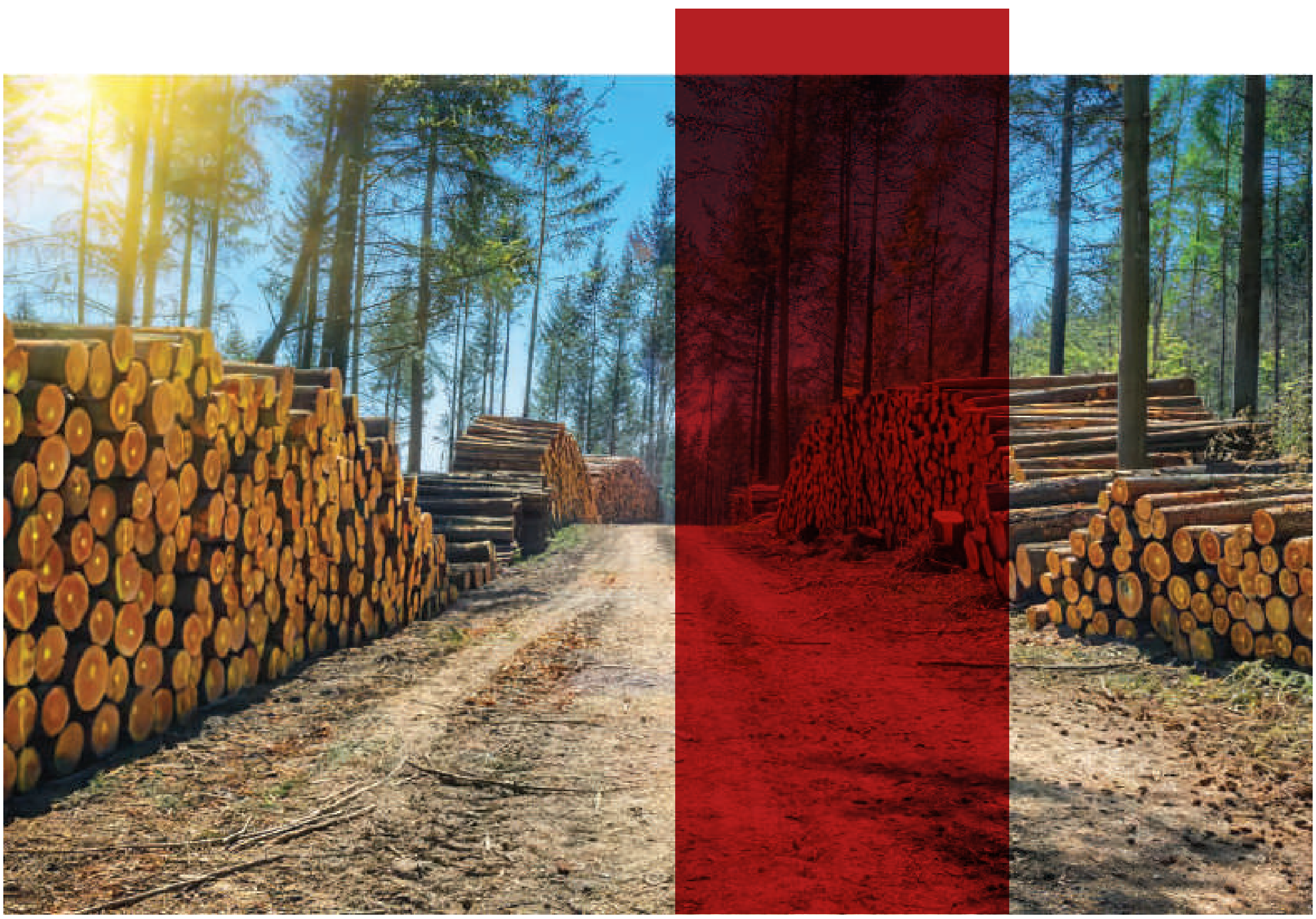
Meanwhile, the economic justification of our contracting services business is partly based on the condition that we can utilise our machines and manage our operators more efficiently than the end-customer, to provide shared benefit and save resources for both parties.

Excluding contracting services, the fuel consumption, measured in litres, in Russia/CIS decreased by 6% in 2020*, compared to 2019. This was below total revenue growth at 13% in RUB and -2% in SEK. It was also below the growth in aftermarket sales at 9% in RUB, but in line with the 6% decline in SEK. The fuel consumption in contracting services in 2020 increased by 30% compared to 2019, which was largely in line with the increase in revenues (+42% in RUB and +22 in SEK), despite higher reliance on subcontractors in 2020.

Ferronordic's total power consumption in Russia/CIS in 2020 increased by 10%*, compared to 2019, partly due to the opening of new facilities and locations.

Air-miles travelled and related carbon emissions decreased by 66% and 67% respectively in 2020* compared to 2019, mainly driven by the restrictions on travel and social contact related to the measures to prevent the spread of Covid-19. Air-miles are likely to increase again when restrictions are eased.

**Data for Russia and Kazakhstan only.*



Social impact - **employees**

Our people are our most valuable asset. Ferronordic's employees were always critical to our success but in 2020 their flexibility, resourcefulness and problems solving skills made the difference for our business in Russia/CIS as in Germany. Our human resources will remain equally important for the continued progress and future success of our business.

Our target is to have the right number of people with the right competencies in the right place at the right time. We promote a diverse workforce and are an equal opportunities employer not only because we believe that it is right but also because we believe it is the best way to elicit diverse and creative thinking and to unlock talent.

At the end of 2020, the number of full-time equivalent employees in the Group was 1,469, of which 1,200 related to Russia/CIS, 257 to Germany and 12 occupied group functions. At the end of 2019, the number of full-time equivalent employees was 1,239, of which 1,189 related to the Russia/CIS and 50 to Germany. The headcount increase in Russia/CIS was a net result of an increase in headcount in contracting services and the component rebuild centre, and a decrease in support and administrative functions. Our people worked at 85 locations in Russia/CIS and 10 locations in Germany.

The average age of our employees at the end of 2020 was 39 years, an increase compared to 37 years in 2019 due to the higher average age among our employees in Germany. 10% of our employees are female, a decrease compared to 13% in 2019 due to a lower share of women in Germany. The proportion of women in management positions remained unchanged at 17%.

Employees are encouraged to take part in the continuous improvement not only of Ferronordic as a place of work but also of our operations, including business development and strategy. According to our latest survey, conducted in 2018, we have an overall employee engagement score of 78% and an overall employee satisfaction of 82% (compared to 83% and 79%, respectively, according to the previous survey, conducted in 2016). More than 100 employees have been with the company since its start in 2010.

Ferronordic aims to train, develop and encourage internal promotion. 93% of all vacancies in 2020 were announced internally on the company's intranet, which is an increase from 90% in 2019. However, only 20% of all vacant positions were filled internally in 2020. That is significantly lower than 62% in 2019, as internal recruitment was lower in contracting services and Germany. In 2020, we made 187 internal promotions (compared to 268 in 2019).

Training and **education**

Part of our work for sustainable development is the significant investment we make in the training and development of our employees. By developing a more qualified organisation, we become better at offering the right solutions to the right customers, at servicing and maintaining customers' machines and at advising on how most efficiently utilise the machines.

Besides technical and operational trainings, Ferronordic has a corporate university with a broader set of training sessions. There is an internal mini-MBA program and select promising managers have been offered external MBAs in cooperation with the Stockholm School of Economics.

Our aim is to leverage, support and utilise internal competence and allow employees to develop and take greater responsibility within the company, while at the same time empowering employees and providing them with the training and skills they need to succeed in business and life.

In 2010, we provided about 50,000 hours of training to our employees, compared to about 57,000 in 2019 and 52,000 in 2018. The decline of 13% in 2020, despite the expansion to Germany, was mainly driven by the restrictions on contacts and travel caused by the Covid-19 pandemic. Per employee, training hours declined by 29%, to 34 hours in 2020 from 48 hours in 2019.

Social impact - **manufacturers and suppliers**

We cooperate with manufacturers and other suppliers that share our values. For the Volvo Group, which represented 85% of our 2020 Group revenue, sustainability is an essential question. The Volvo Group thus has a comprehensive program for controlling and ensuring that its suppliers fulfil Volvo's requirements regarding social responsibility and human rights (for further information, please see Volvo's 2020 annual- and sustainability report).

As regards machines and other products that we sell and service for Volvo and other manufacturers, we trust in the controls implemented by our partners. We do not ourselves inspect or control the component manufacturers and other sub-suppliers used by Volvo and our other suppliers.

Product **safety**

A large part of the machines used in Russia and Kazakhstan today are old, unsafe, and uncomfortable, sometimes even dangerous. Health and safety is one of the core values for the Volvo Group and for Ferronordic.

By selling and servicing safe machines of high quality and with outstanding ergonomic features, we take responsibility for promoting health and safety at large in the society where we operate.

We also offer operator training to customers to ensure our equipment is used safely and efficiently. In contracting services, we assume any operational risks that would otherwise be carried by our customers and provide extensive training to our operators.

Preventive maintenance service and our digital service and sales tool help us to support our customers, to make sure they use our equipment in the most efficient and safe way.

Occupational health and **safety**

Providing a safe workplace is of great importance to both ourselves and our employees. It is a critical part of building trust and commitment with our employees. The goal is to achieve an injury-free workplace.

Ferronordic has a system in place to engage all staff to participate in training sessions on health and safety and to contribute to ideas on how to further improve labour safety.

Each individual manager and employee is responsible for sustaining a safe working environment. However, we share that responsibility by promoting health and safety across the organisation, providing safe workplaces, and ensuring that our employees have relevant training and education. We employ dedicated health and safety specialists, each responsible for his/her designated geographic area, to support health and safety throughout our branch networks in our markets.

To follow up on new health and safety processes, the local managements conduct several so-called behaviour-based audits of workplace and occupational safety. In 2020, 655 such audits were conducted, which is 56% less than in 2019. As a result, 315 potential improvements were identified, compared to 618 in 2019. Ferronordic carried out 15 health and safety inspections of its divisions, compared to 52 in 2019 and 65 in 2018. The decrease in behaviour-based and centrally organised health and safety inspections is mainly a result of the restrictions related to measures to stop the spread of Covid-19.

A company-wide program to underline the importance of labour safety was launched in 2017 and continued through 2018, 2019 and 2020. Health and safety aspects are now an integral part of the regular assessment tests for our mechanics. In 2020, a total of 4,282 hours were invested in health- and safety training, which is 37% less than in 2019. The decrease was mainly due to the restrictions brought about by the Covid-19 outbreak. Investment in protective equipment for staff decreased by 4% in RUB and 17% in SEK in 2020, compared to 2019. This compares to staff growing 24% in for the Group but Russia/CIS being largely unchanged. The decrease, despite the procurement of masks and other personal protective equipment related to Covid-19, is mainly an effect of other protective equipment being less needed elsewhere, partly as a result of restrictions in contacts due to Covid-19.

In 2019, 25 members of a working group were trained in comprehensive hazard identification and risk assessment in Russia/CIS. This working group then engaged an international health and safety company, Intertek, to audit and certify Ferronordic. Ferronordic met all main standards and, at the end of 2019, Ferronordic was successfully awarded ISO 45001 certification in Russia/CIS. The certification was reconfirmed at the end of 2020.

No serious work-related accident occurred in 2020, compared to 3 in 2019. One minor injury occurred during the removal of a rear axle gearbox from a wheel loader. No work-related fatalities occurred neither in 2020 nor 2019.

Ferronordic also tracks and records violations of internal health and safety regulations, in order to remove hazardous conditions and build a safer working environment for its employees. In 2020, 48 such procedural violations situations were recorded, a decrease of 71% from 168 instances in 2019. The decrease was however mainly driven by fewer inspections and reviews due to travel and contact restrictions in 2020.

The number of reported days of sick leave during 2020 was 7,189 for the Group and 4,768 for Russia/CIS. For Russia/CIS, it was an increase of 54% from 3,097 days in 2019 and 108% from 2,292 days of sick leave in 2018. The average days of sick leave per employee per year for the Group increased from 2.6 in 2019 to 4.9 in 2020. The average days of sick leave per employee per year increased by 53% due to Covid-19 and symptoms similar to those of Covid-19.

Anti - **corruption**

We have zero-tolerance for bribery and corruption.

The reason for this is not only that it is morally right or to comply with applicable laws. On our markets, this also makes Ferronordic a more attractive employer and a reliable partner for the manufacturers, whose brands we represent. It also builds long-term, sustainable relations with customers based on trust.

We take active measures to prevent, monitor and investigate potential corruption in our operations.

Our anti-corruption program consists of various policies and procedures, regular training (including an annual online training), regular risk assessment, whistleblower procedures and audits.

During 2020, all employees, except some machine operators in our contracting services, participated in the anti-corruption training. The Code of Conduct, with clear rules of what is expected of a Ferronordic employee in different areas, was also implemented in Germany.

ESG	Indicator	Market	Unit	2018	2019	2020	2020 vs. 2019
Reference	RUB/SEK average exchange rate	Group	RUB/SEK	7.22	6.83	7.90	16%
	Total revenue, Group	Group	MSEK	3,241	3,747	4,635	24%
	Aftermarket revenue	Group	MSEK	789	925	1,133	23%
	Total revenue, Russia/CIS	Russia/CIS	MRUB	23,415	25,510	28,832	13%
	Aftermarket revenue, Russia/CIS	Russia/CIS	MRUB	5,695	6,255	6,788	9%
Board and Governance	Number of board members	Group	#	6	6	6	0%
	Number of board meetings per year	Group	#	10	10	14	40%
	Board meeting attendance	Group	%	100%	93%	98%	5%
	Women members of board	Group	%	17%	17%	17%	0%
	Nationalities represented on the board	Group	#	1	1	1	0%
	Independent members of board	Group	#	4	4	4	0%
ESG/sustainability transparency and reporting	Electricity consumption (volume)	Russia/CIS	MWh	1,882	2,123	2,333	10%
	Electricity consumption (volume)	Germany	MWh	0	0	168	
	Flight miles (km travelled), Russia/CIS	Russia/CIS	1000 km	8,425	9,904	3,357	-66%
	CO2 emissions related to flights	Russia/CIS	tons	959	1,105	360	-67%
Health & Safety	Safety training (hours)	Russia/CIS	hrs	6,562	6,810	4,282	-37%
	Safety training (hours) per employee	Russia/CIS	hrs	18	16	10	-36%
	Accidents at work (minor)	Russia/CIS	#	2	1	1	0%
	Accidents at work (major)	Russia/CIS	#	0	2	0	-100%
	ISO 45001:2018 Certification	Russia/CIS	Y/N	N	Y	Y	
	Internal HSE inspections	Russia/CIS	#	65	52	15	-71%
	Number of violations discovered	Russia/CIS	#	644	618	315	-49%
	Number of violations closed on time	Russia/CIS	#	54	60	67	12%
	Behaviour-based audits	Russia/CIS	#	1,292	1,480	655	-56%
	Hazardous situations	Russia/CIS	#	187	169	48	-72%
Human Resources	Number of employees at end of year, Group	Group	#	1,038	1,189	1,469	24%
	Number of employees at end of year, Russia/CIS	Russia/CIS	#	1,038	1,139	1,200	5%
	Number of employees at end of year, Germany	Germany	#		50	257	414%
	Employee turnover in %	Group	%	14%	13%	11%	-15%
	Average age of employees at end of year	Group	#	36	37	39	5%
	% women employees	Group	%	14%	13%	10%	-23%
	% women in executive management	Group	%	11%	11%	16%	45%
	% women in management	Group	%	11%	11%	17%	55%
	Nationalities in workforce	Group	#	6	7	19	171%
	% of vacancies announced internally in year	Group	%	90%	88%	93%	6%
	% of vacancies filled internally in year	Group	%	62%	60%	20%	-67%
	Number of internal promotions made in year	Group	#	163	268	187	-30%
	Number of training hours provided in year	Group	hrs	52,000	56,954	49,761	-13%
	Total training hours per employee	Group	hrs/#	50	48	34	-29%
	Number of sick-days in year	Group	#	2,292	3,097	7,189	132%
	Average number of sick-days per employee	Group	#	2.2	2.6	4.9	88%

End of year data

Shares and **shareholders**

The number of shares in Ferronordic AB (publ) amounts to 14,532,434. Each share carries one voting right at the general meeting. At the end of 2020, the company had approx. 5,000 shareholders. The shares are listed on Nasdaq Stockholm under the ticker ”FNM”. For the current share price, please see www.nasdaqomxnordic.com.

LARGEST SHAREHOLDERS, AS OF 31 DECEMBER 2020

Shareholder	Number of shares	Share of capital	Share of votes
Skandinavkonsult i Stockholm AB*	2,260,774	15.6%	15.6%
Lars Corneliusson (direct and through companies)	1,047,249	7.2%	7.2%
Per Arwidsson and related entities	812,961	5.6%	5.6%
Avanza Pension	756,741	5.2%	5.2%
Swedbank Robur	721,053	5.0%	5.0%
Unionen	575,000	4.0%	4.0%
Altocumulus	493,381	3.4%	3.4%
East Capital AB	434,942	3.0%	3.0%
Investor AM BVBA	420,955	2.9%	2.9%
Norges Bank IM	340,900	2.3%	2.3%
Other shareholders	6,668,478	45.9%	45.9%
Total	**14,532,434**	**100.0%**	**100.0%**

*Associated person of Håkan Eriksson
Source: Euroclear and shareholders as of 31 December 2020 and thereafter known changes

Share **capital**

SHARE CAPITAL AND NUMBER OF SHARES

Year	Action	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)	Share capital (SEK)
2008	New formation	11,000	-	-	-	98,211	98,211
2010	Issue of shares	89,000	-	-	-	794,619	892,839
2013	Share split (1:100)	9,900,000	-	-	-	-	892,839
2013	Issue of shares	-	-	500,000	-	44,641	937,471
2017	Conversion	-	-	-366,544	366,544	-	937,47
2017	Issue of shares	1,333,333	-	-	-	119,044	1,056,515
2017	Redemption and issue shares	-	3,199,101	-	-366,544	252,899	1,309,414
2017	Redemption of shares			-66,728	-	-5,958	1,303,456
2017	Conversion	3,199,101	-3,199,101	-	-	-	1,303,456
2018	Redemption of shares			-66,728	-	-5,958	1,297,499
2019	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-
Shares outstanding 31 December 2020		**14,532,434**	-	-	-		**1,297,499**

SHARE BASED INCENTIVE PROGRAM

In accordance with the Board's proposal, the EGM 2020 on 5 November 2020 approved a long-term incentive program for Ferronordic's management and certain other senior employees. The program is intended to provide long-term incentives and align the interests of management and the shareholders. Under the program, the company would be allowed to issue up to 392,768 warrants to be distributed between approximately 30 persons forming the senior management of the company and its subsidiaries. Each warrant entitles the participant to subscribe for one share of the company at the earliest three years after the warrant was issued. On 30 November, the company issued 332,000 warrants to 24 management participants. As per the program, the participants received a cash compensation from the Group that, net of tax, covered the residual 80% of the cost for acquiring the warrants under the program. The remaining 20% of the cost for acquiring the warrants was be borne by the participants themselves.

Subscription of shares will be done against cash payment to the company of a strike price equal to 135% of the volume-weighted average share price during the 10 trading days immediately preceding the date of valuation of the Warrants, that is 30 November 2020. Assuming full allotment and consequent subscription, the company's equity would increase with approximately SEK 85m. Participation in the program and subsequent subscription requires that a participant remains an employee of the company or its subsidiaries.

It is the Board's intention to repeat the 2020 warrant program in 2021 and 2022. Each year's program is however independent from other programs and will be presented as such to the company's General Meeting. The cumulative potential dilution of the programs over three years, if fully exercised, should not exceed 7.5%. The Board would present details for any long-term incentive program for 2021 no later than in the notice to the AGM, planned for 12 May 2021.

DIVIDENDS

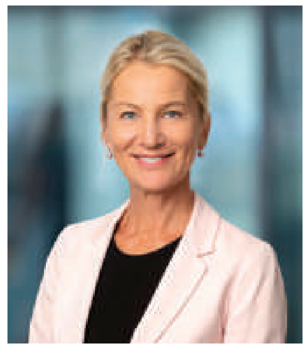
At the EGM on 5 November 2020, it was resolved to pay a dividend on the shares in an amount of SEK 4.75 per share, corresponding to a total dividend of approx. SEK 62m or approx. 25 percent of the result for 2019. The dividend was paid in November 2020.

For the AGM in 2021, the Board has proposed a dividend of SEK 7.50 per share, corresponding to a total dividend of approx. SEK 109m. The proposed record date is 17 May 2021 and distribution would take place around 20 May 2021. The proposed payment is line with Ferronordic's dividend policy.

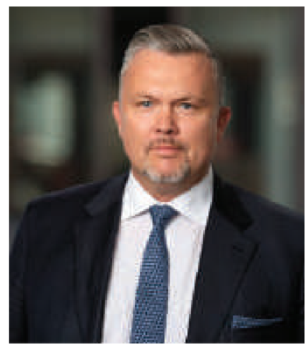
Board of **directors**

THE BOARD

Ferronordic's Board comprises six members, including the Chairman. All directors have been elected until the end of the 2021 annual general meeting.



	STAFFAN JUFORS	ANNETTE BRODIN RAMPE	MAGNUS BRÄNNSTRÖM
Function	Chairman of the Board, chairman of the remuneration committee and member of the audit committee	Board member and member of the remuneration and audit committees	Board member and member of the remuneration and audit committees
Member since	2017	2017	2011
Nationality/born	Swedish citizen. Born 1951.	Swedish citizen. Born 1962.	Swedish citizen. Born 1966.
Education	M.Sc. in Business Administration.	M.Sc. in Industrial Chemistry.	M.Sc. in Business Administration.
Current position	Board member of the foundation Nordens Ark.	CEO Lifecarex AB, Board member of HerCare AB	CEO of Oriflame Cosmetics SA.
Previous position	Managing director of Volvo Trucks. Managing director of Volvo Penta. Board member of Akelius Residential Property AB, ÅF AB and Haldex AB.	CEO of Internationella Engelska Skolan AB. Managing Partner Europe for Brunswick Group, Board member of Peab AB and Stillfront Group AB.	Managing director of Oriflame Russia.
Shares in Ferronordic	60,747 shares	10,000 shares (through companies).	—
Independance to company and management	Yes	Yes	Yes
Independance to major shareholders	Yes	Yes	Yes

			
	LARS CORNELIUSSON	**ERIK EBERHARDSON**	**HÅKAN ERIKSSON**
Function	Board member	Board member	Board member, chairman of audit committee and member of the remuneration committee
Member since	2011	2010	2016
Nationality/born	Swedish citizen. Born 1967.	Swedish citizen. Born 1970.	Swedish citizen. Born 1962.
Education	M.Sc. in Business Administration.	B.Sc. in Business Administration. Studies in Applied Physics.	M.Sc. in Business Administration.
Current position	CEO of Ferronordic.	President of Scandsib Group. Board member of the Stockholm School of Economics in Russia. COB of IMZ Avtokran. Founding shareholder of NECST Motors East Africa Ltd. COB of Emune AB.	Board member and managing director of Planch AB, Board chairman of Diakrit AB, Board member of Skandinavkonsult i Stockholm AB, Skandinavkonsult Holding i Stockholm AB, Nivika Fastigheter AB, DWG Sweden AB and Winefinder AB.
Previous position	Managing Director of Volvo Russia and President of Volvo Trucks Russia.	CEO of Ferronordic. Chairman and CEO of OJSC GAZ. Head of Volvo CE Russia.	Board chairman and CEO of Kapitalkredit Sverige AB and board chairman of ClearCar AB.
Shares in Ferronordic	1,047,249 shares and 34,000 warrants (through companies).	7,000 shares (through companies).	2,260,774 shares (through companies).
Independance to company and management	No	Yes	Yes
Independance to major shareholders	Yes	Yes	No

Management and **auditors**

LARS CORNELIUSSON
Chief Executive Officer

General: Swedish citizen. Born 1967. M.Sc. in Business Administration.
Shares in Ferronordic: 1,047,249 shares and 34,000 warrants (through companies).
Employed since: 2011

NADEZHDA SEMILETOVA
Human Resources Director

General: Russian citizen. Born 1979. Studies in Organisational Management.
Shares in Ferronordic: 5,320 shares and 17,000 warrants (through companies).
Employed since: 2010

HENRIK CARLBORG
Business Development Director

General: Swedish citizen. Born 1975. LL.M.
Shares in Ferronordic: 197,000 shares and 17,000 warrants (through companies).
Employed since: 2013

ERIK DANEMAR
Group CFO and Head of Investor Relations

General: Swedish citizen. Born 1976. MBA (LBS) and BAs in Economics & Management and International Business.
Shares in Ferronordic: 30,000 shares and 17,000 warrants.
Employed since: 2019

DAN ELIASSON
General Counsel

General: Swedish citizen. Born 1971. LL.M.
Shares in Ferronordic: 25,000 shares and 17,000 warrants.
Employed since: 2020

ONUR GUCUM
Commercial Director

General: Turkish citizen. Born 1973. B.Sc. in Economics and Mathematics.
Shares in Ferronordic: 138,131 shares and 17,000 warrants (through companies).
Employed since: 2012

ANTON ZHELYAPOV
Director rental, used and trucks business

General: Belarussian citizen. Born 1977. Studies in international relations.
Shares in Ferronordic: 2,992 shares and 17,000 warrants (through companies)
Employed since: 2015

CEREN WENDE
Marketing & Communications Director

General: German citizen. Born 1984. Master's Degree in Political Science and History.
Shares in Ferronordic: 6,040 shares and 6,000 warrants
Employed since: 2020

MARTIN BAUKNECHT
Managing Director Germany

General: German citizen. Born 1978. Degree in Economics and Business Administration.
Shares in Ferronordic: 0
Employed since: 2021

AUDITOR

At the AGM 2020, 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).

Director's **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 2020. All amounts are indicated in SEK millions. Amounts in brackets refer to the financial year 2019, unless stated otherwise.

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, risk management, 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.

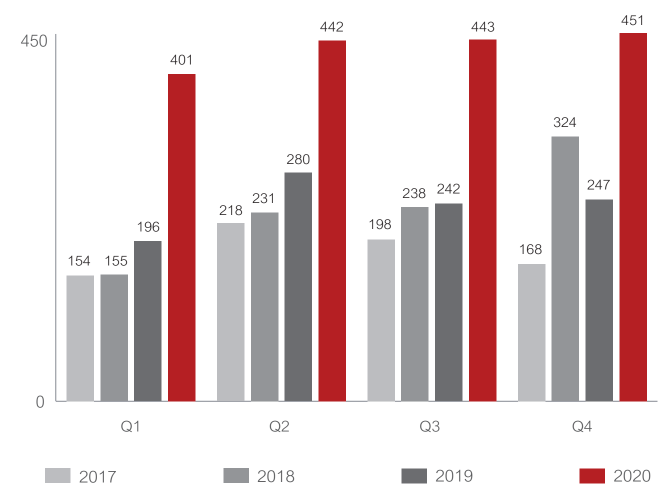
The Group was created in 2010 to acquire and operate the Volvo CE distribution business in Russia. In connection therewith, the Group was appointed the official dealer for Volvo CE in all of Russia. Since then, the Group has also been appointed dealer for several other brands, including Rottne, Dressta and Mecalac in Russia. Since 2019, the Group is also the official dealer for Volvo CE and Mecalac in Kazakhstan. From 2020, Ferronordic is also an authorised dealer of Volvo Trucks and Renault Trucks in parts of Germany. As a result, the Group currently recognises two reportable operating segments: Russia/CIS and Germany (see also note 3 on page 91).

The operations consist of selling new and used construction equipment and trucks, spare parts and attachments, and providing service of equipment, technical support and other professional services. The Group also provides contracting services, where the Group owns and services equipment and employs operators to carry out work for customers and where compensation is typically calculated based on the volume of transported earth or rock.

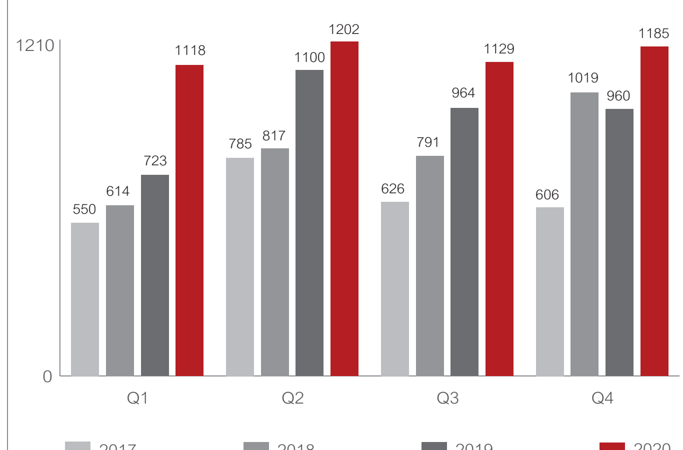
The Group's construction equipment customers in Russia and Kazakhstan are active in a variety of industries, including construction, oil and gas, mining, and forestry.

The Group's customers in Germany represent a cross-section of the German economy, ranging from raw materials and manufacturing to retail and construction, as well as from individual operators and large-scale industrial companies to specialised transportation enterprises.

NEW UNITS DELIVERED



REVENUE, SEK M



2020 COMPARED TO 2019

During 2020, unit sales of new construction equipment in Russia/-CIS increased by 15% to 1,106 (956), while the market for our main products declined by 4%. In Germany, we sold 631 new units of trucks and LCVs.

The Group's revenue increased by 24% to SEK 4,635m (SEK 3,747m), partly due to the consolidation of the Group's operations in Germany from January 2020. Machine sales increased by 21%, while aftermarket sales (parts and service) increased by 23%.

Contracting services revenue increased by 22%. The gross margin decreased to 17.2% during the year, mainly as a result of the consolidation of a lower gross margin in Germany. As a result, gross profit grew slower than revenue at 3% to SEK 797m (SEK 775m).

Operating profit for 2020 decreased by 8% to SEK 328m (SEK 358m). The decrease was to a large extent driven by the lower gross margin and higher costs in Germany. Net profit declined by 12% to SEK 222m (SEK 251m).

Cash flows from operating activities amounted to SEK 693m, compared to SEK -330m during the year before. The increase was mainly due to a decrease in working capital, driven by a decrease in inventories and an increase in payables.

The cash used in investing activities amounted to SEK 47m, a decrease from SEK 179m the year before. A large part of the investments in 2019 relates to the acquisition of assets for the expansion to Germany. Investments in PP&E, mainly related to machines in contracting services, were also lower in 2020 than in 2019.

The Group's cash flows resulted in a net cash position at the end of 2020 of SEK 20m, compared to a net debt position of SEK 593m at the end of 2019.

REVENUE

The revenue during the year increased by 24% to SEK 4,635m (SEK 3,747m), partly due to the consolidation of the Group's operations in Germany from January 2020, which added revenue of SEK 983m. Revenue in Russia/CIS increased 13% in RUB but declined 2% in SEK to SEK 3,652m, partly due to a 16% decline in the average rate of the RUB against the SEK. The Group's revenue from equipment sales increased by 21%, while aftermarket sales increased by 23%. Contracting services revenue increased by 22%, other revenue, mainly consisting of rental and car sales, increased by 313%.

GROSS PROFIT AND OPERATING PROFIT

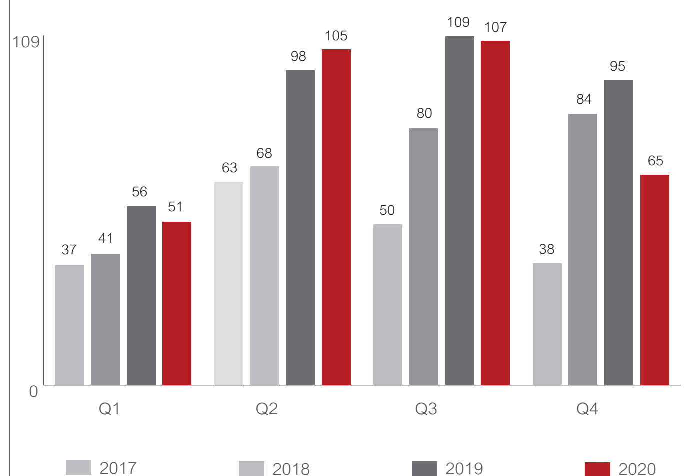
Gross profit for the year amounted to SEK 797m (SEK 775m), an increase of 3%. The gross margin decreased from 20.7% in 2019 to 17.2%, mainly due to the lower gross margin in Germany.

Operating profit for the year decreased by 8% to SEK 328m (SEK 358m). The decrease was mainly driven by the operating loss in Germany of SEK 66m.

As a percent of revenue, SG&A was lower at 10.4% compared to 10.7% in 2019, as lower SG&A costs in Russia/CIS were only partly offset by higher SG&A cost in Germany. In its first year of operations, Germany also recoginsed SEK 8.3m of restructuring costs, SEK 1.2m of costs related to acquisitions and write-offs of fixed assets and bad debt of SEK 3.0m.

Other expenses were lower in 2020 compared to 2019, as other expenses in 2019 were negatively impacted by a provision for loss

RESULT FROM OPERATING ACTIVITIES, SEK M



of machines of SEK 9m. There was also a reversal of provision for expected credit losses in 2020, included in other income, compared to a loss provision for expected credit losses in other expenses in 2019.

RESULT BEFORE INCOME TAX

The result before income tax decreased to SEK 276m (SEK 318m), mainly as a result of a lower operating result and only partly offset by lower finance costs due to lower interest-bearing liabilities.

RESULT FOR THE YEAR

The result for the year decreased by 12% to SEK 222m (SEK 251m), mainly as a result of the consolidation of an operating loss from Germany.

EARNINGS PER SHARE

Earnings per share for the year amounted to SEK 15.25 (SEK 17.26).

CASH FLOW AND INVESTMENTS

Cash flow from operating activities after working capital, interest and taxes increased to SEK 693m (SEK -330m). The increase in cash flows, despite the lower operating result, was mainly due to decreased working capital, which in turn primarily was due to lower inventories and higher payables, but also due to lower interest, partly offset by higher tax paid.

Cash flow from investing activities amounted to SEK -47m (SEK -179m). A large part of the investments in 2019 related to the acquisition of assets for the expansion to Germany. Apart from the acquisitions in Germany, acquisition of property, plant and equipment, mainly relating to machines in the contracting services business, was also lower during 2020 compared to 2019.

Property, plant and equipment decreased by SEK 194m during the year. This was mainly due to the 36% depreciation of the RUB against the SEK, but also due to depreciation and lower investments in fixed assets during 2020 than during 2019.

FINANCIAL POSITION

Cash and cash equivalents on 31 December 2020 amounted to SEK 604m, an increase of SEK 84m compared to the end of 2019. The high cash balance reflected stronger cash flows from operations and lower investments. Interest-bearing liabilities (including lease liabilities) amounted to SEK 583m, a decrease of SEK 529m compared to the end of 2019. The decrease was mainly due to repayment of borrowings following a decrease in working capital and strong cash flows from operations in Russia/CIS.

Equity on 31 December 2020 amounted to SEK 806m, a decrease of SEK 84m compared to the end of 2019. The decrease, only partly offset by the positive result, was mainly a result of negative foreign exchanges differences in the amount of SEK 247m, reflecting the 36% depreciation of the Russian ruble against the Swedish krona in 2020. A dividend of SEK 62m paid in Q4 2020 also reduced equity.

FINANCIAL OBJECTIVES AND DIVIDEND POLICY

In view of Ferronordic's performance and financial position in 2020 and with due consideration to its outlook and opportunities, the Board updated Ferronordic's financial targets and dividend policy.

Ferronordic's financial objectives should be aligned with and support its strategic objectives, which are:

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

By executing its strategy, Ferronordic has become a more mature and diversified business. It operates across three markets and represents several leading brands besides Volvo. It has developed vertically by investing in a component and machine rebuild centre, growing its rental and used businesses, and significantly expanding its contracting services business. It has developed a digital sales platform to support its service organisation and its customers. Ferronordic has the potential to continue to grow, with significant contributions from contracting services and Germany.

As contracting services and rental operations tie up more capital in machinery and as network infrastructure in Germany is owned or leased for long periods, Ferronordic's business model becomes more asset and capital intensive. As Ferronordic continues to pursue its strategic objectives, its updated financial objectives reflect its current position and strategic direction in 2020-2025.

Ferronordic's updated financial objectives are:

· Doubled the 2020 revenue in its current markets by 2025
· Operating margin above 7%
· Net debt/EBITDA below 3 times (over a business cycle)

The Board decided on a new dividend policy, according to which the ambition should be to pay at least 50% of net income if net debt/EBITDA is less than 1.0, post dividend payment, and to pay at least 25% if net debt/EBITDA is more than 1.0. The Board will take several factors into account when proposing the level of dividend including legal requirements, the articles of association, the Group's expansion opportunities, its financial position and other investment needs.

DIVIDENDS

At EGM in November 2020, it was decided to pay a dividend of SEK 4.25 per share, corresponding to a total of SEK 61 762 844,5.

EXPANSION TO GERMANY

Ferronordic started operations in Germany in January 2020 after it had acquired parts of the existing organisation and infrastructure from the Volvo Group and Auto-Haas, a private Volvo and Renault trucks dealer. Significant resources are now invested in integrating these structures into the organisation and processes.

By expanding and improving the service network within our part of Germany, we see opportunities to increase the market shares for Volvo and Renault Trucks and, over time, gain a higher share of the total aftermarket sales. As aftermarket sales increases, the profitability of the German business is expected to improve. As a result of the business disruption caused by the outbreak of Covid-19 in 2020, some of the planned changes and improvements are likely to take longer than initially anticipated.

In line with its strategy to expand and improve its network in its sales area in Germany, Ferronordic announced acquisitions of workshops in December 2020 and again in February and March 2021.

Ferronordic will continue to seek opportunities to expand and improve its network in Germany. While the Group's preferred strategy is to lease real estate, Ferronordic will also consider business acquisitions including fixed assets and greenfield projects, where Ferronordic would buy and develop land plots to build workshops.

CHANGED CREDIT FACILITIES AND BANK GUARANTEES

In 2020, as a result of strong cash flows in Russia/CIS, Ferronordic repaid all outstanding credit facilities in Russia/CIS. Committed and uncommitted revolving credit facilities of RUB 3bn and RUB 2bn, however, remained open as of 31 December 2020.

EMPLOYEES

At the end of 2020, the number of full-time equivalent employees in the Group was 1,469, of which 1,200 related to Russia/CIS, 257 to Germany and 12 occupied group functions. At the end of 2019, the number of full-time equivalent employees was 1,239, of which 1,189 related to the Russia/CIS and 50 to Germany. The headcount increase in Russia/CIS was a net result of an increase in headcount in contracting services and the component rebuild centre, and a decrease in support and administrative functions.

POLICY ON REMUNERATION FOR SENIOR EXECUTIVES

For more information regarding remuneration to the CEO and the senior management, please see the Corporate Governance Report below and Note 29.

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 when such matters occur 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 is working. 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 in question 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 payments shall not exceed 12 months' salary.

The guidelines proposed for 2021 are not different from the ones applied in 2020.

Risks and **uncertainty**

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, capacity utilisation and price risks. Business risks also include demand and supply 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 rates and the Group's exposure to movements in its functional currencies.

RISK MANAGEMENT

The management of the operational risks consists of a large number of daily routines and standardised processes, e.g. with regard to purchases of machines and parts, approvals of discounts, tendering for larger purchases, buy-back offers etc. These processes have been developed over time and are continuously evaluated and improved. It is important that the Group's employees consistently follow existing routines and processes to ensure that the operational risks are kept under control. Financial risks and credit risks are managed centrally to minimise and efficiently control the Group's risk exposure. To the greatest extent possible, the Group uses natural hedging to match both cash flows and balance sheet exposures across the Group.

OPERATIONAL RISKS

Political environment

A large part of the Group's operations is connected to Russia where the political conditions have historically been volatile. In recent decades, political trends have been inconsistent in certain respects and the composition of the Russian government has at times been unstable.

The Russian political system continues to be vulnerable to negative tides of opinion. Such manifestations of instability can adversely affect the economic and political climate in Russia, particularly in the short term. Changes in government policy and legislative work are less foreseeable in Russia than in many Western countries and can disrupt or prevent political, economic and regulatory reforms.

Unforeseen political changes may result in a significant deterioration in the investment climate in Russia, which could limit the possibilities available to the Group or its customers to secure financing, or which could otherwise adversely affect the Group's business, result and financial position. The same risk applies to Kazakhstan.

Political tension and sanctions

The strained relations between Russia and many Western countries, in particular the US, continued throughout 2020. Especially the US but also the Council of the European Union continued to introduce sanctions against Russian citizens and companies. With no solution in sight to the underlying political disputes, few expect the sanctions regimes to be lifted anytime soon. Sanctions, in their current format, have had a certain direct negative effect on Ferronordic's business. However, different and/or more extensive sanctions could be introduced in the future that could have a material negative effect on Ferronordic's business or financial position. In addition, the existing political tension and sanctions continue to impact the sentiment in and towards Russia negatively.

Increased protectionism

In the wake of the sanctions and economic downturn, there have been signs of increased protectionism in Russia. For example, in 2014 the Russian government introduced a decree that prevents state and municipal enterprises from purchasing foreign construction machines if there are Russian produced equivalents. There have also been initiatives to promote localisation of production at the disadvantage of imports. The decree has only had limited effect on the Group's operations, but similar and more extensive laws and regulations may be introduced in the future that could have a negative effect on the Group's operations, financial position, and result. In January 2021, the Russian Ministry for Industry and Trade proposed an increase to the so-called utilisation or scrapping fee. This charge is levied in a fixed amount and depends on the type of machine. As a percent, the fee therefore impacts lower price machines more. At this point, it has not been confirmed if, when, on what machines and by how much the increase of the fee may apply.

Legal system and legal procedures

The legal systems of Russia and Kazakhstan, which are important markets for Ferronordic, are still relatively underdeveloped. Many laws and regulations are relatively new. Many of these contain ambiguous wording and doubts commonly arise as to their interpretation. In addition, there are often discrepancies between laws and regulations on different levels. A lack of legal or administrative guidance as regards the interpretation of applicable regulations; the untried legal system and its lack of independence vis-a-vis political, social, and commercial interests; the relative inexperience of lawyers, judges and courts as regards the interpretation of newly adopted legislation and complex commercial agreements; corruption in the legal system; substantial gaps in the legal regulatory structure due to delays in, or absence of, implementing legislation; undeveloped bankruptcy procedures that are subject to abuse; and a lack of binding judicial precedent, may affect the Group's possibility to protect and enforce its legal rights, and to protect itself against legal claims.

Corruption

Media have reported on widespread corruption in Russia and Kazakhstan. Media reports have also described cases in which officials have initiated selective investigations and brought prosecutions in order to further the interests of the government, individual officials or business groups.

Notwithstanding that the Group adheres to a business ethics policy and has strict procedures in place to counteract the effects of corruption, instances of illegal activities, demands from corrupt officials, allegations that the Group or its management has been involved in corruption or illegal activities, or biased articles and negative publicity, could have an adverse effect on the Group's business, result and financial position.

Environmental risks

Environmental legislation may impose obligations on property owners or business operators to take measures to restore contaminated land. The Group's properties could contain undiscovered contamination and Ferronordic may become the subject of claims in damages, judicial and administrative proceedings regarding environmental liability. An unfavourable outcome of such proceedings may result in civil law, administrative law or criminal law liability being imposed on the Group or its employees.

Changes to laws and their application with respect to the environment, health and safety may result in costs and obligations and may result in the Group's properties (or properties previously owned or operated by the Group) being exposed to stricter audits than at present. If contaminated land is discovered, this may result in clean-up costs for the Group.

Tax systems

For information on risks associated with Russian and Kazakh tax systems, please see Note 25.

Changes in economic activity

The Group's products are to a large extent used in connection with construction and industrial operations. Economic downturns and weakened activity in the construction and industry sectors thus have a significant negative effect on the demand for the Group's products.

Furthermore, the demand is 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 the extraction and processing of natural resources could therefore have an adverse effect on the Group.

The Group's business could also be adversely affected (either temporarily or in the long-term) by a decline in customers' expenditure levels, unfavourable credit markets that adversely affect the end customers' ability to secure financing, reduced infrastructure project expenditures on a local or federal level, increased costs for building materials, as well as increased interest rates. Downturns due to the above mentioned or other factors can have an adverse effect on the Group's business, result and financial position. The demand for parts and service is less sensitive to changes in business cycles than equipment sales.

As a result of the Covid-19 pandemic, governments in our markets have introduced restrictions on travel and social interaction that have adverse effects on our business. Meanwhile, companies, including our suppliers, competitors and customers, have taken measures to adapt to an uncertain operating environment. The path of the virus and the measures to halt it cannot be predicted and we cannot exclude further supply or demand side disruption in our business.

Capacity utilisation

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

Cooperation with Volvo

Sales of Volvo's products accounts for the absolute majority of Ferronordic's sales and thus Ferronordic is highly dependent on 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, e.g., as regards the introduction of new products or the discontinuation of existing products. As an example, during 2015 Volvo CE discontinued its production of motor graders and backhoe loaders. The Group's suppliers may take similar strategic decisions in the future, which may affect the Group's product range. This, in turn, could have an adverse effect on the Group's business, financial position and result.

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 affect 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 effect on the Group's business, result and financial position.

Price risks

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

Insurance coverage

The insurance markets in Russia and Kazakhstan are underdeveloped and several types of insurance that are common in other countries are not available or cannot be obtained at a reasonable cost. The Group holds insurance against some, but not all, risks that are relevant to its operations. Hence, there is a risk that losses of assets or claims against the Group may not be covered by the Group's insurance.

Financial risks

For information about financial risks, see Note 22.

Material disputes

No material disputes took place during the year.

OUTLOOK

While uncertainty remains on both supply and demand sides of our business, we currently expect the markets in Russia/CIS and Germany to recover in 2021. In Russia/CIS, our optimism is supported by stronger commodity prices and indications of increased activity on the so-called national projects in Russia but moderated by potential changes in taxation. In Germany, but also in the rest of Europe, we believe that a recovery from the pandemic, will lead to increased demand for trucks and services. In a longer perspective, we believe that the underlying fundamentals and business opportunities in our markets are strong.

SHARES AND SHAREHOLDERS

Please see section Shares and shareholders on page 59.

THE WORK OF THE BOARD OF DIRECTORS

Please see section Corporate governance report on pages 73-79.

PARENT COMPANY

The revenue of the Parent Company during the year amounted to SEK 116m (SEK 144m). The decrease was primarily due to lower intra-group sales of machines and spare parts. The gross profit amounted to SEK 22m (SEK 22m). Administrative expenses amounted to SEK 30m (SEK 15m). The result decreased to SEK -2m (SEK -0m) due to higher administrative costs, partly offset by higher finance income and lower foreign exchange losses (net).

EVENTS SUBSEQUENT TO THE REPORTING DATE

In January 2021, the Russian Ministry for Industry and Trade proposed an increase of the so-called utilisation or scrapping fee. This charge is levied in a fixed amount and depends on the type of machine. As a percent, the fee therefore impacts lower price machines more. At this point, it has not been confirmed if, when and on what machines or by how much the increase of the fee may apply.

In line with its strategy to expand and improve its network in its sales area in Germany, Ferronordic announced the acquisition of a workshop in Nordhausen on 4 February 2021 and again in Limburg on 3 March 2021. On 12 March, the Group announced that it had signed an agreement to purchase land and invest in new service and sales hub for Hannover. Ferronordic will continue to seek opportunities to expand and improve its network in Germany.

On 15 January 2021, Martin Bauknecht was appointed managing director of the German business and a new member of the Group Management Team, effective of 3 February 2021.

On 1 March 2021, Ferronordic announced that it had entered into an agreement to become the distributor of Sandvik mobile crushing and screening equipment in all of Russia. Under the agreement, Ferronordic is responsible for sales, service, and repair of Sandvik mobile crushing and screening equipment throughout the country. Over time, Ferronordic expects that sales related to the new products may represent up to 5% of its revenue in Russia. Gross margin and working capital requirements are expected to be comparable to Ferronordic's existing product offering in Russia/CIS.

PROPOSED ALLOCATION OF PROFIT

The following amount is available for allocation by the AGM in 2021: SEK 178,992,305.

The Board roposes that this amount be allocated as follows:

Proposed allocation of profit	
SEK	
The following amount is available for allocation by the AGM	178.992.305
Dividend on shares	108.993.255
Amount carried forward	69.999.050
of which to the Share Premium reserve	516.155.035
Total amount allocated	**178.992.305**

For the AGM in 2021, the Board has proposed a dividend of SEK 7.50 per share, corresponding to a total dividend of approx. SEK 109m. The proposed record date is 17 May 2021 and payment would take place around 20 May 2021. The proposed payment is in line with Ferronordic's dividend policy.

SUSTAINABILITY REPORT

The Group's sustainability report is included in the annual report on pages 42-58.

ALTERNATIVE PERFORMANCE MEASUREMENTS

Definitions of alternative performance measures are described on page 27 of the 2020 year-end report.

Corporate **governance report**

Ferronordic AB (publ) is a Swedish public company domiciled in Stockholm. The shares in the company are listed on Nasdaq Stockholm.

Corporate governance comprises Ferronordic's control and management systems. The aim is to ensure efficient decision-making by a clearly specified allocation of roles and responsibilities among shareholders, the Board and the management.

This corporate governance report has been prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code (the Code). The corporate governance report has been reviewed by the company's auditors.

SWEDISH CORPORATE GOVERNANCE CODE

Companies listed on Nasdaq Stockholm must apply the Code. This e.g. means that the company must prepare a corporate governance report in order to describe how the company applies the Code.

Deviations from the Code are permitted, provided that the company explains how and why it has deviated from the Code, and explains the alternative solution chosen instead. This report has thus been prepared to describe how Ferronordic applies the Code.

SHARE CAPITAL AND SHAREHOLDERS

At the end of 2020, the company had one shareholder controlling over 10% of the votes: Skandinavkonsult i Stockholm AB with 15.6%. Further information about Ferronordic's share capital and shareholders can be found on pages 59–61.

GENERAL MEETING

The 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 general meeting held within six months after the end of each financial year to adopt the annual report is called the annual general meeting (AGM).

In addition to adopting the annual report, the AGM makes resolutions regarding dividends, the election of 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 general meeting, either in person or by proxy, provided that they are recorded in the share register five working days prior to the general meeting and have given notice of their participation.

All shareholders are entitled to have an item dealt with at the general meeting, provided that they inform the Board in writing early enough so that the item can be included in the notice. At the general meetings, shareholders also have the opportunity to ask questions to the Board and the management.

Summary of Ferronordic's Corporate Governance Model

The shareholders make the ultimate decision on the company's direction by appointing the Board and the chairman of the Board. The AGM also elects the auditors and adopts the principles concerning the nomination committee.

The task of the Board is to manage the company's affairs on behalf of the shareholders. The auditors report to the AGM on their scrutiny. The Board establishes work procedures for the Board, including instructions for the CEO.

The Board appoints the CEO. The CEO in turn appoints the members of the management and the extended management team, including Ferronordic's regional managing directors.

More Information on Corporate Governance

The following information is available at www.ferronordic.com:

- Ferronordic's Articles of Association
- Ferronordic's Code of Conduct
- Information on Ferronordic's General Meetings

The Swedish Corporate Governance Code is available at www.bolagsstyrning.se.

AGM 2020

The AGM 2020 took place on 25 June 2020 and was held without presence of the participants in accordance with the Act on temporary exceptions to facilitate the execution of general meetings in companies and other associations (SFS 2020:198). At the meeting, 36% of the shares and votes were represented in person or by proxy. The chairman of the Board, Staffan Jufors, was elected chairman of the meeting. The CEO, the auditor, the chairman of the nomination committee and all board members elected by the AGM participated. The minutes of the meeting were made available on the company's website.

The following resolutions were made at the AGM:

- The financial reports for the Parent Company and the Group were adopted.
- It was decided not to pay dividend at the AGM due to the uncertainties around the Covid-19 pandemic.
- The members of the Board and the CEO were discharged of liability with regard to the financial year 2020.
- The number of Board members should remain six, without deputies.
- Fees to the Board were established.
- Annette Brodin Rampe, Magnus Brännström, Lars Corneliusson, Erik Eberhardson, Håkan Eriksson and Staffan Jufors were re-elected Board members.
- Staffan Jufors was re-elected chairman of the Board.
- KPMG AB was re-elected the company's auditor.
- Principles regarding the company's nomination committee were adopted.
- Guidelines regarding remuneration of senior executives were approved.
- A warrant-based long-term incentive program for certain senior executives was rejected.
- The Board was authorised to decide on issue of new shares.

EGM 2020

An extraordinary general meeting (EGM) was held on 5 November 2020 without physical presence of the participants pursuant to the Act on temporary exceptions to facilitate the execution of general meetings in companies and other associations (SFS 2020:198).

The following resolutions were made at the EGM:

- A dividend payment of SEK 4.25 per share was approved.
- A warrant-based long-term incentive program for certain senior executives was approved.

AGM 2021

The 2021 AGM in Ferronordic AB will be held on 12 May 2021 without physical presence pursuant to the Act on temporary exceptions to facilitate the execution of general meetings in companies and other associations (SFS 2020:198). More information is available at the company's website: www.ferronordic.com.

NOMINATION COMMITTEE

The nomination committee for the AGM 2020 consisted of Jörgen Olsson (chairman), representing Skandinavkonsult i Stockholm AB, Fredrik Liedholm, representing Scandsib Group Ltd., Per-Olof Eriksson, representing employees of the Group, and Jan Dworsky, representing Swedbank Robur.

All members were independent of the company, management and the largest shareholder.

Shareholders were offered the opportunity to submit proposals to the nomination committee. No proposals were submitted. The nomination committee's proposals and motivating statements were presented in the notice to the AGM on 28 May 2020. No compensation was paid to the members of the nomination committee.

Principles regarding the nomination committee

The AGM 2020 adopted the following principles regarding the nomination committee (in summary):

The nomination committee shall consist of four members.

The chairman of the Board shall in connection with the end of the third quarter contact each of the four largest shareholders in the company and encourage them to appoint their respective representatives for the nomination committee.

Shareholders who are employed by the Group shall in this respect be regarded as one shareholder. If a member of the nomination committee resigns, the shareholder appointing the resigning member shall be asked to appoint another member of the nomination committee.

The chairman of the nomination committee shall be the member appointed by the largest shareholder, unless the nomination committee agrees otherwise.

The nomination committee shall act in the interest of all shareholders. The duties of the nomination committee shall include evaluating the Board's composition and work, and making proposals for the AGM regarding:

- Election of chairman for the AGM
- Number of Board members
- Election of the Board and the chairman of the Board
- Election of auditor (in cooperation with the Board's audit committee)
- Fees for the Board members, Board committees and auditors
- Principles concerning the nomination committee for the next AGM

The mandate of the nomination committee is valid until a new nomination committee has been constituted. In case of material changes in the ownership during the mandate period, the nomination committee shall ensure that a new large shareholder is given representation in the nomination committee.

The constitution of the nomination committee shall be announced no later than six months before the AGM. The members of the nomination committee shall not receive any compensation from the company but are entitled to reimbursement for reasonable expenses.

Nomination committee for AGM 2021

The nomination committee for the AGM 2021 consists of the following persons:

- Jörgen Olsson (chairman), representing Skandinavkonsult i Stockholm AB.

- Peter Zonabend, representing Per Arwidsson with associated parties.

- Anders Blomqvist, representing shareholders employed by the Group.

- Caroline Sjösten, representing Swedbank Robur.

The proposals of the nomination committee will be made public in connection with the notice of the AGM, at the latest.

THE BOARD OF DIRECTORS

The board of directors (Board) is responsible for the company's organisation and the management of the company's operations.

The tasks of the Board include:

- Establishing the company's objectives and strategy appointing, evaluating and, when needed, 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 regulations.
- Ensuring that the company's information disclosure is characterised by transparency and is correct, relevant and reliable.

The chairman of the Board ensures that the work of the Board is conducted effectively and that the Board fulfils its obligations.

Composition

In 2020, the Board consisted of six members without deputies, all elected at the AGM 2020 for the period until the AGM 2021. The AGM 2020 also elected Staffan Jufors as the chairman of the Board until the AGM 2021.

Detailed information about the Board members, including their shareholdings and other positions, can be found on pages 62-63.

The Group's CFO and General Counsel attend the meetings of the Board. The General Counsel is also the secretary of the Board.

Independence requirements

According to the Code, a majority of the Board shall be independent of the company and management, and at least two of the Board members who are independent of the company and management shall also be independent of major shareholders. The Board of Directors meets these requirements as five of the six Board members are independent of the company and the management and also of major shareholders.

Work procedures

Each year, the Board adopts procedures for its work. The procedures contain rules pertaining to the distribution of work between the Board members, the number of meetings, matters to be addressed at regular meetings and the duties of the chairman. The work procedures also contain provisions regarding the Board's committees. The Board has also issued written instructions on reporting of financial information, as well as defining the distribution of duties between the Board and the CEO.

Evaluation of the Board work

In accordance with the Code, the Board evaluates its work annually through a systematic and structured process to develop its working methods and efficiency. The process consists of a questionnaire that is filled out by each member anonymously. The result of the questionnaires is then compiled by the secretary of the Board and presented to the Board in its entirety. The result is then discussed and additional comments are added. The result of the evaluation is documented and presented to the nomination committee.

Board work in 2020

The Board held fourteen meetings in 2020.
Over the year, the Board devoted particular focus to the following:

- Earnings and financial position of the Group.
- Interim reporting.
- Development of Russia's and Germany's economies and their effect on the market and the Group's financials.
- Corporate governance, risk management and internal control.
- Strategic issues and business development, in particular Group's expansion to Germany.
- Financial 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.

Attendance in Board Meetings 2020

	Annette Brodin Rampe	Magnus Brännström	Lars Corneliusson	Erik Eberhardson	Håkan Eriksson	Staffan Jufors
11 February	x	x	x	x	x	x
19 February (telephone)	x	x	x	x	x	x
23 March (telephone)	x	x	x	x	x	x
22 April (telephone)	x	x	x	x	x	x
12 May (telephone)	x	x	x	x	x	x
25 May (telephone)	x	x	x	x	x	x
25 June (telephone)	x	x	x	x	x	x
12 August (telephone)	x	x	x	x	x	x
27 August (telephone)	x	x	x	x	x	x
14 September (telephone)		x	x	x	x	x
11 November (telephone)	x	x	x	x	x	x
19 November (telephone)	x	x	x	x	x	x
29 November (telephone)	x	x	x	x	x	x
8 December (telephone)	x		x	x	x	x

REMUNERATION OF THE BOARD

As resolved at the AGM 2020, the remuneration of the Board amounted to SEK 1.8m, of which SEK 600,000 was paid to the chairman and SEK 300,000 to each of the other directors, except for Lars Corneliusson, who was employed by the Group. No additional compensation was paid for committee work.

BOARD COMMITTEES

The tasks of the Board's committees are described in the Board's working procedures. The main task of the committees is to prepare proposals and present them to the Board for resolutions.

Audit committee

The audit committee shall ensure the quality of the financial statements, maintain ongoing contacts with the auditors, monitor the independence and objectivity of the auditors, prepare the election of the auditors (in cooperation with the nomination committee), monitor the internal control of the Group, as well as dealing with other related matters.

The audit committee consists of the following members:

- Annette Brodin Rampe
- Magnus Brännström (independent and qualified member)
- Håkan Eriksson (chairman)
- Staffan Jufors

All members of the audit committee are independent of the company and the management. Except for Håkan Eriksson, all members are independent of larger shareholders.

In 2020, the audit committee held four meetings. The audit committee convenes regularly to review drafts of the Group's interim reports and to make recommendations to the Board and clarify potential questions in advance. 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 employment terms of the CEO and other members of the management.

The remuneration committee consists of the following members:

- Annette Brodin Rampe
- Magnus Brännström
- Håkan Eriksson
- Staffan Jufors (chairman)

All members of the remuneration committee are independent of the company and the management. Except for Håkan Eriksson, all members are independent of the larger shareholders. The members are deemed to have appropriate knowledge and experience of matters relating to executive remuneration.

The remuneration committee held one formal meeting in 2020. In addition, the committee had a continuous informal discussion through the year by email and telephone, and in connection with the meetings of the Board.

AUDITORS

Ferronordic's auditors are elected at the AGM. The current auditor is KPMG AB, re-elected at the AGM 2020 for the period until the next AGM. Mats Kåvik is the auditor-in-charge. The compensation paid to KMPG is described in Note 30.

CEO AND MANAGEMENT

The Chief Executive Officer (CEO) Lars Corneliusson is appointed by the Board and is responsible for the day-to-day management of the Group.

Management convenes on a regular basis and deals with the Group's financial development, company-wide development projects, business development, recruitment and other strategic issues.

In addition to the CEO, in 2020, management consisted of Nadezhda Semiletova, Human Resources Director; Erik Danemar, Group CFO and Investor Relations Director; Dan Eliasson, General Counsel; Henrik Carlborg, Business Development Director; Ceren Wende, Marketing and Communications Director (from 1 August 2020); Onur Gucum, Commercial Director; and Anton Zhelyapov, Director rental, used and trucks business.

Information on the management, including their age, education, shareholdings in the company, etc., can be found on pages 64-65.

From 3 February 2021, Martin Bauknecht is appointed Managing Director of the German operations and member of the management.

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.

In 2020, Ferronordic's operations in Russia & CIS were divided into eight regions: Northwest (with a hub in St. Petersburg), Central (with a hub in Moscow), Volga (with a hub in Kazan), South (with a hub in Krasnodar), Urals (with a hub in Ekaterinburg), Siberia (with a hub in Krasnoyarsk), Far East (with a hub in Khabarovsk) and Kazakhstan (with a hub in Almaty). Ferronordic's operations in Germany are divided into three regions: Region North (with a hub in Hannover), Region East (with a hub in Dresden) and Region West (with a hub in Frankfurt). Each region has its own managing director.

The managing directors are responsible for the business, as well as the coordination and implementation of company-wide policies and processes, in their respective regions. Each region also has a regional board, comprising the relevant regional managing director and certain members of management.

REMUNERATION OF SENIOR EXECUTIVES

For information regarding remuneration to the management, please refer to Note 29.

The AGM 2020 adopted the following principles regarding remuneration to the company's executives:

Basic principles

Remuneration to executives shall be based on market terms in the markets where Ferronordic operates and the environment in which the individual executive is working. 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.

For expatriates with salaries in rubles, the fixed salaries can be adjusted to reflect changes in foreign exchange rates.

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 in question is responsible. Variable salary for the CEO as well as executives shall not exceed 100% of the fixed salary.

Non-monetary and other benefits

Executives are entitled to customary non-monetary benefits such as company cars and company health insurance. In addition to these benefits, company housing and other benefits can be offered on an individual basis, such as housing allowances and school/kindergarten allowances for expatriates.

Pension benefits

In addition to those pension benefits that executives are entitled to according to by law, executives may be offered pension benefits that are competitive in the country where the individual in question is or has been a resident or to which the individual has a relevant connection. Pension plans shall be defined contribution plans without a guaranteed level of pension.

Severance pay

Severance pay shall not exceed 12 months' salary.

The Board's preparation and decision-making on issues concerning remuneration and other terms of employment

The remuneration committee is responsible for:

1. Preparing the Board's decisions on issues concerning principles of remuneration, remuneration and other terms of employment for executives.
2. Monitoring and evaluating programs for variable remuneration, both ongoing and those which end during the year.
3. Monitoring and evaluating the application of these guidelines.
4. Monitoring and evaluating current remuneration structures and levels in the group.

The remuneration committee prepares and the Board resolves on:

1. The remuneration and terms of employment of the CEO.
2. The principles for remuneration (including pension and severance pay) for the other executives.

The remuneration committee is further responsible for reviewing and recommending to the Board share- or warrant-related incentive programs to be decided by the AGM.

Authority to decide on deviations from these guidelines

The Board may deviate from these guidelines if there are specific reasons to do so in an individual case.

Information on earlier decisions on remuneration that has not become due for payment at the time of the AGM's consideration of these guidelines.

Decisions on remuneration that will not have become due at the time of the AGM 2020 fall within the frames of these guidelines.

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 see to it 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 the 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 in the Group and within which the Group's management 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 Code of Conduct is an important document that aims to ensure that the organisation is characterised by integrity and good ethics and morals. Important documents for internal control over financial reporting include, inter alia, the financial handbook, with instructions on accounting and reporting, and the financial policy. The division of responsibilities and authority is established in the Board's instructions to the CEO, as well as the Group's signature policy, including authorisation and approval levels for different areas. The insider policy regarding insider matters and the 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 risks relating to financial reporting. The risk assessment also includes risks related to fraud and 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 the internal audit. Risks relating to financial reporting are evaluated on an ongoing basis within the framework of the internal audit. Policies and procedures regarding financial reporting are evaluated continuously, based on the risk assessment. 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 thus 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 different types of transactions, analysis of key ratios, verification of accounts and checklists, as well as 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 general control bodies that carry out different control activities.

Information and communication

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 to all relevant employees. Policies and instructions 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 the Group's CFO.

Monitoring

The company's financial development is reviewed at every Board meeting. All interim reports are reviewed and approved by the Board before they are made public. The annual report and the directors' report are reviewed and approved by the Board. The efficiency of the assessment and management of risks are followed up at different levels within the Group, for example at management meetings and the 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 2021

The Board of Directors

Consolidated statement of **comprehensive income**

SEK '000	Note	2020	2019
Revenue	6	**4,634,726**	**3,747,142**
Cost of sales		(3,837,282)	(2,972,212)
Gross profit		**797,444**	**774,930**
Selling expenses	7	(218,655)	(161,852)
General and administrative expenses	7	(263,527)	(237,946)
Other income	8	24,159	8,354
Other expenses	8	(11,186)	(25,898)
Operating profit		**328,235**	**357,588**
Finance income	9	11,914	6,458
Finance costs	9	(59,169)	(58,148)
Net foreign exchange gains/(losses)(net)		(5,415)	12,458
Result before income tax		**275,565**	**318,356**
Income tax	10	(53,873)	(67,537)
Result for the year		**221,692**	**250,819**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation difference for foreign operations		(246,870)	92,576
Other comprehensive income for the year, net of income tax		**(246,870)**	**92,576**
Total comprehensive income for the year		**(25,178)**	**343,395**
Earnings per share			
Basic and diluted earnings per share (SEK)	31	15.25	17.26

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 '000	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	11	506,522	700,330
Intangible assets	12	8,211	11,679
Deferred tax assets	13	64,604	51,287
Total non-current assets		**579,337**	**763,296**
Current assets			
Inventories	14	1,014,180	1,289,887
Trade and other receivables	15	393,486	321,544
Prepayments		37,119	83,506
Cash and cash equivalents	16	603,504	519,361
Total current assets		**2,048,289**	**2,214,298**
TOTAL ASSETS		**2,627,626**	**2,977,594**
EQUITY AND LIABILITIES			
Equity	17		
Share Capital		1,297	1,297
Additional paid in capital		615,136	612,136
Translation reserve		(368,964)	(122,094)
Retained earnings		558,932	399,003
TOTAL EQUITY		**806,401**	**890,342**
Non-Current liabilities			
Borrowings	18	351,326	205,296
Deferred income	19	578	7,174
Deferred tax liabilities	13	5,117	6,622
Long-term lease liabilities	18	70,893	171,847
Total non-current liabilities		**427,914**	**390,939**
Current Liabilities			
Borrowings	18	84,029	639,280
Trade and other payables	21	1,187,974	917,279
Deferred income	19	18,524	21,453
Provisions	20	25,579	22,282
Short-term lease liabilities	18	77,205	96,019
Total current liabilities		**1,393,311**	**1,696,313**
TOTAL LIABILITIES		**1,821,225**	**2,087,252**
TOTAL EQUITY AND LIABILITIES		**2,627,626**	**2,977,594**

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**

		Attributable to the Parent Company's equity holders				
SEK '000	**Note**	**Share capital**	**Additional paid in capital**	**Retained earnings**	**Translation reserve**	**Total equity**
Balance 1 January 2020		1,297	612,136	399,003	(122,094)	890,342
Total comprehensive income for the year						
Result for the year		-	-	221,692	-	221,692
Other comprehensive income						
Foreign exchange differences		-	-	-	(246,870)	(246,870)
Total comprehensive income for the year		-	-	**221,692**	**(246,870)**	**(25,178)**
Contribution by and distribution to owners						
Dividends on shares	17	-	-	(61,763)	-	(61,763)
Warrant issue		-	3,000	-		3,000
Total contributions and distributions		-	**3,000**	**(61,763)**	-	**(58,763)**
Balance 31 December 2020		1,297	615,136	558,932	(368,964)	806,401

		Attributable to the Parent Company's equity holders				
SEK '000	**Note**	**Share capital**	**Additional paid in capital**	**Retained earnings**	**Translation reserve**	**Total equity**
Balance 1 January 2019		1,297	612,136	257,177	(214,670)	655,940
Total comprehensive income for the year						
Result for the year		-	-	250,819	-	250,819
Other comprehensive income						
Foreign exchange differences		-	-	-	92,576	92,576
Total comprehensive income for the year		-	-	**250,819**	**92,576**	**343,395**
Contribution by and distribution to owners						
Dividends on shares	17	-	-	(108,993)	-	(108,993)
Total contributions and distributions		-	-	**(108,993)**	-	**(108,993)**
Balance 31 December 2019		1,297	612,136	399,003	(122,094)	890,342

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 '000	Note	2020	2019
Cash flows from operating activities			
Result before income tax		275,565	318,356
Adjustments for:			
Depreciation and amortisation	11, 12	175,753	136,305
Impairment (reversed impairment) of trade receivables	8	1,454	8,934
Loss (gain) on disposal of property, plant and equipment		1,379	7,023
Finance costs	9	59,169	58,148
Finance income	9	(11,914)	(6,458)
Net foreign exchange losses (gains) (net)		5,415	(12,458)
Cash from operating activities before changes in working capital and provisions		**506,821**	**509,850**
Change in inventories		(93,322)	(483,726)
Change in trade and other receivables		(175,222)	70,515
Change in prepayments		35,534	(62,292)
Change in trade and other payables		543,300	(218,130)
Change in provisions		8,170	(1,865)
Change in deferred income		(2,542)	(2,008)
Cash flows from operations before interest paid and tax paid		**822,739**	**(187,656)**
Income tax paid		(71,363)	(85,143)
Interest paid		(58,833)	(57,565)
Cash flows from operating activities		**692,543**	**(330,364)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,729	2,119
Interest received		11,908	6,395
Acquisition of property, plant and equipment		(59,654)	(162,242)
Acquisition of intangible assets		(1,718)	(4,310)
Acquisition of business		-	(20,813)
Cash flows from investing activities		**(46,735)**	**(178,851)**
Cash flows from financing activities			
Dividends on shares		(61,763)	(108,993)
Proceeds from borrowings		466,489	1,276,497
Repayment of loans		(868,882)	(474,553)
Financing received		-	70,018
Leasing financing paid	18	(113,651)	(73,249)
Cash flows from financing activities		**(577,807)**	**689,720**
Net change in cash and cash equivalents		**68,001**	**180,505**
Cash and cash equivalents at start of the year		519,361	356,589
Effect of exchange rate fluctuations on cash and cash equivalents		16,142	(17,733)
Cash and cash equivalents at year-end	16	**603,504**	**519,361**

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 '000	Note	2020	2019
Revenue		**116,306**	**144,100**
Other income		2,339	-
Cost of sales		(96,373)	(121,764)
Gross profit		**22,272**	**22,337**
Administrative expenses	7	(30,389)	(15,126)
Operating profit		**(8,116)**	**7,210**
Finance income	9	13,095	155
Finance costs	9	(863)	(181)
Net foreign exchange gains/(-losses) (net)		(9,293)	(7,268)
Result before income tax		**(5,178)**	**(84)**
Income tax	10	3,082	(309)
Result for the year		**(2,096)**	**(393)**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK '000	Note	2020	2019
Result for the year		(2,096)	(393)
Total comprehensive income for the year		**(2,096)**	**(393)**

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

Parent company **balance sheet**

SEK ’000	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Intangible assets	12	768	993
Financial assets			
Holdings in group companies	26, 28	163,908	158,785
Loans to group companies	26	2,597	2,638
Deferred tax assets	13	20,106	17,024
Total financial assets		**186,611**	**178,447**
Total non-current assets		**187,379**	**179,440**
Current assets			
Trade and other receivables	15	36,316	81,839
Prepayments		634	823
Cash and cash equivalents	16	16,733	39,327
Total current assets		**53,683**	**121,989**
TOTAL ASSETS		**241,062**	**301,428**
EQUITY AND LIABILITIES			
Equity	17		
Restricted equity			
Share capital		1,297	1,297
Unrestricted Equity			
Share Premium Reserve		625,148	622,148
Retained earnings		(444,060)	(381,905)
Result for the year		(2,096)	(393)
TOTAL EQUITY		**180,290**	**241,148**
Current liabilities			
Borrowings		32,725	-
Trade and other payables	21	28,047	60,280
Total current liabilities		**60,772**	**60,280**
TOTAL LIABILITIES		**60,772**	**60,280**
TOTAL EQUITY AND LIABILITIES		**241,062**	**301,428**

The parent company 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 '000	Note	Share capital	Share premium reserve	Retained earnings	Total equity
Balance 1 January 2020		1,297	622,148	(382,297)	241,148
Total comprehensive income for the year					
Result for the year		-	-	(2,096)	(2,096)
Total comprehensive income for the year		**-**	**-**	**(2,096)**	**(2,096)**
Contribution by and distribution to owners					
Dividends on shares	17	-	-	(61,763)	(61,763)
Warrant issue		-	3,000	-	3,000
Total contributions and distributions		**-**	**3,000**	**(61,763)**	**(58,763)**
Balance 31 December 2020		1,297	625,148	(446,156)	180,290

SEK '000	Note	Share capital	Share premium reserve	Retained earnings	Total equity
Balance 1 January 2019		1,297	622,148	(272,911)	350,534
Total comprehensive income for the year					
Result for the year		-	-	(393)	(393)
Total comprehensive income for the year		**-**	**-**	**(393)**	**(393)**
Contribution by and distribution to owners					
Dividends on shares	17	-	-	(108,993)	(108,993)
Total contributions and distributions		**-**	**-**	**(108,993)**	**(108,993)**
Balance 31 December 2019		1,297	622,148	(382,297)	241,148

The parent company 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 flow**

SEK ’000	Note	2020	2019
Cash flows from operating activities			
Result before income tax		(5,178)	(84)
Adjustments for:			
Depreciation and amortisation	11, 12	225	135
Finance costs	9	863	181
Finance income	9	(13,095)	(155)
Net foreign exchange losses (gains) (net)		9,293	7,268
Cash from operating activities before changes in working capital and provisions		**(7,892)**	**7,346**
Change in trade and other receivables		48,870	(20,668)
Change in prepayments		188	252
Change in trade and other payables		(32,233)	18,432
Cash flows from operations before income tax and interest paid		**8,933**	**5,362**
Interest paid		(186)	(181)
Cash flows from operating activities		**8,747**	**5,181**
Cash flows from investing activities			
Interest received		407	144
Acquisition of intangible assets		-	(403)
Dividend from subsidiary		11,430	-
Repayment of contribution from subsidiary		-	39,502
Loan to subsidiary		(12,028)	(2,627)
Contributions to subsidiaries		(5,000)	(19,868)
Cash flows from investing activities		**(5,191)**	**16,749**
Cash flows from financing activities			
Loans from subsidiaries		32,613	-
Dividends on shares		(61,763)	(108,993)
Warrant issue		3,000	-
Cash flows from financing activities		**(26,150)**	**(108,993)**
Net increase/(decrease) in cash and cash equivalents		**(22,594)**	**(87,063)**
Cash and cash equivalents at start of year		39,327	126,390
Effect of exchange rate fluctuations on cash and cash equivalents		-	-
Cash and cash equivalents at year-end	16	**16,733**	**39,327**

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

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".

Ferronordic's business comprises sales and service of construction equipment, trucks and other machines in Russia, Kazakhstan and Germany. In addition, Ferronordic offers contracting services where the Group itself, with its own machines and operators, carries out works for customers in the mining industry. Ferronordic is the authorized dealer for Volvo Construction Equipment, Dressta, Mecalac and Rottne in Russia, and for Volvo Construction Equipment and Mecalac in Kazakhstan. As an aftermarket dealer for Volvo and Renault Trucks, the Group also operates authorised truck workshops in different locations in Russia. From 2019, and starting operations in 2020, Ferronordic is the authorised dealer for Volvo and Renault Trucks in Germany, in an area representing approx. 20% of the German market for heavy trucks.

NOTE 2 » BASIS FOR 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 all Group companies 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 as otherwise noted, all amounts have been rounded to the nearest thousand.

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. 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 (allowance for expected credit losses).

NOTE 3 » CHANGED ACCOUNTING POLICIES

Until the end of 2019, the Group had one reportable segment: Equipment Distribution. Starting from 2020, and following the Group's expansion of its operations to Germany, the Group recognises two separate reportable segments: Russia/CIS and Germany. 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. Russia/CIS comprises of sales of new and used construction and other equipment, aftermarket sales, rental, contracting services and other services in Russia and CIS (the Commonwealth of Independent States) and currently in Russia and Kazakhstan. Germany comprises of sales of new and used trucks, aftermarket sales, rental, and other services in Germany. 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.

The Group did not disclose operating segments in its financial statements for 2019 and earlier. Due to the recognition of the reportable segments, the Group has, as of 31 December 2019, restated the previously reported financial statements for the twelve months that ended on 31 December 2019. For details, please see Note 6 Segment reporting and revenue.

Save for the foregoing, no changes in accounting policies occurred in 2019.

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 foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in foreign currencies that are measured based on 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 are recognised in other comprehensive income and included in the translation reserve in . 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.

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.

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.

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 is 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 definite 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.

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

As of 1 January 2019, leases are accounted for according to IFRS 16. This means that 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.

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 machine and truck in inventory has specifically identified cost.

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 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 Russian State Pension Fund) 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. for warranties are based on historical data and recognsed when the relevant products are sold.

REVENUE

Ferronordic categorises revenue as equipment and trucks 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 construction machines, trucks and attachments. Control over the equipment typically transfers to the customer upon delivery, i.e. when the equipment has been accepted by the customer and the equipment has been physically transferred (although in some cases Ferronordic may allow that the equipment is stored at its premises until it can be moved to the customer). If the 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.

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 and car sales.

The Group does not have significant contract assets from contracts with customers. Information on receivables from contracts with customers is presented in Note 15. Information on contract liabilities from contracts with customers is presented in Note 21.

Disaggregation of revenue is presented in Note 6.

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 Russia, Kazakhstan, and Germany, 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.

STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

There are no new or revised accounting standards or interpretations that have been published which are effective from 2021 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*, issued by the Swedish Financial Reporting Board. According to RFR 2, the Parent Company's annual accounts shall be prepared by applying all IFRS statements 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.

The Parent Company does not apply IFRS 9 *Financial Instruments.*

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 relevant 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

From 2020 the Group recognises two separate reportable segments. For more details regarding the change in accounting policies please see Note 3 Changed accounting policies.

SEK '000	Russia/CIS 2020	Russia/CIS 2019	Germany 2020	Germany 2019	Total 2020	Total 2019
External Revenue	**3,651,930**	**3,737,163**	**982,796**	**9,979**	**4,634,726**	**3,747,142**
Gross profit	713,756	773,490	83,688	1,440	797,444	774,930
EBITDA	532,739	493,926	(28,751)	(33)	503,988	493,893
Depreciation & amortisation	(138,309)	(136,305)	(37,444)	-	(175,753)	(136,305)
Operating profit	394,430	357,621	(66,195)	(33)	328,235	357,588
Finance income					11,914	6,458
Finance costs					(59,169)	(58,148)
Net foreign exchange gains/(-losses)					(5,415)	12,458
Profit(loss) before tax					275,565	318,356
Result for the period					**221,692**	**250,819**

In the German operations in 2020, general and administrative costs include restructuring costs of SEK 8.3m and transaction costs of SEK 1.2m. Other expenses include a write-off of fixed assets and bad debt of SEK 3.0m.

SEK '000	Russia/CIS 2020	Russia/CIS 2019	Germany 2020	Germany 2019	Intersegment 2020	Intersegment 2019	Total 2020	Total 2019
Deferred tax assets	45,661	49,354	18,943	1,933	-	-	64,604	51,287
Non-current assets	381,901	589,246	205,674	174,050	(8,238)	-	579,337	763,296
Total assets	**2,171,964**	**2,624,206**	**463,900**	**353,388**	**(8,238)**	**-**	**2,627,626**	**2,977,594**

b) Disaggregation of revenue

SEK '000	Russia/CIS 2020	Russia/CIS 2019	Germany 2020	Germany 2019	Total 2020	Total 2019
Equipment and trucks sales	2,305,594	2,418,302	628,556	-	2,934,150	2,418,302
Aftermarket	864,459	915,075	268,867	9,979	1,133,326	925,054
Contracting services	460,984	378,075	0	-	460,984	378,075
Other revenue	20,893	25,711	85,373	-	106,266	25,711
Total revenues	**3,651,930**	**3,737,163**	**982,796**	**9,979**	**4,634,726**	**3,747,142**

In Russia/CIS, equipment and trucks sales include sales of new and used construction equipment and 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.

In Germany, equipment and trucks sales include sales of new Volvo and Renault trucks, Renault light commercial vehicles and used trucks. Aftermarket sales include sales of service and parts. Other revenue consists mainly of rental revenue and sales of passenger cars.

Number of units sold	Russia/CIS 2020	Russia/CIS 2019	Germany 2020	Germany 2019	Total 2020	Total 2019
New units	1,106	965	631	-	1,737	965
Used units	269	195	34	-	303	195
Total units	**1,375**	**1,160**	**665**	-	**2,040**	**1,160**

No customer represented more than 6% of the revenue in 2020 (5% in 2019).

NOTE 7 » SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses

Group

SEK '000	2020	2019
Personnel expenses	203,670	144,886
Depreciation	9,378	8,445
Other selling expenses	5,607	8,521
	218,655	**161,852**

General and administrative expenses

Group

SEK '000	2020	2019
Personnel expenses	154,278	140,421
Depreciation and amortisation	31,858	31,798
Rent	18,904	19,089
Other general and administrative expenses	58,487	46,638
	263,527	**237,946**

Parent Company

SEK '000	2020	2019
Personnel expenses	20,772	8,429
Depreciation and amortisation	225	135
Other general and administrative expenses	9,392	6,562
	30,389	**15,126**

NOTE 8 » OTHER INCOME AND EXPENSES

SEK '000	2020	2019
Other income	24,159	8,354
	24,159	**8,354**

Other income in 2020 included a one-off customs duty recovery in the amount of SEK 11m and reversal of impairment of trade receivables in the amount of SEK 5m.

Group

SEK '000	2020	2019
Bank services	1,657	3,690
Impairment of trade receivables	5,606	8,934
Sundry expenses	3,923	13,274
	11,186	**25,898**

Sundry expenses in 2019 include a SEK 9m provision relating to a loss of machines in the rental business.

NOTE 9 » FINANCE INCOME AND FINANCE COSTS

Group

SEK '000	2020	2019
Interest income on bank deposits	11,914	6,458
Finance income	**11,914**	**6,458**
Interest expense on lease obligation	(18,522)	(18,222)
Interest expense on bank loans	(40,012)	(34,142)
Other finance costs	(635)	(5,784)
Finance costs	**(59,169)**	**(58,148)**
Net finance income/(costs) net	**(47,255)**	**(51,690)**

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

Parent Company

SEK '000	2020	2019
Interest income on loans to subsidiary	1,258	11
Dividend from subsidiary	11,430	-
Interest income on bank deposits	407	144
Interest income	**13,095**	**155**
Interest cost on loans from subsidiary	(677)	-
Other finance costs	(186)	(181)
Interest costs	**(863)**	**(181)**
Interest income (net)	**12,232**	**(26)**

NOTE 10 » INCOME TAXES

The Parent Company is a tax resident of Sweden where the applicable tax rate for 2020 was 21.4% (same in 2019).

In 2019 and 2020 the Parent Company's income tax was settled by an increase of the Parent Company's tax loss carryforwards and thus did not effect on cash flows.

The other Group companies that were operational in the presented periods are tax residents of Russia where the applicable tax rate for 2020 was 20% (same as the previous year), Kazakhstan 20%, Germany 30% correspondingly.

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 2020 was 19.6% (21.2%).

SEK '000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Current tax expense	(76,848)	(68,447)	-	-
Deferred tax benefit / (expense)	22,975	910	3,082	(309)
Total income tax	**(53,873)**	**(67,537)**	**3,082**	**(309)**

Reconciliation of effective tax rate:

Group

SEK '000	2020		2019	
Result for the year	221,692		250,819	
Total income tax	(53,873)		(67,537)	
Result before tax	275,565	100%	318,356	100%
Income tax at applicable tax rate	(51,314)	(18.6%)	(64,605)	(20.3%)
Revaluation of tax loss carryforwards	-	-	(327)	(0.1%)
Non-deductible expenses	(2,559)	(0.9%)	(2,605)	(0.8%)
	(53,873)	**(19.6%)**	**(67,537)**	**(21.2%)**

Parent Company

SEK '000	2020		2019	
Result for the year	(2,096)		(393)	
Total income tax	3,082		(309)	
Result before tax	(5,178)	100%	(84)	100%
Income tax at applicable tax rate	1,067	(20.6%)	18	(21.4%)
Revaluation of tax loss carryforwards	-	-	(327)	389.3%
Other items	2,015	(38.9%)	-	-
	3,082	**(59.5%)**	**(309)**	**367.9%**

NOTE 11 » PROPERTY, PLANT AND EQUIPMENT

SEK '000	Land	Buildings	Machinery & equipment	Contracting services machines	Rental machines	Office equipment	Cars	Under construction	Right of use assets related to facilities rent	Total
Cost										
Balance 1 January 2020	13,936	50,731	75,074	276,627	163,274	14,858	155,111	80,799	120,394	950,804
Additions	-	13,616	3,568	-	-	5,874	14,626	515	26,397	64,596
Transfers from inventory	-	-	-	52,513	55,705	-	-	-	-	108,218
Disposals	-	(1,021)	(1,680)	-	-	(44)	(5,102)	(1,485)	-	(9,332)
Transfers to inventory	-	-	-	(14,283)	(67,519)	-	-	-	-	(81,802)
Transfers	18,465	47,815	10,850	-	-	(7)	-	(77,123)	-	-
Translation difference	(5,940)	(17,973)	(20,461)	(78,907)	(17,864)	(4,311)	(41,416)	3,674	(30,850)	(214,048)
Balance 31 December 2020	26,461	93,168	67,351	235,950	133,596	16,370	123,219	6,380	115,941	818,436
Depreciation and impairment losses										
Balance 1 January 2020	4,212	23,821	42,376	68,163	12,953	9,371	53,336	7,142	29,100	250,474
Depreciation	-	6,907	11,727	54,160	35,029	2,825	27,000	-	36,456	174,104
Disposals	-	(664)	(1,266)	-	-	(38)	(3,603)	(1,485)	-	(7,056)
Transfers to inventory	-	-	-	(9,185)	(13,691)	-	-	-	-	(22,876)
Translation difference	(2,559)	(6,846)	(12,080)	(23,576)	(5,829)	(2,790)	(16,977)	(263)	(11,812)	(82,732)
Balance 31 December 2020	1,653	23,218	40,757	89,562	28,462	9,368	59,756	5,394	53,744	311,914
Carrying amounts										
1 January 2020	9,724	26,910	32,698	208,464	150,321	5,487	101,775	73,657	91,294	700,330
31 December 2020	24,808	69,950	26,594	146,388	105,134	7,002	63,463	986	62,197	506,522

SEK '000	Land	Buildings	Machinery & equipment	Contracting services machines	Rental machines	Office equipment	Cars	Under construction	Right of use assets related to facilities rent	Total
Cost										
Balance 1 January 2019	11,167	41,629	46,624	151,914	4,757	8,945	105,603	8,533	66,829	446,001
Additions	-	2,536	19,736	65,801	-	4,302	45,555	71,443	39,751	249,124
Transfers from inventory	-	-	-	55,135	86,143	-	-	-	-	141,278
Business acquisition	-	-	422	-	86,619	96	456	-	10,544	98,137
Disposals	-	(458)	(548)	-	(8,857)	(113)	(16,520)	-	-	(26,496)
Transfers to inventory	-	-	-	(24,605)	(7,627)	-	-	-		(32,232)
Transfers	-	-	452	-	-	-	1,405	(1,857)	-	-
Translation difference	2,769	7,024	8,388	28,382	2,239	1,628	18,612	2,680	3,270	74,992
Balance 31 December 2019	13,936	50,731	75,074	276,627	163,274	14,858	155,111	80,799	120,394	950,804
Depreciation and impairment losses										
Balance 1 January 2019	2,836	17,824	30,501	17,709	769	6,253	33,564	6,892	-	116,348
Depreciation	-	3,191	7,458	53,906	12,712	2,095	25,322	-	28,351	133,035
Disposals	-	(250)	(342)	-	(258)	(32)	(11,475)	-	-	(12,357)
Transfers to inventory	-	-	-	(7,868)	(705)	-	-	-	-	(8,573)
Translation difference	1,376	3,056	4,759	4,416	435	1,055	5,925	250	749	22,021
Balance 31 December 2019	4,212	23,821	42,376	68,163	12,953	9,371	53,336	7,142	29,100	250,474
Carrying amounts										
1 January 2019	8,331	23,805	16,123	134,205	3,988	2,692	72,039	1,641	66,829	329,653
31 December 2019	9,724	26,910	32,698	208,464	150,321	5,487	101,775	73,657	91,294	700,330

The property, plant and equipment under construction as at 31 December 2019 included prepayment for assets from Volvo in Germany in the amount of SEK 71m.

In the consolidated statement of cash flows, cash flows, relating to purchases and disposals of machines in contracting services are classified as operating cash flows. This relates to the machines that have initially been purchased for equipment sales and then transferred from inventories to property, plant, and equipment. In 2020, such transfers amounted to SEK 52.5m, compared to SEK 55.1m in 2019.

Depreciation was allocated as follows:

· Cost of sales: SEK 134.5m (SEK 96.1m)
· Selling expenses: SEK 9.4m (SEK 8.4m)
· General and administrative expenses: SEK 30.3m (SEK 28.5m)

Right of use assets:

SEK '000	Rental machines	Contracting services machines	Cars	Right of use assets related to facilities rent	Total
Cost					
Balance 1 January 2020	5,355	95,757	86,962	120,394	308,468
Additions	-	-	9,581	31,471	41,052
Disposals	-	-	-	(5,074)	(5,074)
Buy-out from lease	(5,355)	-	(25,165)	-	(30,520)
Translation difference	-	(25,507)	(20,207)	(30,850)	(76,564)
Balance 31 December 2020	-	70,250	51,171	115,941	237,362
Depreciation and impairment losses					
Balance 1 January 2020	2,206	14,355	20,583	29,100	66,244
Depreciation	664	20,207	14,180	38,599	73,650
Disposals	-	-	-	(2,143)	(2,143)
Buy-out from lease	(2,870)	-	(11,108)	-	(13,978)
Translation difference	-	(6,584)	(5,546)	(11,812)	(23,942)
Balance 31 December 2020	-	27,978	18,109	53,744	99,831
Carrying amounts					
1 January 2020	3,149	81,402	66,379	91,294	242,224
31 December 2020	-	42,272	33,062	62,197	137,531

SEK '000	Rental machines	Contracting services machines	Cars	Right of use assets related to facilities rent	Total
Cost					
Balance 1 January 2019	4,588	27,861	64,123	66,829	163,401
Additions	-	69,341	38,345	39,751	147,437
Business acquisition	-	-	-	10,544	10,544
Buy-out from lease	-	(8,003)	(26,591)	-	(34,594)
Translation difference	767	6,558	11,085	3,270	21,680
Balance 31 December 2019	5,355	95,757	86,962	120,394	308,468
Depreciation and impairment losses					
Balance 1 January 2019	742	3,518	16,448	-	20,708
Depreciation	1,305	14,615	13,115	28,351	57,386
Buy-out from lease	-	(4,610)	(11,714)	-	(16,324)
Translation difference	159	832	2,734	749	4,474
Balance 31 December 2019	2,206	14,355	20,583	29,100	66,244
Carrying amounts					
1 January 2019	3,846	24,343	47,675	66,829	142,693
31 December 2019	3,149	81,402	66,379	91,294	242,224

Parent Company

SEK '000	Office Equipment
Cost	
Balance 1 January 2020	59
Balance 31 December 2020	59
Depreciation and impairment losses	
Balance 1 January 2020	59
Depreciation	-
Balance 31 December 2020	59
Carrying amounts	
Balance 31 December 2020	-

SEK '000	Office Equipment
Cost	
Balance 1 January 2019	59
Balance 31 December 2019	59
Depreciation and impairment losses	
Balance 1 January 2019	55
Depreciation	4
Balance 31 December 2019	59
Carrying amounts	
Balance 31 December 2019	-

NOTE 12 » INTANGIBLE ASSETS

Group

SEK '000	Software & software licenses	Goodwill	Total
Cost			
Balance 1 January 2020	12,579	2,600	15,179
Additions – internally developed	-	-	-
Acquisitions – separately acquired	1,718	-	1,718
Business acquisition	-	-	-
Disposals	(2,659)	-	(2,659)
Translation difference	(2,576)	(99)	(2,675)
Balance 31 December 2020	9,062	2,501	11,563
Amortisation			
Balance 1 January 2020	3,500	-	3,500
Amortisation	1,649	-	1,649
Disposals	(887)	-	(887)
Translation difference	(910)	-	(910)
Balance 31 December 2020	3,352	-	3,352
Carrying amounts			
31 December 2020	5,710	2,501	8,211

SEK '000	Software & software licenses	Goodwill	Total
Cost			
Balance 1 January 2019	7,469	-	7,469
Additions – internally developed	173	-	173
Acquisitions – separately acquired	4,137	-	4,137
Business acquisition	-	2,607	2,607
Disposals	(1,385)	-	(1,385)
Translation difference	2,185	(7)	2,178
Balance 31 December 2019	12,579	2,600	15,179
Amortisation			
Balance 1 January 2019	1,336	-	1,336
Amortisation	3,270	-	3,270
Disposals	(1,385)	-	(1,385)
Translation difference	279	-	279
Balance 31 December 2019	3,500	-	3,500
Carrying amounts			
31 December 2019	9,079	2,600	11,679

Amortisation of SEK 1.6m (SEK 3.3m) was recognised in general and administrative expenses.

Parent Company

SEK '000	Software & software licenses
Cost	
Balance 1 January 2020	1,124
Acquisitions	-
Balance 31 December 2020	1,124
Amortisation	
Balance 1 January 2020	131
Amortisation	225
Balance 31 December 2020	356
Carrying amounts	
31 December 2020	768

SEK '000	Software & software licenses
Cost	
Balance 1 January 2019	721
Acquisitions	403
Balance 31 December 2019	1,124
Amortisation	
Balance 1 January 2019	-
Amortisation	131
Balance 31 December 2019	131
Carrying amounts	
31 December 2019	993

NOTE 13 » DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and tax liabilities:

Group

	31 December 2020			31 December 2019		
SEK ’000	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, plant and equipment	8,728	(4,321)	4,407	-	(6,348)	(6,348)
Intangible assets	-	(103)	(103)	-	(274)	(274)
Inventories	-	(81)	(81)	5,739	-	5,739
Trade and other receivables	-	(996)	(996)	1,277	-	1,277
Prepayments	56	-	56	224	-	224
Provisions	33	-	33	151	-	151
Deferred income	2,647	-	2,647	5,643	-	5,643
Trade and other payables	10,681	-	10,681	14,422	-	14,422
Tax loss carryforwards	42,843	-	42,843	23,831	-	23,831
Tax assets/ (liabilities)	64,988	(5,501)	59,487	51,287	(6,622)	44,665
Set off of tax	(384)	384	-	-	-	-
Net tax assets/(liabilities)	**64,604**	**(5,117)**	**59,487**	**51,287**	**(6,622)**	**44,665**

Parent Company

	31 December 2020			31 December 2019		
SEK ’000	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Tax loss carryforwards	20,106	-	20,106	17,024	-	17,024
Net tax assets/(liabilities)	**20,106**	**-**	**20,106**	**17,024**	**-**	**17,024**

Changes in deferred tax:

Group

SEK ’000	1 January 2020	Recognised in profit or loss	Business combination	Recognised in other comprehensive income	Effect of movement in exchange rates	31 December 2020
Property, plant and equipment	(6,348)	11,731	-	-	(976)	4,407
Intangible assets	(274)	114	-	-	57	(103)
Inventories	5,739	(4,970)	-	-	(850)	(81)
Trade and other receivables	1,277	(2,239)	-	-	(34)	(996)
Prepayments	224	(126)	-	-	(42)	56
Trade and other payables	14,422	117	-	-	(3,858)	10,681
Provisions	151	(90)	-	-	(28)	33
Deferred income	5,643	(1,729)	-	-	(1,267)	2,647
Tax loss carryforwards	23,831	20,167	-	-	(1,155)	42,843
Net tax assets/(liabilities)	**44,665**	**22,975**	-	-	**(8,153)**	**59,487**

Parent Company

SEK '000	1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movement in exchange rates	31 December 2020
Tax loss carryforwards	17,024	3,082	-	-	20,106
Net tax assets/(liabilities)	**17,024**	**3,082**	-	-	**20,106**

Group

SEK '000	1 January 2019	Recognised in profit or loss	Business combination	Recognised in other comprehensive income	Effect of movement in exchange rates	31 December 2019
Property, plant and equipment	(6,072)	5,405	(4,848)	-	(833)	(6,348)
Intangible assets	(981)	845	-	-	(138)	(274)
Inventories	5,263	(391)	-	-	867	5,739
Trade and other receivables	940	176	-	-	161	1,277
Prepayments	1,134	(1,066)	-	-	156	224
Trade and other payables	11,857	564	-	-	2,001	14,422
Provisions	3,408	(3,712)	-	-	455	151
Deferred income	3,436	1,584	-	-	623	5,643
Tax loss carryforwards	20,515	(2,495)	1,939	3,342	530	23,831
Net tax assets/(liabilities)	**39,500**	**910**	**(2,909)**	**3,342**	**3,822**	**44,665**

Parent Company

SEK '000	1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movement in exchange rates	31 December 2019
Tax loss carryforwards	17,333	(309)	-	-	17,024
Net tax assets/(liabilities)	**17,333**	**(309)**	-	-	**17,024**

NOTE 14 » INVENTORIES

SEK ’000	Group 31 December 2020	Group 31 December 2019	Parent Company 31 December 2020	Parent Company 31 December 2019
Raw materials and consumables	19,549	20,419	-	-
Work in progress	10,455	15,098	-	-
Goods for resale	984,176	1,254,370	-	-
	1,014,180	**1,289,887**	-	-

Inventories of SEK 3,245m (SEK 2,611m) were sold during the year and recognised as cost of sales. Write-down of inventories to net realisable value of SEK 7.0m (SEK 7.0m) was recognised as cost of sales.

NOTE 15 » TRADE AND OTHER RECEIVABLES

SEK ’000	Group 31 December 2020	Group 31 December 2019	Parent Company 31 December 2020	Parent Company 31 December 2019
Trade receivables	313,799	267,453	-	-
Trade receivables due from subsidiaries	-	-	35,794	81,081
VAT receivable	4,058	4,446	362	411
Warranty claims	11,579	16,741	-	-
Prepaid income tax	5,334	15,995	-	-
Other receivables	58,716	16,909	160	347
	393,486	**321,544**	**36,316**	**81,839**

Other receivables include payment balance at the customs office of the subsidiary in Russia in the amount of SEK 37m (SEK 2m in 2019). The increase compared to 2019 is related to direct importation of Volvo machines started in 2019 and continued in 2020.

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 ’000	Group 31 December 2020	Group 31 December 2019	Parent Company 31 December 2020	Parent Company 31 December 2019
Bank balances	204,791	246,353	15,293	39,327
Call deposits	398,713	273,008	1,440	-
Cash and cash equivalents	**603,504**	**519,361**	**16,733**	**39,327**

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	**2020**	**2019**
In issue 1 January	14,532,434	14,532,434
In issue 31 December, fully paid	14,532,434	14,532,434
Par value per share	**SEK 0.089**	**SEK 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 extraordinary general meeting on 5 November 2020, it was decided to pay dividends on shares in an amount of SEK 4.25 per share, in total SEK 62m.

SEK '000	**2020**	**2019**
Dividends paid on shares	61,763	108,993

Proposed allocation of profit

SEK 178,992,305 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	69,999,050
of which to the Share Premium Reserve	*516,155,035*
Total amount allocated	**178,992,305**

For the AGM in 2021, the Board has proposed a dividend of SEK 7.50 per share, corresponding to a total dividend of approx. SEK 109m. The proposed record date is 17 May 2021 and payment would take place around 20 May 2021. This would be in line with Ferronordic's dividend policy.

(d) Share based incentive program

In accordance with the Board's proposal, the EGM 2020 on 5 November 2020 approved a long-term incentive program for the Ferronordic's ("the Company") management and certain other senior employees. The program is intended to provide long-term incentives and align the interests of management and the shareholders. Under the program, the Company would be allowed to issue up to 392,768 warrants to be distributed between approximately 30 persons forming the senior management of the Company and its subsidiaries. Each warrant entitles the participant to subscribe for one ordinary share of the Company at the earliest three-years after the warrant was issued. The subscription price was set equal to 135% of the volume-weighted average share price during the 10 trading days immediately preceding the date of valuation of the warrants.

On 30 November 2020, the Company issued 332,000 warrants to 24 management participants. 142,000 or 43% of these warrants were issued to 8 executives in the Group management. The market value of the warrants at the time of transfer to the participants was determined by an independent financial advisor on the basis of the Black-Scholes option pricing model is estimated at approximately as SEK 9.04. The valuation was based on a 10-day volume-weighted average share price of SEK 152.75, a subscription price of SEK 206.21, a volatility of 30%, an interest rate of -0.4% and an expected dividend yield of 3.1% (according to market estimates) and a dilution effect of about 2.6%.

As per the program, the participants received a cash compensation from the Group that, net of tax, covered the residual 80% of the cost for acquiring the warrants under the program. The remaining 20% of the cost for acquiring the warrants was borne by the participants themselves. The warrants were acquired at fair value.

Subscription of shares will be done against cash payment to the Company at the strike price. Assuming full allotment and consequent subscription, the Company's equity would increase with approximately SEK 85m. Participation in the program and subsequent subscription requires that a participant remains an employee of the Company or its subsidiaries. Should a participant terminate his employment before the end of the program, the company reserves the right to repurchase 20% of the participant's warrants at original cost.

It is the Board's intention to repeat the 2020 warrant program in 2021 and 2022. Each year's program is however independent from other programs and will be presented as such to the Company's General Meeting. The cumulative potential dilution of the programs over three years, if fully exercised, should not exceed 7.5%. The Board would present details for any long-term incentive program for 2021 no later than in the notice to the AGM, planned for 12 May 2021.

NOTE 18 » BORROWINGS

(a) Short-term borrowings

Group

	31 December 2020		31 December 2019	
SEK '000	**Outstanding balance**	**Credit Facility Limit**	**Outstanding balance**	**Credit Facility Limit**
Current liabilities				
Unsecured short term borrowings	84,029	636,834	639,280	840,471
	84,029	**636,834**	**639,280**	**840,471**

Parent Company

SEK '000	31 December 2020	31 December 2019
Loan from subsidiary	32,725	-
	32,725	-

(b) Long-term borrowings

	31 December 2020		31 December 2019	
SEK '000	**Outstanding balance**	**Credit Facility Limit**	**Outstanding balance**	**Credit Facility Limit**
Non-current liabilities				
Unsecured long term borrowings	351,326	351,326	205,296	288,403
	351,326	**351,326**	**205,296**	**288,403**

In June 2019, Ferronordic entered into two new credit facility agreements with Sberbank regarding credit facilities for RUB 2,000m and RUB 1,000m, respectively (approx. SEK 220m and SEK 110m, respectively). The facilities replaced a previous facility with Sberbank and expanded the total credit limit. The facilities were available until June 2021.

In July 2019, Ferronordic entered into a new credit facility agreement with Bank Otkritie regarding a new credit facility for a RUB 1,000m (approx. SEK 110m). The facility is available until June 2022.

In September 2020, Ferronordic signed an agreement for an RUB 1,000m (approx. SEK 110m) uncommitted revolving credit facility with Bank Otkritie in Russia, for potential use to fund working capital.

No amount of the above facilities was drawn as at 31 December 2020.

In 2019 in connection with acquisitions of assets and business in Germany Ferronordic entered into an agreement with Nordea bank for a EUR 30m loan facility. EUR 26m (SEK 261m) was drawn on the facility to finance the said acquisitions and to fund additional investments to build up the German business.

Interest-bearing liabilities also include liabilities in the German operations amounting to SEK 68m that were transferred from payables to borrowings, in 2020, mainly to Volvo Financial Services. As such transfers were non-cash, they are not reflected in cash flows.

In 2020 the Group used borrowings from Volvo Finacial Services in the Russian operations to finance machines in contracting services. 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 2020 was SEK 74m (SEK 0m). The outstanding amount was SEK 0m in 2019, as such transactions were shown as increase of lease liabilities in 2019. In the consolidated statement of cash flows, the financing received in these transactions was shown as increase in borrowings in 2020 and as financing received in 2019.

At the end of 2020, the Group also had several outstanding credit and lease obligations in Ferronordic Auto GmbH and Ferronordic Charter GmbH in Germany, which in total amounted to SEK 56.8m (SEK 67.7m in 2019). These credit and lease obligations were mainly a result of Ferronordic's acquisition of Auto Haas GmbH in 2019, whereby it also acquired a rental business funded by leasing and loans.

The interest rate on the Group's loans and borrowings varied between 1-3% in the German operations to 9-11% in the Russian operations.

(c) Lease liabilities

At the end of 2020, the Group had a lease limit from RB Leasing in the amount of RUB 600m. In 2020, the limit with RB Leasing was partly used to finance cars in the carpool. At the end of 2020, the Group had leases from Volvo Financial Services and Raiffeisen Leasing, which commenced in 2018-2019 and were used to finance machines in contracting services.

The weighted-average rate applied for discounting lease payments when measuring lease liabilities was 8.69% (9.83%).

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):

	31 December 2020			31 December 2019		
SEK '000	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	92,615	(15,410)	77,205	117,983	(21,964)	96,019
Between one and five years	76,647	(5,880)	70,767	186,782	(16,091)	170,691
Between one and five years	162	(36)	126	1,295	(139)	1,156
	169,424	**(21,326)**	**148,098**	**306,060**	**(38,194)**	**267,866**

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

Group

	Liabilities		
SEK '000	**Lease Liabilities**	**Borrowings**	**Total**
Balance 1 January 2020	267,866	844,576	1,112,442
Changes in cash flows from financing activities			
Proceeds from borrowings	-	466,489	466,489
Repayment of loans	-	(868,882)	(868,882)
Leasing financing paid	(113,651)	-	(113,651)
Total	**(113,651)**	**(402,393)**	**(516,044)**
Other changes related to equity			
Effect of changes in foreign exchange rates	(42,095)	(6,828)	(48,923)
Total	**(42,095)**	**(6,828)**	**(48,923)**
Other changes related to liabilities			
New leases	41,052	-	41,052
Disposals	(5,074)	-	(5,074)
Total	**35,978**	-	**35,978**
Balance 31 December 2020	**148,098**	**435,355**	**583,453**

Group

	Liabilities		
SEK '000	**Lease Liabilities**	**Borrowings**	**Total**
Balance 1 January 2019	120,604	-	120,604
Changes in cash flows from financing activities			
Proceeds from borrowings	-	1,276,497	1,276,497
Repayment of loans	-	(474,553)	(474,553)
Leasing financing paid	(73,249)	-	(73,249)
Financing received	70,018	-	70,018
Total	**(3,231)**	**801,944**	**798,713**
Other changes related to equity			
Effect of changes in foreign exchange rates	14,685	22,779	37,464
Total	**14,685**	**22,779**	**37,464**
Other changes related to liabilities			
New leases	77,419	-	77,419
Business acquisition	10,544	67,698	78,242
Reclassification	47,845	(47,845)	-
Total	**135,808**	**19,853**	**155,661**
Balance 31 December 2019	**267,866**	**844,576**	**1,112,442**

NOTE 19 » DEFERRED INCOME

SEK '000	Group 31 December 2020	Group 31 December 2019	Parent Company 31 December 2020	Parent Company 31 December 2019
Deferred income short-term due to lease back transaction	5,746	7,832	-	-
Deferred income short-term relating to service contracts	12,778	13,621	-	-
Total	**18,524**	**21,453**	**-**	**-**

SEK '000	Group 31 December 2020	Group 31 December 2019	Parent Company 31 December 2020	Parent Company 31 December 2019
Deferred income long-term due to lease back transaction	578	7,174	-	-
Total	**578**	**7,174**	**-**	**-**

NOTE 20 » PROVISIONS

Group

SEK '000	Warranties	Other	Total
Balance 1 January 2020	16,741	5,541	22,282
Provisions made	20,668	9,005	29,673
Provisions used	(20,788)	(566)	(21,354)
Translation difference	(4,442)	(580)	(5,022)
Balance 31 December 2020	**12,179**	**13,400**	**25,579**
Non-current	-	-	-
Current	12,179	13,400	25,579
	12,179	**13,400**	**25,579**

Group

SEK '000	Warranties	Other	Total
Balance 1 January 2019	16,395	646	17,041
Provisions made	24,589	394	24,983
Business acquisition	-	4,412	4,412
Provisions used	(26,893)	-	(26,893)
Translation difference	2,650	89	2,739
Balance 31 December 2019	**16,741**	**5,541**	**22,282**
Non-current	-	-	-
Current	16,741	5,541	22,282
	16,741	**5,541**	**22,282**

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 2020 and 31 December 2019, respectively, are disclosed in Note 15.

NOTE 21 » TRADE AND OTHER PAYABLES

SEK '000	Group 31 December 2020	Group 31 December 2019	Parent Company 31 December 2020	Parent Company 31 December 2019
Trade payables	946,755	741,539	18,013	55,323
Advances from customers	100,422	43,697	-	-
Other payables and accrued expenses	90,801	94,513	9,389	3,880
Payables to subsidiaries	-	-	-	824
Income tax payable	1,085	9,089	-	-
Other taxes payable	48,911	28,441	645	253
	1,187,974	**917,279**	**28,047**	**60,280**

In 2019 the Parent Company's trade payables related to machines and parts from Dressta, Rottne and Mecalac, purchased by the Parent Company and resold to its subsidiaries. Starting in 2020, the parent company only sold machines and attachments to its Russian and Kazakh subsidiaries. Accounts payable at the end of 2020 thus only refer to purchases of machinery and attachments.

Currency and liquidity risks related to trade and other payables are disclosed in Note 22.

Advances from customers of SEK 100m (SEK 44m) and deferred income relating to service contracts of SEK 14m (SEK 12m) (see Note 19) relate to contract liabilities under the contracts with customers.

Out of contract liabilities at the end of 2019 SEK 32m was recognised as revenue during 2020 (SEK 50m in 2019).

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 commit.

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 2020, the 20 largest trade receivables comprised 46% of the total trade receivables (at the end of 2019 the corresponding figure was 54%).

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

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

For machines in Russia/CIS, the Group can provide credits 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 can 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 machines 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 required.

Credit approvals

The Group has a structured process for approving credits and settling credit limits where all customers are assessed individually by both the finance- and the security departments before any credits are offered.

The review typically includes external ratings (when available) and the use of credit databases. New credits 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.

(i) Exposure to credit risk

SEK '000	Note	2020 Carrying amount	2019 Carrying amount
Trade receivables	15	313,799	267,453
Cash and cash equivalents	16	603,504	519,361
		917,303	**786,814**

Cash and cash equivalents are held with banks, which are rated AA(RU) (ACRA), BBB (Fitch), BBB- (S&P) in Russia and AA-, A- (S&P) in Sweden and Germany. Expected credit losses from cash and cash equivalents have been judged not material and were thus not accounted for.

The credit risk in 2020 and 2019 as split by geographical region is:

SEK ’000	2020 Carrying amount	2019 Carrying amount
Russia	238,377	225,633
Kazakhstan	19,471	17,695
Germany	55,951	24,125
	313,799	**267,453**

(ii) Impairment of receivables

Ageing of trade receivables

Group

31 December 2020

SEK ’000	Gross amount	Average loss rate	Impairment
Not past due	190,013	0.2%	(396)
Past due 0-30 days	64,748	0.9%	(564)
Past due 31-120 days	52,195	2.3%	(1,218)
Overdue above 120 days	25,254	64.3%	(16,233)
	332,210		**(18,411)**

31 December 2019

SEK ’000	Gross amount	Average loss rate	Impairment
Not past due	192,540	0.0%	(71)
Past due 0-30 days	51,930	2.2%	(1,155)
Past due 31-120 days	19,179	3.0%	(569)
Overdue above 120 days	28,912	80.6%	(23,313)
	292,561		**(25,108)**

Group

Movement in expected credit losses in respect of trade receivables

SEK ’000	2020	2019
Balance 1 January	(25,108)	(16,245)
Net change during the year	(1,454)	(8,934)
Business acquisition	-	(2,049)
Amounts written off against trade receivables	492	4,815
Translation differences	7,659	(2,695)
Balance 31 December	**(18,411)**	**(25,108)**

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.

Maturities of financial liabilities (including estimated interest payments)

Group

31 December 2020

SEK '000	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 years	2-3 years	3-4 year	4-5 year	Over 5 years
Lease liabilities	148,098	169,424	49,464	43,151	54,250	13,818	7,748	831	162
Borrowings	435,355	471,923	50,838	50,409	150,488	220,188	-	-	-
Trade and other payables	1,037,556	1,037,556	1,037,556	-	-	-	-	-	-
	1,621,009	**1,678,903**	**1,137,858**	**93,560**	**204,738**	**234,006**	**7,748**	**831**	**162**

31 December 2019

SEK '000	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 years	2-3 years	3-4 year	4-5 year	Over 5 years
Lease liabilities	267,866	306,060	61,893	56,090	111,392	55,200	11,298	8,892	1,295
Borrowings	844,576	903,625	313,580	368,144	47,877	66,357	107,667	-	-
Trade and other payables	836,052	836,052	836,052	-	-	-	-	-	-
	1,948,494	**2,045,737**	**1,211,525**	**424,234**	**159,269**	**121,557**	**118,965**	**8,892**	**1,295**

The cash flows presented are not expected to occur significantly earlier or at significantly different amounts.

CURRENCY RISK

While most of the Group's sales and purchases are made in RUB and KZT, the Group is exposed to currency risk on purchases and borrowings that are denominated in other currencies. These transactions primarily occur in EUR, USD, GBP or SEK.

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 ensure that the net exposure is kept 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 against RUB and KZT

SEK '000	USD 2020	USD 2019	EUR 2020	EUR 2019	SEK 2020	SEK 2019	GBP 2020	GBP 2019
Cash and cash equivalents	-	-	80,002	2,533	4,582	991	14,241	20,713
Trade and other payables	(1,196)	21,602	15,388	(9,174)	(2,211)	(47,326)	(11,636)	(22,759)
Net exposure	**(1,196)**	**21,602**	**95,390**	**(6,641)**	**2,371**	**(46,335)**	**2,605**	**(2,046)**

Applied exchange rates

Group

IN SEK	Average rate 2020	Reporting date spot rate 2020	Average rate 2019	Reporting date spot rate 2019
EUR	10.4867	10.0375	10.5892	10.4336
GBP	11.7981	11.0873	12.0658	12.2145
RUB (per 100)	12.8049	11.0561	14.6177	15.0705
USD	9.2037	8.1886	9.4604	9.3171

Sensitivity analysis

The Group is mainly exposed to movements in RUB, EUR, KZT, USD and GBP. The Group considers the main currency risk to be related to its Russia/CIS segment.

A strengthening (weakening) of the RUB and KZT against other currencies would at 31 December 2020 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 for 2019.

A strengthening (weakening) of the RUB and KZT by 20% against SEK would at 31 December 2020 have increased (decreased) foreign currency translation difference for foreign operations in other comprehensive income by SEK 137m (137m).

	Strengthening	Weakening
31 December 2020		
USD (20% movement)	239	(239)
EUR (20% movement)	(19,078)	19,078
GBP (20% movement)	(521)	521
SEK (20% movement)	(474)	474

	Strengthening	Weakening
31 December 2019		
USD (20% movement)	(4,320)	4,320
EUR (20% movement)	1,328	(1,328)
GBP (20% movement)	409	(409)
SEK (20% movement)	9,271	(9,271)

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. However, as is common in Russia, most of the Group's credit agreements allow the banks to increase interest rates in case of exceptional changes in the key rate of the Russian Central Bank or exceptional economic circumstances.

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.

SEK '000	31 December 2020	31 December 2019
Fixed rate instruments		
Bank deposits	398,713	273,008
Borrowings	(435,355)	(844,576)
Lease liabilities	(148,098)	(267,866)
	(184,740)	**(839,434)**

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 or as available-for-sale. 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 at 31 December 2020 approximate their fair values.

CAPITAL MANAGEMENT

Debt to capital ratio

Group

SEK '000	31 December 2020	31 December 2019
Total liabilities	1,821,225	2,087,252
Cash and cash equivalents	(603,504)	(519,361)
Net debt	**1,217,721**	**1,567,891**
Total equity	806,401	890,342
Debt to capital ratio	**1.51**	**1.76**

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 future events. Under Russian law, an obligation can only be offset against a similar claim if it is due, has no maturity or is payable on demand.

Financial instruments subject to the above agreements

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.

Financial instruments subject to the above agreements

Group

SEK '000	Trade and other receivables	Trade and other payables
31 December 2020		
Gross amounts	34,917	824,506
Net amounts presented in the statement of financial position	34,917	824,506
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria	(25,499)	(25,499)
Net amount	**9,418**	**799,007**

SEK '000	Trade and other receivables	Trade and other payables
31 December 2019		
Gross amounts	39,755	634,617
Net amounts presented in the statement of financial position	39,755	634,617
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria	(17,759)	(17,759)
Net amount	**21,996**	**616,858**

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 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.

SEK '000	2020	2019
Fixed rate instruments		
Short-term lease of premises and facilities	8,764	6,430
Short-term lease of equipment	47,129	18,901
Variable lease payments	13,217	7,319
	69,110	**32,650**

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

Cash outflow for leases during 2020 amounted to SEK 201m (SEK 124m), including short-term leases and expenses relating to variable lease payments. The amount for 2019 was recalculated respectively.

The Group has an option to purchase one of its rented outlets for RUB 200m (increased by the rate of Russian inflation since the option became exercisable in September 2017).

(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 2020 from such arrangements amounted to SEK 70m (SEK 25m).

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

SEK '000	31 December 2020	31 December 2019
Less than one year	5,884	16,379
1-5 years	51,476	-
	57,360	**16,379**

NOTE 24 » CAPITAL COMMITMENTS

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

NOTE 25 » CONTINGENCIES

Taxation contingencies

Significant changes to the Russian and 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 Russian tax authorities can be unpredictable in their interpretation of tax legislation and their enforcement and collection of tax.

Russia's recent macroeconomic volatility does not improve the situation. Technical violations of contradictory laws and edicts may lead to severe penalties. In practice, the tax authorities often 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 Russian and Kazakh tax legislation, could have an adverse effect on the Group's business, result and financial position.

As a result of the Covid-19 pandemic, governments in our markets have introduced restrictions on travel and social interaction that has adverse effects on our business. Meanwhile, companies, including our suppliers, competitors and customers, have taking measures to adapt to an uncertain operating environment. The path of the virus and the measures to halt it cannot be predicted and we cannot exclude further supply or demand side disruption in our business.

NOTE 26 » RELATED PARTY TRANSACTIONS

Control relationships

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

At the end of the year, members of management and the Board controlled 26% of the shares and votes in the Parent Company (34% at the end of 2019).

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.

Transactions with other related parties

Parent Company

Revenue

	2020		2019	
SEK '000	**Transaction value**	**Outstanding balance**	**Transaction value**	**Outstanding balance**
Services and other income:				
Subsidiaries	18,410	7,911	19,320	14,940
Interest accrued:				
Subsidiaries	1,259	-	11	11
Equipment sold:				
Subsidiaries	100,236	16,765	125,870	66,141
Dividends received:				
Subsidiaries	11,430	-	-	-
	131,335	**24,676**	**145,201**	**81,092**

Expenses

	2020		2019	
SEK '000	**Transaction value**	**Outstanding balance**	**Transaction value**	**Outstanding balance**
Cost of sales:				
Subsidiaries:	-	-	(824)	(824)

Other balances

SEK '000	**31 December 2020**	**31 December 2019**
Contributions to subsidiaries	163,908	158,785
Loans to subsidiaries	2,597	2,627
Loans from subsidiaries	(32,725)	-
Short-term loans to subsidiaries	11,118	-
	144,898	**161,412**

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 at 31 December 2020 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 2019 equipment sold related to machines and parts from Dressta, Rottne and Mecalac purchased by the Parent Company and sold to the subsidiaries in Russia. Starting in 2020, the Parent Company only sells machines and attachments to the subsidiaries in Russia and Kazakhstan, while parts will be imported directly by the Russian and Kazakh subsidiaries.

NOTE 27 » EVENTS SUBSEQUENT TO THE REPORTING DATE

On 28 December 2020, it was announced that Ferronordic had signed an agreement to acquire Truck Center Röhn GmbH ("TCR"), an authorised Volvo and Renault Trucks workshop in Fulda, Hessen. In 2019, TCR generated a revenue of approx. EUR 3.9m (*SEK 40m) with an operating profit of approx. EUR 0.6m (*SEK 6m) and 15% operating margin. The expected purchase price amounts to EUR 4.1m (*SEK 41m), based on EUR 2.3m (*SEK 23m) of expected net asset value and EUR 1.8m (*SEK 18m) of goodwill. The transaction was completed in January 2021. Ferronordic also agreed in principle with the seller to build an additional workshop for Ferronordic in Bad Hersfeld, Hessen.

On February 4 2021, it was announced that Ferronordic had signed an agreement to purchase the business of Bus und Truck Service GmbH, an authorised Volvo and Renault Trucks workshop in Nordhausen in central Germany. Over the last three years, Bus und Truck Service GmbH generated an average revenue of around EUR 1.5m (*SEK 15m) per year, with an estimated adjusted operating margin of approx. 10%. The transaction is structured as an asset deal, where Ferronordic purchases inventories, tools and equipment from the seller. The real estate is not included in the transaction and will be leased by Ferronordic. The total purchase price amounts to EUR 0.65m (*SEK 6.6m), of which EUR 0.45m (*SEK 4.6m) corresponds to the expected net value of the purchased assets and EUR 0.2m (*SEK 2.0m) is goodwill. The transaction is expected to be completed by May 2021.

On 3 March 2021, it was announced that Ferronordic had signed an agreement to acquire Thomas Nutzfarzeuge GmbH and the related real estate ("Thomas"). Thomas is an authorised Volvo and Renault Trucks workshop in Limburg, Hessen. The acquisition is in line with Ferronordic's strategy to expand and improve its service network in Germany. In 2019 and 2020, Thomas had an average annual revenue of EUR 4.8m (SEK* 49m) with an average operating profit of approx. EUR 0.8m (SEK* 8m). The total investment including real estate amounts to EUR 6.4m (SEK* 64m). The preliminary purchase price for the shares in Thomas is EUR 2.9m (SEK* 29m), based on EUR 0.5m (SEK* 5m) of expected net asset value and EUR 2.4m (SEK* 24m) of goodwill. Ferronordic will also acquire the real estate where the business is operated for a purchase price of EUR 3.5m (SEK* 35m).

On 12 March 2021, it was announced that Ferronordic has signed an agreement to purchase a land plot of 15,000 m² for EUR 1.2m (SEK* 12m), where Ferronordic intends to construct a combined office and workshop building of approx. 2,300 m². The new site, expected to be ready in Q3 2022, will provide Ferronordic with a modern and purpose-built facility in a strategic location in the important Hannover region. The investment will be made during 2021 and 2022 and is expected to reach approx. EUR 6.0m (SEK* 60m).

On 15 January 2021, Martin Bauknecht was appointed managing director of the German business and a new member of the Group Management Team, effective of 3 February 2021.

On 1 March 2021, it was announced that Ferronordic had entered into an agreement to become the distributor of Sandvik mobile crushing and screening equipment in all of Russia. Under the agreement, Ferronordic is responsible for sales, service and repair of Sandvik mobile crushing and screening equipment throughout the country. Over time, Ferronordic expects that sales related to the new products may represent up to 5% of its revenue in Russia. Sandvik Mobile Crushing and Screening, a division within Sandvik's newly formed business area Rock Processing Solutions, has appointed Ferronordic its distributor throughout Russia for mobile crushers and screens. The product portfolio includes a full range of mobile jaw crushers, cone crushers, impact crushers, scalpers and screens. Ferronordic is responsible for sales of new mobile crushing equipment throughout Russia, as well as service and repairs, including warranty service, of Sandvik's existing fleet in the country.

In January, the Russian Ministry for Industry and Trade proposed an increase of the so-called utilisation or scrapping fee. This charge is levied in a fixed amount and depends on the type of machine. As a percent, the fee therefore impacts lower price machines more. At this point, it has not been confirmed if, when and on what machines or by how much the increase of the fee may apply.

Except for this nothing that the Group is aware of has changed that requires disclosure in the financial statements.

*Using SEK/EUR a rate of 10.1

NOTE 28 » INTERESTS IN GROUP COMPANIES

As of 31 December 2020, the Group consists of the following legal entities:

			2020		2019	
Subsidiary	**Corporate Identity Number**	**Country of incorporation**	**Ownership/ voting**	**Carrying amount**	**Ownership/ voting**	**Carrying amount**
Ferronordic AB	556748-7953	Sweden	Parent Company	-	Parent Company	-
Ferronordic Machines LLC		Russia	100%	137,953	100%	137,837
Ferronordic Machines Arkhangelsk LLC		Russia	100%	12,566	100%	12,566
Ferronordic Torgovaya Kompaniya LLC		Russia	100%	2	100%	2
Ferronordic Torgoviy Dom LLC		Russia	100%	981	100%	981
Ferronordic Kazakhstan LLP		Kazakhstan	100%	14,114	100%	14,114
Ferronordic Torgoviy Dom Kazakhstan LLP		Kazakhstan	100%	7	100%	-
Ferronordic Germany Holding AB		Sweden	100%	10,844	100%	5,844
Ferronordic GmbH		Germany	100%	26,389	100%	26,389
Ferronordic Immobilien GmbH		Germany	100%	1,054	100%	1,054
Ferronordic Auto GmbH		Germany	100%	27,466	100%	27,466
Ferronordic Charter GmbH		Germany	100%	10,875	100%	10,875
				242,251		**237,128**

NOTE 29 » EMPLOYEES, BOARD AND MANAGEMENT

(a) Number of employees (average)

	2020	of which female	2019	of which female
Parent Company – Citizenship				
Sweden	4	25%	2	50%
Total in Parent Company	**4**	**25%**	**2**	**50%**
Subsidiaries – Citizenship				
Russia	1,108	11%	1,105	13%
Sweden	1	0%	2	0%
Kazakhstan	28	25%	23	27%
Germany	256	15%	2	50%
Other	26	15%	3	0%
Total in subsidiaries	**1,419**	**12%**	**1,135**	**13%**
Total Group	**1,423**	**12%**	**1,137**	**13%**

(b) Breakdown between men and women in management (average)

	Group Female representation		Parent Company Female representation	
	2020	**2019**	**2020**	**2019**
Board	17%	17%	17%	17%
Management	13%	10%	0%	0%

(c) Personnel costs

	2020		2019	
SEK '000	**Salaries and other remuneration**	**Social security expenses**	**Salaries and other remuneration**	**Social security expenses**
Parent Company	15,532	4,967	5,259	2,545
(of which pension costs)		897		1,165
Subsidiaries	417,047	95,185	308,368	68,299
(of which pension costs)		54,068		36,884
			-	
Total	**432,579**	**100,152**	**313,627**	**70,844**
of which pension costs		54,965		38,049

The personnel costs included in cost of sales in the subsidiaries amounted to SEK 179m (SEK 123m).

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

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 and management in the Parent Company, the subsidiaries and the Group in 2020 amounted to 10 (9), 6 (6) and 16 (15), respectively.

During 2020 and partly following the expansion to Germany and the change in the Group's corporate structure, the Group recruited new executives to the Parent company and also transferred several executives from Group subsidiaries to the Parent company.

SEK ’000	2020 Board and management	2020 Other employees	2019 Board and management	2019 Other employees
Parent Company	**15,066**	**466**	**4,894**	**365**
(of which bonuses)	7,894	47	574	50
Subsidiaries	**27,807**	**389,240**	**34,224**	**274,144**
(of which bonuses)	11,104	102,988	15,003	108,019
Total	**42,873**	**389,706**	**39,118**	**274,509**
of which bonuses	18,998	103,035	15,577	108,069

(d) Remuneration to the Board

Remuneration paid to the Board in 2020 amounted to SEK 1.8m (SEK 1.9m). At the AGM 2020 it was resolved that the remuneration to the Board should be paid in an amount of SEK 1.8m. Of this amount, SEK 600,000 should be paid to the chairman and SEK 300,000 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.

(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. For more information on this program, please refer to Note 17, Capital and reserves.

The CEO’s remuneration in 2020 amounted to SEK 11,831,000 (SEK 11,653,000). The right to pension contributions amounted to 13% (12%) of the fixed gross salary.

Remuneration to the Board (SEK ’000)

Name	2020	2019
Staffan Jufors	600	600
Magnus Brännström	300	300
Lars Corneliusson	-	-
Erik Eberhardson	300	449
Håkan Eriksson	300	300
Annette Brodin-Rampe	300	300
Total	**1,800**	**1,949**

Management

Name	2020	2019
Nadezhda Semiletova	full year	full year
Anders Blomqvist	-	till February
Henrik Carlborg	full year	full year
Lars Corneliusson	full year	full year
Erik Danemar	full year	from May
Dan Eliasson	from January	-
Onur Gucum	full year	full year
Andrey Korneev	full year	full year
Alexander Shmakov	full year	full year
Jonathan Tubb	full year	full year
Ceren Wende	from August	-
Anton Zhelyapov	full year	full year

Remuneration to CEO and other executives

SEK ’000	2020 CEO	2020 Other executives	2020 Total	2019 CEO	2019 Other executives	2019 Total
Fixed salary	5,767	16,027	21,794	6,092	15,657	21,749
Variable salary	5,324	13,674	18,998	4,833	10,744	15,577
Pension costs	740	154	894	728	53	781
Total	**11,831**	**29,855**	**41,686**	**11,653**	**26,454**	**38,107**

NOTE 30 » AUDITORS' FEES AND EXPENSES

	Group		Parent Company	
SEK '000	**2020**	**2019**	**2020**	**2019**
KPMG				
Audit assignments	3,417	1,558	1,513	906
Other assignments	86	61	60	-
	3,503	**1,619**	**1,573**	**906**

NOTE 31 » EARNINGS PER SHARE

The calculation of earnings per share is based on the result attributable to holders of shares and thus is calculated as the result for the year, divided by the average number of shares outstanding. Basic and diluted earnings per share are the same for the Group, as it currently has no dilutive instruments outstanding.

The warrants issued in 2020 (see note 17 Capital and reserves) had no dilutive effect on shares in the reporting period.

a) Result attributable to holders of shares

SEK '000	**2020**	**2019**
Result for the year	221,692	250,819
Result attributable to holders of shares	**221,692**	**250,819**

b) Average number of shares

Number of shares	**2020**	**2019**
Shares outstanding 1 January	14,532,434	14,532,434
Weighted-average number of shares during the year	**14,532,434**	**14,532,434**

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 14 April 2021. 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 12 May 2021.

Stockholm, 14 April 2021

Staffan Jufors
Chairman

Annette Brodin Rampe
Director

Magnus Brännström
Director

Lars Corneliusson
Director

Erik Eberhardson
Director

Håkan Eriksson
Director

Lars Corneliusson
Managing Director

Our audit report was submitted on 14 April 2021

KPMG AB

Mats Kåvik
Authorised Public Accountant

KPMG

Translation from the Swedish original

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 2020, except for the corporate governance statement on pages 73-79 and the sustainability report on pages 42-58. The annual accounts and consolidated accounts of the company are included on pages 42-58 and 66-118 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 2020 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 2020 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 73-79 and sustainability report on pages 42-58. 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 93 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 1,014m as at 31 December 2020. Inventory represents 39% of total assets.

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. This is an effect of the general uncertainty in the Russian economy and due to variable demand over time for construction equipment and spare parts within different geographical areas and segments throughout Russia. 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 performed the following substantive 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 92-93 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 314m after provision for bad debts by SEK 18m as at 31 December 2020.

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 tested design and implementation of controls implemented by the Group over valuation of trade receivables and adherence to relevant accounting principles.

We have performed the following substantive audit procedures in relation to valuation of trade receivables as at 31 December 2020:

- Review of ageing list of receivables as at 31 December 2020 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 2020
- Retrospective review of the provision recognised as at 31 December 2019 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 1-41 and 59-65. 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

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 2020 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 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.

KPMG

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 73-79 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 42-58, 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 25 June 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2010.

Stockholm 14 April 2021

KPMG AB

Mats Kåvik

Authorized Public Accountant