



Interim report January – March 2020

Growth in Russia/CIS Start of operations in Germany

Revenue and operating profit growth in Russia/CIS

Negative earnings impact from Germany in line with our expectations

Strong cash flows from operating activities

Disruption from COVID-19 seen in March expected to increase going forward

Measures taken to reduce costs and strengthen liquidity

Selected key Group ratios*

SEK M	Q1 2020**	Q1 2019	%
Revenue	1 118	723	55%
Operating profit	51	56	-9%
Result for the period	20	46	-56%
Earnings per share	1.39	3.19	-56%
Gross margin	16.3%	20.2%	
Operating margin	4.6%	7.7%	
Return on capital employed	23%	33%	
Working capital / Revenue	13%	8%	
Net debt / (cash)	531	(59)	

* Definitions and purposes of the key ratios are presented on page 22.

** Q1 2020 includes consolidation of Ferronordic's operations in Germany



Lars Corneliusson
CEO

Operating profit in Russia and Kazakhstan grew by 8% YoY to SEK 60m.

In January, we started aftermarket and sales operations for Volvo and Renault trucks in Germany

In response to COVID-19, we are taking measures to maintain the highest level of service to our customers, protect our employees and strengthen liquidity

In a longer perspective, we remain positive.

CEO comment

Despite the uncertain business environment caused by the outbreak of COVID-19, Q1 2020 was a strong quarter for us in Russia/CIS. We gained market shares in several product groups while our overall market was largely flat. Revenue increased by 17% to SEK 843m with continued growth in equipment sales, aftermarket and contracting services. Operating profit increased by 8% to SEK 60m.

In January, we started aftermarket and truck sales operations for Volvo and Renault Trucks in Germany. The launch went well, but the German operations were negatively impacted by COVID-19. Truck registrations decreased 26% in the quarter and we saw a decline in demand for our aftermarket services. The German operations generated revenue of SEK 275m and an operating loss of SEK 10m, much in line with our expectations.

Total revenue amounted to SEK 1,118m. Due to the negative contribution from Germany, operating profit declined by 9% to SEK 51m. Higher net finance costs and foreign exchange effects negatively affected the net result. Cash flows from operations were strong as net working capital decreased. Despite the additional debt related to our German operations, net debt declined in the quarter.

In April, the business trends seen in Q1 2020 have continued. Our main concern relate to the risks caused by COVID-19, most immediately with regards to the health and safety for our employees and our customers. Our workshops currently remain operational but restrictive measures across our markets limit our ability to reach and service certain clients in the field. In addition, the shut-down of many of Volvo's manufacturing sites could lead to supply disruptions towards the end of Q2 2020. For the rest of 2020, we are likely to face various degrees of disruption in supply, demand and customer interfacing. To forecast the near-term development of our markets in this business environment is not meaningful.

In response to COVID-19, we are taking measures to maintain the highest level of service to our customers, protect our employees, strengthen liquidity and cut costs; including reduced work time, staff cuts and temporary salary reductions for executive management. In the context of these efforts and the uncertain current outlook, Ferronordic's Board has decided to withdraw its dividend proposal.

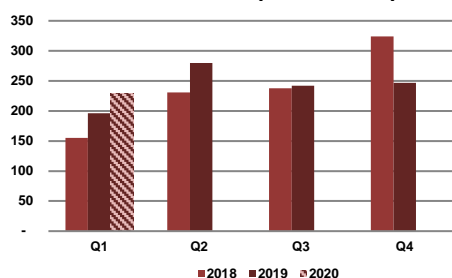
I am grateful and proud of the way our employees have responded and adapted to new and challenging conditions and contributed to our business, to our customers' operations and to our community, as our services include support to logistics and infrastructure that are critical to society as a whole.

We are confident that our business model, which is built around a great team and a robust aftermarket business, will once again prove itself resilient. In a longer perspective, we remain positive as we believe that the underlying fundamentals and business opportunities in our markets are strong.

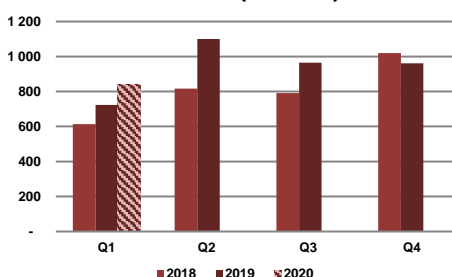
Operating segments

Starting Q1 2020 and following Ferronordic's expansion to Germany, we will report two operating segments, namely Russia/CIS and Germany. We will also disaggregate revenue from contracting services. Please refer to note 1 on page 18 for more information.

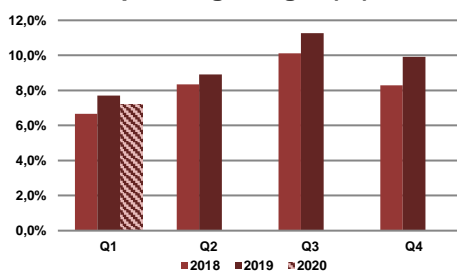
New machines (units sold)



Revenue (SEK m)



Operating margin (%)



We delivered 229 new units, which is an increase of 17%

Operating profit from the operations in Russia/CIS grew 8% to SEK 60m on higher revenue.

Net working capital declined from SEK 707m to SEK 525m in Q1 2020 and net debt declined from SEK 397m to SEK 193m in Q1 2020.

Russia/CIS

The market for our main product groups (measured in units) remained largely flat during the quarter compared to the same period in 2019. At the same time, we invoiced 229 new units, an increase of 17%. We increased our share in the important paver segment. Measures to contain the spread of COVID-19 and temporary suspension of production at the sites of both customers and many OEM manufacturers, in combination with a low oil price, are expected to negatively affect supply and demand in the market going forward.

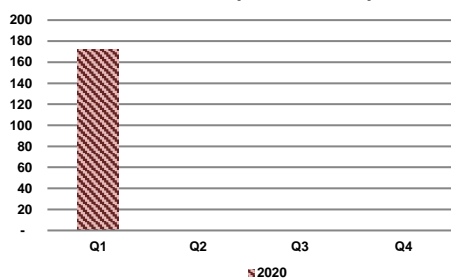
Revenue in the Russia/CIS operations increased by 17% (12% in local currency) to SEK 843m (SEK 723m). Equipment sales grew by 14%, aftermarket sales increased by 6% and contracting services grew by 69%.

Despite strong growth in contracting services, gross margin declined from 20.2% to 18.5%, as a result of lower margins in new machine sales and a relatively lower share of aftermarket sales. SG&A expenses grew SEK 7.5m, partly due to the stronger ruble, but declined 0.8pp as a percent of revenue to 11.1%. As a result, the operating margin declined by 0.5pp to 7.2%. Operating profit from the Russia/CIS operations grew by 8% to SEK 60m on higher revenue.

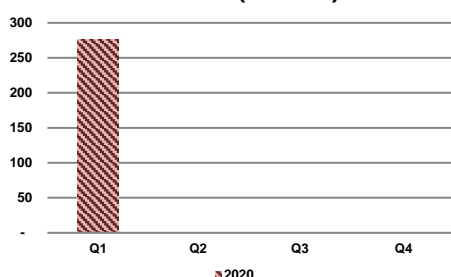
Cash flows from operating activities in Russia/CIS were strong as net working capital declined from SEK 707m to SEK 525m over Q1 2020. Receivables grew mainly due late quarter sales. Inventory was stable, partly as we aimed to manage supply risks. Net debt related to the Russia/CIS declined from SEK 397m to SEK 193m from Q4 2019 to Q1 2020.

SEK M	Q1 2020	Q1 2019	%
New units	229	196	17%
Revenue	843	723	17%
Gross profit	156	146	7%
Operating profit	60	56	8%
Gross margin	18.5%	20.2%	
Operating margin	7.2%	7.7%	

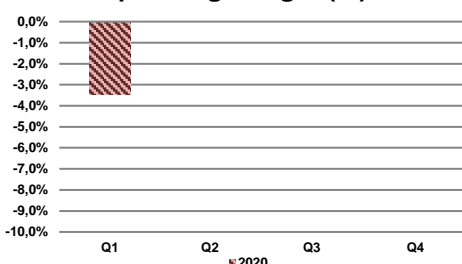
New trucks (units sold)



Revenue (SEK m)



Operating margin (%)



During the first quarter, the German market for heavy trucks contracted 26%

Revenue in Germany amounted to SEK 275m, of which 69% related to sales of trucks and 25% to aftermarket sales

Net working capital increased to SEK 135m and net debt to SEK 340m at the end of Q1 2020

Germany

During the first quarter, the German market for heavy trucks, based on registrations, contracted 26% from 19,000 units in Q1 2019 to 14,000 in Q1 2020. This was due partly to a general slowdown in the German economy and partly to a high-base effect from a very strong Q1 2019. The decrease was particularly noticeable in the tractor segment where registrations dropped by 37%, compared to 7% in the rigid segment. Ferronordic's area of operations represented approx. 18% of the total German market and also declined 26%. Ferronordic sold 172 new units in the period and contributed to increase of the Volvo Trucks market share in the area.

Aftermarket sales were strong until March, when it declined as a result of COVID-19. While all workshops remained operational, we reduced shifts for our mechanics and thereby also available man-hours to contain risks for our employees and our customers as well as to respond to lower demand. Lower work volume is compensated by reduced work time, but savings will not be seen until Q2 2020.

Revenue in Germany amounted to SEK 275m, of which 69% related to sales of trucks, 25% to aftermarket sales and 6% to other revenue, mainly consisting of rental and car sales. Gross margin stood at 9.7%. SG&A costs were 12.8% of sales. The operating margin was -3.5%, resulting in an operating loss of SEK -10m.

Cash flows from operating activities in Germany were negative. In Q1 2020 we also assumed assets, including trucks inventory, that were part of the transactions agreed in 2019. As a result, net working capital increased to SEK 135m and net debt attributable to Germany grew from SEK 196m at Q4 2019 to SEK 340m at Q1 2020.

Germany

SEK M	Q1 2020	Q1 2019	%
New units	172	-	-
Revenue	275	-	-
Gross profit	27	-	-
Operating profit	-10	-	-
Gross margin	9,7%	-	-
Operating margin	-3,5%	-	-

Comments on the Group results

The following foreign exchange rates have been used when translating Q1 2020 results to the presentation currency: Average RUB/SEK 6.88 (7.19) and SEK/EUR 10.66. End of period RUB/SEK 7.83 (6.98) and SEK/EUR 11.08.

Revenue

Revenue increased by 55% to SEK 1,118m, mainly as a result of the consolidation of the Group's operations in Germany

Group revenue increased by 55% in the first quarter to SEK 1,118m (SEK 723m), as revenue in Russia/CIS grew 17% to SEK 843m and as a result of the consolidation of revenue of SEK 275m from the German operations, which were acquired as assets and business at the end of 2019. Sales of equipment and trucks increased by 56% and aftermarket sales increased by 39%. Revenue from contracting services increased by 69%.

Gross profit and operating profit

Gross profit for the quarter increased by 25% to SEK 183m on higher revenue but lower gross margin

Gross margin decreased from 20.2% to 16.3%, on the back of lower margin on new machine sales in Russia/CIS and lower gross margin on the operations consolidated in Germany. As a result of higher revenue, gross profit for the first quarter however increased by 25% to SEK 183m (SEK 146m) compared to Q1 2019.

As percentage of revenue, SG&A (selling, general and administrative) expenses decreased from 11.9% in Q1 2019 to 11.5% in Q1 2020.

Operating profit for the quarter decreased by 9% Y-o-Y to SEK 51m

Despite higher gross profit, the operating profit for the quarter decreased 9% to SEK 51m (SEK 56m). The decrease was a result of the consolidation of an operating loss in the Group's operations in Germany. The consolidated operating margin during the quarter decreased from 7.7% to 4.6%.

The consolidated operating margin during the quarter decreased from 7.7% to 4.6%

Result

The result for the quarter decreased by 56% to SEK 20m

Mainly as a result of a higher net debt in Russia/CIS compared to Q1 2019, and debt used to fund the acquisition of the German operations in Q4 2019, as well as the consolidation of debt in the acquired business in Germany, net finance costs increased from SEK 5m to SEK 17m in Q1 2020. Together with foreign exchange losses (net) of SEK -5m in Q1 2020 compared to foreign exchange gains (net) of SEK 8m in Q1 2019, the result before income tax for the quarter decreased by 50% to SEK 29m (SEK 58m). The net result for the quarter decreased by 56% to SEK 20m (SEK 46m).

Earnings per share

Earnings per share for the quarter amounted to SEK 1.39

Earnings per share for the quarter amounted to SEK 1.39 (SEK 3.19).

Cash flows

Cash flows from operating activities after taxes and interest during the quarter increased to SEK 101m (SEK -116m)

Cash flows from operating activities during the quarter increased to SEK 101m (SEK -116m) despite a lower operating profit. The positive cash flows was mainly a result of a decrease in net working capital from SEK 734m to SEK 660m during the quarter. The reduction in working capital compared to year-end was partly a result of a weaker ruble but also of higher payables, as the payment terms related to Ferronordic taking over importation of machines and parts from Volvo CE showed effect. In Russia and Kazakhstan, receivables increased, mainly on late quarter sales of new machines. A majority of this increase in receivables were from Volvo Financial Services. In Russia/CIS, inventories were largely unchanged in ruble terms over the quarter. In the German operations, we assumed assets in Q1 2020, including trucks inventory, that were part of the transactions agreed in Q4 2019. Stronger cash flows from operations were partly offset by higher income tax and interest paid.

Net working capital decreased from SEK 734m to SEK 660m during the quarter

Cash flows from investing activities in Q1 2020 amounted to SEK -5m (SEK -19m). The decrease was mainly due to lower acquisition of property, plant and equipment compared to Q1 2019. In Q1 2019, investments mostly related to machines in contracting services and service vans for mechanics.

Interest received in Q1 2020 was lower compared to Q1 2019, partly as a result of lower deposit rates.

Financial position

At 31 March 2020, cash and cash equivalents amounted to SEK 639m, an increase of SEK 119m compared to the end of 2019. The higher cash balance partly reflected stronger cash flows from operations and lower investments, but also a draw down on the credit facilities available to the Group.

Interest-bearing liabilities (including lease liabilities and effects of IFRS-16) at the end of the quarter amounted to SEK 1,169m, an increase of SEK 57m compared to the end of 2019. The increase was mainly due to borrowings used to fund the operations in Germany and a draw on credit facilities to increase cash available. Interest bearing liabilities also include liabilities in the German operations that were transferred from payables to borrowings, in the amount of SEK 100m in Q1 2020. As such transfers were non-cash, they are not reflected in cash flows. Net debt for the Group declined from SEK 593m in Q4 2019 to SEK 531m in Q1 2020.

Net debt declined from SEK 593m to SEK 531m

Property, plant and equipment decreased by SEK 95m during the quarter from SEK 700m to SEK 605m, mostly due to translation following the weakening of the Russian ruble, but also due to depreciation in the amount of SEK 47m. The main additions included right-of-use assets related to the business in Germany in the amount of SEK 25m.

Equity at 31 March 2020 amounted to SEK 783m

Equity at 31 March 2020 amounted to SEK 783m, a decrease of SEK 108m compared to 31 December 2019. The decrease, despite the positive result, was mainly an effect of negative translation differences following the 17% depreciation of the Russian ruble over the quarter. The translation loss during the quarter amounted to SEK 128m.

Employees

The number of full-time equivalent employees at the end of Q1 2020 was 1,416

The number of employees at the end of Q1 2020, converted to full-time equivalent employees, was 1,416. This represents an increase of 177 employees compared to the end of 2019 and 320 persons compared to end of Q1 2019. Most new employees were employees at our operations in Germany.

Parent company

The parent company's result for the quarter decreased to SEK -6m (SEK 5m)

During the quarter, the revenue of the parent company increased to SEK 42m (SEK 37m) due to higher intra-group sales from the parent to its subsidiaries. Administrative expenses increased to SEK 7m (SEK 3m), mainly as a result of professional services, travel, taxes and relocation of staff from Ferronordic's Russian operations. The result for the quarter decreased to SEK -6m (SEK 5m), mainly due to the higher administrative expenses but also due to foreign exchange losses (net) of SEK -6m in Q1 2020 compared to foreign exchange gains (net) of SEK 4m during Q1 2019.

Risks and uncertainties

As described in the 2019 annual report, Ferronordic is exposed to a number of risks. Some of these risks have intensified as a result of the outbreak and spread of COVID-19. There have been no significant changes to what was stated in the 2019 annual report. The parent company is indirectly subject to the same risks and uncertainties as the Group.

Changes in management

Reorganisation of management as of February 2020

On 14 February 2020 it was announced that there had been a reorganisation of Ferronordic's executive management following the extension into Germany. As of February 2020, the executive management consists of Lars Corneliusson, CEO, Nadezhda Arzumanova, HR Director, Henrik Carlborg, Business Development Director, Erik Danemar, CFO and Investor Relations Director, Dan Eliasson, General Counsel, Onur Gucum, Commercial Director, and Anton Zhelyapov, Trucks Director.

Expansion to Germany

Integration of business in Germany ongoing

Ferronordic started operations in Germany on 1 January 2020. While Ferronordic acquired partly existing organisations and infrastructure from the Volvo Group and Auto-Haas (a private Volvo and Renault trucks dealer in Ferronordic's area of

operations), significant resources are invested to integrate these structures into the Group's organisation and processes and to implement Group systems and standards. Ferronordic sees opportunities to grow the market share of Volvo Trucks and Renault Trucks in its area and expects Ferronordic's share of the total aftermarket sales in the area to increase over time. As the aftermarket sales increases, the profitability of the new business is expected to improve. As a result of the business and demand disruption caused by the outbreak of COVID-19, it is likely that the planned changes and improvements will take longer than previously estimated.

Financial objectives

As previously communicated, following the expansion to Germany, Ferronordic's financial objective for the Group's operating margin was changed from 7-9% to 6-8%. Other financial objectives, including the dividend policy, were unchanged.

- Tripling of revenue in Russia/CIS from 2016 to 2021
- Operating margin of 6-8%
- Net debt to EBITDA of 0-2 x (over a business cycle)

Events after the reporting date

On 11 March 2020, WHO declared the outbreak of COVID-19 a pandemic. From mid-March and continuing in Q2 2020, authorities continue to issue recommendations and regulations to restrict movement and social contacts in order to contain the spread of the virus. Meanwhile, governments are taking different measures to support businesses and protect their economies. In late March, the Volvo Group, and several other producers, announced temporary suspension of production in response to supply disruption and a deteriorating demand outlook. Production has since partly restarted but repeated and extended disruptions cannot be excluded. Visibility on when our business environment will normalise and how demand in our markets will develop remains low at this point.

Except as described elsewhere in this report, no events have occurred after the reporting date that require disclosure in the financial statements.

Outlook

The outbreak and the measures to contain the spread of COVID-19 have caused extraordinary uncertainty across our markets. For the rest of 2020, we are likely to face various degrees of disruption in supply, demand and customer interfacing. To forecast the near-term development of our markets in this business environment is not meaningful. In response to COVID-19, we are taking measures to maintain the highest level of service to our customers, protect our employees, strengthen liquidity and cut costs. We are confident that our business

In a longer perspective, we remain positive

model, which is built around a great team and a robust aftermarket business, will once again prove itself resilient. In a longer perspective, we remain positive as we believe that the underlying fundamentals and business opportunities in our markets are strong.

Annual general meeting

The annual general meeting in Ferronordic AB (publ) (AGM) will be held in Stockholm at 14.00 on Thursday, 25 June 2020. Notice to attend the AGM will be made in accordance with the articles of association around 27 May 2020.

Dividend proposal

For the Annual General Meeting in 2020, the Board in February proposed an ordinary dividend of SEK 4.25 per share in line with Ferronordic's dividend policy. Since the original dividend proposal was submitted however, the business environment has changed significantly. The outbreak and the measures to contain the spread of COVID-19 have caused uncertainty and risks of disruption across our markets. In response to this uncertainty, Ferronordic is taking measures to further strengthen its resilience and financial position. Given this outlook and in line with these measures, the Board has revised its proposal and instead proposes that no dividend be paid.

Presentation of the report

Ferronordic invites investors, analysts and the media to a presentation where Lars Corneliussen, CEO, and Erik Danemar, CFO, comment on the report. The presentation will be held on 13 May 2020 at 10:00 CET and can be followed via telephone conference or audiocast.

The presentation will be held in English and will be followed by a questions and answers session. Questions can be asked via the telephone conference or in written form via the audiocast. No preregistration is needed.

To participate via telephone, please dial-in no later than five minutes prior to the announced time.

Dial-in numbers:

Germany: +49 692 222 203 77

Russia: +8 800 500 01 33

Sweden: +46 8 566 42 692

Switzerland: +41 225 805 976

United Kingdom: +44 333 300 92 60

United States: +1 833 823 05 87

The presentation can also be viewed live at

<https://tv.streamfabriken.com/ferronordic-q1-2020>

Afterwards, a recording of the presentation will be available at the same page.

Condensed Consolidated Statement of Comprehensive Income

	Q1 2020 SEK '000	Q1 2019 SEK '000
Revenue	1 118 219	722 891
Cost of sales	(935 551)	(576 674)
Gross profit	182 668	146 217
Selling expenses	(55 146)	(38 593)
General and administrative expenses	(73 880)	(47 587)
Other income	1 846	2 354
Other expenses	(4 578)	(6 641)
Operating profit	50 910	55 750
Finance income	1 780	2 448
Finance costs	(18 720)	(7 934)
Foreign exchange gains/(-losses) (net)	(4 647)	8 193
Result before income tax	29 323	58 457
Income tax	(9 062)	(12 141)
Result for the period	20 261	46 316
Other comprehensive result		
<i>Items that are or may be reclassified to profit or loss:</i>		
Foreign currency translation differences for foreign operations	(128 041)	56 203
Other comprehensive result for the period, net of tax	(128 041)	56 203
Total comprehensive result for the period	(107 780)	102 519
Earnings per share		
Basic and diluted earnings per share (SEK)	1.39	3.19

Condensed Consolidated Statement of Financial Position

	31 March 2020 SEK '000	31 December 2019 SEK '000	31 March 2019 SEK '000
ASSETS			
Non-current assets			
Property, plant and equipment	605 285	700 330	370 705
Intangible assets	10 076	11 679	6 982
Deferred tax assets	43 528	51 287	41 330
Total non-current assets	658 889	763 296	419 017
Current assets			
Inventories	1 292 560	1 289 887	1 294 969
Trade and other receivables	574 797	321 544	358 367
Prepayments	45 898	83 506	20 221
Cash and cash equivalents	638 538	519 361	401 853
Total current assets	2 551 793	2 214 298	2 075 410
TOTAL ASSETS	3 210 682	2 977 594	2 494 427
EQUITY AND LIABILITIES			
Equity			
Share capital	1 297	1 297	1 297
Additional paid in capital	612 136	612 136	612 136
Translation reserve	(250 135)	(122 094)	(158 467)
Retained earnings	399 003	148 184	257 177
Result for the period	20 261	250 819	46 316
TOTAL EQUITY	782 562	890 342	758 459
Non-current liabilities			
Borrowings	410 426	205 296	-
Deferred income	4 523	7 174	1 995
Deferred tax liabilities	1 603	6 622	1 114
Long-term lease liabilities	158 790	171 847	78 483
Total non-current liabilities	575 342	390 939	81 592
Current liabilities			
Borrowings	524 693	639 280	214 988
Trade and other payables	1 211 275	917 279	1 361 681
Deferred income	18 697	21 453	14 882
Provisions	22 940	22 282	13 880
Short-term lease liabilities	75 173	96 019	48 945
Total current liabilities	1 852 778	1 696 313	1 654 376
TOTAL LIABILITIES	2 428 120	2 087 252	1 735 968
TOTAL EQUITY AND LIABILITIES	3 210 682	2 977 594	2 494 427

Condensed Consolidated Statement of Changes in Equity

SEK '000	Attributable to equity holders of the company				Total equity
	Share capital	Additional paid in capital	Translation reserve	Retained earnings	
Balance 1 January 2020	1 297	612 136	(122 094)	399 003	890 342
Total comprehensive result for the period					
Result for the period				20 261	20 261
Other comprehensive result					
Foreign exchange differences			(128 041)		(128 041)
Total comprehensive result for the period			(128 041)	20 261	(107 780)
Contribution by and distribution to owners					
Dividend on shares					
Total contributions and distributions	-	-	-	-	-
Balance 31 March 2020	1 297	612 136	(250 135)	419 264	782 562

SEK '000	Attributable to equity holders of the company				Total equity
	Share capital	Additional paid in capital	Translation reserve	Retained earnings	
Balance 1 January 2019	1 297	612 136	(214 670)	257 177	655 940
Total comprehensive result for the period					
Result for the period				46 316	46 316
Other comprehensive result					
Foreign exchange differences			56 203		56 203
Total comprehensive result for the period			56 203	46 316	102 519
Contribution by and distribution to owners					
Dividend on shares					
Total contributions and distributions	-	-	-	-	-
Balance 31 March 2019	1 297	612 136	(158 467)	303 493	758 459

Condensed Consolidated Statement of Cash Flows

	Q1 2020 SEK '000	Q1 2019 SEK '000
Cash flows from operating activities		
Result before income tax	29 323	58 457
Adjustments for:		
Depreciation and amortisation	48 190	26 156
(Gain)/loss from impairment of receivables	3 717	4 858
Profit on disposal of property, plant and equipment	(127)	(155)
Finance costs	18 720	7 934
Finance income	(1 780)	(2 448)
Foreign exchange losses/(gains) (net)	4 647	(8 193)
Cash flows from operating activities before changes in working capital and provisions	102 690	86 609
Change in inventories	(182 606)	(461 065)
Change in trade and other receivables	(310 637)	(9 947)
Change in prepayments	30 263	(17 859)
Change in trade and other payables	498 356	298 513
Change in provisions	2 624	(4 886)
Change in deferred income	(1 200)	(2 126)
Cash flows from operating activities before interest and tax paid	139 490	(110 761)
Income tax paid	(19 514)	2 375
Interest paid	(19 057)	(7 253)
Cash flows from operating activities	100 919	(115 639)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1 275	1 438
Interest received	1 744	2 448
Acquisition of property, plant and equipment	(7 612)	(22 100)
Acquisition of intangible assets	(292)	(544)
Cash flows from investing activities	(4 885)	(18 758)
Cash flows from financing activities		
Proceeds from borrowings	303 640	233 614
Repayment of loans	(259 510)	(25 030)
Leasing financing paid	(32 182)	(12 907)
Cash flows from financing activities	11 948	195 677
Net change in cash and cash equivalents	107 982	61 280
Cash and cash equivalents at start of the period	519 361	356 589
Effect of exchange rate fluctuations on cash and cash equivalents	11 195	(16 016)
Cash and cash equivalents at end of the period	638 538	401 853

Key Ratios

	Q1 2020	Q1 2019
Revenue, SEK'000	1 118 219	722 891
Revenue growth, %	54.7%	17.8%
Gross margin, %	16.3%	20.2%
EBITDA, SEK'000	99 100	81 906
EBITDA margin, %	8.9%	11.3%
Operating profit, SEK'000	50 910	55 750
Operating margin, %	4.6%	7.7%
Result for the period, SEK'000	20 261	46 316
Undiluted earnings per share, SEK	1.39	3.19
Diluted earnings per share, SEK	1.39	3.19
Net debt/(cash), SEK'000	530 544	(59 437)
Net debt/EBITDA, x	1.0	(0.2)
Capital employed, SEK'000	1 951 644	1 100 875
Return on capital employed, %	23.5%	33.2%
Working capital, SEK'000	660 343	283 114
Working capital/Revenue, %	13.3%	8.5%
No. of employees at close of period	1 416	1 096

Ferronordic presents certain key ratios in its interim reports which are not defined according to IFRS. The company considers these ratios to provide valuable supplementary information for investors and the company's management as they enable the assessment of relevant trends.

Ferronordic's definitions of these measures may differ from other companies' definitions of the same terms. These ratios should therefore be seen as a supplement rather than as a replacement for measures defined according to IFRS. The definition and purpose of each key ratio are presented on page 22.

Parent Company Income Statement

	Q1 2020 SEK '000	Q1 2019 SEK '000
Revenue	42 237	36 758
Cost of sales	(37 231)	(32 729)
Gross profit	5 006	4 030
Administrative expenses	(7 373)	(2 658)
Operating profit	(2 368)	1 371
Finance income	282	2
Finance costs	(46)	(45)
Foreign exchange gains/(-losses) (net)	(5 886)	4 440
Result before income tax	(8 019)	5 768
Income tax	1 603	(1 242)
Result for the period	(6 416)	4 526

The total comprehensive result for the period is the same as the result for the period.

Parent Company Balance Sheet

	31 March 2020 SEK '000	31 December 2019 SEK '000	31 March 2019 SEK '000
ASSETS			
Non-current assets			
Intangible assets	937	993	942
Property, plant and equipment	-	-	2
Financial assets			
Holdings in group companies	158 785	158 785	207 634
Loans to group companies	2 802	2 638	-
Deferred tax assets	18 627	17 024	16 091
Total financial assets	<u>180 214</u>	<u>178 447</u>	<u>223 725</u>
Total non-current assets	<u>181 151</u>	<u>179 440</u>	<u>224 669</u>
Current assets			
Trade and other receivables	69 491	81 839	55 260
Prepayments	840	823	992
Cash and cash equivalents	35 486	39 327	110 681
Total current assets	<u>105 817</u>	<u>121 989</u>	<u>166 933</u>
TOTAL ASSETS	<u><u>286 968</u></u>	<u><u>301 428</u></u>	<u><u>391 602</u></u>
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	1 297	1 297	1 297
Unrestricted equity			
Share premium reserve	622 148	622 148	622 148
Retained earnings	(382 297)	(381 905)	(272 911)
Result for the period	(6 416)	(393)	4 526
TOTAL EQUITY	<u>234 733</u>	<u>241 148</u>	<u>355 060</u>
Current liabilities			
Trade and other payables	52 236	60 280	36 542
Total current liabilities	<u>52 236</u>	<u>60 280</u>	<u>36 542</u>
TOTAL LIABILITIES	<u>52 236</u>	<u>60 280</u>	<u>36 542</u>
TOTAL EQUITY AND LIABILITIES	<u><u>286 968</u></u>	<u><u>301 428</u></u>	<u><u>391 602</u></u>

Basis of presentation and summary of significant accounting policies

1. Accounting Policies

Ferronordic applies the International Financial Reporting Standards (IFRS) as adopted by the EU. This report has been prepared in accordance with IAS 34, the Swedish Annual Accounts Act and recommendation RFR 2 (only parent company), issued by the Swedish Financial Reporting Board.

Ferronordic has changed its accounting policies in respect of operating segments. For details please see Note 1 Operational segments and revenue.

Other new or revised standards that come into effect 2020 or later are not expected to have any significant effect on Ferronordic's financial statements.

Except as described above, the same accounting and valuation principles were applied in the preparation of this report as in the preparation of the 2019 annual report (with regard to the 2019 financial year).

2. Determination of fair values

The basis for determination of fair value of financial assets and liabilities is disclosed in note 5 in the 2019 annual report. The fair values of the Group's financial assets and liabilities approximate their respective carrying amounts.

3. Seasonal Variations

Ferronordic's revenue and earnings are affected by seasonal variations in the construction industry. Q1 is typically the weakest for sales of machines as activity in construction projects is constrained during the winter months. On the other hand, the demand in aftermarket (sales of parts and services) is usually strong since many customers use the quiet period to service their machines. This is usually followed by an increase during Q2 as contracts start to be put out for tender and customers prepare for the more active summer period. Q3 tends to be slower with regard to both machine sales and aftermarket. In Q4, activity usually strengthens as customers make year-end capital spending decisions.

4. Ferronordic AB (publ)

Ferronordic AB (publ) and its subsidiaries are sometimes referred to as the Group or Ferronordic. Ferronordic AB (publ) is also sometimes referred to as the company or Ferronordic. Any mentioning of the Board is a reference to the Board of Directors of Ferronordic AB (publ).

Notes

1. Operational segments and revenue
(i) Segment reporting

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. Until 2019, the Group had one reportable segment: *Equipment Distribution*. Starting from Q1 2020, and following the Group's expansion of its operations to Germany, the Group recognizes two separate reportable segments: *Russia/CIS* and *Germany*. The new 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, rental, contracting services, aftermarket sales and other services in Russia and CIS (the Commonwealth of Independent States), currently in Russia and Kazakhstan. Germany comprise of sales of new and used trucks, rental, aftermarket sales and other services in Germany. The accounting policies of the segments are the same as described in Note 4 of the annual report 2019. Group overhead costs, such as Group executive management costs, are allocated between the segments using principles set forth by the CODM. Information regarding the results of each segment is included below. The performance of each segment is mainly evaluated based on revenue, gross profit, gross margin, 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 restated the previously reported financial statements for the three months ended 31 March 2019 and as at 31 March 2019.

SEK'000	Russia/CIS		Germany		Total	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
	SEK '000	SEK '000	SEK '000	SEK '000	SEK '000	SEK '000
External revenue	842 784	722 891	275 435	-	1 118 219	722 891
Gross profit	155 918	146 217	26 750	-	182 668	146 217
EBITDA	99 704	81 906	(604)	-	99 100	81 906
Operating profit	60 449	55 750	(9 539)	-	50 910	55 750
Profit(loss) before tax					29 323	58 457
Result for the period					20 261	46 316
Gross margin	18,5%	20,2%	9,7%	0,0%	16,3%	20,2%
Operating margin	7,2%	7,7%	-3,5%	0,0%	4,6%	7,7%

	Russia/CIS		Germany		Inter-segment		Total	
	31 March	31 December	31 March	31 December	31 March	31 December	31 March	31 December
	2020	2019	2020	2019	2020	2019	2020	2019
	SEK'000	SEK'000	SEK'000	SEK'000	SEK'000	SEK'000	SEK'000	SEK'000
TOTAL ASSETS	2 438 156	2 624 206	775 968	353 388	(3 442)	-	3 210 682	2 977 594
TOTAL LIABILITIES	1 643 269	1 733 968	787 653	353 284	(2 802)	-	2 428 120	2 087 252

(ii) **Revenue**
Disaggregation of revenue

SEK'000	Russia/CIS		Germany		Total	
	Q1 2020 SEK '000	Q1 2019 SEK '000	Q1 2020 SEK '000	Q1 2019 SEK '000	Q1 2020 SEK '000	Q1 2019 SEK '000
Equipment and trucks sales	511 036	449 941	190 199	0	701 235	449 941
Aftermarket sales	221 170	208 491	67 634	0	288 804	208 491
Contracting services	102 783	60 793	0	0	102 783	60 793
Other revenue	7 795	3 666	17 602	0	25 397	3 666
Total revenues	842 784	722 891	275 435	-	1 118 219	722 891

In Russia/CIS, equipment and trucks sales include sales of new and used construction equipment, attachments and diesel generators. Aftermarket sales include sales of service and parts. Other revenue consist 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 consist mainly of rental revenue and also passenger cars.

Number of units sold	Russia/CIS		Germany		Total	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
New units	229	196	172	-	401	196
Used units	51	27	7	-	58	27
Total units	280	223	172	-	452	223

In Russia/CIS, new units include the full range of construction equipment and diesel generators. Used units include construction equipment and trucks.

In Germany, new units include Volvo and Renault trucks as well as sales of Renault light commercial vehicles. Used units include Volvo and Renault trucks, as well as other trucks and light commercial vehicles. Sales of passenger cars are included in other revenue and are not included in the new or used unit count.

Events after the reporting date

Information regarding events after the reporting date is set out in the front part of this report.

2. Contingencies

The Group has no material contingencies. The parent company has issued a number of guarantees, all as security for the subsidiaries' obligations vis-à-vis suppliers and banks.

3. Related party transactions

There have been no significant changes in the relationships or transactions with related parties for the Group or the parent company compared with the information disclosed in the 2019 Annual Report.

4. Earnings per share

The calculation of earnings per share is based on the result attributable to the shareholders and thus is calculated as the result for the period divided by the average number of shares outstanding.

	Q1 2020 SEK '000	Q1 2019 SEK '000
	<u>20 261</u>	<u>46 316</u>
Result for the period		
Result attributable to shareholders	20 261	46 316
Average number of shares during the period before and after dilution	14 532 434	14 532 434
Earnings per share before and after dilution	1.39	3.19

The Board of Directors and the Managing Director declare that the report for the first quarter of 2020 provides a true and fair overview of the Group's and the parent company's operations, financial position and performance, and describes material risks and uncertainties facing the parent company and the companies in the Group.

Stockholm, 13 May 2020

Staffan Jufors
Chairman

Magnus Brännström
Director

Annette Brodin Rampe
Director

Lars Corneliusson
Director

Erik Eberhardson
Director

Håkan Eriksson
Director

Lars Corneliusson
Managing Director

This report has not been reviewed by the company's auditors.

About Ferronordic

Ferronordic is a service and sales company in the areas of construction equipment and trucks. It is the dealer of Volvo Construction Equipment and certain other brands in all of Russia and Kazakhstan, aftermarket partner of Volvo Trucks and Renault Trucks in part of Russia, and dealer of Volvo Trucks and Renault Trucks in 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 approx. 100 outlets and about 1,400 employees. Ferronordic's vision is to be regarded as the leading service and sales company in its markets. The shares in Ferronordic AB (publ) are listed on Nasdaq Stockholm.

www.ferronordic.com

Financial Calendar 2020/2021

Interim report January-June 2020	13 August 2020
Interim report January-September 2020	12 November 2020
Year-end report January-December 2020	19 February 2021

For more information, please contact:

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This information is information that Ferronordic AB (publ) is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication on 13 May, 07:30 CET.

Financial information for individual quarters

The financial information below regarding individual quarters during the period 1 January 2018 – 31 March 2020 is collected from Ferronordic's interim reports for the relevant quarters.

Key ratios

Certain key ratios in Ferronordic's interim reports are not defined according to IFRS. The company considers these ratios to provide valuable supplementary information for investors and the company's management as they enable the assessment of relevant trends. Ferronordic's definitions of these measures may differ from other companies' definition of the same terms. These ratios should therefore be seen as a supplement rather than as a replacement for measures defined according to IFRS. As the amounts in the tables below have been rounded off to SEK m, the calculations do not always add up due to rounding.

Key ratios defined according to IFRS

SEK m (if not stated otherwise)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Revenue	614	817	791	1 019	723	1 100	964	960	1 118
Result for the period	30	54	61	64	46	73	74	57	20
Basic and diluted earnings per share (SEK)	1.93	2.71	4.17	4.40	3.19	5.03	5.09	3.95	1.39

Key ratios not defined according to IFRS

SEK m (if not stated otherwise)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Revenue growth (%)	11%	4%	26%	68%	18%	35%	22%	(6%)	55%
Gross margin (%)	19.0%	19.3%	20.3%	17.6%	20.2%	20.1%	21.4%	21.0%	16.3%
EBITDA	48	77	91	105	82	126	150	136	99
EBITDA margin (%)	7.8%	9.5%	11.5%	10.3%	11.3%	11.4%	15.6%	14.2%	8.9%
Results from operating activities	41	68	80	84	56	98	109	95	51
Operating margin (%)	6.7%	8.3%	10.1%	8.3%	7.7%	8.9%	11.3%	9.9%	4.6%
Net debt / (cash)	(264)	(204)	(298)	(303)	(59)	446	411	593	531
Net debt/EBITDA (x)	(1,2x)	(0,9x)	(1,1x)	(0,9x)	(0,2x)	1,1x	0,9x	1,2x	1,0x
Capital employed	688	630	654	710	1 101	1 376	1 457	2 003	1 952
Return on capital employed (%)	34%	37%	40%	41%	33%	33%	34%	27%	23%
Working capital	181	162	64	47	283	655	675	734	660
Working capital/Revenue (%)	7%	6%	2%	1%	8%	18%	18%	20%	13%

Reconciliation of key ratios

The tables below show reconciliations of certain important key ratios.

Net debt / (Net cash)

SEK m (if not stated otherwise)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Long term borrowings	0	0	0	0	0	0	0	205	410
Long term lease liabilities	20	23	17	28	25	60	86	110	95
Long term lease liabilities (after IFRS 16)	0	0	0	0	53	51	56	62	64
Short term borrowings	0	0	0	0	215	462	397	639	525
Short term lease liabilities	21	23	23	26	26	38	53	64	41
Short term lease liabilities (after IFRS 16)	0	0	0	0	23	25	28	32	34
Total Interest bearing liabilities	41	46	40	54	342	635	620	1 112	1 169
Cash & cash equivalents	306	250	338	357	402	189	210	519	639
Net debt / (cash)	(264)	(204)	(298)	(303)	(59)	446	411	593	531
Net debt / EBITDA (times)	(1.2)	(0.9)	(1.1)	(0.9)	(0.2)	1.1	0.9	1.2	1.0

Capital employed

SEK m (if not stated otherwise)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Long term interest bearing liabilities	20	23	17	28	78	111	142	377	569
Short term interest bearing liabilities	21	23	23	26	264	524	478	735	600
Shareholder equity	647	584	614	656	758	741	837	890	783
Capital employed	688	630	654	710	1 101	1 376	1 457	2 003	1 952
Average capital employed	595	554	587	681	895	1 003	1 055	1 356	1 526
EBIT	41	68	80	84	56	98	109	95	51
Interest income	1	1	2	3	2	2	1	1	2
Result LTM	205	208	234	281	297	327	355	364	359
Return on capital employed (%)	34%	37%	40%	41%	33%	33%	34%	27%	23%

Working capital

SEK m (if not stated otherwise)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Inventory	691	712	755	741	1 295	1 360	1 168	1 290	1 293
Trade and other receivables	245	342	258	303	358	489	351	322	575
Prepayments	16	13	14	17	20	36	31	84	46
Trade and other payables	745	877	935	982	1 362	1 191	830	917	1 211
Deferred income	12	14	14	15	15	15	23	21	19
Provisions	12	14	15	17	14	24	23	22	23
Working capital	181	162	64	47	283	655	675	734	660
Revenue LTM	2 630	2 663	2 828	3 241	3 350	3 633	3 806	3 747	4 969*
Working capital / Revenue (%)	7%	6%	2%	1%	8%	18%	18%	20%	13%

* For the calculation of this ratio, annualised revenue was used for Germany, calculated as four times the first quarter revenue

Definitions of and purposes of alternative key ratios not defined by IFRS

New units sold: Number of new machines and trucks sold.

Used to measure and compare number of new units sold during relevant period.

Revenue growth: Growth in revenue compared to the same period last year, expressed in percentage.

Used for comparison of growth between periods as well as comparisons with the market as a whole and with the company's competitors.

Gross margin: Gross profit in relation to revenue.

Provides a measurement of the contribution from the ongoing business.

EBITDA: Operating profit activities excluding depreciation, amortisation and write-downs.

Provides a measurement of the result from the ongoing business.

EBITDA margin: EBITDA in relation to revenue.

Relevant key ratio in evaluating the Group's value creation.

Operating profit: Result before financial items and taxes.

Provides a measurement of the result from the ongoing business.

Operating margin: Operating profit in relation to revenue.

Relevant key ratio in evaluating the Group's value creation.

Net debt / (Net cash): Interest-bearing liabilities (including lease liabilities) less cash and cash equivalents.

Provides a measurement for the Group's net debt position.

Net debt / EBITDA: Net debt / (net cash) in relation to EBITDA for the last twelve months.

Shows to what extent EBITDA covers net debt. Used to evaluate financial risk.

Capital employed: Total equity and interest-bearing liabilities.

Shows the capital invested in the Group's business.

Return on capital employed: Adjusted EBIT plus financial income (for the last twelve months) in relation to capital employed (average during the last twelve months).

Shows how effectively the capital employed is used.

Working capital: Current assets excluding cash and cash equivalents, less non-interest bearing current liabilities.

Shows the amount of working capital tied up in the ongoing business.

Working capital / Revenue: Working capital in relation to revenue during the last twelve months.

Shows how effective the working capital is used in the business.