

10 August 2018

Ferronordic Machines AB (publ)
Interim Report January - June 2018

OUR STRONGEST QUARTER SO FAR

SECOND QUARTER 2018

- Revenue increased by 4% (15% increase in rubles) to SEK 817m (SEK 785m)
- Operating profit increased to SEK 68m (SEK 62m)
- Operating margin was 8.3% (7.9%)
- EBITDA increased to SEK 77m (SEK 67m)
- The result for the period increased to SEK 54m (SEK 51m)
- Earnings per ordinary share amounted to SEK 2.71 (SEK 3.61)
- Cash flows from operating activities amounted to SEK 58m (SEK 147m)

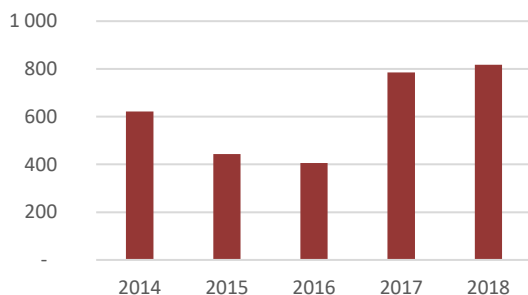
FIRST SIX MONTHS 2018

- Revenue increased by 7% (16% increase in rubles) to SEK 1,431m (SEK 1,335m)
- Operating profit increased to SEK 109m (SEK 100m)
- Operating margin was 7.6% (7.5%)
- EBITDA amounted to SEK 126m (SEK 112m)
- The result for the period amounted to SEK 85m (SEK 80m)
- Earnings per ordinary share amounted to SEK 4.64 (SEK 5.21)
- Cash flows from operating activities amounted to SEK 34m (SEK 184m)

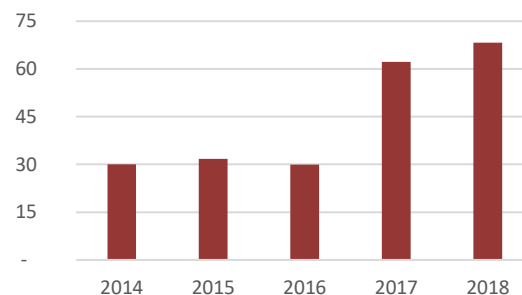
SEK M	2018 Q2	2017 Q2	2018 6M	2017 6M
Revenue	817	785	1 431	1 335
EBITDA	77	67	126	112
Operating profit	68	62	109	100
Result for the period	54	51	85	80
Net Debt / (Cash)	(204)	(293)	(204)	(293)

Lars Corneliusson, CEO Ferronordic, comments: *"The second quarter was the strongest quarter so far in Ferronordic's history, with revenue of SEK 817m and operating profit of SEK 68m. This was partly a result of improved gross margin, much thanks to our business in contracting services, and partly our work to improve efficiency that continues to bear fruit. We also continue to expand the organization and develop our network. During the quarter, for example, we opened a new service station for trucks and construction machines in Rostov-on-Don, employing about 30 new employees, mainly mechanics. In view of the recent recovery of Russia's economy, we are still optimistic about the development of the underlying market, especially in the light of the so-called May decrees which indicate significantly increased infrastructure investments in the coming years."*

Revenue – Q2 (SEK m)



Operating profit – Q2 (SEK m)



Comments on the interim report

The second quarter 2018 was the strongest quarter so far in Ferronordic's history. For the first time we generated revenue in excess of SEK 800m in a single quarter. At the same time EBIT amounted to SEK 68m. The operating margin was healthy at 8.3% and well within our financial objectives of 7-9%. Following a period of margin pressure we also saw a healthy improvement of the gross margin from 18.7% in the second quarter last year to 19.3% – much thanks to further improved profitability within our contracting services business.

We continued to improve the efficiency of our organization. As a result, SG&A expenses as a percentage of revenue continued to decrease during the quarter and came down from 10.5% in the second quarter last year to 10.3%. We also expanded the organization and developed our network. During the quarter, for example, we opened a new service station for trucks and construction equipment in Rostov-on-Don and added approximately 30 new employees, mainly mechanics.

The market for new machines continued to recover during the quarter. For our main product offering, the market measured in units, increased by approximately 30% during the quarter. We also gained market share in most of our key product areas, including articulated haulers, excavators and pavers. However, we lost market share in the fast growing wheel loader segment.

All remaining preference shares were redeemed in May. Since then Ferronordic only has ordinary shares outstanding. A dividend of SEK 1.73 per ordinary share was paid on 25 May, which was the first dividend payment on the company's ordinary shares in Ferronordic's history.

In June, we also arranged our first capital market day where we presented our work with digitalization, competence development and compliance. The event was well attended and we thank everyone who participated. A recording of the various presentations is available on our website.

The second quarter was a politically eventful period in Russia. In April, the US sanctioned additional Russian businessmen and businesses, in particular Rusal, the world's second largest aluminium producer. After the quarter, on 31 July, the Council of the European Union also added six Russian companies to the list of persons affected by the sanctions under Council Regulation (EU) No 269/2014, including a couple of Ferronordic's

customers. Thus, as opposed to previous sanctions, this is expected to have a certain, but not material, direct negative effect on Ferronordic's business. These sanctions also impact the sentiment in and towards Russia negatively. We continue to monitor the situation carefully.

At the same time, a new government was formed in Russia following the re-election of Putin as president in March and there have been clear signs of increased focus on the economy. For example, in May Putin signed the so-called May decrees, setting new targets to *inter alia* modernize the economy and upgrade the infrastructure. This would mean significantly increased infrastructure investments in Russia during the next six years, which certainly would be positive for Ferronordic.

Despite the political turmoil, the Russian economy continued to recover during the quarter, albeit still moderately. The GDP for 2018 is still expected to grow by about 1.7%. Construction output grew by 1.4% in April and by as much as 5.6% in May, but then decreased by 1.3% in June.

The inflation was 2.3% in June, which is very low for Russia and well under the Central Bank target of 4%. Nevertheless, the Central Bank has kept its key rate at 7.25%, citing increased inflation risk towards the end of the year due to a planned increase of VAT from 18% to 20% in January 2019.

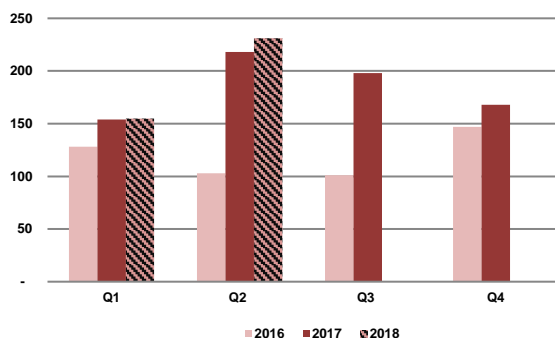
The oil price increased from USD 70 per barrel to USD 79 during the quarter. The RUB/SEK exchange rate started the quarter at 6.91 and ended the quarter 7.01, with a high of 7.73 and a low of 6.85 during the quarter. It is currently trading at 7.35.

Revenue

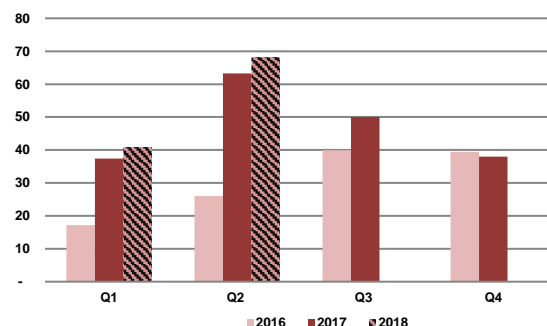
Revenue during the quarter increased by 4% to SEK 817m (SEK 785m). In rubles, the revenue increased by 15%. Equipment sales increased by 4% while aftermarket sales (parts and service) increased by 8%. In rubles, equipment sales increased by 14% and aftermarket sales increased by 18%.

During the first six months, revenue increased by 7% to SEK 1,431m (SEK 1,335m). In rubles, revenue increased by 16%. Equipment sales increased by 7% while aftermarket sales increased by 6%. In rubles, equipment sales increased by 16% and aftermarket sales increased by 15%.

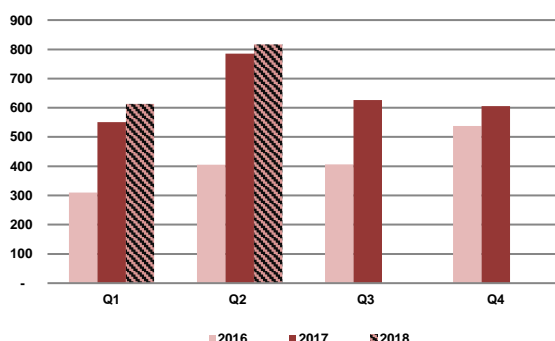
New machines - units sold



Adjusted EBIT, SEK m



Revenue, SEK m



Gross profit and result from operating activities

Gross profit for the quarter amounted to SEK 158m (SEK 146m), an increase of 8% compared to the same period last year. The increase was a result of the higher revenue and an improved gross margin (19.3% compared to 18.7% during the same period last year).

The result from operating activities for the quarter amounted to SEK 68m (SEK 62m). The increase was a result of higher gross profit, partly offset by higher selling expenses and higher other operating expenses. The G&A expenses during the quarter decreased by 3%, which also contributed to the increased result from operating activities.

Gross profit for the first six months amounted to SEK 274m (SEK 256m), an increase of 7%. The gross margin was 19.2%, which was the same as during the first six months of 2017.

The result from operating activities for the first six months increased by almost 10% to SEK 109m (SEK 100m). The increase was primarily a result of the higher gross profit, partly offset by higher selling and administrative expenses. As a percentage of revenue, however, these expenses decreased to 11.1% from 11.3%.

Result

The result before income tax for the quarter increased to SEK 70m (SEK 65m). This was a result of the improved result from operating activities offset by lower finance income and increased finance costs. The increased result was supported by foreign exchange gains (net). The result for the quarter increased to SEK 54m (SEK 51m).

The result before income tax for the first six months was SEK 108m (SEK 103m). This was a result of the improved result from operating activities, partly offset by lower finance income and higher finance costs. Consequently, the result for the first six months increased to SEK 85m (SEK 80m).

Earnings per ordinary share

The earnings per ordinary share during the quarter and the first six months were negatively affected by the redemption of preference shares in May as the difference between the redemption price (SEK 1,200) and the carrying value of the redeemed preference shares had to be deducted from the calculation of earnings per ordinary share for the relevant periods. In total this reduced earnings per ordinary share for the relevant periods by SEK 0.96. As a comparable number for future periods, however, we believe that earnings per ordinary share excluding the impact of the preference share redemption would be more relevant.

In second quarter, the earnings per ordinary share amounted to SEK 2.71 (SEK 3.61). Excluding the impact of the preference share redemption, the earnings per ordinary share for the quarter would be SEK 3.67.

For the first six months, the earnings per ordinary share amounted to SEK 4.64 (SEK 5.21). Excluding the impact of the preference share redemption, the earnings per ordinary share for the first six months would be SEK 5.60.

Cash flows

Cash flows from operating activities during the quarter amounted to SEK 58m (SEK 147m). The decrease was primarily due to increased inventory and increased receivables, partly offset by higher payables and the improved result for the period.

Cash flows from investing activities during the quarter amounted to SEK 1m (SEK 4m), primarily due to lower interest received but partly offset by higher proceeds from sale of property, plant and equipment.

During the first six months, cash flows from operating activities amounted to SEK 34m (SEK 184m). The decrease was primarily a result of increased inventory and increased receivables, offset by the stronger result for the period and higher payables.

Cash flows from investing activities during the first six months amounted to SEK -18m (SEK 1m), primarily due to investments in new service vans and other vehicles during the first quarter.

Financial position

Cash and cash equivalents at 30 June 2018 amounted to SEK 250m, a decrease of approximately SEK 102m compared to the end of 2017. The lower cash position was largely a result of the preference share redemption and dividends on ordinary- and preference shares in May 2018. Interest-bearing liabilities (including financial leases) amounted to SEK 46m, an increase of SEK 5m compared to 31 December 2017.

Equity at 30 June 2018 amounted to SEK 584m, a decrease of SEK 27m compared to 31 December 2017. The reduction in equity was mainly a result of the redemption of preference shares (SEK 80m), dividends on ordinary shares (SEK 25m) and dividends on preference shares (SEK 5m), partly offset by the positive result for the first six months.

Employees

The number of employees at the end of the second quarter, converted to full-time employees, was 856 people. This represents an increase of 37 employees compared to the end of June 2017 and 8 employees compared to the end of 2017.

Parent company

The revenue of the parent company during the quarter amounted to SEK 47m (SEK 49m). Administrative expenses amounted to SEK 3m (SEK 3m). The result for the quarter increased to SEK 2m (SEK -8m), primarily due to lower unrealized foreign exchange losses (net) related to intra-group loans. Finance income during the quarter decreased compared to the same period last year. This was due to the depreciation of the ruble against Swedish krona and intergroup settlements.

During the first six months, the revenue of the parent company amounted to SEK 80m (SEK 75m). Administrative expenses during the first six months amounted to SEK 6m (SEK 5m). The result for the first six months increased to SEK 8m (SEK 7m), mainly because of lower unrealized foreign exchange losses (net) compared to the same period 2017. The finance income decreased due to the reasons described above.

Risks and uncertainties

As described in the 2017 annual report, Ferronordic is exposed to a number of risks. There have been no significant changes to what was stated in the 2017 annual report. The parent company is indirectly subject to the same risks and uncertainties as the Group.

Annual general meeting 2018

The annual general meeting in Ferronordic Machines AB was held on 27 April 2018 in Stockholm. The meeting resolved in favour of all proposed matters in accordance with the proposals described in the notice. The most important resolutions are described below.

- A dividend of SEK 60.40 per share should be paid on the company's preference shares. The record date for the dividend was 2 May 2018.
- A dividend of SEK 1.73 per share should be paid on the company's ordinary shares. The record date for the dividend was 22 May 2018.
- The company's and the Group's income statements and balance sheets were adopted. The Board members and the CEO were discharged from liability for the financial year 2017.
- Annette Brodin Rampe, Magnus Brännström, Lars Corneliusson, Erik Eberhardson, Håkan

Eriksson and Staffan Jufors were re-elected as Board members.

- Staffan Jufors was re-elected as chairman of the Board.
- Fees to the Board members should be paid in a total amount of SEK 1,800,000.
- The proposal regarding an incentive program for members of the Group's executive and extended management teams was approved.

Redemption of preference shares

In accordance with its previously announced intention, on 27 April 2018, the Board decided to reduce the company's share capital by approx. SEK 5,958 by redemption of all remaining 66,728 A-preference shares in the company. The total redemption price amounted to approx. SEK 81m.

According to the articles of association, the redemption price for each preference share was SEK 1,200, plus accrued and unpaid dividends, which amounted to SEK 8.31 per share. The record date for the redemption was 15 May 2018. The redemption price was paid on 18 May 2018.

Following the redemption, Ferronordic does not have any preference shares outstanding. Consequently, the preference shares were also delisted from Nasdaq First North.

Dividends on ordinary shares

In accordance with the AGM decision, dividends on the company's ordinary shares of SEK 1.73 per ordinary share were paid on 25 May 2018, corresponding to a total dividend payment of approx. SEK 25m.

Other major events

In May 2018, UniCredit Bank issued a bank guarantee in the amount of RUB 200m (SEK 29m) as security for the Group's payables to Volvo.

During the second quarter, Ferronordic took over the service station for Volvo and Renault Trucks in Rostov-on-Don. As a result, Ferronordic hired approx. 30 new employees, mainly truck mechanics. The new service station is leased and will be used to service both trucks and construction equipment.

Events after the reporting date

In July 2018, UniCredit Bank issued another bank guarantee in the amount of RUB 825m (SEK 118m) as security for the Group's payables to Volvo. The total amount of bank guarantees issued by UniCredit Bank as security for the Group's payables to Volvo is now RUB 1,025m (SEK 146m).

On 31 July 2018, the Council of the European Union added six Russian companies to the list of persons affected by sanctions under Council Regulation (EU) No 269/2014, including a couple of Ferronordic's customers. Thus, as opposed to previous sanctions, this is expected to have a certain, but not material, direct negative effect on Ferronordic's business.

Outlook

In consideration of the recent recovery of the Russian economy, we are optimistic about the development of the Russian construction equipment market. Although the market is still at a rather low level, we do not believe that the market will grow as strongly in 2018 as it did during 2017. As regards the future of our business in a longer perspective, we are also optimistic, as the long-term fundamentals in the Russian construction equipment market remain strong.

Presentation of the report

A presentation of this report will be held by phone later today on 10 August 2018 at 10:00 a.m. CET. The presentation will be available on the company's website prior to the meeting. To join the presentation, please dial the phone number no later than five minutes prior to the announced time.

Call-in numbers:

- Sweden Toll Number: +46 8 566 426 51
- Sweden Toll-Free Number: 0200 883 685
- UK Toll Number: +44 333 300 0804
- UK Toll-Free Number: 0800 358 9473
- Russia Toll-Free Number: 8800 500 9867
- Switzerland Toll Number: +41 225 809 034
- Switzerland Toll-Free Number: 0800 721 298
- Germany Toll Number: +49 691 380 3430
- Germany Toll-Free Number: 0800 627 0729

Participant code: 38456255#

Condensed consolidated statement of comprehensive income	Second quarter 2018 SEK '000	Second quarter 2017 SEK '000	Six months 2018 SEK '000	Six months 2017 SEK '000
Revenue	817 473	784 725	1 431 183	1 335 180
Cost of sales	(659 880)	(638 294)	(1 156 786)	(1 079 137)
Gross profit	157 593	146 431	274 397	256 043
Selling expenses	(35 527)	(32 284)	(67 306)	(63 170)
General and administrative expenses	(48 699)	(50 033)	(91 902)	(88 139)
Other income	495	2 073	2 378	2 465
Other expenses	(5 662)	(4 010)	(8 428)	(7 661)
Result from operating activities	68 200	62 177	109 139	99 538
Finance income	1 052	4 348	2 336	6 162
Finance costs	(2 010)	(1 130)	(4 741)	(2 204)
Net foreign exchange gains/(losses)	2 271	(271)	1 365	(829)
Result before income tax	69 513	65 124	108 099	102 667
Income tax	(15 046)	(14 432)	(23 570)	(22 247)
Result for the period	54 467	50 692	84 529	80 420
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(7 220)	(52 507)	(1 706)	(24 062)
Other comprehensive result for the period, net of tax	(7 220)	(52 507)	(1 706)	(24 062)
Total comprehensive result for the period	47 247	(1 815)	82 823	56 358
Earnings per ordinary share				
Basic and diluted earnings per share (SEK)	2.71	3.61	4.64	5.21

	30 June 2018	31 December 2017	30 June 2017
Condensed consolidated statement of financial position	SEK '000	SEK '000	SEK '000
ASSETS			
Non-current assets			
Intangible assets	5 492	5 507	4 705
Property, plant and equipment	175 597	136 220	122 741
Deferred tax assets	38 895	41 936	38 773
Total non-current assets	219 984	183 663	166 219
Current assets			
Inventories	711 915	632 536	514 606
Trade and other receivables	352 988	242 959	253 759
Prepayments	1 878	3 088	3 591
Cash and cash equivalents	249 888	352 238	330 466
Total current assets	1 316 669	1 230 821	1 102 422
TOTAL ASSETS	1 536 653	1 414 484	1 268 641
EQUITY AND LIABILITIES			
Equity			
Share capital	1 297	1 303	937
Additional paid in capital	612 136	692 204	594 279
Translation reserve	(161 922)	(160 216)	(163 402)
Retained earnings	48 061	(73 509)	(70 966)
Result for the period	84 529	151 296	80 420
TOTAL EQUITY	584 101	611 078	441 268
Non-current liabilities			
Deferred income	761	449	-
Deferred tax liabilities	927	862	490
Long-term portion of finance lease liabilities	23 067	21 636	22 212
Total non-current liabilities	24 755	22 947	22 702
Current liabilities			
Trade and other payables	876 957	736 500	768 956
Deferred income	13 812	12 020	6 950
Provisions	14 290	13 171	13 694
Short-term portion of finance lease liabilities	22 738	18 768	15 071
Total current liabilities	927 797	780 459	804 671
TOTAL LIABILITIES	952 552	803 406	827 373
TOTAL EQUITY AND LIABILITIES	1 536 653	1 414 484	1 268 641

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 2018	1 303	692 204	(160 216)	77 787	611 078
Total comprehensive income for the period					
Result for the period				84 529	84 529
Other comprehensive income					
Foreign exchange differences			(1 706)		(1 706)
Total comprehensive income for the period			(1 706)	84 529	82 823
Contribution by and distribution to owners					
Redemption of preference shares	(6)	(80 068)			(80 074)
Preference shares dividends				(4 585)	(4 585)
Ordinary shares dividends				(25 141)	(25 141)
Total contributions and distributions	(6)	(80 068)	-	(29 726)	(109 800)
Balance 30 June 2018	1 297	612 136	(161 922)	132 590	584 101

SEK '000	Attributable to equity holders of the Company				Total equity
	Share capital	Additional paid in capital	Translation reserve	Retained earnings	
Balance 1 January 2017	937	594 279	(139 340)	(13 466)	442 410
Total comprehensive income for the period					
Result for the period				80 420	80 420
Other comprehensive income					
Foreign exchange differences			(24 062)		(24 062)
Total comprehensive income for the period			(24 062)	80 420	56 358
Contribution by and distribution to owners					
Preference shares dividends				(57 500)	(57 500)
Total contributions and distributions	-	-	-	(57 500)	(57 500)
Balance 30 June 2017	937	594 279	(163 402)	9 454	441 268

	Second quarter 2018 SEK '000	Second quarter 2017 SEK '000	Six months 2018 SEK '000	Six months 2017 SEK '000
Condensed consolidated statement of cash flows				
Cash flows from operating activities				
Result before income tax	69 513	65 124	108 099	102 667
Adjustments for:				
Depreciation and amortisation	9 268	4 971	16 428	12 214
(Gain)/loss from write off of receivables	2 560	(2 086)	3 376	252
Profit on disposal of property, plant and equipment	-	874	-	(155)
Finance costs	2 010	1 130	4 741	2 204
Finance income	(1 052)	(4 348)	(2 336)	(6 162)
Net foreign exchange losses/(gains)	(2 271)	271	(1 365)	829
Cash flows from operating activities before changes in working capital and provisions	80 028	65 936	128 943	111 849
Change in inventories	(50 381)	3 129	(100 523)	(73 958)
Change in trade and other receivables	(100 090)	(32 389)	(114 124)	(65 994)
Change in prepayments	146	(658)	1 200	221
Change in trade and other payables	128 959	109 635	130 674	223 750
Change in provisions	2 174	5 570	1 107	4 355
Change in deferred income	1 864	1 362	2 096	691
Cash flows from operations before interest and tax paid	62 700	152 585	49 373	200 914
Income tax paid	(2 647)	(4 893)	(10 142)	(15 263)
Interest paid	(2 019)	(1 130)	(4 750)	(2 074)
Cash flows from operating activities	58 034	146 562	34 481	183 577
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	1 507	1 156	2 226	1 098
Interest received	1 052	4 348	2 336	6 162
Acquisition of property, plant and equipment	(707)	(1 176)	(22 160)	(2 212)
Acquisition of intangible assets	(481)	(73)	(480)	(3 549)
Cash flows from investing activities	1 371	4 255	(18 078)	1 499
Cash flows from financing activities				
Redemption of preference shares	(80 074)	-	(80 074)	-
Dividend on preference shares	(4 585)	(27 500)	(4 585)	(27 500)
Dividend on ordinary shares	(25 141)	-	(25 141)	-
Leasing financing received	4 973	-	4 973	-
Leasing financing paid	(6 776)	(5 965)	(12 503)	(9 420)
Cash flows from financing activities	(111 603)	(33 465)	(117 330)	(36 920)
Net change in cash and cash equivalents	(52 198)	117 352	(100 927)	148 156
Cash and cash equivalents at start of the period	305 705	245 018	352 238	198 846
Effect of exchange rate fluctuations on cash and cash equivalents	(3 619)	(31 904)	(1 423)	(16 536)
Cash and cash equivalents at end of the period	249 888	330 466	249 888	330 466

Interim Report January - June 2018

Key Ratios	Second quarter 2018	Second quarter 2017	First six months 2018	First six months 2017
New units sold	231	218	386	372
Revenue, SEK'000	817 473	784 725	1 431 183	1 335 180
Revenue growth, %	4.2%	93.6%	7.2%	86.8%
Gross margin, %	19.3%	18.7%	19.2%	19.2%
EBITDA, SEK'000	77 468	67 148	125 567	111 752
EBITDA margin, %	9.5%	8.6%	8.8%	8.4%
Adjusted EBIT, SEK'000	68 200	62 177	109 139	99 538
Adjusted EBIT margin, %	8.3%	7.9%	7.6%	7.5%
Results from operating activities, SEK'000	68 200	62 177	109 139	99 538
Operating margin, %	8.3%	7.9%	7.6%	7.5%
Result for the period, SEK'000	54 467	50 692	84 529	80 420
Adjusted result, SEK'000	54 467	50 692	84 529	80 420
Undiluted earnings per ordinary share, SEK	2.71	3.61	4.64	5.21
Diluted earnings per ordinary share, SEK	2.71	3.61	4.64	5.21
Net debt/(cash), SEK'000	(204 083)	(293 183)	(204 083)	(293 183)
Net debt/EBITDA, times	(0.9)	(1.4)	(0.9)	(1.4)
Capital employed, SEK'000	629 906	478 551	629 906	478 551
Return on capital employed, %	37.5%	43.1%	37.5%	43.1%
Working capital, SEK'000	161 722	(17 644)	161 722	(17 644)
Working capital/Revenue, %	6.1%	-0.8%	6.1%	-0.8%
No. of employees at close of period	856	819	856	819

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. Definitions of and reasons for each key ratio can be found on page 21.

Parent Company income statement	Second quarter 2018 SEK '000	Second quarter 2017 SEK '000	Six months 2018 SEK '000	Six months 2017 SEK '000
Revenue	47 069	49 235	79 968	74 840
Cost of sales	(41 659)	(42 967)	(70 515)	(64 361)
Gross profit	5 410	6 268	9 453	10 479
Administrative expenses	(2 849)	(2 714)	(5 565)	(5 323)
Result from operating activities	2 562	3 554	3 889	5 156
Finance income	4 286	6 203	9 189	14 454
Finance costs	(1 179)	(727)	(2 429)	(3 210)
Net foreign exchange gains/(losses)	(2 747)	(19 705)	(95)	(7 042)
Result before income tax benefit	2 922	(10 675)	10 553	9 358
Income tax	(650)	2 346	(2 336)	(2 067)
Result for the period	2 272	(8 329)	8 217	7 291

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

Parent Company Balance Sheet	30 June 2018 SEK '000	31 December 2017 SEK '000	30 June 2017 SEK '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	9	12
Financial assets			
Holdings in group companies	193 519	193 088	192 949
Loans to group companies	182 349	207 097	206 438
Deferred tax assets	18 555	20 890	17 276
Total financial assets	394 423	421 075	416 663
Total non-current assets	394 430	421 084	416 675
Current assets			
Trade and other receivables	62 888	71 721	82 002
Prepayments	1 206	1 283	198
Cash and cash equivalents	6 245	76 150	1 475
Total current assets	70 338	149 154	83 675
TOTAL ASSETS	464 768	570 238	500 350
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	1 297	1 303	937
Unrestricted equity			
Share premium reserve	622 148	702 216	604 291
Retained earnings	(281 878)	(267 969)	(265 426)
Result for the period	8 217	15 816	7 291
TOTAL EQUITY	349 785	451 367	347 093
Current liabilities			
Borrowings	50 811	50 930	50 768
Trade and other payables	64 172	67 941	102 489
Total current liabilities	114 983	118 871	153 257
TOTAL LIABILITIES	114 983	118 871	153 257
TOTAL EQUITY AND LIABILITIES	464 768	570 238	500 350

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.

As of 2018, Ferronordic is applying the new standards IFRS 9 and IFRS 15. The new standard IFRS 16 will be applied from the first quarter 2019.

IFRS 9 *Financial Instruments* replaced IAS 39 *Financial instruments: Recognition and Measurement*. The adoption of IFRS 9 has not resulted in any changes with regard to the classification and measurement of the Group's financial instruments. However, the new rules on impairment, based on expected credit losses instead of occurred, has changed the calculation of provisions for doubtful receivables, but this has not had any significant impact on the amount of provisions for doubtful receivables. With regard to hedge accounting, the new standard has not had any effect since the Group generally does not use hedging.

IFRS 15 *Revenue from contracts with customers* replaced IAS 11 *Construction Contracts* and IAS 18 *Revenue* (and related interpretations). Based on IFRS 15, revenue is recognized when control of an asset or service is passed to the customer, which is different from the previous standard that was based on transfer of risks and rewards. Save for the enhanced disclosure requirements, the adoption of IFRS 15 has no significant effect on the recognition of the Group's revenue.

IFRS 16 *Leases* replaces existing IFRS standards relating to recognition of leasing contracts as of 2019. Under IFRS 16, lessees have to recognize all major leases in a way resembling the current recognition of finance leases. As a result, assets and liabilities shall be recognized also with regard to leases which according to the current rules are classified as operational leases, along with associated depreciation and interest expenses in the profit and loss - and not as today where no recognition is made for leased assets and related liabilities, and leasing fees are recognized on a linear basis as operating expenses. Ferronordic, as an operational lessee, will be affected by the introduction of IFRS 16.

Other new or revised standards are not expected to have any significant effect on the Group'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 2017 annual report.

2. Determination of fair values

The basis for determination of fair value of financial assets and liabilities is disclosed in note 5 in the 2017 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. The first quarter 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 the second quarter as contracts start to be put out for tender and customers prepare for the more active summer period. The third quarter tends to be slower with regard to both machine sales and aftermarket. In the fourth quarter, activity usually strengthens as customers make year-end capital spending decisions.

4. Ferronordic Machines AB (publ)

Ferronordic Machines AB (publ) and its subsidiaries are sometimes referred to as the Group or Ferronordic. Ferronordic Machines 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 Machines AB (publ).

Notes
1. Operational Segment

The Group has one reportable segment - Equipment Distribution. No changes have been made to the basis for determining the reportable segment or the calculation of the result of the segment since the last annual report.

	Second quarter	Second quarter	Six months	Six months
	2018	2017	2018	2017
	SEK '000	SEK '000	SEK '000	SEK '000
Revenue				
Equipment sales	594 053	573 607	996 682	935 112
Aftermarket sales	201 154	187 058	374 896	354 087
Other income	22 266	24 060	59 605	45 981
Total revenues	817 473	784 725	1 431 183	1 335 180
Total delivery volume, units				
New units	231	218	386	372
Used units	35	54	68	92
Total units	266	272	454	464
	Second quarter	Second quarter	Six months	Six months
	2018	2017	2018	2017
	SEK '000	SEK '000	SEK '000	SEK '000
EBITDA				
EBITDA	77 468	67 148	125 567	111 752
Depreciation and amortisation	(9 268)	(4 971)	(16 428)	(12 214)
Net foreign exchange gains/(losses)	2 271	(271)	1 365	(829)
Finance income	1 052	4 348	2 336	6 162
Finance costs	(2 010)	(1 130)	(4 741)	(2 204)
Result before income tax	69 513	65 124	108 099	102 667
Income tax	(15 046)	(14 432)	(23 570)	(22 247)
Result for the period	54 467	50 692	84 529	80 420

2. Events after the reporting date

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

3. Contingencies

In June 2017, the parent company issued a surety in the amount of RUB 360m (SEK 51m) to Raiffeisen Leasing as a security for Ferronordic Machines LLC's obligations under a new framework lease agreement.

In June 2017, the parent company issued a surety in the amount of RUB 500m (SEK 71m) to Sberbank. The surety constitutes security for a bank guarantee of RUB 500m issued by Sberbank as security for the payables of Ferronordic Machines LLC to Volvo.

In February 2017, the parent company issued a surety in the amount of RUB 550m (SEK 79m) to Rosbank as a security for a bank guarantee of RUB 550m, which is issued by Rosbank as a security for the payables of Ferronordic Machines LLC to Volvo.

4. 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 2017 Annual Report.

5. Earnings per ordinary share

The calculation of earnings per ordinary share is based on the result attributable to holders of ordinary shares and thus is calculated as the result for the period, less dividends on preference shares related to the period, divided by the average number of ordinary shares outstanding.

	Second quarter 2018 SEK '000	Second quarter 2017 SEK '000	Six months 2018 SEK '000	Six months 2017 SEK '000
Result for the period	54 467	50 692	84 529	80 420
Dividends on preference shares required for the period	(1 091)	(14 583)	(3 093)	(28 333)
Difference between redemption price and carrying value of preference shares	(13 966)	-	(13 966)	-
Result attributable to holders of ordinary shares	39 410	36 109	67 470	52 087
Average number of ordinary shares during the period before and after dilution	14 532 434	10 000 000	14 532 434	10 000 000
Earnings per ordinary share before and after dilution	2.71	3.61	4.64	5.21

The Board of Directors and the Managing Director declares that the six-month interim report provides a true and fair overview of the Group's and Parent Company's operations, their financial position and performance, and describes material risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, 10 August 2018

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 Ferronordic's auditors.

About Ferronordic

Ferronordic is the authorized dealer of Volvo Construction Equipment, Terex Trucks, Dressta, Mecalac and Rottne in Russia. In certain parts of the country, Ferronordic has also been appointed aftermarket dealer for Volvo and Renault Trucks and dealer for Volvo Penta. The company began its operations in 2010 and has expanded rapidly across Russia. The company is well established in all federal districts with 77 outlets and more than 850 employees. Ferronordic's vision is to be regarded as the leading service and sales company in the CIS markets. The ordinary shares in Ferronordic are listed on Nasdaq Stockholm.

www.ferronordic.com

Financial Calendar 2018

Interim report January-June 2018

10 August 2018

Interim report January-September 2018

9 November 2018

Year-end report January-December 2018

15 February 2019

For more information, please contact:

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This information is information that Ferronordic Machines AB (publ) is obliged to disclose pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act (2007:528). The information was submitted for publication on 10 August 2018, 07:30 CET.

Financial information for individual quarters

The financial information below regarding individual quarters during the period 1 January 2016 – 30 June 2018 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 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Revenue	310	405	406	537	550	785	626	606	614	817
Result for the period	14	20	34	16	30	51	43	28	30	54
Basic and diluted earnings per share (SEK)	0,18	0,66	1,98	0,22	1,60	3,61	2,77	0,52	1,93	2,71

Key ratios not defined according to IFRS

SEK m (if not stated otherwise)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
New units sold (units)	128	103	101	147	154	218	198	168	155	231
Revenue growth (%)	23%	(9%)	9%	34%	78%	94%	54%	13%	11%	4%
Gross margin (%)	22,6%	23,3%	23,2%	20,0%	19,9%	18,7%	19,2%	18,4%	19,0%	19,3%
EBITDA	27	36	45	45	45	67	56	46	48	77
EBITDA margin (%)	8,6%	9,0%	11,2%	8,5%	8,1%	8,6%	9,0%	7,5%	7,8%	9,5%
Adjusted EBIT	22	30	40	39	37	62	50	38	41	68
Adjusted EBIT margin (%)	7,2%	7,4%	9,8%	7,3%	6,8%	7,9%	8,0%	6,2%	6,7%	8,3%
Results from operating activities	17	26	40	21	37	62	50	38	41	68
Operating margin (%)	5,5%	6,4%	9,8%	3,9%	6,8%	7,9%	8,0%	6,2%	6,7%	8,3%
Adjusted result	18	23	34	31	30	51	43	28	30	54
Net debt / (cash)	(131)	(178)	(77)	(173)	(216)	(293)	(381)	(312)	(264)	(204)
Net debt/EBITDA (times)	(0,9x)	(1,3x)	(0,5x)	(1,1x)	(1,3x)	(1,4x)	(1,8x)	(1,5x)	(1,2x)	(0,9x)
Capital employed	386	397	442	468	502	479	520	651	688	630
Return on capital employed (%)	27%	26%	28%	32%	35%	43%	42%	36%	34%	37%
Working capital	77	34	181	110	81	(18)	(68)	117	181	162
Working capital/Revenue (%)	5%	2%	12%	7%	4%	(1%)	(3%)	5%	7%	6%

Reconciliation of key ratios

The tables below show reconciliations of certain important key ratios.

Adjusted EBIT and adjusted result

In connection with the acquisition of Volvo CE's Russian distribution business in Russia in May 2010, Ferronordic also acquired the rights to certain know-how belonging to Volvo CE. From a reporting perspective, this was regarded as a business combination, whereupon the intangible assets were valued at RUB 1,105m. The useful life of these assets was established at six years. Thus, the assets were fully amortized at the end of May 2016. Since the Group no longer incurs these amortizations, Ferronordic considers that it would be misleading to include them when comparing the Group's EBIT and result for different periods since doing so would result in a seemingly larger profitability increase than the underlying business has actually generated and is anticipated to generate going forward.

Further, as described in the 2016 annual report, the Group incurred certain impairment losses on certain non-current assets during the fourth quarter of 2016. These losses were related to the investments in the construction of service stations on the Group's land in Yekaterinburg and Petrozavodsk in the amount of SEK 13 million, as well as investments of SEK 6 million made for the development of a CRM system. Since these write-downs were non-recurring and relatively extensive, the company considers that it would also be misleading to include them when comparing the group's EBIT and result for various periods.

The said costs have therefore been excluded from adjusted EBIT and adjusted result.

Adjusted EBIT and EBITDA

SEK m (if not stated otherwise)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Result from operating activities	17	26	40	21	37	62	50	38	41	68
Amortization of transaction related intangible assets	5	4	-	-	-	-	-	-	-	-
Writedown of tangible and intangible assets	-	-	-	18	-	-	-	-	-	-
Adjusted EBIT	22	30	40	39	37	62	50	38	41	68
Other D&A	4	6	5	6	7	5	6	8	7	9
EBITDA	27	36	45	45	45	67	56	46	48	77

Adjusted result

SEK m (if not stated otherwise)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Result for the period	14	20	34	16	30	51	43	28	30	54
Amortization of transaction related intangible assets (after tax)	4	3	-	-	-	-	-	-	-	-
Writedown of tangible and intangible assets (after tax)	-	-	-	15	-	-	-	-	-	-
Adjusted result	18	23	34	31	30	51	43	28	30	54

Net debt / (Net cash)

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
SEK m (if not stated otherwise)	2016	2016	2016	2016	2017	2017	2017	2017	2018	2018
Long term interest bearing liabilities	2	15	15	15	16	22	26	22	20	23
Short term interest bearing liabilities	33	7	9	11	12	15	18	19	21	23
Total interest bearing liabilities	36	23	25	26	29	37	44	40	41	46
Cash & cash equivalents	167	201	101	199	245	330	425	352	306	250
Net debt / (cash)	(131)	(178)	(77)	(173)	(216)	(293)	(381)	(312)	(264)	(204)
Net debt / EBITDA (times)	(0,9)	(1,3)	(0,5)	(1,1)	(1,3)	(1,4)	(1,8)	(1,5)	(1,2)	(0,9)

Capital employed

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
SEK m (if not stated otherwise)	2016	2016	2016	2016	2017	2017	2017	2017	2018	2018
Long term interest bearing liabilities	2	15	15	15	16	22	26	22	20	23
Short term interest bearing liabilities	33	7	9	11	12	15	18	19	21	23
Shareholder equity	351	375	417	442	473	441	476	611	647	584
Capital employed	386	397	442	468	502	479	520	651	688	630
Average capital employed	458	486	459	442	444	438	481	560	595	554
Return on capital employed (%)	27%	26%	28%	32%	35%	43%	42%	36%	34%	37%

Working capital

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
SEK m (if not stated otherwise)	2016	2016	2016	2016	2017	2017	2017	2017	2018	2018
Inventory	314	434	455	467	565	515	601	633	691	712
Trade and other receivables	156	173	195	202	255	254	206	243	258	353
Prepayments	1	1	4	4	3	4	3	3	2	2
Other current assets	0	1	1	0	0	0	0	0	0	0
Trade and other payables	385	562	459	547	726	769	853	737	745	877
Deferred income	6	6	6	7	6	7	10	12	12	14
Provisions	4	8	9	10	10	14	14	13	12	14
Working capital	77	34	181	110	81	(18)	(68)	117	181	162
Working capital / Revenue (%)	5%	2%	12%	7%	4%	(1%)	(3%)	5%	7%	6%

Definitions of and reasons for using alternative key ratios not defined by IFRS

New units sold: Number of new machines 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: Result from operating activities excluding depreciation, amortization 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.

Adjusted EBIT: Result from operating activities excluding (i) amortization of transaction-related intangible assets until May 2016, and (ii) write-downs of non-current assets during the fourth quarter 2016.

Shows the result from operating activities adjusted for non-recurring items and hence is viewed to provide a more relevant measurement of the Group's underlying profitability and a better basis for comparisons with the Group's future result from operating activities.

Adjusted EBIT margin: Adjusted EBIT in relation to revenue.

Shows the operating margin adjusted for non-recurring items and hence is viewed to provide a more relevant measurement of the Group's underlying profitability and a better basis for comparisons with the Group's future operating margin.

Result from operating activities: Result before financial items and taxes.

Provides a measurement of the result from the ongoing business.

Operating margin: Result from operating activities in relation to revenue.

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

Adjusted result: Result for the period excluding (i) amortization of transaction-related intangible assets until May 2016 (after tax), and (ii) write-downs of non-current assets during the fourth quarter 2016 (after tax).

Shows the result for the period adjusted for non-recurring items and hence is viewed to provide a more relevant measurement of the Group's result and a better basis for comparisons with the Group's future result.

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

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

Net debt / EBITDA: Net debt/(cash) in relation to EBITDA 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 current liabilities excluding interest-bearing 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.