

23 August 2017

Ferronordic Machines AB (publ) **Interim Report January - June 2017**

ANOTHER STRONG QUARTER WITH CONTINUED RAPID GROWTH

SECOND QUARTER 2017

- Revenue increased by 94% (57% increase in rubles) to SEK 785m (SEK 405m)
- Operating profit increased to SEK 62m (SEK 26m)
- Operating margin was 7.9% (6.4%)
- EBITDA amounted to SEK 67m (SEK 36m)
- The result for the period amounted to SEK 51m (SEK 20m)
- Earnings per ordinary share increased to SEK 3.61 (SEK 0.66)
- Cash flow from operating activities amounted to SEK 147m (SEK 81m)

JANUARY - JUNE 2017

- Revenue increased by 87% (46% increase in rubles) to SEK 1,335m (SEK 715m)
- Operating profit increased to SEK 100m (SEK 43m)
- Operating margin was 7.5% (6.0%)
- EBITDA amounted to SEK 112m (SEK 63m)
- The result for the period amounted to SEK 80m (SEK 34m)
- Earnings per ordinary share increased to SEK 5.21 (SEK 0.84)
- Cash flow from operating activities amounted to SEK 184m (SEK 125m)

SEK M	2017 Q2	2016 Q2	2017 6M	2016 6M
Revenue	785	405	1,335	715
EBITDA	67	36	112	63
Operating profit	62	26	100	43
Result for the period	51	20	80	34
Net Debt/(Cash)	(293)	(178)	(293)	(178)

COMMENTS BY LARS CORNELIUSSON, CEO AND PRESIDENT:

- The Russian market for new construction equipment continued to recover during the quarter. Similar to the first quarter, the market during the second quarter grew by over 90% compared to the same period last year.
- Our own business continues to develop well, too. Revenue during the quarter grew by almost 100% while bottom line more than doubled. Despite a gross margin drop of almost 5%-points, we managed to leverage our organisation and increase the operating margin to 8%. We also achieved another quarter with strong cash generation. While the recovery is expected to continue through the year, we do not expect the growth to be as exceptional during the rest of the year, particularly in comparison with the strong profitability we had during the third quarter last year.
- The revenue during the last twelve months now amounts to SEK 2.3bn, which is only SEK 0.2bn less than our highest revenue ever of SEK 2.5bn in 2013, and this despite the market being less than 40% (last twelve months) of what it was in 2013. Even more importantly, our adjusted EBIT for the last twelve months is SEK 179m, compared to an adjusted EBIT of SEK 89m in 2013. This shows how our organisation has developed and improved its efficiency.
- We also continue to implement our strategy to expand through complimentary products. In August, we were appointed the official distributor for Mecalac backhoe loaders in Russia, a premium product that comes with both equal and unequal sized wheels, enabling us to address a market twice the size as we were able to address before.
- Given that the market and the company's result develop stronger than expected, the Board has decided to revise the financial objectives. The objective will now be to triple the revenue from 2016 to 2021, while keeping an EBIT margin of 7-9%. At the same time, the Board has adopted a dividend policy according to which the ambition should be to distribute at least 25% of the result to the ordinary shareholders (after dividends to preference shareholders).
- To maintain the high growth and support the company's continued expansion, the Board and the company have decided to continue the preparations for a listing of the ordinary shares on Nasdaq Stockholm. The listing will also give our preference shareholders the right to convert preference shares into ordinary shares. The listing is expected to take place during the second half of 2017.

Comments to the interim report

The second quarter saw economic activity gaining momentum in Russia. Retail sales increased and unemployment was the lowest in almost three years. Improved economic conditions are translating into increased industrial production, a recovery that is reflected in our result for the quarter. However, competitive financing still cause challenges for our customers.

The oil price decreased from USD 53 per barrel to USD 48 and is currently trading at around USD 52. The ruble weakened from 6.3 to 7.0 ruble per krona. As before, the value of the ruble is highly dependent on the oil price, but generally lags behind the fluctuations.

The Russian Central Bank cut its key rate twice during the quarter, once in April from 9.75% to 9.25% and then again in June to 9.00%. MosPrime 3M decreased from 10.2% to 9.2% during the quarter.

The average exchange rate during the quarter and the first six months was 6.5 ruble per krona, compared to 8.0 and 8.4 ruble per krona, respectively, during the same periods last year. Because of the recovery of the ruble during the last 12-18 months, the increase in the company's revenue and result has been greater in Swedish krona than in rubles. Since the cost base for the machines and parts that the company purchases is in Swedish krona and other currencies than the ruble (and hence the rouble prices for these goods fluctuate continuously to reflect changes in these currencies), the change in Swedish krona anyway gives a better picture of the company's underlying development than the change in rubles.

Figures in parentheses refer to same period of the previous year.

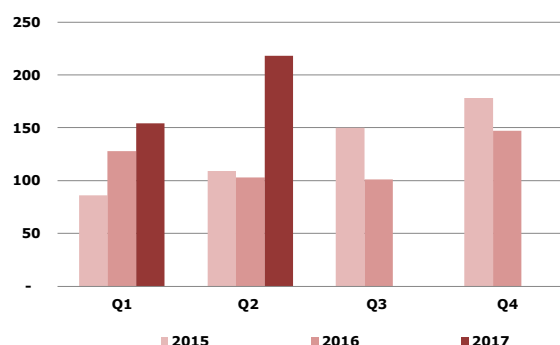
Revenue

Revenue during the quarter increased by 94% to SEK 784.7m (SEK 405.3m). In rubles, the revenue increased by 57%. The revenue from equipment sales increased by 131% and the aftermarket revenue (parts and service) increased by 33%. In rubles, the revenue from equipment sales increased by 87% and aftermarket revenue increased by 7%.

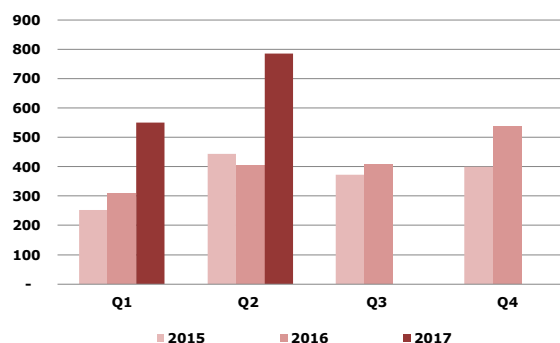
During the first six months the revenue increased by 87% to SEK 1,335.2m (SEK 714.9m). In rubles the revenue increased by 46%. The revenue from equipment sales increased by 109% while the

aftermarket revenue increased by 42%. In rubles, the revenue from equipment sales increased by 63% and the aftermarket revenue increased by 11%.

New units sold



Revenue, SEK m



Gross profit and results from operating activities

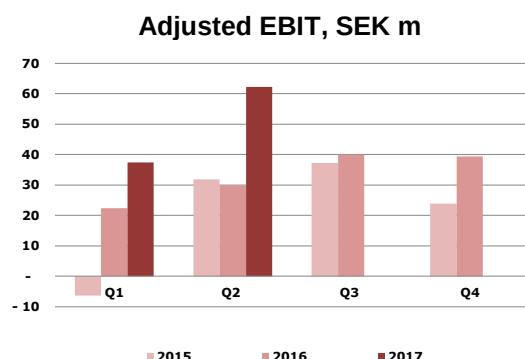
Gross profit for the quarter amounted to SEK 146.4m (SEK 94.4m), an increase of 55%. The gross margin, however, decreased to 18.7% compared to 23.3% during the same period last year. The decrease in gross margin was due to lower margin on machine sales, and a change in revenue mix as the revenue from equipment sales grew significantly faster than the aftermarket revenue. The increase in gross profit was a result of the increased revenue, however offset by the lower gross margin.

Thanks to the increased gross profit, the result from operating activities increased to SEK 62.2m (SEK 26.1m). The increase was partly offset by higher selling and administrative expenses, but as a percentage of revenue, these expenses came down by 5%-points to 10.5%

Gross profit for the first six months amounted to SEK 256.0m (SEK 164.3m), an increase of 56%. The gross margin decreased from 23.0% during the first six months of 2016 to 19.2% during the same

period this year, partly due to lower margin on new machine sales, and partly because of a changed revenue mix.

The result from operating activities for the first six months more than doubled to SEK 99.5m (SEK 43.2m). The increase was primarily a result of the higher gross profit but was partly offset by higher selling and administrative expenses.



Result

The result before income tax for the quarter increased to SEK 65.1m (SEK 25.2m), primarily as a result of the improved result from operating activities and an increase in finance income and a reduction in financial costs. The result for the quarter increased to SEK 50.7m (SEK 19.9m).

The result before income tax for the first six months amounted to SEK 102.7m (SEK 43.7m). This was a result of the improved result from operating activities and a decrease in financial costs of SEK 3.3m. As a result of the foregoing, the result for the first six months increased to SEK 80.4m (SEK 34.2m).

Cash flow

Cash flow from operating activities during the second quarter amounted to SEK 146.6m (SEK 81.4m). This was primarily a result of the strong result, higher payables and improved collection of trade receivables.

Cash flow from investing activities was also positive and amounted to SEK 4.3m (SEK 0.5m), primarily due to interest received.

During the first six months, cash flow from operating activities amounted to SEK 183.6m (SEK 124.5m). The improved cash flow was primarily a result of the

positive result and higher payables, partly offset by increased inventory and receivables.

Cash flow from investing activities during the first six months amounted to SEK 1.5m (SEK 0.4m). This was a result of high interest received, partly offset by investments in property, plant and equipment and intangible assets.

Financial position

Cash and cash equivalents at 30 June 2017 amounted to SEK 330.5m, an increase of approximately SEK 131.6m compared to the end of 2016. Interest-bearing liabilities (including debt and obligations under short- and long-term financial leases) amounted to SEK 37.3m, an increase of SEK 11.2m compared to 31 December 2016 (primarily as a result of increased obligations under financial leases for the Group's car pool).

Equity at 30 June 2017 amounted to SEK 441.3m, a decrease of SEK 1.1m compared to 31 December 2016. This was partly a result of negative translation differences in the amount of SEK 24.1m and paid and accrued dividends on preference shares in the amount of SEK 57.5m, offset by the higher result for the period.

Employees

The number of employees at the end of the quarter, converted to equivalent full-time employees, was 819 people. This represents an increase of 70 employees compared to the end of June 2016 and 37 employees compared to the end of December 2016.

Parent company

The revenue of the parent company during the quarter amounted to SEK 49.2m (SEK 7.1m). The increase is primarily related to sales of equipment to its subsidiary, Ferronordic Machines LLC, which did not take place last year.

The administrative expenses amounted to SEK 2.7m (SEK 3.4m).

The result for the quarter decreased to SEK -8.3m (SEK 19.0m), primarily due to unrealized foreign exchange losses related to intra-group loans.

During the first six months the revenue of the parent company amounted to SEK 74.8m (SEK 9.7m). The

change relates to the increased supplies of equipment provided to FNM LLC described above.

Administrative expenses during the six months amounted to SEK 5.3m (SEK 7.3m).

The result for the first six months decreased to SEK 7.3m (SEK 29.4m), mainly because of foreign exchange losses during the first six months 2017 compared to foreign exchange gains the same period 2016.

Risks and uncertainties

As described in the 2016 annual report, Ferronordic Machines is exposed to a number of risks. Identifying, managing and pricing these risks are of fundamental importance to Ferronordic Machines' profitability. There have been no significant changes to what was stated in the 2016 annual report.

The parent company is indirectly subject to the same risks and uncertainties as the Group.

Annual general meeting

The annual general meeting of Ferronordic Machines AB was held on 19 May 2017. The AGM resolved in favour of all matters proposed in accordance with the proposals described in the notice to the meeting. The most important resolutions included:

- A dividend of SEK 60 per preference share shall be paid to the company's preference shareholders. The record date for the dividend is 25 October 2017. No decision was made regarding the potential preference share dividend in April 2018. No dividend shall be paid on the company's ordinary shares.
- Magnus Brännström, Lars Corneliussen, Erik Eberhardson and Håkan Eriksson were re-elected as members of the Board. Annette Brodin Rampe and Staffan Jufors (Chairman) were elected new members of the Board.
- The Board's proposal regarding a long-term incentive program for the Group's management was approved.

The Board was authorized, until the next annual general meeting, to decide upon an issue of new ordinary shares and new ordinary shares of series 2. The authorisation to issue ordinary shares can only be used in connection with a

listing of the company's ordinary shares on Nasdaq Stockholm or another regulated market.

Major events

On 28 April 2017, a dividend on the preference shares of SEK 55 per preference share was paid, amounting to a total dividend payment of SEK 27.5m.

On 15 June 2017 Ferronordic was approved as a supplier of Volvo Certified Rebuild for articulated haulers, excavators and wheel-loaders. Volvo Certified Rebuild is a program where used machines are being rebuilt based on Volvo CE's requirements to have a second or third "lifecycle". When the rebuilt machines are ready, they can be sold as "Certified Rebuild" with an official, additional warranty from Volvo CE. To qualify for the Volvo Certified Rebuild program, the dealer and its facilities must live up to strict standards and requirements set by Volvo CE. Ferronordic is among the first Volvo CE dealers to be approved for the program, and the first in Europe to be approved for excavators.

On 29 June 2017 Sberbank issued a new bank guarantee for RUB 500m (SEK 71m) as security for the Group's payables to Volvo.

In June 2017 Ferronordic Torgovaya Kompaniya LLC entered into a new framework agreement for financial leases with Raiffeisen Leasing. The contract is for an amount of RUB 360m (SEK 51m) and is valid for two years. The facility will partly be used to finance machines used in the Group's contracting services operations.

In June 2017, Ferronordic Machines LLC increased its financial lease agreement with RB Leasing by RUB 50m (SEK 7m) up to RUB 300m (SEK 43m). The increased facility will be used to replace vehicles in the Group's car fleet.

Updated financial objectives and dividend policy

Given that the market and the company's result have developed stronger than expected, the Board has decided to revise the financial objectives. The objective will be to triple the revenue from 2016 to 2021 with an EBIT margin of 7-9%. As a result, the new financial objectives are as follows:

- Tripling of the revenue from 2016 to 2021
- EBIT margin of 7-9%
- Net debt to EBITDA of 0-2 times (over a business cycle)

The Board has adopted a dividend policy according to which the ambition should be that at least 25% of the result (after dividends on the preference shares) should be distributed to the ordinary shareholders. The board will take several factors into consideration when proposing the level of dividend including the requirements of the articles of association, the Group's expansion opportunities, its financial position and other investment needs.

With regards to the preference shares, it is the board's ambition to pay dividends according to the articles of association, i.e. at present SEK 120 per preference share per year.

Listing of ordinary shares

To maintain the high growth rate and support the company's continued expansion, the Board and the company have decided to continue the preparations for a listing of the ordinary shares on Nasdaq Stockholm. A listing of the ordinary shares would also give our preference shareholders the right to convert preference shares into ordinary shares. The listing of the ordinary shares is expected to take place during the second half of 2017. The company has engaged Carnegie Investment Bank AB (publ) as financial advisor.

Events after the reporting date

On 21 August 2017, Ferronordic entered into an agreement with Mecalac Construction Equipment UK Ltd (formerly Terex GB) to become the official distributor for Mecalac in Russia. Mecalac, based in

France, is an international manufacturer of construction equipment. At the end of 2016, Mecalac purchased the business of Terex Corporation related to backhoe loaders, based in Coventry, UK. Mecalac is now in the process of rebranding the products from Terex to Mecalac. Ferronordic will market the products under the Mecalac brand from the beginning. Ferronordic will start retailing Mecalac backhoe loaders during the fourth quarter of 2017.

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

Outlook

In consideration of the recent recovery of the Russian economy, we are optimistic about the development of the Russian construction equipment market, both long- and short-term. We believe the market to continue to grow during 2017, *inter alia*, because of the continued pent-up demand to renew the machine fleet in the country. 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 on 24 August 2017 at 9:00 a.m. CET.

The presentation can be accessed 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: 08 5059 6306
- Sweden Toll-Free Number: 0200 899 908
- UK Toll Number: 0203 139 4830
- UK Toll-Free Number: 0808 237 0030
- Russia Toll Number: 049 564 693 04
- Russia Toll-Free Number: 810 800 2136 5011

Participant code: 65946866#

Condensed consolidated statement of comprehensive income	Second quarter 2017 SEK '000	Second quarter (reclassified) 2016 SEK '000	First six months 2017 SEK '000	First six months (reclassified) 2016 SEK '000
Revenue	784 725	405 328	1 335 180	714 916
Cost of sales	(638 294)	(310 905)	(1 079 137)	(550 571)
Gross profit	146 431	94 423	256 043	164 345
Selling expenses	(32 284)	(23 516)	(63 170)	(43 128)
General and administrative expenses	(50 033)	(40 855)	(88 139)	(73 925)
Other income	2 073	439	2 465	469
Other expenses	(4 010)	(4 420)	(7 661)	(4 559)
Results from operating activities	62 177	26 071	99 538	43 202
Finance income	4 348	2 616	6 162	6 099
Finance costs	(1 130)	(2 349)	(2 204)	(5 541)
Net foreign exchange gains/(losses)	(271)	(1 138)	(829)	(104)
Result before income tax	65 124	25 200	102 667	43 656
Income tax	(14 432)	(5 305)	(22 247)	(9 468)
Result for the period	50 692	19 895	80 420	34 188
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(52 507)	29 027	(24 062)	43 482
Other comprehensive result for the period, net of tax	(52 507)	29 027	(24 062)	43 482
Total comprehensive result for the period	(1 815)	48 922	56 358	77 670
Earnings per ordinary share				
Basic and diluted earnings per share (SEK)	3.61	0.66	5.21	0.84

	30 June 2017	31 December 2016	30 June 2016
Condensed consolidated statement of financial position	SEK '000	SEK '000	SEK '000
ASSETS			
Non-current assets			
Intangible assets	4 705	2 077	6 735
Property, plant and equipment	122 741	116 368	110 753
Deferred tax assets	38 773	41 887	44 692
Total non-current assets	166 219	160 332	162 180
Current assets			
Inventories	514 606	467 172	434 389
Trade and other receivables	253 759	202 439	173 379
Prepayments	3 591	3 997	1 239
Other assets	-	-	556
Cash and cash equivalents	330 466	198 846	200 855
Total current assets	1 102 422	872 454	810 418
TOTAL ASSETS	1 268 641	1 032 786	972 598
EQUITY AND LIABILITIES			
Equity			
Share capital	937	937	937
Additional paid in capital	594 279	594 279	594 279
Translation reserve	(163 402)	(139 340)	(185 056)
Retained earnings	(70 966)	(97 107)	(69 607)
Result for the period	80 420	83 641	34 188
TOTAL EQUITY	441 268	442 410	374 741
Non-current liabilities			
Deferred tax liabilities	490	294	117
Long-term portion of finance lease liabilities	22 212	15 324	15 303
Total non-current liabilities	22 702	15 618	15 420
Current liabilities			
Trade and other payables	768 956	547 255	561 576
Deferred income	6 950	6 632	5 657
Provisions	13 694	10 156	7 831
Short-term portion of finance lease liabilities	15 071	10 715	7 373
Total current liabilities	804 671	574 758	582 437
TOTAL LIABILITIES	827 373	590 376	597 857
TOTAL EQUITY AND LIABILITIES	1 268 641	1 032 786	972 598

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 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

SEK '000	Attributable to equity holders of the Company				Total equity
	Share capital	Additional paid in capital	Translation reserve	Retained earnings	
Balance 1 January 2016	937	594 279	(228 538)	(44 607)	322 071
Total comprehensive income for the period					
Result for the period				34 188	34 188
Other comprehensive income					
Foreign exchange differences			43 482		43 482
Total comprehensive income for the period			43 482	34 188	77 670
Contribution by and distribution to owners					
Preference shares dividends				(25 000)	(25 000)
Total contributions and distributions	-	-	-	(25 000)	(25 000)
Balance 30 June 2016	937	594 279	(185 056)	(35 419)	374 741

	Second quarter 2017	Second quarter 2016	First six months 2017	First six months 2016
Condensed consolidated statement of cash flows	SEK '000	SEK '000	SEK '000	SEK '000
Cash flows from operating activities				
Result before income tax	65 124	25 200	102 667	43 656
Adjustments for:				
Depreciation and amortisation	4 971	10 258	12 214	19 717
(Gain)/loss from write off of receivables	(2 086)	2 351	252	2 558
(Profit)/loss on disposal of property, plant and equipment	874	(264)	(155)	(285)
Finance costs	1 130	2 349	2 204	5 541
Finance income	(4 348)	(2 616)	(6 162)	(6 099)
Net foreign exchange (gains)/losses	271	1 138	829	104
Cash flows from operating activities before changes in working capital and provisions	65 936	38 416	111 849	65 192
Change in inventories	3 129	(80 325)	(73 958)	(50 522)
Change in trade and other receivables	(32 389)	(3 520)	(65 994)	9 023
Change in prepayments	(658)	(147)	221	(441)
Change in trade and other payables	109 635	133 122	223 750	116 332
Change in provisions	5 570	3 645	4 355	3 422
Changes in other assets	-	(107)	-	(175)
Change in deferred income	1 362	(538)	691	553
Cash flows from operations before interest paid	152 585	90 546	200 914	143 384
Income tax paid	(4 893)	(6 690)	(15 263)	(13 103)
Interest paid	(1 130)	(2 421)	(2 074)	(5 753)
Net cash from operating activities	146 562	81 435	183 577	124 528
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	1 156	-	1 098	68
Interest received	4 348	2 616	6 162	6 099
Acquisition of property, plant and equipment	(1 176)	(1 856)	(2 212)	(4 434)
Acquisition of intangible assets	(73)	(300)	(3 549)	(1 368)
Net cash from investing activities	4 255	460	1 499	365
Cash flows from financing activities				
Repayment of loans	-	(31 155)	-	(87 945)
Dividend on preference shares	(27 500)	(25 000)	(27 500)	(25 000)
Leasing financing paid	(5 965)	(8 405)	(9 420)	(10 837)
Net cash from financing activities	(33 465)	(64 560)	(36 920)	(123 782)
Net increase in cash and cash equivalents	117 352	17 335	148 156	1 111
Cash and cash equivalents at start of the period	245 018	166 645	198 846	175 295
Effect of exchange rate fluctuations on cash and cash equivalents	(31 904)	16 875	(16 536)	24 449
Cash and cash equivalents at end of the period	330 466	200 855	330 466	200 855

Key Ratios	Note	Second quarter 2017	Second quarter 2016	First six months 2017	First six months 2016
New units sold		218	103	372	231
Revenue, SEK'000		784 725	405 328	1 335 180	714 916
Revenue growth, %		93.6%	(8.5%)	86.8%	2.8%
Gross margin, %		18.7%	23.3%	19.2%	23.0%
EBITDA, SEK'000		67 148	36 329	111 752	62 919
EBITDA margin, %		8.6%	9.0%	8.4%	8.8%
Adjusted EBIT, SEK'000		62 177	29 896	99 538	52 257
Adjusted EBIT margin, %		7.9%	7.4%	7.5%	7.3%
Results from operating activities, SEK'000		62 177	26 071	99 538	43 202
Operating margin, %		7.9%	6.4%	7.5%	6.0%
Result for the period, SEK'000		50 692	19 895	80 420	34 188
Adjusted result, SEK'000		50 692	22 955	80 420	41 432
Undiluted earnings per ordinary share, SEK		3.61	0.66	5.21	0.84
Diluted earnings per ordinary share, SEK		3.61	0.66	5.21	0.84
Net debt/(cash), SEK'000		(293 183)	(178 179)	(293 183)	(178 179)
Net debt/EBITDA, times		(1.4)	(1.3)	(1.4)	(1.3)
Capital employed, SEK'000		478 551	397 417	478 551	397 417
Return on capital employed, %		43.1%	25.6%	43.1%	25.6%
Working capital, SEK'000		(17 644)	34 499	(17 644)	34 499
Working capital/Revenue, %		-0.8%	2.3%	-0.8%	2.3%
No. of employees at close of period		819	749	819	749

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 22.

Parent Company income statement	Second quarter 2017 SEK '000	Second quarter 2016 SEK '000	First six months 2017 SEK '000	First six months 2016 SEK '000
Revenue	49 235	7 051	74 840	9 744
Cost of sales	(42 967)	-	(64 361)	-
Gross profit	6 268	7 051	10 479	9 744
Administrative expenses	(2 714)	(3 367)	(5 323)	(7 276)
Results from operating activities	3 554	3 684	5 156	2 468
Finance income	6 203	6 774	14 454	12 956
Finance costs	(727)	(771)	(3 210)	(1 159)
Net foreign exchange gains/(losses)	(19 705)	14 728	(7 042)	23 437
Result before income tax benefit	(10 675)	24 415	9 358	37 702
Income tax	2 346	(5 373)	(2 067)	(8 311)
Result for the period	(8 329)	19 042	7 291	29 391

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

	30 June 2017	31 December 2016	30 June 2016
Parent Company Balance Sheet	SEK '000	SEK '000	SEK '000
ASSETS			
Non-current assets			
Property, plant and equipment	12	14	18
Financial assets			
Holdings in group companies	192 949	192 949	192 949
Loans to group companies	206 438	216 707	191 076
Deferred tax assets	17 276	19 343	27 195
Total financial assets	416 663	428 999	411 220
Total non-current assets	416 675	429 013	411 238
Current assets			
Trade and other receivables	82 002	53 016	13 101
Prepayments	198	246	402
Cash and cash equivalents	1 475	5 831	4 776
Total current assets	83 675	59 093	18 279
TOTAL ASSETS	500 350	488 106	429 517
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	937	937	937
Unrestricted equity			
Share premium reserve	604 291	604 291	604 291
Retained earnings	(265 426)	(265 133)	(237 633)
Result for the period	7 291	57 207	29 391
TOTAL EQUITY	347 093	397 302	396 986
Current liabilities			
Borrowings	50 768	45 509	27 587
Trade and other payables	102 489	45 295	4 944
Total current liabilities	153 257	90 804	32 531
TOTAL LIABILITIES	153 257	90 804	32 531
TOTAL EQUITY AND LIABILITIES	500 350	488 106	429 517

Basis of presentation and summary of significant accounting policies

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.

The Group previously recognized depreciation of its own vehicles and certain other equipment used for the performance of service and sales as administrative expenses. As this depreciation was attributable to cost of goods sold and selling expenses, a reclassification was made for the comparative periods in the consolidated statement of comprehensive income so that the depreciation of the said assets is recognized as cost of goods sold and selling expenses. For more details, see the 2016 annual report.

A number of accounting standards and interpretations have been published but have not yet become effective. IFRS 9 (Financial Instruments) becomes effective for reporting periods beginning on 1 January 2018 and could change the classification and measurement of the Group's financial assets. IFRS 15 (Revenue from Contracts with Customers) becomes effective for reporting periods beginning on 1 January 2018 and will result in enhanced disclosures about revenue and have an impact on the recognition of revenue. Further, IFRS 16 (Leases), which becomes effective no earlier than 2019, will eliminate the distinction between operating and finance leases for the lessee. Hence all applicable leases will be recognised on the balance sheet. The Group is currently working to quantify the effect of these changes.

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 2016 annual report.

Determination of fair values

The basis for determination of fair value of financial assets and liabilities is disclosed in note 5 in the 2016 annual report. The fair values of the Group's financial assets and liabilities approximate their respective carrying amounts.

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.

Ferronordic Machines AB

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

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.

Revenue from Equipment Distribution:

	Second quarter 2017 SEK '000	Second quarter 2016 SEK '000	First six months 2017 SEK '000	First six months 2016 SEK '000
Equipment Sales	573 607	248 479	935 112	446 913
Aftermarket	187 058	141 061	354 087	249 364
Other income	24 060	15 788	45 981	18 639
Total revenues	784 725	405 328	1 335 180	714 916
Total delivery volume, units				
New units	218	103	372	231
Used units	54	75	92	129
Total units	272	178	464	360

EBITDA to result for the period:

	Second quarter 2017 SEK '000	Second quarter 2016 SEK '000	First six months 2017 SEK '000	First six months 2016 SEK '000
EBITDA	67 148	36 329	111 752	62 919
Depreciation and amortisation	(4 971)	(10 258)	(12 214)	(19 717)
Net foreign exchange gains/(losses)	(271)	(1 138)	(829)	(104)
Finance income	4 348	2 616	6 162	6 099
Finance costs	(1 130)	(2 349)	(2 204)	(5 541)
Result before income tax	65 124	25 200	102 667	43 656
Income tax	(14 432)	(5 305)	(22 247)	(9 468)
Result for the period	50 692	19 895	80 420	34 188

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 the 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 January 2017 the parent company issued a surety in the amount of RUB 550m (SEK 78m) 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 2016 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 year, less dividends on preference shares related to the period, divided by the average number of ordinary shares outstanding.

Result attributable to holders of ordinary shares:

	Second quarter 2017 SEK '000	Second quarter 2016 SEK '000	First six months 2017 SEK '000	First six months 2016 SEK '000
Result for the period	50 692	19 895	80 420	34 188
Dividends on preference shares required for the period	(14 583)	(13 333)	(28 333)	(25 833)
Result attributable to holders of ordinary shares	36 109	6 562	52 087	8 355
 Average number of ordinary shares during the period before and after dilution	 10 000 000	 10 000 000	 10 000 000	 10 000 000
 Earnings per ordinary share before and after dilution	 3.61	 0.66	 5.21	 0.84

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, 23 August 2017

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 been reviewed by the Company's independent auditors.

About Ferronordic Machines

Ferronordic is the authorized dealer of Volvo Construction Equipment and Terex Trucks in Russia. It is also the official distributor of Dressta and Rottne in Russia. In certain parts of Russia, 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 approximately 75 outlets and more than 800 employees. The vision of Ferronordic is to be regarded as the leading service- and sales company in the CIS markets. The preference shares of Ferronordic Machines AB are listed on Nasdaq First North Premier. The company has appointed Avanza Bank AB as its Certified Advisor.

www.ferronordic.com

Financial Calendar 2017

Third Quarter Report 2017
Year – End Report 2017

28 November 2017
22 February 2018

For more information, please contact:

Anders Blomqvist, CFO and Head of IR, Tel: +46 8 5090 7280 or e-mail pr@ferronordic.ru

Ferronordic Machines AB (publ)

Hovslagargatan 5B
111 48 Stockholm, Sweden
Corporate ID no. 556748-7953
Phone: +46 8 5090 7280

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 23 August 2017, 11:00 CET.

Financial information for individual quarters

The financial information below regarding individual quarters during the period 1 January 2014 – 30 June 2017 is collected from Ferronordic's interim reports for the relevant quarters.

Reclassification of depreciation expenses

As described in the 2016 annual report, a minor adjustment was made in 2016 as regards the reporting of depreciation of own vehicles and other equipment. Depreciation of vehicles and equipment used for service and sales was previously reported as administrative expenses. In fact, this depreciation was attributable to costs of goods sold and selling expenses. As regards the first through fourth quarters of 2014 and 2015 and the first through third quarters of 2016, the condensed consolidated statement of comprehensive income was reclassified so that the depreciation of these assets were reported as cost of goods sold and selling expenses. The tables below present information for the individual quarters with and without the said reclassification, as well as the effect of the reclassification on the relevant quarters.

Quarterly information – reclassified

SEK M (if not stated otherwise)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Revenue	501	622	616	596	252	443	373	400	310	405	406	537	550	785
Cost of sales	(426)	(514)	(518)	(490)	(202)	(344)	(282)	(317)	(240)	(311)	(312)	(430)	(441)	(638)
Gross profit	75	108	98	106	51	99	91	83	70	94	94	108	110	146
Selling expenses	(19)	(28)	(27)	(25)	(23)	(22)	(18)	(19)	(20)	(24)	(24)	(32)	(31)	(32)
General and administrative expenses	(46)	(57)	(57)	(53)	(39)	(45)	(39)	(40)	(33)	(41)	(30)	(33)	(38)	(50)
Other income	2	1	1	3	1	2	1	1	0	0	2	1	0	2
Other expenses	(2)	(3)	(4)	(5)	(2)	(9)	(3)	(7)	(0)	(4)	(2)	(23)	(4)	(4)
Results from operating activities	10	21	12	26	(12)	24	31	18	17	26	40	21	37	62

Quarterly information – not reclassified (as per published interim reports)

SEK M (if not stated otherwise)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Revenue	501	622	616	596	252	443	373	400	310	405	406	537	550	785
Cost of sales	(423)	(511)	(515)	(486)	(199)	(341)	(280)	(315)	(238)	(309)	(310)	(430)	(441)	(638)
Gross profit	78	111	100	109	53	102	93	85	72	96	96	108	110	146
Selling expenses	(19)	(27)	(26)	(24)	(22)	(22)	(18)	(19)	(19)	(22)	(23)	(32)	(31)	(32)
General and administrative expenses	(48)	(60)	(60)	(58)	(42)	(48)	(42)	(43)	(35)	(44)	(33)	(33)	(38)	(50)
Other income	2	1	1	3	1	2	1	1	0	0	2	1	0	2
Other expenses	(2)	(3)	(4)	(5)	(2)	(9)	(3)	(7)	(0)	(4)	(2)	(23)	(4)	(4)
Results from operating activities	10	21	12	26	(12)	24	31	18	17	26	40	21	37	62

Effect of reclassification

SEK M (if not stated otherwise)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of sales	(2)	(2)	(3)	(3)	(2)	(3)	(2)	(2)	(2)	(2)	(2)	-	-	-
Gross profit	(2)	(2)	(3)	(3)	(2)	(3)	(2)	(2)	(2)	(2)	(2)	-	-	-
Selling expenses	0	(1)	(1)	(1)	(1)	(1)	(0)	(0)	(0)	(1)	(1)	-	-	-
General and administrative expenses	2	3	4	4	3	3	3	2	2	3	3	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Results from operating activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Key ratios

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. 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 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Revenue	501	622	616	596	252	443	373	400	310	405	406	537	550	785
Result for the period	(1)	14	0	6	(11)	14	17	9	14	20	34	16	30	51
Basic and diluted earnings per share (SEK)	(1,40)	0,13	(1,20)	(0,66)	(2,35)	0,15	0,47	(0,39)	0,18	0,66	1,98	0,22	1,60	3,61

Key ratios not defined according to IFRS

SEK M (if not stated otherwise)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
New units sold (units)	298	314	306	417	86	109	150	178	128	103	101	147	154	218
Revenue growth (%)	7%	(12%)	1%	(15%)	(50%)	(29%)	(39%)	(33%)	23%	(9%)	9%	34%	78%	94%
Gross margin (%)	15,1%	17,4%	15,9%	17,8%	20,0%	22,3%	24,5%	20,7%	22,6%	23,3%	23,2%	20,0%	19,9%	18,7%
EBITDA	31	49	41	51	7	44	45	32	27	36	45	45	45	67
EBITDA margin (%)	6,2%	7,8%	6,7%	8,5%	2,9%	10,0%	12,1%	7,9%	8,6%	9,0%	11,2%	8,5%	8,1%	8,6%
Adjusted EBIT	19	30	21	33	(6)	32	37	24	22	30	40	39	37	62
Adjusted EBIT margin (%)	3,7%	4,8%	3,4%	5,5%	(2,5%)	7,2%	10,0%	6,0%	7,2%	7,4%	9,8%	7,3%	6,8%	7,9%
Results from operating activities	10	21	12	26	(12)	24	31	18	17	26	40	21	37	62
Operating margin (%)	2,0%	3,4%	1,9%	4,3%	(4,9%)	5,5%	8,3%	4,5%	5,5%	6,4%	9,8%	3,9%	6,8%	7,9%
Adjusted result	5	21	8	12	(6)	20	22	13	18	23	34	31	30	51
Net debt / (cash)	72	161	245	109	81	148	(41)	(82)	(131)	(178)	(77)	(173)	(216)	(293)
Net debt / EBITDA (times)	0,4x	1,0x	1,5x	0,6x	0,5x	1,0x	(0,3x)	(0,6x)	(0,9x)	(1,3x)	(0,5x)	(1,1x)	(1,3x)	(1,4x)
Capital employed	722	732	752	658	531	575	476	416	386	397	442	468	502	479
Return on capital employed (%)	16%	17%	15%	15%	13%	13%	17%	18%	27%	26%	28%	32%	35%	43%
Working capital	189	249	315	184	182	319	145	97	77	34	181	110	81	(18)
Working / Revenue (%)	8%	10%	13%	8%	9%	17%	9%	7%	5%	2%	12%	7%	4%	(1%)

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 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Result from operating activities	10	21	12	26	(12)	24	31	18	17	26	40	21	37	62
Amortization of transaction related intangible assets	8	9	9	7	6	7	6	6	5	4	-	-	-	-
Writedown of tangible and intangible assets	-	-	-	-	-	-	-	-	-	-	-	18	-	-
Adjusted EBIT	19	30	21	33	(6)	32	37	24	22	30	40	39	37	62
Other D&A	12	19	21	18	14	13	8	8	4	6	5	6	7	5
EBITDA	31	49	41	51	7	44	45	32	27	36	45	45	45	67

Adjusted result

SEK M (if not stated otherwise)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Result for the period	(1)	14	0	6	(11)	14	17	9	14	20	34	16	30	51
Amortization of transaction related intangible assets (after tax)	7	7	7	6	5	6	5	5	4	3	-	-	-	-
Writedown of tangible and intangible assets (after tax)	-	-	-	-	-	-	-	-	-	-	-	15	-	-
Adjusted result	5	21	8	12	(6)	20	22	13	18	23	34	31	30	51

Net debt / (Net cash)

SEK M (if not stated otherwise)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Long term interest bearing liabilities	18	42	33	21	18	48	38	4	2	15	15	15	16	22
Short term interest bearing liabilities	204	191	253	265	129	133	70	90	33	7	9	11	12	15
Total interest bearing liabilities	222	233	286	287	147	182	107	93	36	23	25	26	29	37
Cash & cash equivalents	150	72	41	177	66	34	148	175	167	201	101	199	245	330
Net debt / (cash)	72	161	245	109	81	148	(41)	(82)	(131)	(178)	(77)	(173)	(216)	(293)
Net debt / EBITDA (times)	0,4	1,0	1,5	0,6	0,5	1,0	(0,3)	(0,6)	(0,9)	(1,3)	(0,5)	(1,1)	(1,3)	(1,4)

Capital employed

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
SEK M (if not stated otherwise)														
Long term interest bearing liabilities	18	42	33	21	18	48	38	4	2	15	15	15	16	22
Short term interest bearing liabilities	204	191	253	265	129	133	70	90	33	7	9	11	12	15
Shareholder equity	500	499	466	372	384	393	368	322	351	375	417	442	473	441
Capital employed	722	732	752	658	531	575	476	416	386	397	442	468	502	479
Average capital employed	669	641	690	710	626	653	614	537	458	486	459	442	444	438
Return on capital employed	16%	17%	15%	15%	13%	13%	17%	18%	27%	26%	28%	32%	35%	43%

Working capital

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
SEK M (if not stated otherwise)														
Inventory	582	728	681	425	442	378	334	327	314	434	455	467	565	515
Trade and other receivables	266	373	327	265	233	262	201	161	156	173	195	202	255	254
Prepayments	1	2	2	1	1	1	1	1	1	1	4	4	3	4
Other current assets	1	0	1	1	1	1	1	0	0	1	1	-	-	-
Trade and other payables	635	823	670	492	480	313	384	384	385	562	459	547	726	769
Deferred income	12	15	12	8	7	6	5	4	6	6	6	7	6	7
Provisions	14	16	13	9	7	5	3	4	4	8	9	10	10	14
Working capital	189	249	315	184	182	319	145	97	77	34	181	110	81	(18)
Working capital / Revenue (%)	8%	10%	13%	8%	9%	17%	9%	7%	5%	2%	12%	7%	4%	(1%)

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: Results 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.



Review report

To the Board of Directors of Ferronordic Machines AB (publ)

Corp. id. 556748-7953

Introduction

We have reviewed the summary interim financial information (interim report) of Ferronordic Machines AB (publ) as of 30 June 2017 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 23 August 2017

KPMG AB

Mattias Lötborn

Authorized Public Accountant