

27 April 2018

**Ferronordic Machines AB (publ)**  
**Interim Report January – March 2018**

**CONTINUED INCREASE IN DEMAND**

**FIRST QUARTER 2018**

- Revenue increased by 11% (19% increase in rubles) to SEK 614m (SEK 550m)
- Operating profit increased to SEK 41m (SEK 37m)
- Operating margin was 6.7% (6.8%)
- EBITDA amounted to SEK 48m (SEK 45m)
- The result for the period amounted to SEK 30m (SEK 30m)
- Earnings per ordinary share increased to SEK 1.93 (SEK 1.60)
- Cash flows from operating activities amounted to SEK -24m (SEK 37m)

SEK M	2018 Q1	2017 Q1
Revenue	614	550
EBITDA	48	45
Operating profit	41	37
Result for the period	30	30
Net debt / (cash)	(264)	(216)

**COMMENTS BY LARS CORNELIUSSON, CEO AND PRESIDENT:**

- The market for new machines continued to recover in the beginning of the year. During January and February, the market for our product offering, measured in units, increased by over 50%. Our own sales during the quarter, measured in units, excluding diesel generators and backhoe loaders, grew by 22%. Even though market data for March is not yet available, it seems like we lost market share. A contributing factor was that we did not have enough smaller excavators to sell as the market for this segment grew more than we had expected.
- The business continued to grow nicely though. During the quarter we generated revenue of SEK 614m, compared to SEK 550m during the first quarter 2017. The operating result increased by 10% to SEK 41m, corresponding to an EBIT margin of 6.7%. The growth should be seen in light of the fact that the first quarter 2017 until then was our strongest first quarter ever and represented a relatively large share of the revenue and result for the whole year.
- We also continued to improve the efficiency of our organization. As a result, expenses as a percentage of revenue came down during the first quarter this year. During the last twelve month, SG&A expenses were 11.2% of revenue, which is the lowest ever for our company.
- We continued to change our product mix of sold machines towards larger and often more complex machines with greater aftermarket potential. As a result, the average price per sold machine increased during the quarter by 14% to SEK 2.1m. Partly, however, this was also due to the lack of Volvo backhoe loaders. During the first quarter of 2017 we sold over 20 units of these machines, which could not yet be compensated by the replacement from Mecalac.
- Even though the market and our business continue to develop well, the uncertain political situation remains. The US recently introduced additional sanctions. We do not believe that these new sanctions will have a direct material impact on our business, but it creates uncertainty and impacts the sentiment in and towards Russia. We are monitoring the situation carefully.

## Comments on the interim report

The Russian economic recovery continued during the quarter albeit at a moderate pace. Industrial output was down in November and December, but jumped back to positive territory in January and February. Construction output growth was also low at around 0-1%. GDP in 2018 is expected to grow about 1.8%, largely driven by increased consumption (and oil price).

Inflation remains low at 2.4% in March and 2.2% in February (well below the Central Bank's 4% target). In view of the low inflation, the Russian central bank reduced its key interest rate further from 7.75% at the end of 2017 to 7.25% by the end of March. The central bank also signalled that it would continue to reduce the rate and ease "monetary conditions" to push inflation to the target level. This may change, however, due to the recent increased political uncertainty.

The oil price increased from USD 67 per barrel to USD 70 during the quarter and currently trades around USD 74. The SEK to RUB exchange rate started the quarter at 6.99 and ended up at the end of March at 6.91, with a high of 7.19 and a low of 6.83 during the quarter. It is currently trading at 7.30 following the introduction of new US sanctions on 6 April. Thus, the correlation between the oil price and the ruble is significantly lower than in previous years.

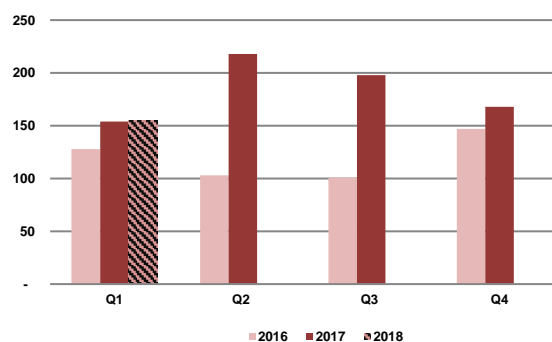
In the beginning of April, the US introduced sanctions against additional Russian citizens and companies. Unlike previous sanctions, these sanctions covered companies with extensive international operations, e.g. Rusal, one of the world's largest aluminium producers. At the same time, the relations between Russia and in particular the USA and Great Britain have deteriorated, e.g. due to the conflict in Syria. Ferronordic does not expect the new US sanctions to have any material direct impact on the company's business, but it contributes to a worsened overall sentiment in and towards Russia.

Equity increased by SEK 36m during the quarter, primarily because of the positive result of the period.

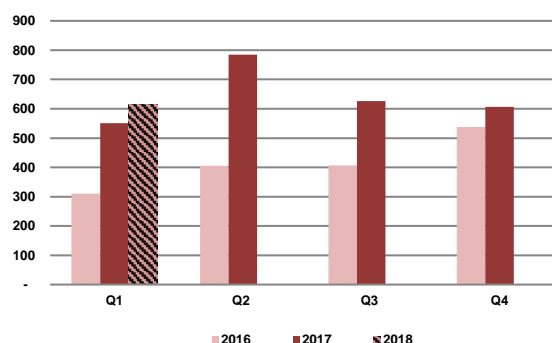
## Revenue

Revenue during the quarter increased by 11% to SEK 614m (SEK 550m). In rubles, the revenue increased by 19%. Equipment sales increased by 11%, while aftermarket sales (parts and service) increased by 4%. In rubles, equipment sales increased by 19% while aftermarket sales increased by 11%.

### New units sold



### Revenue, SEK m

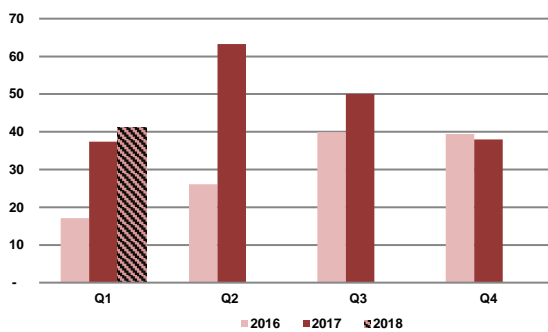


## Gross profit and result from operating activities

As a result of the increased revenue, gross profit for the quarter improved to SEK 117m (SEK 110m), an increase of 7%. The gross margin, however, decreased to 19.0%, compared to 19.9% during the same period last year. This was primarily a result of lower margin on new machine sales. Compared to the fourth quarter 2017, the gross margin increased by 0.6 percentage points.

The result from operating activities for the quarter increased to SEK 41m (SEK 37m), primarily because of the improved gross profit. The increase was partly offset by higher operating expenses, but as a percentage of revenue, these expenses were lower than during the first quarter last year.

### Result from operating activities, SEK m



### Result

The result before tax for the quarter increased to SEK 39m (SEK 38m). The increase was primarily a result of the improved result from operating activities, which was partly offset by lower finance income and increased finance costs. The result for the quarter was slightly higher than last year and amounted to SEK 30m (SEK 30m).

### Earnings per ordinary share

Earnings per ordinary share for the quarter amounted to SEK 1.93 (SEK 1.60).

### Cash flows

Cash flows from operating activities during the first quarter amounted to SEK -24m, which was lower than during the same period last year (SEK 37m). The lower cash flows was primarily due to an increase in inventory and receivables.

Cash flows from investing activities amounted to SEK -19m, compared to SEK -3m during the same period last year, primarily due to investments in new service vans and other vehicles. Interest received was also somewhat lower during the quarter compared to the same period last year.

### Financial position

Cash and cash equivalents at the end of the first quarter amounted to SEK 306m, a decrease of SEK 47m compared to the end of 2017.

Interest-bearing liabilities at the end of the quarter (including financial leases) amounted to SEK 41m, an increase of SEK 1m compared to the end of 2017. The increase was a result of higher financial leasing obligations.

Equity at the end of the quarter amounted to SEK 647m, an increase of SEK 36m compared to the end of 2017. This was a result of the positive result for the quarter and by positive translation differences of SEK 6m.

### Employees

The number of employees at the end of the quarter, converted to equivalent full-time employees, was 855 people. This represents an increase of 58 employees compared to the end of the first quarter 2017 and 8 employees compared to the end of 2017.

### Parent company

The revenue of the parent company during the quarter amounted to SEK 33m (SEK 26m). The increase was primarily related to intra-group sales of equipment from the parent company to Ferronordic Machines LLC. The administrative expenses amounted to SEK 3m (SEK 3m). The result decreased to SEK 6m (SEK 16m), mostly because of lower finance income and lower foreign exchange gains related to the parent company's loans to Ferronordic Machines LLC.

### 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.

### 2017 Annual Report

The annual report for 2017 was published on 29 March 2018.

### Annual general meeting 2018

The annual general meeting of Ferronordic Machines AB will take place today on 27 April 2018 in Stockholm. Notice for the meeting was published on 29 March 2018 and is available on the company's website.

### Volvo branded rigid hauler

On 11 January 2018, Volvo CE announced that it will enter the rigid hauler market with its own Volvo brand of rigid haulers in the second quarter of 2018. The development of the new four-model range has relied heavily on the rigid hauler expertise of Volvo CE's subsidiary Terex Trucks, combined with the technological strength of the Volvo Group. The range, which will initially be launched in less regulated markets, consists of the 45-ton R45D, 60-ton R60D, 72-ton R70D and the flagship 100-ton R100E. Ferronordic expects to be able to start selling the new Volvo-branded rigid dump trucks towards the fourth quarter of 2018. Meanwhile Ferronordic will continue to sell Terex-branded rigid dump trucks.

### Dividends and redemption of preference shares

As regards the dividend on preference shares in April 2018 (with record date 25 April 2018 and payment date 30 April 2018), the Board did not convene any separate EGM to decide on this matter. Instead the Board proposed that the AGM decides on a dividend on the preference shares in an amount corresponding to the preference share dividend for the period 26 October 2017 until 25 April 2018, plus Outstanding Amount for the period 30 April 2018 until the date of payment. The record date for the dividend would be 2 May 2018. If the AGM approves the proposal the payment will be made on 7 May 2018. Thus, the dividend is expected to amount to SEK 60.40 per preference share, corresponding to a total dividend payment of approx. SEK 4m.

Further, later today on 27 April 2018, immediately upon the conclusion of the AGM, the Board intends to decide upon a mandatory cash redemption of all remaining preference shares. The record date for the redemption will be 15 May 2018. The payment of the redemption price is expected to be made on 18 May 2018. In accordance with the articles of association, the redemption price would then amount to SEK 1,200 per preference share, plus accrued dividends for the period 26 April until 18 May 2018. In total, the redemption price is expected to be approx. SEK 1,208 per preference share, corresponding to a total redemption price of approx. SEK 81m.

### Dividends on ordinary shares

The Board has proposed that the AGM resolves on a dividend on ordinary shares in the amount of SEK 1.73 per ordinary share, corresponding to a total dividend of approx. SEK 25m. The proposed record date is 22 May 2018, i.e. following the redemption of all remaining preference shares. If the AGM approves the proposal the dividend will be paid around 25 May 2018.

### Events after the balance sheet date

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. Although the market is still 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 27 April 2018 at 8:45 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: 22973071#

<b>Condensed consolidated statement of comprehensive income</b>	<b>First quarter 2018 SEK '000</b>	<b>First quarter 2017 SEK '000</b>
<b>Revenue</b>	<b>613 710</b>	<b>550 455</b>
Cost of sales	(496 906)	(440 843)
<b>Gross profit</b>	<b>116 804</b>	<b>109 612</b>
Selling expenses	(31 779)	(30 886)
General and administrative expenses	(43 203)	(38 106)
Other income	1 883	392
Other expenses	(2 766)	(3 651)
<b>Results from operating activities</b>	<b>40 939</b>	<b>37 361</b>
Finance income	1 284	1 814
Finance costs	(2 731)	(1 074)
Net foreign exchange gains/(losses)	(906)	(558)
<b>Result before income tax</b>	<b>38 586</b>	<b>37 543</b>
Income tax	(8 524)	(7 815)
<b>Result for the period</b>	<b>30 062</b>	<b>29 728</b>
 <b>Other comprehensive result</b>		
<i>Items that are or may be reclassified to profit or loss:</i>		
Foreign currency translation differences for foreign operations	5 514	28 445
<b>Other comprehensive result for the period, net of tax</b>	<b>5 514</b>	<b>28 445</b>
<b>Total comprehensive result for the period</b>	<b>35 576</b>	<b>58 173</b>
 <b>Earnings per ordinary share</b>		
Basic and diluted earnings per share (SEK)	1.93	1.60

	31 March 2018 SEK '000	31 December 2017 SEK '000	31 March 2017 SEK '000
<b>Condensed consolidated statement of financial position</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5 356	5 507	5 400
Property, plant and equipment	158 873	136 220	132 227
Deferred tax assets	38 091	41 936	38 239
<b>Total non-current assets</b>	<b>202 320</b>	<b>183 663</b>	<b>175 866</b>
<b>Current assets</b>			
Inventories	690 513	632 536	565 286
Trade and other receivables	258 400	242 959	254 783
Prepayments	2 054	3 088	3 340
Cash and cash equivalents	305 705	352 238	245 018
<b>Total current assets</b>	<b>1 256 672</b>	<b>1 230 821</b>	<b>1 068 427</b>
<b>TOTAL ASSETS</b>	<b>1 458 992</b>	<b>1 414 484</b>	<b>1 244 293</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1 303	1 303	937
Additional paid in capital	692 204	692 204	594 279
Translation reserve	(154 702)	(160 216)	(110 895)
Retained earnings	77 787	(73 509)	(40 966)
Result for the period	30 062	151 296	29 728
<b>TOTAL EQUITY</b>	<b>646 654</b>	<b>611 078</b>	<b>473 083</b>
<b>Non-current liabilities</b>			
Deferred income	454	449	-
Deferred tax liabilities	830	862	405
Long-term portion of finance lease liabilities	20 435	21 636	16 471
<b>Total non-current liabilities</b>	<b>21 719</b>	<b>22 947</b>	<b>16 876</b>
<b>Current liabilities</b>			
Trade and other payables	744 940	736 500	726 029
Deferred income	12 390	12 020	6 371
Provisions	12 237	13 171	9 558
Short-term portion of finance lease liabilities	21 052	18 768	12 376
<b>Total current liabilities</b>	<b>790 619</b>	<b>780 459</b>	<b>754 334</b>
<b>TOTAL LIABILITIES</b>	<b>812 338</b>	<b>803 406</b>	<b>771 210</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 458 992</b>	<b>1 414 484</b>	<b>1 244 293</b>

**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	
<b>Balance 1 January 2018</b>	<b>1 303</b>	<b>692 204</b>	<b>(160 216)</b>	<b>77 787</b>	<b>611 078</b>
<b>Total comprehensive income for the period</b>					
Result for the period	-	-	-	30 062	30 062
<b>Other comprehensive income</b>					
Foreign exchange differences	-	-	5 514	-	5 514
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>5 514</b>	<b>30 062</b>	<b>35 576</b>
<b>Contribution by and distribution to owners</b>					
Preference shares dividends	-	-	-	-	-
<b>Total contributions and distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance 31 March 2018</b>	<b>1 303</b>	<b>692 204</b>	<b>(154 702)</b>	<b>107 849</b>	<b>646 654</b>

**SEK '000**

	Attributable to equity holders of the Company				Total equity
	Share capital	Additional paid in capital	Translation reserve	Retained earnings	
<b>Balance 1 January 2017</b>	<b>937</b>	<b>594 279</b>	<b>(139 340)</b>	<b>(13 466)</b>	<b>442 410</b>
<b>Total comprehensive income for the period</b>					
Result for the period	-	-	-	29 728	29 728
<b>Other comprehensive income</b>					
Foreign exchange differences	-	-	28 445	-	28 445
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>28 445</b>	<b>29 728</b>	<b>58 173</b>
<b>Contribution by and distribution to owners</b>					
Preference shares dividends	-	-	-	(27 500)	(27 500)
<b>Total contributions and distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27 500)</b>	<b>(27 500)</b>
<b>Balance 31 March 2017</b>	<b>937</b>	<b>594 279</b>	<b>(110 895)</b>	<b>(11 238)</b>	<b>473 083</b>

<b>Condensed consolidated statement of cash flows</b>	<b>First quarter 2018 SEK '000</b>	<b>First quarter 2017 SEK '000</b>
<b>Cash flows from operating activities</b>		
Result before income tax	38 586	37 543
Adjustments for:		
Depreciation and amortisation	7 160	7 243
Impairment of receivables	816	2 338
Profit on disposal of property, plant and equipment	-	(1 029)
Finance costs	2 731	1 074
Finance income	(1 284)	(1 814)
Net foreign exchange gains/(losses)	906	558
<b>Cash flows from operating activities before changes in working capital and provisions</b>	<b>48 915</b>	<b>45 913</b>
Change in inventories	(50 142)	(77 087)
Change in trade and other receivables	(14 034)	(33 605)
Change in prepayments	1 054	879
Change in trade and other payables	1 715	114 115
Change in provisions	(1 067)	(1 215)
Change in deferred income	232	(671)
<b>Cash flows from operations before interest and tax paid</b>	<b>(13 327)</b>	<b>48 329</b>
Income tax paid	(7 495)	(10 370)
Interest paid	(2 731)	(944)
<b>Cash flows from operating activities</b>	<b>(23 553)</b>	<b>37 015</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	719	(58)
Interest received	1 284	1 814
Acquisition of property, plant and equipment	(21 453)	(1 036)
Acquisition of intangible assets	1	(3 476)
<b>Cash flows from investing activities</b>	<b>(19 449)</b>	<b>(2 756)</b>
<b>Cash flows from financing activities</b>		
Leasing financing paid	(5 727)	(3 455)
<b>Cash flows from financing activities</b>	<b>(5 727)</b>	<b>(3 455)</b>
<b>Net change in cash and cash equivalents</b>	<b>(48 729)</b>	<b>30 804</b>
<b>Cash and cash equivalents at start of the period</b>	<b>352 238</b>	<b>198 846</b>
Effect of exchange rate fluctuations on cash and cash equivalents	2 196	15 368
<b>Cash and cash equivalents at end of the period</b>	<b>305 705</b>	<b>245 018</b>



Key Ratios	First quarter 2018	First quarter 2017
New units sold	155	154
Revenue, SEK'000	613 710	550 455
Revenue growth, %	11.5%	77.8%
Gross margin, %	19.0%	19.9%
EBITDA, SEK'000	48 099	44 604
EBITDA margin, %	7.8%	8.1%
Adjusted EBIT, SEK'000	40 939	37 361
Adjusted EBIT margin, %	6.7%	6.8%
Result from operating activities, SEK'000	40 939	37 361
Operating margin, %	6.7%	6.8%
Result for the period, SEK'000	30 062	29 728
Adjusted result, SEK'000	30 062	29 728
Undiluted earnings per ordinary share, SEK	1.93	1.60
Diluted earnings per ordinary share, SEK	1.93	1.60
Net debt/(cash), SEK'000	(264 218)	(216 171)
Net debt/EBITDA, times	(1.2x)	(1.3x)
Capital employed, SEK'000	688 141	501 930
Return on capital employed, %	34.4%	34.8%
Working capital, SEK'000	181 400	81 451
Working capital/Revenue, %	6.9%	4.3%
No. of employees at close of period	855	797

Certain key ratios presented in Ferronordic's interim reports are not defined according to IFRS. Ferronordic believes that these ratios provide valuable supplementary information for investors and the company's management as they enable the assessment of relevant trends. Ferronordic's definition of these measures may differ from other companies' definition of the same terms.

These ratios should therefore be seen as a supplement rather than a replacement for ratios defined according to IFRS. Definitions of and reasons for the different key ratios can be found on page 20.

	First quarter 2018 SEK '000	First quarter 2017 SEK '000
<b>Parent Company income statement</b>		
<b>Revenue</b>	32 899	25 605
Cost of sales	(28 856)	(21 394)
<b>Gross profit</b>	<b>4 043</b>	<b>4 211</b>
Administrative expenses	(2 716)	(2 609)
<b>Results from operating activities</b>	<b>1 327</b>	<b>1 602</b>
Finance income	4 902	8 251
Finance costs	(1 250)	(2 483)
Net foreign exchange gains / (losses)	2 652	12 663
<b>Result before income tax benefit</b>	<b>7 631</b>	<b>20 033</b>
Income tax	(1 686)	(4 413)
<b>Result for the period</b>	<b>5 945</b>	<b>15 620</b>

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

<b>Parent Company Balance Sheet</b>	<b>31 March 2018 SEK '000</b>	<b>31 December 2017 SEK '000</b>	<b>31 March 2017 SEK '000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	9	13
Financial assets			
Holdings in group companies	193 519	193 088	192 949
Loans to group companies	209 424	207 097	231 222
Deferred tax assets	19 205	20 890	14 930
Total financial assets	422 148	421 075	439 101
<b>Total non-current assets</b>	<b>422 156</b>	<b>421 084</b>	<b>439 114</b>
<b>Current assets</b>			
Trade and other receivables	73 292	71 721	50 093
Prepayments	1 214	1 283	166
Cash and cash equivalents	76 075	76 150	20 518
<b>Total current assets</b>	<b>150 581</b>	<b>149 154</b>	<b>70 777</b>
<b>TOTAL ASSETS</b>	<b>572 738</b>	<b>570 238</b>	<b>509 891</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity			
Share capital	1 303	1 303	937
Unrestricted equity			
Share premium reserve	702 216	702 216	604 291
Retained earnings	(252 152)	(267 969)	(235 426)
Result for the period	5 945	15 816	15 620
<b>TOTAL EQUITY</b>	<b>457 313</b>	<b>451 367</b>	<b>385 422</b>
<b>Current liabilities</b>			
Borrowings	50 930	50 930	48 557
Trade and other payables	64 495	67 941	75 912
<b>Total current liabilities</b>	<b>115 425</b>	<b>118 871</b>	<b>124 469</b>
<b>TOTAL LIABILITIES</b>	<b>115 425</b>	<b>118 871</b>	<b>124 469</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>572 738</b>	<b>570 238</b>	<b>509 891</b>

## Basis of presentation and summary of significant accounting policies

### 1. Accounting Policies

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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. Quantitative assessments of the effect of IFRS 16 and selection of transition methods have not yet been made.

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

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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**

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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)**

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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**


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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.

	First quarter 2018 SEK '000	First quarter 2017 SEK '000
<b>Revenue</b>		
Equipment Sales	402 629	361 505
Aftermarket	173 742	167 029
Other income	37 339	21 921
<b>Total revenues</b>	<b>613 710</b>	<b>550 455</b>
<b>Total delivery volume, units</b>		
New units	155	154
Used units	33	38
<b>Total units</b>	<b>188</b>	<b>192</b>
	First quarter 2018 SEK '000	First quarter 2017 SEK '000
<b>EBITDA</b>		
<b>EBITDA</b>	<b>48 099</b>	<b>44 604</b>
Depreciation and amortisation	(7 160)	(7 243)
Foreign exchange gain/(loss)	(906)	(558)
Finance income	1 284	1 814
Finance costs	(2 731)	(1 074)
<b>Result before income tax</b>	<b>38 586</b>	<b>37 543</b>
Income tax	(8 524)	(7 815)
<b>Result for the period</b>	<b>30 062</b>	<b>29 728</b>

**2. Events after the balance sheet date**


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

**3. Contingencies**


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In June 2017, the parent company issued a surety in the amount of RUB 360m (SEK 52m) 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 72m) 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

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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

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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.

	<b>First quarter 2018 SEK '000</b>	<b>First quarter 2017 SEK '000</b>
<b>Result for the period</b>	<b>30 062</b>	<b>29 728</b>
Dividends on preference shares required for the period	(2 002)	(13 750)
<b>Result attributable to holders of ordinary shares</b>	<b>28 060</b>	<b>15 978</b>
Average number of ordinary shares during the period before and after dilution	14 532 434	10 000 000
<b>Earnings per ordinary share before and after dilution</b>	<b>1.93</b>	<b>1.60</b>

This interim report for Ferronordic Machines AB (publ) has been disclosed following approval by the Board.

Stockholm, 27 April 2018

Lars Corneliusson  
CEO and President

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. The preference shares in the company are listed on Nasdaq First North Premier. The company has appointed Avanza Bank AB as its Certified Advisor.

[www.ferronordic.com](http://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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### **Ferronordic Machines AB (publ)**

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This information is information that Ferronordic Machines AB (publ) is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication on 27 April 2018, 07:00 CET.



## Financial information for individual quarters

The financial information below regarding individual quarters during the period 1 January 2016 – 31 March 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

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
<b>SEK m (if not stated otherwise)</b>									
Revenue	310	405	406	537	550	785	626	606	614
Result for the period	14	20	34	16	30	51	43	28	30
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

### Key ratios not defined according to IFRS

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

## 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

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

### Adjusted result

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

**Net debt / (Net cash)**

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

**Capital employed**

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

**Working capital**

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

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

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**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.*