



Year-End Report January - December 2018

Strongest quarter ever – again!

Highest revenue and earnings ever in a single quarter

Continuously increasing aftermarket sales

Growing contracting services business

Geographic expansion started

Extraordinary dividend proposed

Selected key ratios

SEK M	Q4 2018	Q4 2017	%	12m 2018	12m 2017	%
Revenue	1,019	606	68%	3,241	2,567	26%
EBITDA	105	46	130%	322	214	50%
Operating profit	84	38	124%	274	187	46%
Result for the period	64	28	127%	209	151	38%
Earnings per ordinary share	4.40	0.52	741%	13.22	8.06	64%
Gross margin	17.6%	18.4%		19.0%	19.0%	
EBITDA margin	10.3%	7.5%		9.9%	8.3%	
Operating margin	8.3%	6.2%		8.4%	7.3%	
Return on capital employed	41.3%	36.1%		41.3%	36.1%	
Working capital / Revenue	1.5%	4.6%		1.5%	4.6%	
Net debt / (cash)	(303)	(312)		(303)	(312)	

* The definition and purpose of each key ratio are presented on page 23.



Lars Corneliusson
CEO

In terms of revenue, the fourth quarter was by far our strongest quarter ever.

One of the reasons for our success in 2018 was the strong growth of our profitable aftermarket business, particularly during the second half of the year, and to a large extent driven by our digitalization program.

In addition to the expansion of our existing business we also took the first step in our expansion beyond Russia.

In total, the proposed dividend will be SEK 7.50 per share.

Lars Corneliusson, CEO

In terms of revenue, the fourth quarter was by far our strongest quarter ever. At SEK 1,019m, revenue was 25% higher than during our second-best quarter - and for the first time our sales exceeded SEK 1 billion in a single quarter. At the same time, we managed to optimize our network and organization further. In combination, this led to an increase in operating profit by 124% and net income by 127% - resulting in the highest earnings ever for a single quarter.

Revenue and earnings grew significantly for the year as a whole too - resulting in 2018 becoming Ferronordic's best year so far. Given that the 2018 market was only half of what it was in 2012-2013, I believe this is a very strong outcome.

One of the reasons for our success in 2018 was the strong growth of our profitable aftermarket business, particularly during the second half of the year, and to a large extent driven by our digitalization program. Compared to the same periods 2017, aftermarket revenue during the quarter and the second half of the year grew by 15% and 20%, respectively.

Contracting services also continued to grow. In October we signed our largest contract so far. The project, which is carried out for the Russian mining company GV Gold, started during the fourth quarter and will last for three years. It involves approx. 25 machines and over 100 employees, mainly machine operators. We strongly believe in contracting services and see increased demand for this type of services.

In addition to the expansion of our existing business, we also took the first step in our expansion beyond Russia. In December we signed an agreement to become the authorized Volvo CE dealer in Kazakhstan.

For the AGM 2019, the Board will propose an ordinary dividend of SEK 3.75 per share. Given the strong result and the company's cash position, the Board will also propose an extraordinary dividend of SEK 3.75 per share. In total, the proposed dividend will be SEK 7.50 per share.

In consideration of the continued recovery of the Russian economy, we are optimistic about the development of the Russian construction equipment market. Although the market is still at a rather low level, we do not believe that it will grow as strongly in 2019 as it did during 2017 and 2018. As regards the future of our business in a longer perspective, we remain optimistic, as the long-term fundamentals in the construction equipment markets in Russia and Kazakhstan remain strong. Our optimism is supported by the signs that Russia's government will now try to support economic growth by increasing infrastructure spending, as indicated in the May Decrees.



Revenue amounted to SEK 1,019m - 25% higher than our previously best quarter (second quarter 2018).

The construction equipment market in Russia continued to recover during the quarter, although at somewhat slower pace than earlier during the year.

At the time of this report it is expected that Russia's economy grew 2.3% in 2018.

Comments on the year-end report

The fourth quarter was Ferronordic's strongest quarter ever in terms of both revenue and earnings. Revenue amounted to SEK 1,019m - 25% higher than our previously best quarter (second quarter 2018). Gross margin came down during the quarter but was compensated by a further decrease in selling and administrative expenses as a percentage of revenue. As a result of the foregoing, the operating profit amounted to SEK 84m, an increase of SEK 4m over the previously best quarter (third quarter 2018).

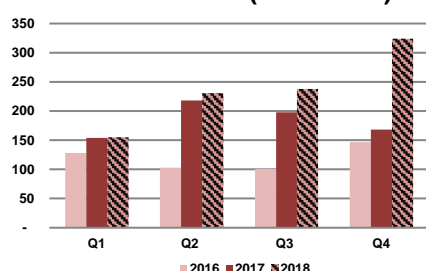
The construction equipment market in Russia continued to recover during the quarter, although at somewhat slower pace than earlier during the year. During 2018, the market for our main products (measured in units) was up approx. 33%. We gained market share for all our main Volvo CE products, including articulated haulers, excavators, large wheel loaders and pavers.

At the time of this report, it is expected that Russia's economy grew 2.3% in 2018. While no new significant sanctions were introduced during the quarter, the political climate continues to be tense and the sanctions, and particularly the threat of additional sanctions in the future, continue to affect the sentiment in and vis-à-vis Russia negatively. At the same time, the signs that the government will try to support economic growth by increased infrastructure spending remain. Details of the various projects originating from the President's "May Decrees" are expected to be presented during the next couple of months.

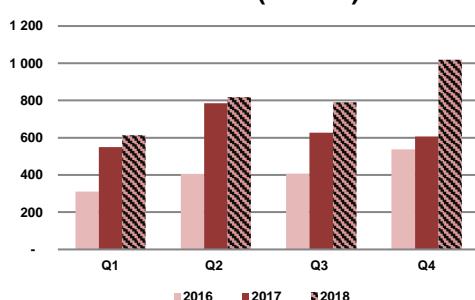
Inflation in December reached 4.3%, up from 3.4% in September and the highest level for over twelve months. Due to the increased inflation, the Central Bank decided in December to increase the key rate from 7.50% to 7.75% (in its latest meeting in February, however, the Central Bank decided to keep the rate unchanged).

Having peaked at USD 83/bbl in the third quarter, the oil price dropped steadily during the fourth quarter to USD 54 at the end of December. Currently the oil is trading at USD 64/bbl. The RUB/SEK exchange rate started the quarter at 7.4 and ended the quarter at 7.7. Currently the RUB is trading at 7.2 to the SEK.

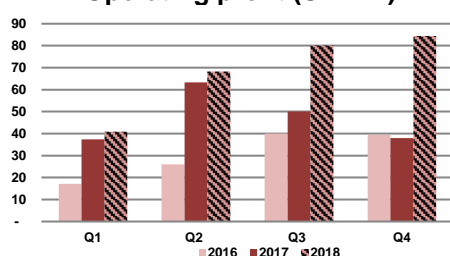
New machines (units sold)



Revenue (SEK m)



Operating profit (SEK m)



Operating profit for the quarter improved by 124%

Revenue

Revenue increased by 68% during the quarter to SEK 1,019m (SEK 606m) (76% in rubles). Equipment sales increased by 91% and aftermarket sales by 15% (100% and 20%, respectively, in rubles). Other revenue, almost entirely consisting of contracting services, increased by 82% (90% in rubles).

During the year, revenue increased by 26% to SEK 3,241m (SEK 2,567m) (34% in rubles). Equipment sales increased by 30% while aftermarket sales increased by 13% (38% and 19%, respectively, in rubles). Other revenue, almost entirely consisting of contracting services, increased by 55% (63% in rubles).

Gross profit and operating profit

Gross profit for the quarter amounted to SEK 180m (SEK 112m), an increase of 61% compared to the same period last year. The increase was mainly a result of the higher revenue, offset by a lower gross margin (17.6% compared to 18.4% during the same period last year). The increased sales in contracting services affected the gross margin positively, while strong growth in machine sales affected the margin negatively.

Operating profit for the quarter improved by 124% to SEK 84m (SEK 38m). The increase was a result of the higher gross profit, partly offset by higher administrative and selling expenses. As a percentage of revenue, however, selling and administrative expenses decreased from 11.4% to 8.8%. Consequently, the operating margin for the quarter increased from 6.2% to 8.3%, well within the company's financial objectives.

Gross profit for the year amounted to SEK 614m (SEK 488m), an increase of 26%. The gross margin at 19.0% was the same as in 2017, positively impacted by the growing contracting services business but negatively affected by a changed revenue mix during the year (equipment sales represented a higher proportion of the revenue).

Operating profit for the year increased by 46% to SEK 274m (SEK 187m). The increase was primarily a result of the higher gross profit, partly offset by higher selling and administrative expenses. As a percentage of revenue, however, these expenses decreased to 10.1% from 11.3%. As a result, the operating margin for the year grew from 7.3% to 8.4%, well within the company's financial objectives.

Result

The result before income tax for the quarter increased to SEK 81m (SEK 36m). This was a result of the improved operating profit, supported by lower finance costs, but partly offset by higher foreign exchange losses (net). The result for the quarter increased by 127% to SEK 64m (SEK 28m).

Result for the quarter improved by 127%

The result before income tax for the year increased to SEK 267m (SEK 193m). The increase was a result of the improved operating profit, partly offset by lower finance income, higher finance costs and higher foreign exchange losses (net). The result for the year thus increased by 38% to SEK 209 m (SEK 151m).

Earnings per ordinary share

Earnings per ordinary share for the quarter amounted to SEK 4.40 (SEK 0.52). Earnings per ordinary share for the year amounted to SEK 13.22 (SEK 8.06).

Earnings per ordinary share for the quarter increased to SEK 4.40 and SEK 13.22 for the year.

Earnings per ordinary share for the fourth quarter 2017, and for the years 2017 and 2018, were negatively affected by the redemptions of preference shares that occurred during these periods (the difference between the redemption price of SEK 1,200 and the carrying value of the redeemed preference shares reduced the result in the calculations of earnings per share for these periods). In total this reduced the earnings per ordinary share for the fourth quarter 2017 and for the years 2017 and 2018 by SEK 1.08, SEK 1.30 and SEK 0.96, respectively. Adjusted for the redemptions of preference shares, earnings per share for fourth quarter 2017 and for 2017 and 2018 amounted to SEK 1.61, SEK 9.36 and SEK 14.18, respectively.

Cash flows

Cash flows from operating activities during the quarter amounted to SEK 12m (SEK -134m). The increase was due to the improved result and higher payables, partly offset by higher inventories and higher receivables. Cash flows from investing activities during the quarter amounted to SEK -12m (SEK -9m), primarily due to increased investments in property, plant and equipment (primarily service vans for mechanics and contracting services).

Continuously good cash flows from operating activities during the year despite higher inventories and receivables.

During the year, cash flows from operating activities amounted to SEK 150m (SEK 148m). The increase was a result of the improved result and higher payables, offset by higher inventory and higher receivables. Cash flows from investing activities during the year amounted to SEK -35m (SEK -4m). This was primarily due to higher investments in property, plant and equipment, mainly related to service vans for mechanics, and lower interest received.

Financial position

Cash and cash equivalents at 31 December 2018 amounted to SEK 357m, an increase of approx. SEK 4m compared to the end of 2017. Interest-bearing liabilities (including financial leases) amounted to SEK 54m, an increase of SEK 13m compared to the end of 2017.

Property, plant and equipment increased during the year from SEK 136m to SEK 263m, mainly due to additional machines in contracting services and additional service vans for the company's mechanics. The increase in the number of machines for contracting services was reflected in the Group's statement of cash flows as a change in working capital, as the machines were transferred to property, plant and equipment from inventory (non-cash operation).

Equity at 31 December 2018 amounted to SEK 656m, an increase of SEK 45m compared to 31 December 2017. The increase was caused by the positive result for the year, reduced by the redemption of preference shares (SEK 80m), dividends on ordinary shares (SEK 25m) and dividends on preference shares (SEK 5m), all in May 2018, as well as negative foreign exchange differences (SEK 54m).

Employees

The number of employees at the end of the year, converted to full-time equivalent employees, was 1,032. This represents an increase of 184 employees compared to the end of 2017. Most new employees were machine operators in contracting services.

Parent company

The revenue of the parent company during the quarter decreased to SEK 37m (SEK 51m), primarily due to a decrease in intra-group sales of Dressta, Rottne and Mecalac machines and parts. Administrative expenses amounted to SEK 3m (SEK 3m). The result for the quarter decreased to SEK 4m (SEK 7m). This was partly a result of the lower revenue. At the same time, the intercompany loans between the parent company and its subsidiary Ferronordic Machines LLC were settled during the quarter, resulting in lower finance income and lower unrealized foreign exchange gains (net).

During the year, the revenue of the parent company amounted to SEK 174m (SEK 144m). Administrative expenses amounted to SEK 12m (SEK 10m). The result for the year decreased to SEK 9m (SEK 16m), primarily due to lower finance income following the settlement of the intercompany loans between the parent company and its subsidiary, as well as higher unrealized foreign exchange losses (net).

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.

Changes in management

In November 2018, Andrey Korneev, Director Contracting Services and Key Accounts, became a member of the executive management team.

Replacement for CFO and IR Director identified – Swedish citizen with broad financial and operational experience to join in May 2019

On 17 December 2018 it was announced that Ferronordic's CFO and Investor Relations Director, Anders Blomqvist, would leave his position in the company in mid-February 2019 (final date is 15 February 2019). A replacement has now been identified and will start in May 2019. The replacement is a Swedish citizen with broad financial and operational experience from different positions in investment banking and industry, including as CFO for a company listed on Nasdaq Stockholm. The name will be disclosed later. During the interim period, Jonathan Tubb, CFO Russia, will be interim CFO for the Group while investor relations will be managed by Lars Corneliusson, CEO, and Henrik Carlborg, General Counsel and Business Development Director.

Kazakhstan

On 18 December 2018 it was announced that Ferronordic had entered into an agreement to become the authorized dealer of Volvo CE in Kazakhstan. The agreement became effective on 14 January 2019. Ferronordic replaced Volvo CE's previous dealer in Kazakhstan, whose agreement terminated in January 2019. Ferronordic did not pay any remuneration for the appointment. The initial investments relating to Kazakhstan are expected to be approx. SEK 55m, mainly relating to working capital and service vans and tools for the company's mechanics.

In January 2019 Ferronordic became authorized dealer and importer for Volvo CE and Mecalac in Kazakhstan

Kazakhstan's contribution to Ferronordic's revenue in 2019 is expected to be limited and the expansion will probably have a somewhat negative impact on the company's earnings and cash flows. In 3-4 years, Kazakhstan is expected to represent about 15% of Ferronordic's total revenue and earnings.

Ferronordic's business in Kazakhstan will initially consist of sales and service of Volvo CE products. In the future, however, it is possible that Ferronordic will offer complementary products and services in Kazakhstan in the same way as in Russia (e.g. on 18 January 2019 it was announced that Ferronordic had also become dealer for Mecalac in Kazakhstan).

Other major events

Largest contracting services contract so far signed in October

On 25 October 2018, it was announced that Ferronordic had entered into an agreement for its largest contracting services project so far. The project for the Russian mining company GV Gold started in the fourth quarter and will last for three years. It involves approx. 25 machines and over 100 employees, mainly machine operators. The agreement encompasses excavation and transportation of earth and rock at a gold mine in Siberia.

Events after the reporting date

Ferronordic to take over importation of Volvo CE products to Russia

On 11 January 2019 it was announced that Ferronordic and Volvo had agreed that Ferronordic shall take over the responsibility for the importation of Volvo CE machines and spare parts to Russia (currently handled by AO Volvo Vostok, the Volvo Group's operating entity in Russia). As a result, the current agreements between Ferronordic and Volvo Vostok will be replaced by new agreements between Ferronordic and Volvo Construction Equipment AB. At the same time, Ferronordic will take over Volvo CE's central parts inventory in Moscow. The change will be implemented gradually during the first half of 2019 and is not expected to have any material impact on Ferronordic's profitability or working capital.

On 18 January 2019 it was announced that Ferronordic and Mecalac had agreed to amend the dealer agreement between them to also include Kazakhstan. This means that Ferronordic's product offering in Kazakhstan, in addition to Volvo CE, now also includes backhoe loaders from Mecalac.

Annual report and annual general meeting

Ferronordic's 2018 annual report will be available on the company's website around 14 April 2019.

The annual general meeting in Ferronordic Machines AB (publ) (AGM) will be held in Stockholm at 10:00 CET on Tuesday, 14 May 2019. Notice to attend the AGM will be made in accordance with the articles of association around 14 April 2019.

Dividend proposal

For the AGM on 14 May 2019, the Board will propose an ordinary dividend of SEK 3.75 per share. Given the strong result and the company's cash position, the Board will also propose an extraordinary dividend of SEK 3.75 per share. In total, the proposed dividend will be SEK 7.50 per share.

Outlook

We remain optimistic, as the long-term fundamentals in the construction equipment markets in Russia and Kazakhstan remain strong.

In consideration of the continued recovery of the Russian economy, we are optimistic about the development of the Russian construction equipment market. Although the market is still at a rather low level, we do not believe that it will grow as strongly in 2019 as it did during 2017 and 2018. As regards the future of our business in a longer perspective, we remain optimistic, as the long-term fundamentals in the construction equipment markets in Russia and Kazakhstan remain strong. Our optimism is supported by the signs that Russia's government will now try to support economic growth by increasing infrastructure spending, as indicated in the May Decrees.

Presentation of the report

Ferronordic invites investors, analysts and the media to a presentation where CEO Lars Corneliusson and CFO Anders Blomqvist are to comment on the report. The presentation will be held on 15 February 2019 at 09:30 CET and can be followed via telephone conference or audiocast. The report will be published on 15 February 2019 at 07.30 CET and will be accessible at www.ferronordic.com.

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

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

Call-in numbers:

- Sweden: +46 8 5055 8352
- UK: +44 3333 009032
- Russia: 8 800 500 0133
- US: +1 646 722 4904
- Switzerland: +41 2 2567 5632
- Germany: +49 69 1380 3452

The presentation can also be viewed live at <https://tv.streamfabriken.com/ferronordic-machines-q4-2018>

Condensed Consolidated Statement of Comprehensive Income

	Fourth quarter 2018 SEK '000	Fourth quarter 2017 SEK '000	Twelve months 2018 SEK '000	Twelve months 2017 SEK '000
Revenue	1 018 922	605 603	3 241 253	2 567 231
Cost of sales	(839 337)	(493 995)	(2 626 947)	(2 079 428)
Gross profit	179 585	111 608	614 306	487 803
Selling expenses	(38 100)	(29 350)	(138 013)	(124 663)
General and administrative expenses	(52 065)	(39 390)	(190 023)	(164 590)
Other income	164	1 545	4 436	5 182
Other expenses	(5 089)	(6 692)	(17 016)	(16 418)
Operating profit	84 495	37 721	273 690	187 314
Finance income	2 725	2 937	7 107	14 611
Finance costs	(2 037)	(2 950)	(8 891)	(6 580)
Net foreign exchange gains/(losses)	(3 950)	(1 266)	(4 729)	(2 330)
Result before income tax	81 233	36 442	267 177	193 015
Income tax	(17 300)	(8 249)	(58 061)	(41 719)
Result for the period	63 933	28 193	209 116	151 296
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(21 869)	11 347	(54 454)	(20 876)
Other comprehensive result for the period, net of tax	(21 869)	11 347	(54 454)	(20 876)
Total comprehensive result for the period	42 064	39 540	154 662	130 420
Earnings per ordinary share				
Basic and diluted earnings per share (SEK)	4.40	0.52	13.22	8.06

Condensed Consolidated Statement of Financial Position

	31 December 2018 SEK '000	31 December 2017 SEK '000
ASSETS		
Non-current assets		
Property, plant and equipment	262 824	136 220
Intangible assets	6 133	5 507
Deferred tax assets	40 594	41 936
Total non-current assets	309 551	183 663
Current assets		
Inventories	740 843	632 536
Trade and other receivables	318 684	242 959
Prepayments	1 634	3 088
Cash and cash equivalents	356 589	352 238
Total current assets	1 417 750	1 230 821
TOTAL ASSETS	1 727 301	1 414 484
EQUITY AND LIABILITIES		
Equity		
Share capital	1 297	1 303
Additional paid in capital	612 136	692 204
Translation reserve	(214 670)	(160 216)
Retained earnings	48 061	(73 509)
Result for the period	209 116	151 296
TOTAL EQUITY	655 940	611 078
Non-current liabilities		
Deferred income	2 358	449
Deferred tax liabilities	1 094	862
Long-term portion of finance lease liabilities	27 881	21 636
Total non-current liabilities	31 333	22 947
Current liabilities		
Trade and other payables	982 273	736 500
Deferred income	14 820	12 020
Provisions	17 041	13 171
Short-term portion of finance lease liabilities	25 894	18 768
Total current liabilities	1 040 028	780 459
TOTAL LIABILITIES	1 071 361	803 406
TOTAL EQUITY AND LIABILITIES	1 727 301	1 414 484

Condensed Consolidated Statement of Changes in Equity

SEK '000	Attributable to equity holders of the Company				Total equity
	Share capital	Additional paid in capital	Translation reserve	Retained earnings	
Balance 1 January 2018	1 303	692 204	(160 216)	77 787	611 078
Total comprehensive result for the period					
Result for the period				209 116	209 116
Other comprehensive result					
Foreign exchange differences			(54 454)		(54 454)
Total comprehensive result for the period			(54 454)	209 116	154 662
Contribution by and distribution to owners					
Redemption of preference shares	(6)	(80 068)			(80 074)
Dividends on preference shares				(4 585)	(4 585)
Dividends on ordinary shares				(25 141)	(25 141)
Total contributions and distributions	(6)	(80 068)	-	(29 726)	(109 800)
Balance 31 December 2018	1 297	612 136	(214 670)	257 177	655 940

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 result for the period					
Result for the period				151 296	151 296
Other comprehensive result					
Foreign exchange differences			(20 876)		(20 876)
Total comprehensive result for the period			(20 876)	151 296	130 420
Contribution by and distribution to owners					
Issue of new ordinary shares	405	416 213			416 618
Redemption of preference shares	(39)	(318 288)			(318 327)
Dividends on preference shares				(60 043)	(60 043)
Total contributions and distributions	366	97 925	-	(60 043)	38 248
Balance 31 December 2017	1 303	692 204	(160 216)	77 787	611 078

Condensed Consolidated Statement of Cash Flows

	Fourth quarter 2018 SEK '000	Fourth quarter 2017 SEK '000	Twelve months 2018 SEK '000	Twelve months 2017 SEK '000
Cash flows from operating activities				
Result before income tax	81 233	36 442	267 177	193 015
Adjustments for:				
Depreciation and amortisation	20 408	7 831	47 858	26 463
(Gain)/loss from impairment of receivables	2 928	(21)	6 423	(182)
Profit on disposal of property, plant and equipment	451	(311)	(469)	(511)
Finance costs	2 037	2 950	8 891	6 580
Finance income	(2 725)	(2 937)	(7 107)	(14 611)
Net foreign exchange losses/(gains)	3 950	1 266	4 729	2 330
Cash flows from operating activities before changes in working capital and provisions	108 282	45 220	327 502	213 084
Change in inventories	(90 581)	(33 524)	(318 475)	(194 999)
Change in trade and other receivables	(67 224)	(25 902)	(113 999)	(57 411)
Change in prepayments	(146)	(456)	1 268	704
Change in trade and other payables	78 140	(108 445)	302 706	222 119
Change in provisions	2 883	(1 608)	5 452	3 759
Change in deferred income	3 412	1 842	6 314	6 049
Cash flows from operations before interest and tax paid	34 766	(122 873)	210 768	193 305
Income tax paid	(20 846)	(8 303)	(51 478)	(39 233)
Interest paid	(2 046)	(2 387)	(8 918)	(5 880)
Cash flows from operating activities	11 874	(133 563)	150 372	148 192
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	864	1 203	3 268	2 905
Interest received	2 725	2 937	7 107	14 611
Acquisition of property, plant and equipment	(14 959)	(11 624)	(43 132)	(16 144)
Acquisition of intangible assets	(727)	(1 290)	(2 326)	(5 289)
Cash flows from investing activities	(12 097)	(8 774)	(35 083)	(3 917)
Cash flows from financing activities				
Issue of new ordinary shares	-	200 000	-	200 000
Expenses related to issue of new shares	-	(28 084)	-	(28 084)
Redemption of preference shares	-	(80 074)	(80 074)	(80 074)
Dividend on preference shares	-	(30 864)	(4 585)	(58 364)
Dividend on ordinary shares	-	-	(25 141)	-
Leasing financing received	21 943	-	26 916	7 794
Leasing financing paid	(6 944)	(4 589)	(25 287)	(20 203)
Cash flows from financing activities	14 999	56 389	(108 171)	21 069
Net change in cash and cash equivalents	14 776	(85 948)	7 118	165 344
Cash and cash equivalents at start of the period	337 755	425 158	352 238	198 846
Effect of exchange rate fluctuations on cash and cash equivalents	4 058	13 028	(2 767)	(11 952)
Cash and cash equivalents at end of the period	356 589	352 238	356 589	352 238

Key Ratios

	Fourth quarter 2018	Fourth quarter 2017	Twelve months 2018	Twelve months 2017
New units sold	324	168	948	738
Revenue, SEK'000	1 018 922	605 603	3 241 253	2 567 231
Revenue growth, %	68.2%	12.7%	26.3%	54.8%
Gross margin, %	17.6%	18.4%	19.0%	19.0%
EBITDA, SEK'000	104 903	45 552	321 548	213 777
EBITDA margin, %	10.3%	7.5%	9.9%	8.3%
Operating profit, SEK'000	84 495	37 721	273 690	187 314
Operating margin, %	8.3%	6.2%	8.4%	7.3%
Result for the period, SEK'000	63 933	28 193	209 116	151 296
Undiluted earnings per ordinary share, SEK	4.40	0.52	13.22	8.06
Diluted earnings per ordinary share, SEK	4.40	0.52	13.22	8.06
Net debt/(cash), SEK'000	(302 814)	(311 834)	(302 814)	(311 834)
Net debt/EBITDA, times	(0.9)	(1.5)	(0.9)	(1.5)
Capital employed, SEK'000	709 715	651 482	709 715	651 482
Return on capital employed, %	41.3%	36.1%	41.3%	36.1%
Working capital, SEK'000	47 027	116 892	47 027	116 892
Working capital/Revenue, %	1.5%	4.6%	1.5%	4.6%
No. of employees at close of period	1 032	848	1 032	848

Ferronordic presents certain key ratios in its interim reports which are not defined according to IFRS. The company 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 definitions of these measures may differ from other companies' definitions of the same terms. These ratios should therefore be seen as a supplement rather than as a replacement for measures defined according to IFRS. The definition and purpose of each key ratio are presented on page 23.

Parent Company Income Statement

	Fourth quarter 2018 SEK '000	Fourth quarter 2017 SEK '000	Twelve months 2018 SEK '000	Twelve months 2017 SEK '000
Revenue	37 097	50 948	174 158	144 357
Cost of sales	(30 617)	(46 326)	(150 326)	(125 444)
Gross profit	6 480	4 622	23 832	18 913
Administrative expenses	(2 899)	(2 783)	(11 671)	(10 478)
Operating profit	3 581	1 839	12 161	8 436
Finance income	2 357	4 913	15 796	24 872
Finance costs	(696)	(1 904)	(4 371)	(6 464)
Net foreign exchange gains/(losses)	432	3 728	(11 061)	(6 549)
Result before income tax	5 675	8 576	12 524	20 294
Income tax	(2 030)	(1 894)	(3 558)	(4 477)
Result for the period	3 645	6 682	8 967	15 816

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

Parent Company Balance Sheet

	31 December 2018 SEK '000	31 December 2017 SEK '000
ASSETS		
Non-current assets		
Intangible assets	721	-
Property, plant and equipment	4	9
Financial assets		
Holdings in group companies	193 610	193 088
Loans to group companies	-	207 097
Deferred tax assets	17 333	20 890
Total financial assets	<u>210 943</u>	<u>421 075</u>
Total non-current assets	<u>211 667</u>	<u>421 084</u>
Current assets		
Trade and other receivables	53 250	71 721
Prepayments	1 075	1 283
Cash and cash equivalents	126 390	76 150
Total current assets	<u>180 715</u>	<u>149 154</u>
TOTAL ASSETS	<u><u>392 382</u></u>	<u><u>570 238</u></u>
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	1 297	1 303
Unrestricted equity		
Share premium reserve	622 148	702 216
Retained earnings	(281 878)	(267 969)
Result for the period	8 967	15 816
TOTAL EQUITY	<u>350 534</u>	<u>451 367</u>
Current liabilities		
Borrowings	-	50 930
Trade and other payables	41 848	67 941
Total current liabilities	<u>41 848</u>	<u>118 871</u>
TOTAL LIABILITIES	<u>41 848</u>	<u>118 871</u>
TOTAL EQUITY AND LIABILITIES	<u><u>392 382</u></u>	<u><u>570 238</u></u>

Basis of presentation and summary of significant accounting policies

1. Accounting Policies

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

The new standards IFRS 9 and IFRS 15 are applied as of 2018. The new standard IFRS 16 will be applied as of 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 impairment loss allowances, but this has not had any significant impact on the amount of impairment loss allowances. 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 previous IFRS related to leasing as of 2019. Under IFRS 16, lessees shall recognize all leases in a way resembling the current recognition of finance leases (except for leases of 12 months or less and leases of low-value assets). As a result, a leased asset shall be recognized as an asset on the balance sheet together with a corresponding liability relating to the future lease payments. In the result, instead of lease expenses, a depreciation cost will be recognized for the right to use the leased asset, as well as an interest expense on the corresponding liability. Based on Ferronordic's assessment, the transition to IFRS 16 will result in an increase of the Group's assets and liabilities as at 1 January 2019 of SEK 67m relating to leased facilities. However, the actual impact of the new standard on the Group's financial statements for the initial period of application depends on certain economic conditions, including the incremental borrowing rate, the composition of the Group's lease portfolio at that time, and the Group's assessment of its options to renew existing leases. As transition method for IFRS 16, the Group has chosen to apply the modified retrospective method, meaning that the cumulative effect of IFRS 16 will be recognized in retained earnings in the opening balance on 1 January 2019 without adjustment of the comparative figures.

Other new or revised standards that come into effect 2019 or later are not expected to have any significant effect on the Group's financial statements.

Except as described above, the same accounting and valuation principles were applied in the preparation of this report as in the preparation of the 2017 annual report.

2. Determination of fair values

The basis for determination of fair value of financial assets and liabilities is disclosed in note 5 in the 2017 annual report. The fair values of the Group's financial assets and liabilities approximate their respective carrying amounts.

3. Seasonal Variations

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

4. Ferronordic Machines AB (publ)

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

Notes
1. Operational Segment

The Group has one reportable segment during the period - 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.

	Fourth quarter 2018 SEK '000	Fourth quarter 2017 SEK '000	Twelve months 2018 SEK '000	Twelve months 2017 SEK '000
Revenue				
Equipment sales	756 332	395 217	2 295 733	1 765 224
Aftermarket sales	205 966	179 316	789 597	701 092
Other revenue	56 624	31 070	155 923	100 915
Total revenues	1 018 922	605 603	3 241 253	2 567 231
Total delivery volume, units				
New units	324	168	948	738
Used units	41	40	144	162
Total units	365	208	1 092	900
	Fourth quarter 2018 SEK '000	Fourth quarter 2017 SEK '000	Twelve months 2018 SEK '000	Twelve months 2017 SEK '000
EBITDA				
EBITDA	104 903	45 552	321 548	213 777
Depreciation and amortization	(20 408)	(7 831)	(47 858)	(26 463)
Net foreign exchange gains/(losses)	(3 950)	(1 266)	(4 729)	(2 330)
Finance income	2 725	2 937	7 107	14 611
Finance costs	(2 037)	(2 950)	(8 891)	(6 580)
Result before income tax	81 233	36 442	267 177	193 015
Income tax	(17 300)	(8 249)	(58 061)	(41 719)
Result for the period	63 933	28 193	209 116	151 296

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 July 2018, the parent company issued a surety in the amount of RUB 825m (SEK 107m) to UniCredit Bank. The surety constitutes security for a bank guarantee of RUB 825m issued by the bank as security for the payables of the subsidiary Ferronordic Machines LLC to Volvo.

In May 2018, the parent company issued a surety in the amount of RUB 200m (SEK 26m) to UniCredit Bank. The surety constitutes security for a bank guarantee of RUB 200m issued by UniCredit Bank as security for the payables of the subsidiary Ferronordic Machines LLC to Volvo.

In June 2017, the parent company issued a surety in the amount of RUB 360m (SEK 46m) to Raiffeisen Leasing as a security for the subsidiary Ferronordic Machines LLC's obligations under a lease agreement.

In January 2017, the parent company issued a surety in the amount of RUB 550m (SEK 71m) to Rosbank as a security for a bank guarantee of RUB 550m, which is issued by Rosbank as a security for the payables of the subsidiary Ferronordic Machines LLC to Volvo.

4. Related party transactions

There have been no significant changes in the relationships or transactions with related parties for the Group or the parent company compared with the information disclosed in the 2017 Annual Report.

5. Earnings per ordinary share

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

	Fourth quarter 2018 SEK '000	Fourth quarter 2017 SEK '000	Twelve months 2018 SEK '000	Twelve months 2017 SEK '000
Result for the period	63 933	28 193	209 116	151 296
Dividends on preference shares	-	(7 480)	(3 093)	(50 813)
Difference between redemption price and carrying value of preference shares	-	(13 966)	(13 966)	(13 966)
Result attributable to holders of ordinary shares	63 933	6 747	192 057	86 517
Average number of ordinary shares during the period before and after dilution	14 532 434	12 903 800	14 532 434	10 731 917
Earnings per ordinary share before and after dilution	4.40	0.52	13.22	8.06

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

Stockholm, 15 February 2019

Staffan Jufors
Chairman

Magnus Brännström
Director

Annette Brodin Rampe
Director

Lars Corneliusson
Director

Erik Eberhardson
Director

Håkan Eriksson
Director

Lars Corneliusson
Managing Director

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

About Ferronordic

Ferronordic is 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. Since January 2019 Ferronordic is also the authorized dealer of Volvo Construction Equipment and Mecalac in Kazakhstan. The company began its operations in 2010 and has expanded rapidly across Russia. The company is well established in all federal districts with 79 outlets and over 1,000 employees. Ferronordic's vision is to be regarded as the leading service and sales company in the CIS markets. The shares in Ferronordic are listed on Nasdaq Stockholm.

www.ferronordic.com

Financial Calendar 2019/20

Interim report January-March 2019	14 May 2019
Interim report January-June 2019	15 August 2019
Interim report January-September 2019	22 November 2019
Year-end report January-December 2019	20 February 2020

For more information, please contact:

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This information is information that Ferronordic Machines AB (publ) is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication on 15 February 2019, 07:30 CET.

Financial information for individual quarters

The financial information below regarding individual quarters during the period 1 January 2017 – 31 December 2018 is collected from Ferronordic's interim reports for the relevant quarters.

Key ratios

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

Key ratios defined according to IFRS

SEK m (if not stated otherwise)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2017	2017	2017	2017	2018	2018	2018	2018
Revenue	550	785	626	606	614	817	791	1 019
Result for the period	30	51	43	28	30	54	61	64
Basic and diluted earnings per share (SEK)	1,60	3,61	2,77	0,52	1,93	2,71	4,17	4,40

Key ratios not defined according to IFRS

SEK M (if not stated otherwise)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2017	2017	2017	2017	2018	2018	2018	2018
New units sold (units)	154	218	198	168	155	231	238	324
Revenue growth (%)	78%	94%	54%	13%	11%	4%	26%	68%
Gross margin (%)	19,9%	18,7%	19,2%	18,4%	19,0%	19,3%	20,3%	17,6%
EBITDA	45	67	56	46	48	77	91	105
EBITDA margin (%)	8,1%	8,6%	9,0%	7,5%	7,8%	9,5%	11,5%	10,3%
Results from operating activities	37	62	50	38	41	68	80	84
Operating margin (%)	6,8%	7,9%	8,0%	6,2%	6,7%	8,3%	10,1%	8,3%
Net debt/(cash)	(216)	(293)	(381)	(312)	(264)	(204)	(298)	(303)
Net debt / EBITDA (x)	(1,3x)	(1,4x)	(1,8x)	(1,5x)	(1,2x)	(0,9x)	(1,1x)	(0,9x)
Capital employed	502	479	520	651	688	630	654	710
Return on capital employed (%)	35%	43%	42%	36%	34%	37%	40%	41%
Working capital	81	(18)	(68)	117	181	162	64	47
Working capital / Revenue (%)	4%	(1%)	(3%)	5%	7%	6%	2%	1%

Reconciliation of key ratios

The tables below show reconciliations of certain important key ratios.

Net debt / (Net cash)

SEK m (if not stated otherwise)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2017	2017	2017	2017	2018	2018	2018	2018
Long term interest bearing liabilities	16	22	26	22	20	23	17	28
Short term interest bearing liabilities	12	15	18	19	21	23	23	26
Total interest bearing liabilities	29	37	44	40	41	46	40	54
Cash & cash equivalents	245	330	425	352	306	250	338	357
Net debt / (cash)	(216)	(293)	(381)	(312)	(264)	(204)	(298)	(303)
Net debt / EBITDA (times)	(1,3)	(1,4)	(1,8)	(1,5)	(1,2)	(0,9)	(1,1)	(0,9)

Capital employed

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
SEK m (if not stated otherwise)								
Long term interest bearing liabilities	16	22	26	22	20	23	17	28
Short term interest bearing liabilities	12	15	18	19	21	23	23	26
Shareholder equity	473	441	476	611	647	584	614	656
Capital employed	502	479	520	651	688	630	654	710
Average capital employed	444	438	481	560	595	554	587	681
Return on capital employed (%)	35%	43%	42%	36%	34%	37%	40%	41%

Working capital

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
SEK m (if not stated otherwise)								
Inventory	565	515	601	633	691	712	755	741
Trade and other receivables	255	254	206	243	258	353	271	319
Prepayments	3	4	3	3	2	2	2	2
Other current assets	0	0	0	0	0	0	0	0
Trade and other payables	726	769	853	737	745	877	935	982
Deferred income	6	7	10	12	12	14	14	15
Provisions	10	14	14	13	12	14	15	17
Working capital	81	(18)	(68)	117	181	162	64	47
Working capital / Revenue (%)	4%	(1%)	(3%)	5%	7%	6%	2%	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: Operating profit 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.

Operating profit: Result before financial items and taxes.

Provides a measurement of the result from the ongoing business.

Operating margin: Operating profit in relation to revenue.

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

Net debt/(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.