

Positive development continues

Increased revenue and improved earnings

Strong aftermarket growth

Kazakhstan expansion proceeding as planned

Further broadening of customer offering

Selected key ratios

SEK M	Q1 2019	Q1 2018	%
Revenue	723	614	18%
Operating profit	56	41	36%
Result for the period	46	30	54%
Result per ordinary share	3.19	1.93	65%
Gross margin	20.2%	19.0%	
Operating margin	7.7%	6.7%	
Return on capital employed	33.2%	34.4%	
Working capital/Revenue	8%	7%	
Net debt/(Net cash)	(59)	(264)	

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



Lars Corneliusson
CEO

Ferronordic's positive development continued in Q1 2019.

We saw continuously strong growth in the important aftermarket, largely as a result of our efforts in digital sales support, but also thanks to our growing aftermarket business for Volvo and Renault Trucks.

For the first time we had an operating margin in a first quarter within our financial objectives of 7-9%.

Lars Corneliusson, CEO

Ferronordic's positive development continued in Q1 2019. Even though the market recovery slowed down during the period, we increased our revenue by 18%, grew our new machine sales in units by 26% and continued to gain market share. Furthermore, we saw continuously strong growth in the important aftermarket, largely as a result of our efforts in digital sales support, but also thanks to our growing aftermarket business for Volvo and Renault Trucks. In total, aftermarket sales grew by 20%. Other income, mainly consisting of contracting services, increased by 73% as we continued the ramp-up phase of our new, and to-date largest, project initiated in Q4 2018.

Due to seasonal variations, Q1 is usually rather weak in terms of revenue and earnings as demand for new machines is typically lower than in other quarters. I am therefore pleased that our operating profit for the quarter increased by 36% to SEK 56m and that the operating margin was 7.7%. For the first time we had an operating margin in a first quarter within our financial objectives of 7-9%.

Otherwise the quarter was characterised by our expansion to Kazakhstan. The new dealer agreement with Volvo CE became effective in January and at about the same time we also became dealer for Mecalac backhoe loaders in the whole country. We opened an outlet in Almaty, hired mechanics and other personnel and started servicing existing Volvo CE machines in the country. In April, the first Volvo CE machines were delivered since we took over the dealership - in total eight articulated haulers and two excavators. The start-up process continues according to plan.

We also continued our work to develop and broaden our customer offering. We launched a new business of purchasing, restoring and selling used trucks, mainly from Volvo and Renault. The business is still small but has potential to grow. Furthermore, we will invest SEK 35m in a remanufacturing centre for engines and gearboxes, both from Volvo CE machines as well as trucks from Volvo and Renault. Over time, it is expected that the new business could represent about 3-5% of Ferronordic's total revenue.

Despite the fact that the recent strong market recovery slowed down during the quarter, we believe that the market will grow during the rest of 2019, although not at the same pace as in 2017 and 2018. In a longer perspective, we remain optimistic as the long-term fundamentals in the machine markets in Russia and Kazakhstan remain strong. The optimism is underpinned by signs that the Russian government is trying to support economic growth by increased infrastructure spending, as indicated in the President's May Decree.

Comments on the interim report

The result for the quarter increased by 54% to SEK 46m.

Revenue during the quarter amounted to SEK 723m – 18% higher than during Q1 2018 (until now our strongest first quarter in terms of revenue). Gross margin increased to 20.2%, mainly thanks to strong growth in aftermarket sales (20% increase). Operating profit amounted to SEK 56m – 36% better than Q1 2018 (until now our strongest first quarter in terms of operating profit). Operating profit was negatively affected by a provision for expected credit losses of SEK 4m relating to one specific customer. The result for the quarter amounted to SEK 46m (SEK 30m) – 54% higher than Q1 2018 (supported by favourable currency movements).

New machine sales in units grew by 26%, and we continued to gain market share.

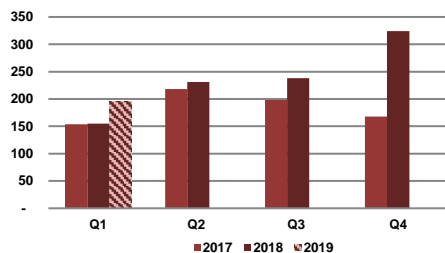
The Russian construction equipment market continued to recover during the quarter but at slower pace than in 2017 and 2018. For our main Volvo CE products (measured in units), the market grew by approx. 5%. Thus, as our new machine sales in units grew by 26%, we continued to gain market share.

Russia's economy continued to recover during the quarter, although moderately and patchy. At the moment, most forecasts predict that Russia's GDP will grow about 1.4%-1.5% in 2019, supported by a strong oil price but negatively affected by the continuously poor geopolitical situation and the threat of additional sanctions. At the same time, the signals remain that the government is trying to support economic growth by increased infrastructure spending. Some details on the so-called "national projects" emanating from the President's May Decree have been presented, but we do not expect these projects to affect the economy, nor the construction equipment market, until earliest 2020.

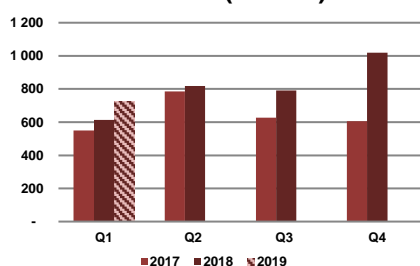
Inflation in March amounted to 5.3%, the highest level since December 2016, but somewhat lower than expected. The increased inflation was partly caused by an increase of the VAT rate in January 2019 from 18% to 20%. At its latest meeting in April, the Central Bank decided to leave the key rate at 7.75% (unchanged since December 2018).

During the quarter, the oil price strengthened from USD 54/barrel to USD 68/barrel. At the same time, the RUB strengthened against the SEK by nearly 10%, from 7.74 at the beginning of quarter to 6.97 at the end of the quarter.

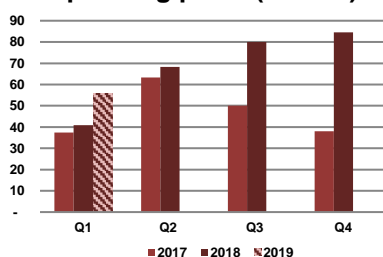
New machines (units sold)



Revenue (SEK m)



Operating profit (SEK m)



Revenue

Revenue increased by 18% during the quarter to SEK 723m (SEK 614m) (21% in local currency). Equipment sales increased by 12% and aftermarket sales by 20% (15% and 23%, respectively, in local currency). Other revenue, mainly consisting of contracting services, increased by 73% (77% in local currency).

Gross profit and operating profit

Gross profit for the quarter amounted to SEK 146m (SEK 117m), an increase of 25% compared to the same period last year. The increase was a result of the higher revenue and improved gross margin (20.2% compared to 19.0% in Q1 2018). The margin improvement was largely a result of the strong growth in the aftermarket sales, partly thanks to the growing aftermarket business for Volvo and Renault Trucks.

Operating profit for the quarter improved by 36% to SEK 56m (SEK 41m). The increase is a direct result of higher gross profit, offset by higher administrative and selling expenses as well as a provision for expected credit losses of SEK 4m related to one specific customer, reported in other expenses. Administrative and selling expenses as a percentage of revenue came down from 12.2% in Q1 2018 to 11.9%. Operating margin increased from 6.7% to 7.7%. This was the first time that the operating margin was within our financial objective of 7-9% for a first quarter.

Result

The result before income tax for the quarter increased to SEK 58m (SEK 39m). The result before income tax was positively affected by increased finance income as well as foreign exchange gains (net) of SEK 8m (compared to foreign exchange losses (net) of SEK 1m during Q1 2018). However, the result before income tax was negatively affected by higher finance costs, partly due to IFRS 16. The result for the quarter increased by 54% to SEK 46m (SEK 30m).

Earnings per ordinary share

Earnings per ordinary share for the quarter amounted to SEK 3.19 (SEK 1.93).

Cash flows

Cash flows from operating activities during the quarter amounted to SEK -116m

Cash flows from operating activities during the quarter amounted to SEK -116m (SEK -24m). The decrease was due to higher inventories, partly offset by the improved result for the quarter and increased payables. Cash flows from investing activities amounted to SEK -19m (SEK -19m), mainly consisting of purchases of machines for contracting services and rental fleet, as well as cars.

Financial position

Cash and cash equivalents at 31 March 2019 amounted to SEK 402m, an increase of approx. SEK 45m compared to the end of 2018.

Equity at 31 March 2019 amounted to SEK 758m, an increase of SEK 103m compared to 31 December 2018.

Interest-bearing liabilities (including leases) amounted to SEK 342m, an increase of SEK 289m compared to the end of 2018. The increase was partly due to the fact that we chose to utilise RUB credit in Russia rather than exchanging and transferring funds from Sweden. The increase also includes lease liabilities of SEK 76m added due to IFRS 16.

Property, plant and equipment increased by SEK 108m during the quarter, of which SEK 75m were right-to-use assets added as a result of IFRS 16. The remainder was mainly additional machines for contracting services and rental, as well as cars.

Equity at 31 March 2019 amounted to SEK 758m, an increase of SEK 103m compared to 31 December 2018. The increase was the result of positive result for the period as well as positive foreign exchange differences of SEK 56m.

Employees

The number of employees at the end of the quarter, converted to full-time equivalent employees, was 1,096. This represents an increase of 64 employees compared to the end of 2018 and 241 more than at the end of Q1 2018. Most new employees were employees in Kazakhstan or machine operators in contracting services.

Parent company

The revenue of the parent company during the quarter increased to SEK 37m (SEK 33m), due to increased intra-group sales of machines and parts from Dressta, Rottne and Mecalac. Administrative expenses amounted to SEK 3m (SEK 3m). The result for the quarter decreased to SEK 5m (SEK 6m), mainly due to lower finance income following the repayment of intragroup loans in Q4 2018, offset by an increase in foreign exchange gains (net).

Risks and uncertainties

As described in the 2018 annual report, Ferronordic is exposed to a number of risks. There have been no significant changes to what was stated in the 2018 annual report. The parent company is indirectly subject to the same risks and uncertainties as the Group.

Kazakhstan

The new agreement with Volvo CE concerning Kazakhstan became effective in January. About the same time, Ferronordic became dealer for Mecalac backhoe loaders also in Kazakhstan. During the quarter, the focus has been on hiring mechanics in order to start supporting the existing population of Volvo CE machines in the country. A first location was established in Almaty which will be followed by further outlets around the country. In April, the first Volvo CE machines were delivered since Ferronordic took over the distribution in the country. The establishment proceeds according to plan.

New agreement with Volvo CE concerning Kazakhstan effective in January. Establishment proceeds according to plan.

Used trucks

During the quarter, a new business was launched where Ferronordic purchases, restores and resells used trucks, in particular from Volvo and Renault. The business will also handle sales of service vans that have been used by Ferronordic's mechanics. The business is still small but has potential to grow.

New business started within used trucks, mainly from Volvo and Renault. The business is still small but has potential to grow.

Annual report 2018 and AGM 2019

Ferronordic's annual report for 2018 was published on 15 April 2019. The annual general meeting in Ferronordic Machines AB (publ) will take place today, 14 May 2019. Notice for the meeting was given on 15 April 2019 and has been available on the website.

Dividends

The Board has proposed that the AGM resolve upon an ordinary dividend and an extraordinary dividend of SEK 3.75 per share each, i.e. in total SEK 7.50 per share. Record date for the dividend is 16 May 2019. The proposed dividend would be paid on or around 21 May 2019.

Events after the reporting date

Erik Danemar appointed new CFO, Investor Relations Director and member of Group management.

In April, it was announced that Ferronordic had appointed Erik Danemar as new CFO, Investor Relations Director and member of Group management, effective from 31 May 2019.

Ferronordic to invest SEK 35m in remanufacturing centre for engines and gearboxes.

In May it was announced that Ferronordic intends to invest SEK 35m in a remanufacturing centre for engines and gearboxes. The centre will be located in Ekaterinburg and is expected to become operational by the end of Q1 2020. The centre will be used to remanufacture engines and gearboxes for both Volvo CE machines and trucks from Volvo and Renault. Remanufactured engines and gearboxes will then be sold to customers with a warranty from Ferronordic, or be used by Ferronordic in “Volvo Certified Rebuild”. The investment relates to purchases of machines, tools and equipment needed for the centre as such. Further, in order to build an initial inventory of used components, we will also purchase new engines and gear boxes that will be sold to customers through trade-in deals. Land and building will be leased. The investment is expected to have a certain negative impact on profitability and cash flows during 2019 and 2020, but is expected to contribute positively to the business from 2021. Over time, it is expected that the new business could represent about 3-5% of Ferronordic’s total revenue.

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

Outlook

In a longer perspective, we remain optimistic as the long-term fundamentals in the machine markets in Russia and Kazakhstan remain strong.

Despite the fact that the recent strong market recovery slowed down during the quarter, we still believe that the market will continue to recover during the rest of 2019, although not at the same pace as in 2017 and 2018. In a longer perspective, we remain optimistic as the long-term fundamentals in the machine markets in Russia and Kazakhstan remain strong. The optimism is underpinned by signs that the Russian government is trying to support economic growth by increased infrastructure spending, as indicated in the President’s May Decree.

Presentation of the report

Ferronordic invites investors, analysts and the media to a presentation where CEO Lars Corneliusson comments on the report. The presentation will be held on 14 May 2019 at 10:00 CET and can be followed via telephone conference or audiocast. The report is published on 14 May 2019 at 07.30 CET and is 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.

Dial-in numbers:

- Sweden: +46 8 5055 83 68
- UK: +44 3333 009 266
- Russia: 8 800 500 0133
- US: +1 833 526 8383
- Switzerland: +41 2 2567 5632
- Germany: +49 69 222 220 377

The presentation can also be viewed live at <https://tv.streamfabriken.com/ferronordic-machines-q1-2019>

Condensed Consolidated Statement of Comprehensive Income

	Q1 2019 SEK '000	Q1 2018 SEK '000
Revenue	722 891	613 710
Cost of sales	(576 674)	(496 906)
Gross profit	146 217	116 804
Selling expenses	(38 593)	(31 779)
General and administrative expenses	(47 587)	(43 203)
Other income	2 354	1 883
Other expenses	(6 641)	(2 766)
Operating profit	55 750	40 939
Finance income	2 448	1 284
Finance costs	(7 934)	(2 731)
Foreign exchange gains/(-losses) (net)	8 193	(906)
Result before income tax	58 457	38 586
Income tax	(12 141)	(8 524)
Result for the period	46 316	30 062
Other comprehensive result		
<i>Items that are or may be reclassified to profit or loss:</i>		
Foreign currency translation differences for foreign operations	56 203	5 514
Other comprehensive result for the period, net of tax	56 203	5 514
Total comprehensive result for the period	102 519	35 576
Earnings per ordinary share		
Basic and diluted earnings per share (SEK)	3.19	1.93

Condensed Consolidated Statement of Financial Position

	31 March 2019 SEK '000	31 December 2018 SEK '000	31 March 2018 SEK '000
ASSETS			
Non-current assets			
Property, plant and equipment	370 705	262 824	158 873
Intangible assets	6 982	6 133	5 356
Deferred tax assets	41 330	40 594	38 091
Total non-current assets	419 017	309 551	202 320
Current assets			
Inventories	1 294 969	740 843	690 513
Trade and other receivables	358 367	318 684	258 400
Prepayments	20 221	1 634	2 054
Cash and cash equivalents	401 853	356 589	305 705
Total current assets	2 075 410	1 417 750	1 256 672
TOTAL ASSETS	2 494 427	1 727 301	1 458 992
EQUITY AND LIABILITIES			
Equity			
Share capital	1 297	1 297	1 303
Additional paid in capital	612 136	612 136	692 204
Translation reserve	(158 467)	(214 670)	(154 702)
Retained earnings	257 177	48 061	77 787
Result for the period	46 316	209 116	30 062
TOTAL EQUITY	758 459	655 940	646 654
Non-current liabilities			
Deferred income	1 995	2 358	454
Deferred tax liabilities	1 114	1 094	830
Long-term lease liabilities	78 483	27 881	20 435
Total non-current liabilities	81 592	31 333	21 719
Current liabilities			
Borrowings	214 988	-	-
Trade and other payables	1 361 681	982 273	744 940
Deferred income	14 882	14 820	12 390
Provisions	13 880	17 041	12 237
Short-term lease liabilities	48 945	25 894	21 052
Total current liabilities	1 654 376	1 040 028	790 619
TOTAL LIABILITIES	1 735 968	1 071 361	812 338
TOTAL EQUITY AND LIABILITIES	2 494 427	1 727 301	1 458 992

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 2019	1 297	612 136	(214 670)	257 177	655 940
Total comprehensive result for the period					
Result for the period				46 316	46 316
Other comprehensive result					
Foreign exchange differences			56 203		56 203
Total comprehensive result for the period			56 203	46 316	102 519
Contribution by and distribution to owners					
Total contributions and distributions	-	-	-	-	-
Balance 31 March 2019	1 297	612 136	(158 467)	303 493	758 459

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				30 062	30 062
Other comprehensive result					
Foreign exchange differences			5 514		5 514
Total comprehensive result for the period			5 514	30 062	35 576
Contribution by and distribution to owners					
Total contributions and distributions	-	-	-	-	-
Balance 31 March 2018	1 303	692 204	(154 702)	107 849	646 654

Condensed Consolidated Statement of Cash Flows

	Q1 2019 SEK '000	Q1 2018 SEK '000
Cash flows from operating activities		
Result before income tax	58 457	38 586
Adjustments for:		
Depreciation and amortisation	26 156	7 160
(Gain)/loss from impairment of receivables	4 858	816
Profit on disposal of property, plant and equipment	(155)	-
Finance costs	7 934	2 731
Finance income	(2 448)	(1 284)
Foreign exchange losses/(-gains) (net)	(8 193)	906
Cash flows from operating activities before changes in working capital and provisions	86 609	48 915
Change in inventories	(461 065)	(50 142)
Change in trade and other receivables	(9 947)	(14 034)
Change in prepayments	(17 859)	1 054
Change in trade and other payables	298 513	1 715
Change in provisions	(4 886)	(1 067)
Change in deferred income	(2 126)	232
Cash flows from operations before interest and tax paid	(110 761)	(13 327)
Income tax paid	2 375	(7 495)
Interest paid	(7 253)	(2 731)
Cash flows from operating activities	(115 639)	(23 553)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1 438	719
Interest received	2 448	1 284
Acquisition of property, plant and equipment	(22 100)	(21 453)
Acquisition of intangible assets	(544)	1
Cash flows from investing activities	(18 758)	(19 449)
Cash flows from financing activities		
Proceeds from borrowings	233 614	-
Repayment of loans	(25 030)	-
Lease financing paid	(12 907)	(5 727)
Cash flows from financing activities	195 677	(5 727)
Net change in cash and cash equivalents	61 280	(48 729)
Cash and cash equivalents at start of the period	356 589	352 238
Effect of exchange rate fluctuations on cash and cash equivalents	(16 016)	2 196
Cash and cash equivalents at end of the period	401 853	305 705

Key Ratios

	Q1 2019	Q1 2018
New units sold	196	155
Revenue, SEK'000	722 891	613 710
Revenue growth, %	17.8%	11.5%
Gross margin, %	20.2%	19.0%
EBITDA, SEK'000	81 906	48 099
EBITDA margin, %	11.3%	7.8%
Results from operating activities, SEK'000	55 750	40 939
Operating margin, %	7.7%	6.7%
Result for the period, SEK'000	46 316	30 062
Undiluted earnings per ordinary share, SEK	3.19	1.93
Diluted earnings per ordinary share, SEK	3.19	1.93
Net debt/(cash), SEK'000	(59 437)	(264 218)
Net debt/EBITDA, x	(0.2)	(1.2)
Capital employed, SEK'000	1 100 875	688 141
Return on capital employed, %	33.2%	34.4%
Working capital, SEK'000	283 114	181 400
Working capital/Revenue, %	8%	7%
No. of employees at close of period	1 096	855

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

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

Parent Company Income Statement

	Q1 2019 SEK '000	Q1 2018 SEK '000
Revenue	36 758	32 899
Cost of sales	(32 729)	(28 856)
Gross profit	4 030	4 043
Administrative expenses	(2 658)	(2 716)
Operating profit	1 371	1 327
Finance income	2	4 902
Finance costs	(45)	(1 250)
Foreign exchange gains/(-losses) (net)	4 440	2 652
Result before income tax	5 768	7 631
Income tax	(1 242)	(1 686)
Result for the period	4 526	5 945

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

Parent Company Balance Sheet

	31 March 2019 SEK '000	31 December 2018 SEK '000	31 March 2018 SEK '000
ASSETS			
Non-current assets			
Intangible assets	942	721	-
Property, plant and equipment	2	4	8
Financial assets			
Holdings in group companies	207 634	193 610	193 519
Loans to group companies	-	-	209 424
Deferred tax assets	16 091	17 333	19 205
Total financial assets	223 725	210 943	422 148
Total non-current assets	224 669	211 667	422 156
Current assets			
Trade and other receivables	55 260	53 250	73 292
Prepayments	992	1 075	1 214
Cash and cash equivalents	110 681	126 390	76 075
Total current assets	166 933	180 715	150 581
TOTAL ASSETS	391 602	392 382	572 738
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	1 297	1 297	1 303
Unrestricted equity			
Share premium reserve	622 148	622 148	702 216
Retained earnings	(272 911)	(281 878)	(252 152)
Result for the period	4 526	8 967	5 945
TOTAL EQUITY	355 060	350 534	457 313
Current liabilities			
Borrowings	-	-	50 930
Trade and other payables	36 542	41 848	64 495
Total current liabilities	36 542	41 848	115 425
TOTAL LIABILITIES	36 542	41 848	115 425
TOTAL EQUITY AND LIABILITIES	391 602	392 382	572 738

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.

Since 1 January 2019, Ferronordic applies the new accounting standard for leases, IFRS 16 *Leases*. For transition purposes, modified retrospective method has been used, meaning that the effect of the new standard has been recognised in the opening balance on 1 January 2019 without restatement of the comparative. Right-of-use assets are recognised at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Ferronordic has used the transition exempt rule under IFRS 16 not to make any new assessment if a contract is or contains parts that constitute a lease and has therefore applied the standard for all contracts that have previously been identified as leases. Ferronordic has also applied the exempt rule to exclude initial direct costs when calculating the right-of-use asset.

As of 1 January 2019, new leases are accounted for according to the requirements of IFRS 16. This means that leases are reported as right-of-use assets and corresponding lease liabilities on the commencement day of the lease. Each lease payment is divided between a repayment of the lease liability and an interest expense. The interest expense is distributed over the lease term so that each accounting period is expensed with an amount corresponding to a fixed interest rate for the liability recognised during the respective period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the length of the lease. Assets and liabilities arising from leases are initially recognised at present value, discounted at the implicit interest rate if that rate can be determined, and otherwise at the Group's incremental borrowing rate. The incremental borrowing rate is decided based on contract length and contract transaction currency. Payments for short-term contracts and leases of low value are expensed on a straight-line basis in the income statement. Short-term contracts are contracts with a term of 12 months or less. Contracts of low value include various IT-equipment and smaller office furniture.

As of 1 January 2019, Ferronordic recognised right-of-use assets and corresponding lease liabilities of SEK 67m (of which SEK 48m were allocated to long-term lease liabilities and SEK 19m were allocated to short-term lease liabilities). As of 31 March 2019, right-of-use assets amounted to SEK 75m and corresponding lease liabilities amounted to SEK 76m (SEK -1m was recognised in retained earnings).

If previous accounting principles for leases (IAS 17) had been applied for the quarter, gross profit would be SEK 0.4m lower, operating profit would be SEK 1.0m lower, finance expenses SEK 1.9m lower and profit before income tax SEK 0.9m higher. EBITDA would have been SEK 7.1m lower. Cash flows from operating activities would have been SEK 5.2m lower while cash flows from financing activities would have been SEK 5.2m higher.

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

Except as described above, the same accounting and valuation principles were applied in the preparation of this report as in the preparation of the 2018 annual report (with regard to the 2018 financial year).

2. Determination of fair values

The basis for determination of fair value of financial assets and liabilities is disclosed in note 5 in the 2018 annual report. The fair values of the Group's financial assets and liabilities approximate their respective carrying amounts.

3. Seasonal Variations

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

4. Ferronordic 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 and revenue

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.

Disaggregation of revenue	Q1	Q1
	2019	2018
	SEK '000	SEK '000
Equipment sales	449 941	402 629
Aftermarket sales	208 491	173 742
Other revenue	64 459	37 339
Total revenues	722 891	613 710
<hr/>		
Total delivery volume, units		
New units	196	155
Used units	27	33
Total units	223	188
<hr/>		
EBITDA	Q1	Q1
	2019	2018
	SEK '000	SEK '000
EBITDA	81 906	48 099
Depreciation and amortisation	(26 156)	(7 160)
Foreign exchange gains/(-losses) (net)	8 193	(906)
Finance income	2 448	1 284
Finance costs	(7 934)	(2 731)
Result before income tax	58 457	38 586
Income tax	(12 141)	(8 524)
Result for the period	46 316	30 062

Depreciation and amortisation in Q1 2019 included depreciation of lease assets of SEK 6m as a result of IFRS 16.

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

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

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 2018 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 (all preference shares were redeemed in May 2018), divided by the average number of ordinary shares outstanding.

	Q1 2019 SEK '000	Q1 2018 SEK '000
Result for the period	46 316	30 062
Dividends on preference shares	-	(2 002)
Result attributable to holders of ordinary shares	46 316	28 060
Average number of ordinary shares during the period before and after dilution	14 532 434	14 532 434
Earnings per ordinary share before and after dilution	3.19	1.93

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

Stockholm, 14 May 2019

Lars Corneliusson
CEO

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

About Ferronordic

Ferronordic is the authorised dealer of Volvo Construction Equipment, Terex Trucks, Dressta, Mecalac and Rottne in Russia, and for Volvo Construction Equipment and Mecalac in Kazakhstan. In 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. It is established in all federal districts of Russia 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 2019/2020

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:

Lars Corneliusson, CEO, telephone: +46 70 494 11 22, or email: lars.corneliusson@ferronordic.com

Ferronordic Machines AB (publ)

Nybrogatan 6

114 34 Stockholm

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. The information was submitted for publication on 14 May 2019, 07:30 CET.

Financial information for individual quarters

The financial information below regarding individual quarters during the period 1 January 2017 – 31 March 2019 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 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
SEK m (if not stated otherwise)									
Revenue	550	785	626	606	614	817	791	1,019	723
Result for the period	30	51	43	28	30	54	61	64	46
Basic and diluted earnings per share (SEK)	1.60	3.61	2.77	0.52	1.93	2.71	4.17	4.40	3.19

Key ratios not defined according to IFRS

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
SEK m (if not stated otherwise)									
New units sold (units)	154	218	198	168	155	231	238	324	196
Revenue growth (%)	78%	94%	54%	13%	11%	4%	26%	68%	18%
Gross margin (%)	19.9%	18.7%	19.2%	18.4%	19.0%	19.3%	20.3%	17.6%	20.2%
EBITDA	45	67	56	46	48	77	91	105	82
EBITDA margin (%)	8.1%	8.6%	9.0%	7.5%	7.8%	9.5%	11.5%	10.3%	11.3%
Results from operating activities	37	62	50	38	41	68	80	84	56
Operating margin (%)	6.8%	7.9%	8.0%	6.2%	6.7%	8.3%	10.1%	8.3%	7.7%
Net debt/(Net cash)	(216)	(293)	(381)	(312)	(264)	(204)	(298)	(303)	(59)
Net debt/EBITDA (x)	(1.3x)	(1.4x)	(1.8x)	(1.5x)	(1.2x)	(0.9x)	(1.1x)	(0.9x)	(0.2x)
Capital employed	502	479	520	651	688	630	654	710	1,101
Return on capital employed (%)	35%	43%	42%	36%	34%	37%	40%	41%	33%
Working capital	81	(18)	(68)	117	181	162	64	47	283
Working capital/Revenue (%)	4%	(1%)	(3%)	5%	7%	6%	2%	1%	8%

Reconciliation of key ratios

The tables below show reconciliations of certain important key ratios.

Net debt/ (Net cash)

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
SEK m (if not stated otherwise)									
Long term interest bearing liabilities	16	22	26	22	20	23	17	28	78
Short term interest bearing liabilities	12	15	18	19	21	23	23	26	264
Total interest bearing liabilities	29	37	44	40	41	46	40	54	342
Cash & cash equivalents	245	330	425	352	306	250	338	357	402
Net debt/(Net cash)	(216)	(293)	(381)	(312)	(264)	(204)	(298)	(303)	(59)
Net debt/EBITDA (x)	(1.3)	(1.4)	(1.8)	(1.5)	(1.2)	(0.9)	(1.1)	(0.9)	(0.2)

Capital employed

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
SEK m (if not stated otherwise)	2017	2017	2017	2017	2018	2018	2018	2018	2019
Long term interest bearing liabilities	16	22	26	22	20	23	17	28	78
Short term interest bearing liabilities	12	15	18	19	21	23	23	26	264
Shareholder equity	473	441	476	611	647	584	614	656	758
Capital employed	502	479	520	651	688	630	654	710	1,101
Average capital employed	444	438	481	560	595	554	587	681	895
Return on capital employed (%)	35%	43%	42%	36%	34%	37%	40%	41%	33%

Working capital

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
SEK m (if not stated otherwise)	2017	2017	2017	2017	2018	2018	2018	2018	2019
Inventory	565	515	601	633	691	712	755	741	1,295
Trade and other receivables	255	254	206	243	258	353	271	319	358
Prepayments	3	4	3	3	2	2	2	2	20
Trade and other payables	726	769	853	737	745	877	935	982	1,362
Deferred income	6	7	10	12	12	14	14	15	15
Provisions	10	14	14	13	12	14	15	17	14
Working capital	81	(18)	(68)	117	181	162	64	47	283
Working capital / Revenue (%)	4%	(1%)	(3%)	5%	7%	6%	2%	1%	8%

Definitions of and purposes of 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, amortisation and write-downs.

Provides a measurement of the result from the ongoing business.

EBITDA margin: EBITDA in relation to revenue.

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

Operating profit: Result before financial items and taxes.

Provides a measurement of the result from the ongoing business.

Operating margin: Operating profit in relation to revenue.

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

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

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

Net debt/EBITDA: Net debt / (net cash) in relation to EBITDA 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: Operating profit plus financial income (for the last twelve months) in relation to capital employed (average during the last twelve months).

Shows how effectively the capital employed is used.

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

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

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

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