



Interim report January – September 2019

Record strong third quarter

Growth in contracting services boosts revenue and margins

Best operating result to-date for a single quarter

Improving cash flows and declining inventory

Intention to expand into Germany

Selected key ratios

SEK M	Q3 2019	Q3 2018	%	9M 2019	9M 2018	%
Revenue	964	791	22%	2 787	2 222	25%
Operating profit	109	80	36%	262	189	39%
Result for the period	74	61	22%	193	145	33%
Earnings per ordinary share	5.09	4.17	22%	13.31	8.82	51%
Gross margin	21.4%	20.3%		20.6%	19.6%	
Operating margin	11.3%	10.1%		9.4%	8.5%	
Return on capital employed	34%	40%		34%	40%	
Working capital / Revenue	18%	2%		18%	2%	
Net debt / (cash)	411	-298		411	-298	

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

Lars Corneliusson, CEO

**Lars Corneliusson**
CEO

A more than threefold increase in other revenue contributed to the 22% Y-o-Y revenue growth to SEK 964m and supported higher margins

Operating profit improved by 36% to SEK 109m

Cash flows from operations before taxes and interest grew to SEK 146m

Net debt declined and is expected to continue to decrease in Q4 2019

Looking forward into the rest of 2019 and 2020, we believe that the market will continue to recover at about the same pace as previously in 2019

Q3 2019 was a busy and eventful quarter. The market for our main product groups in Russia grew by around 5% and we saw continued growth in both equipment and aftermarket sales. Meanwhile, our investments into contracting services yielded results, with other revenue (predominantly contracting services) growing by as much as 224% compared to Q3 2018. As a result, total revenue grew by 22% to SEK 964m, our highest third quarter revenue to-date.

The growth in contracting services had a positive effect on profitability and earnings. Operating margin grew by 1.1pp to 11.3%. Operating profit improved by 36% to SEK 109m and net income improved to SEK 74m. Both operating profit and net income were the highest to-date for a single quarter.

The process of transferring responsibility for importing machines and parts to Russia from Volvo CE to Ferronordic was finalized during the quarter as Ferronordic acquired Volvo CE's remaining parts inventory in Moscow. Cash flows from operations before taxes and interest grew to SEK 146m as earnings improved and receivables and inventories declined compared to the previous quarter. However, as payables decreased in pace with inventories and receivables, working capital as a percentage of last twelve months revenue remained at 18%. Net debt declined by SEK 36m to SEK 411m and is expected to decrease further in Q4.

During the third quarter we also announced our intention to become dealer for Volvo and Renault Trucks in Germany. If the proposed transactions are completed as planned, Ferronordic would take over operations at eleven locations in Germany and become responsible for a sales area corresponding to approx. 20% of the German market for heavy trucks. This expansion is part of our strategic objective to grow into new markets. We see potential to apply our business model to grow revenue and profitability at the new sites. We are very excited about this opportunity.

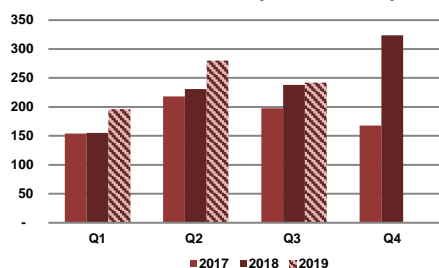
The expansion into Germany does not mean that we will reduce our efforts to develop and grow our business in Russia and Kazakhstan. The establishment in Kazakhstan continues according to plan. We now operate in seven locations and continue to expand our presence across the country. In parallel we continue the preparations for the component rebuild centre, expected to open in Q1 2020.

Looking forward into the rest of 2019 and 2020, we believe that the market will continue to recover at about the same pace as previously in 2019, with potential for additional growth if the implementation of the so-called National Projects picks up speed. In a longer perspective, we remain optimistic as the long-term fundamentals in the machine markets in Russia and Kazakhstan are strong.

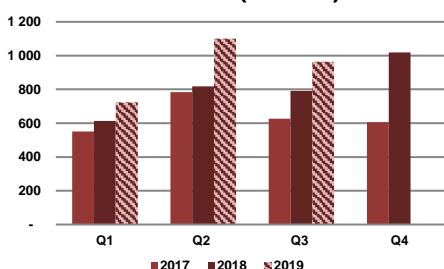
Comments on the interim report

Revenue during the quarter grew 22% Y-o-Y and amounted to SEK 964m

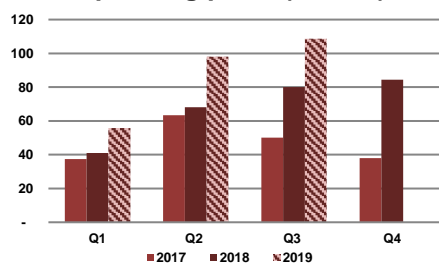
New machines (units sold)



Revenue (SEK m)



Operating profit (SEK m)



Operating profit for the quarter improved by 36% to SEK 109m

Revenue during the quarter grew 22% Y-o-Y and amounted to SEK 964m. Gross margin improved 1.1pp to 21.4%, mainly as a result of growth in contracting services.

As a percent of revenue, selling, general and administrative expenses were largely unchanged and the operating margin grew 1.1pp to 11.3%. Operating profit amounted to SEK 109m, up 36% Y-o-Y. The result was negatively affected by higher finance costs, partly offset by favourable currency movements. The result for the quarter amounted to SEK 74m, 22% higher than Q3 2018.

The market for our main products, measured in units, expanded by approx. 5% compared to Q3 2018. Our new machine sales in units grew by 2%.

During the first nine months, the market for our main products, measured in units, also increased by around 5% compared to the same period 2018. Our own new machine sales in units expanded by 15%.

Revenue

Revenue increased by 22% Y-o-Y in the third quarter to SEK 964m (SEK 791m) (12% in local currency). Equipment sales and aftermarket sales increased by 10% and 13%, respectively (2% and 4% in local currency), while other revenue, mainly consisting of contracting services, increased by as much as 224%.

During the first nine months, revenue increased by 25% Y-o-Y to SEK 2,787m (SEK 2,222m) (21% in local currency). Equipment sales increased by 19% while aftermarket sales increased by 15% (14% and 11%, respectively, in local currency). Other revenue, mainly consisting of contracting services, increased by 189%.

Gross profit and operating profit

Gross profit for the quarter amounted to SEK 206m (SEK 160m), an increase of 29% compared to Q3 2018. The increase was a result of the higher revenue and improved gross margin (21.4% compared to 20.3% in Q3 2018). The margin improvement was mainly a result of growth in contracting services.

Operating profit for the quarter improved by 36% Y-o-Y to SEK 109m (SEK 80m). The increase was a result of the improved gross profit, offset by higher selling and administrative expenses. These expenses grew in absolute terms on higher sales and personnel expenses, but remained largely unchanged as a percentage of revenue (10.0% in Q3 2019 to 9.9% in Q3 2018). The operating margin increased from 10.1% to 11.3%, mainly as a result of the growth in contracting services.

Gross profit for the first nine months amounted to SEK 573m (SEK 435m), an increase of 32% Y-o-Y. The gross margin

increased from 19.6% during the first nine months of 2018 to 20.6% during the same period of 2019, positively impacted by growing aftermarket sales and contracting services.

Operating profit for the first nine months increased by 39%

Operating profit for the first nine months increased by 39% Y-o-Y to SEK 262m (SEK 189m). The increase was driven by the improved gross profit, partly offset by higher selling and administrative expenses. These expenses grew in absolute terms on sales and personnel expenses, but declined as a percentage of revenue from 10.7% in the first nine months of 2018 to 10.5% in the first nine months of 2019. Operating profit was negatively affected by a SEK 9m provision for lost machines in the rental business, reported in Q2. The operating margin for the first nine months grew from 8.5% in 2018 to 9.4% in 2019, positively impacted by growing aftermarket sales and contracting services.

Result

The result for the quarter increased by 22% to SEK 74m

Driven by the improved operating profit, the result before income tax for the quarter increased by 19% Y-o-Y to SEK 93m (SEK 78m). The result was negatively affected by increased finance costs and lower finance income, and positively affected by higher foreign exchange gains (net). The result for the quarter increased by 22% Y-o-Y to SEK 74m (SEK 61m), our highest result to-date for a single quarter.

For the first nine months of 2019, the result before income tax increased by 31% to SEK 243m (SEK 186m), partly offset by lower finance income and higher finance costs but supported by higher foreign exchange gains (net). The result for the first nine months thus increased by 33% to SEK 193m (SEK 145m).

Earnings per ordinary share

Earnings per ordinary share for the quarter amounted to SEK 5.09

Earnings per ordinary share for the quarter amounted to SEK 5.09 (SEK 4.17).

Earnings per ordinary share for the first nine months amounted to SEK 13.31 (SEK 8.82 or SEK 9.78, excluding the impact of the preference share redemption in May 2018).

Cash flows

Cash flows from operating activities after taxes and interest during the quarter decreased to SEK 95m

During the quarter, cash flows from operating activities decreased 9% Y-o-Y to SEK 95m (SEK 104m). That cash flows decreased despite the improved net result for the quarter was mainly due to a decline in payables Q-o-Q. Total inventories decreased despite an increase in parts, as Ferronordic purchased the residual parts stock from Volvo CE in Russia on the completion of the transfer of importation of machines and spare parts from Volvo. Cash flows from investing activities amounted to SEK -21m (SEK -5m), mainly due to increased investments in machines for contracting services and rental, as well as service vans.

During the first nine months of 2019, cash flows from operating activities decreased to SEK -333m (SEK 138m) despite a stronger result. The decrease was mainly due to an increase in inventories and decrease in payables. Cash flows from investing activities amounted to SEK -74m (SEK -23m), primarily due to higher investments in machines for contracting services and rental, as well as cars and service vans.

Financial position

Cash and cash equivalents amounted to SEK 210m, a decrease of SEK 147m since the end of 2018

At 30 September 2019, cash and cash equivalents amounted to SEK 210m, a decrease of SEK 147m compared to the end of 2018.

Interest-bearing liabilities (including leases) amounted to SEK 620m, an increase of SEK 567m since the end of 2018

Interest-bearing liabilities (including lease liabilities) at the end of the quarter amounted to SEK 620m, an increase of SEK 567m compared to the end of 2018. The increase was mainly due to increased working capital, but also increased investments, as well as a SEK 84m increase in lease liabilities due to the application of IFRS 16.

Property, plant and equipment increased by SEK 257m during the first nine months, of which SEK 82m 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 and service vans.

Ferronordic has previously classified specific advance payments to suppliers as trade and other receivables in the condensed consolidated statement of financial position. As Ferronordic finds it more appropriate to classify these payments as prepayments, it reclassified the amounts for the comparative periods accordingly. At 31 December 2018, trade and other receivables decreased by SEK 15m and prepayments increased by the same amount. At 30 September 2018, trade and other receivables decreased by SEK 13m and prepayments increased respectively. The Group's cash flow statement for the third quarter and nine months 2018 was adjusted correspondingly.

Equity amounted to SEK 837m, an increase of SEK 181m since the end of 2018

Equity at 30 September 2019 amounted to SEK 837m, an increase of SEK 181m compared to 31 December 2018. The increase was a result of the positive result for the period as well as positive foreign exchange differences of SEK 96m, partly offset by a dividend of SEK 109m, paid in May 2019.

Employees

The number of employees at the end of the quarter, converted to full-time equivalent employees, was 1,151. This represents an increase of 119 employees compared to the end of 2018 and 224 more than at the end of Q3 2018. Most new employees were aftermarket personnel, employees in Kazakhstan and machine operators in contracting services.

Parent company

During the quarter, the revenue of the parent company decreased to SEK 30m (SEK 57m) due to lower intra-group sales of machines and spare parts (partly due to the reassignment of certain parts agreements from the parent to its subsidiaries). Administrative expenses increased Y-o-Y to SEK 4m (SEK 3m), partly due to transaction costs related to the planned expansion into Germany. The result for the quarter increased to SEK 6m (SEK -3m), due to higher gross profit and foreign exchange gains (net) of SEK 1m (compared to foreign exchange losses (net) of SEK -11m during Q3 2018).

During the first nine months, the revenue of the parent company decreased to SEK 92m (SEK 137m) due to lower intra-group sales of machines and spare parts. Administrative expenses increased to SEK 10m (SEK 9m). The result decreased to SEK -1m (SEK 5m) due to lower finance income, partly offset by lower foreign exchange losses (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.

Expansion to Germany

On 12 September 2019, Ferronordic announced that it intends to enter into an agreement with Volvo Group Trucks Germany concerning the appointment of Ferronordic as dealer for Volvo and Renault Trucks in Germany

On 12 September 2019, Ferronordic announced that it intends to become dealer for Volvo and Renault Trucks in Germany and that it intends to acquire the operations at nine of Volvo's sites in Germany. Subsequently, on 7 October, Ferronordic announced that it intends to purchase two additional sites in Germany, currently operated by Auto-Haas GmbH, a dealer for Volvo and Renault Trucks, as well as Volvo Cars.

The purchase price to be paid to Volvo Group Trucks Germany and the current owners of Auto-Haas is expected to be approx. SEK 286m*. The transactions are expected to be financed with a loan from Nordea Bank. The transactions are expected to result in an increase of the Group's net debt of approx. SEK 400m*, partly depending on the valuation of lease liabilities according to IFRS 16.

To improve and increase the sales and service network in its sales area, Ferronordic plans to make investments into new and improved workshops. The scale and timing of the investments will depend on various factors, e.g. if new workshops will be leased or purchased, and to what extent existing facilities can be identified or whether new facilities need to be constructed.

Ferronordic sees opportunities to grow the market share of Volvo Trucks and Renault Trucks in the area

Ferronordic sees opportunities to grow the market share of Volvo Trucks and Renault Trucks in its area and expects Ferronordic's share of the total aftermarket sales (parts and

service) in the area to increase over time. As the aftermarket sales increases, the profitability of the new business is expected to improve.

In 2020, the revenue contribution from the new business is expected to be approx. SEK 1,6bn*. During the integration phase, the new business is expected to have negative impact on the Group's earnings and cash flows. Thus, in 2020, the new business is expected to have a negative impact on the Group's operating profit and net income of approx. SEK -30m* and SEK -40m*, respectively (including one-off expenses). The negative impact on operating cash flows in 2020 is expected to be approx. SEK -40m*. Earnings and operational cash flows of the new business are expected to turn positive towards the end of 2021.

The transactions remain subject to conditions, including final agreements and required approvals. For further information, please refer to the relevant press releases, referred to above.

*According to the EUR/SEK rate per 21 November 2019

Updated financial objectives

If the expansion into Germany is completed, Ferronordic's financial objective for the Group's operating margin would be changed from 7-9% to 6-8%. Other financial objectives, including the dividend policy, remain unchanged. Thus, if the transactions are completed, Ferronordic's financial objectives would be changed as follows:

- Tripling of revenue in Russia and CIS from 2016 to 2021 (unchanged for existing business)
- Operating margin of 6-8% (currently 7-9%)
- Net debt to EBITDA of 0-2 x (over a business cycle) (unchanged)

Other significant events

During the year, Volvo CE's old line of Terex-branded rigid haulers was replaced with the new series of Volvo-branded haulers. While we continue to act as aftermarket dealer for the existing population of Terex-branded rigid haulers in Russia, we are now focused on introducing the new Volvo-branded rigid haulers. During the year we also stopped being a dealer for Terex-branded articulated haulers and currently only sell and service Volvo-branded articulated haulers.

The parent company's new articles of association, including the new name Ferronordic AB, were registered by the Swedish Companies Register on 3 July 2019.

In October, Ferronordic Machines LLC entered into a new agreement with Sberbank regarding a new credit facility for RUB 1,300m

In July, Ferronordic Machines LLC entered into an agreement with Bank Otkritie regarding a new credit facility for RUB 1,000m (approx. SEK 150m). The facility is available until June 2022.

Events after the reporting date

In October, Ferronordic Machines LLC entered into an agreement with Sberbank, regarding a new credit facility for RUB 1,300m (approx. SEK 200m). The facility is available until October 2022.

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 are strong.

Looking forward into the rest of 2019 and 2020, we believe that the market will continue to recover at about the same pace as previously in 2019, with potential for additional growth if the implementation of the so-called National Projects picks up speed. In a longer perspective, we remain optimistic as the long-term fundamentals in the machine markets in Russia and Kazakhstan are strong.

Annual general meeting

The annual general meeting in Ferronordic AB (publ) (AGM) will be held in Stockholm on Wednesday, 13 May 2020. Notice to attend the AGM will be made in accordance with the articles of association around 13 April 2020.

Presentation of the report

Ferronordic invites investors, analysts and media to a presentation where CEO Lars Corneliusson and CFO Erik Danemar comment on the report. The presentation will be held on 22 November 2019 at 10:00 CET and can be followed via telephone conference or audiocast. The report is published on 22 November 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 pre-registration needed.

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

Dial-in numbers:

- Switzerland: +41 225 805 976
- Germany: +49 691 380 34 52
- Russia: 8800 500 01 33
- Sweden: +46 8 505 583 54
- United Kingdom: +44 333 300 90 35
- United States: +1 833 526 83 84

The presentation can also be viewed live at <https://tv.streamfabriken.com/ferronordic-q3-2019>

Condensed Consolidated Statement of Comprehensive Income

	Q3 2019 SEK '000	Q3 2018 SEK '000	Nine months 2019 SEK '000	Nine months 2018 SEK '000
Revenue	964 124	791 148	2 787 005	2 222 331
Cost of sales	(757 920)	(630 824)	(2 213 751)	(1 787 610)
Gross profit	206 204	160 324	573 254	434 721
Selling expenses	(37 867)	(32 607)	(122 961)	(99 913)
General and administrative expenses	(58 147)	(46 056)	(170 398)	(137 958)
Other income	1 818	1 894	4 779	4 272
Other expenses	(3 383)	(3 499)	(22 209)	(11 927)
Operating profit	108 625	80 056	262 465	189 195
Finance income	1 364	2 046	5 610	4 382
Finance costs	(19 028)	(2 113)	(38 740)	(6 854)
Foreign exchange gains/(-losses) (net)	1 665	(2 144)	14 061	(779)
Result before income tax	92 626	77 845	243 396	185 944
Income tax	(18 635)	(17 191)	(50 032)	(40 761)
Result for the period	73 991	60 654	193 364	145 183
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	21 317	(30 879)	96 452	(32 585)
Other comprehensive result for the period, net of tax	21 317	(30 879)	96 452	(32 585)
Total comprehensive result for the period	95 308	29 775	289 816	112 598
Earnings per ordinary share				
Basic and diluted earnings per share (SEK)	5.09	4.17	13.31	8.82

Condensed Consolidated Statement of Financial Position

	30 September 2019 SEK '000	31 December 2018 SEK '000	30 September 2018 SEK '000
ASSETS			
Non-current assets			
Property, plant and equipment	519 356	262 824	206 331
Intangible assets	8 255	6 133	5 995
Deferred tax assets	55 999	40 594	41 376
Total non-current assets	583 610	309 551	253 702
Current assets			
Inventories	1 168 395	740 843	755 499
Trade and other receivables	350 817	303 205	257 997
Prepayments	30 563	17 113	14 086
Cash and cash equivalents	209 793	356 589	337 755
Total current assets	1 759 568	1 417 750	1 365 337
TOTAL ASSETS	2 343 178	1 727 301	1 619 039
EQUITY AND LIABILITIES			
Equity			
Share capital	1 297	1 297	1 297
Additional paid in capital	612 136	612 136	612 136
Translation reserve	(118 218)	(214 670)	(192 801)
Retained earnings	148 184	48 061	48 061
Result for the period	193 364	209 116	145 183
TOTAL EQUITY	836 763	655 940	613 876
Non-current liabilities			
Deferred income	9 487	2 358	433
Deferred tax liabilities	1 304	1 094	907
Long-term lease liabilities	142 424	27 881	16 894
Total non-current liabilities	153 215	31 333	18 234
Current liabilities			
Borrowings	396 766	-	-
Trade and other payables	829 549	982 273	934 918
Deferred income	23 003	14 820	14 162
Provisions	22 686	17 041	14 976
Short-term lease liabilities	81 196	25 894	22 873
Total current liabilities	1 353 200	1 040 028	986 929
TOTAL LIABILITIES	1 506 415	1 071 361	1 005 163
TOTAL EQUITY AND LIABILITIES	2 343 178	1 727 301	1 619 039

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				193 364	193 364
Other comprehensive result					
Foreign exchange differences			96 452		96 452
Total comprehensive result for the period			96 452	193 364	289 816
Contribution by and distribution to owners					
Dividend on ordinary shares				(108 993)	(108 993)
Total contributions and distributions	-	-	-	(108 993)	(108 993)
Balance 30 September 2019	1 297	612 136	(118 218)	341 548	836 763

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				145 183	145 183
Other comprehensive result					
Foreign exchange differences			(32 585)		(32 585)
Total comprehensive result for the period			(32 585)	145 183	112 598
Contribution by and distribution to owners					
Redemption of preference shares	(6)	(80 068)			(80 074)
Dividend on preference shares				(4 585)	(4 585)
Dividend on ordinary shares				(25 141)	(25 141)
Total contributions and distributions	(6)	(80 068)	-	(29 726)	(109 800)
Balance 30 September 2018	1 297	612 136	(192 801)	193 244	613 876

Condensed Consolidated Statement of Cash Flows

	Q3 2019 SEK '000	Q3 2018 SEK '000	9 months 2019 SEK '000	9 months 2018 SEK '000
Cash flows from operating activities				
Result before income tax	92 626	77 845	243 396	185 944
Adjustments for:				
Depreciation and amortisation	41 624	11 022	95 274	27 450
(Gain)/loss from impairment of receivables	2 613	119	8 916	3 495
Profit on disposal of property, plant and equipment	(767)	(920)	7 894	(920)
Finance costs	19 028	2 113	38 740	6 854
Finance income	(1 364)	(2 046)	(5 610)	(4 382)
Foreign exchange losses/(gains) (net)	(1 665)	2 144	(14 061)	779
Cash flows from operating activities before changes in working capital and provisions	152 095	90 277	374 549	219 220
Change in inventories	215 198	(127 371)	(342 884)	(227 894)
Change in trade and other receivables	150 483	69 783	1 572	(50 570)
Change in prepayments	6 399	(2 220)	(9 059)	5 209
Change in trade and other payables	(378 575)	93 892	(261 943)	224 566
Change in provisions	(1 936)	1 462	2 792	2 569
Change in deferred income	2 361	806	1 641	2 902
Cash flows from operations before interest and tax paid	146 025	126 629	(233 332)	176 002
Income tax paid	(32 094)	(20 490)	(61 650)	(30 632)
Interest paid	(19 108)	(2 122)	(38 369)	(6 872)
Cash flows from operating activities	94 823	104 017	(333 351)	138 498
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	-	178	1 499	2 404
Interest received	1 348	2 046	5 594	4 382
Acquisition of property, plant and equipment	(22 036)	(6 013)	(77 320)	(28 173)
Acquisition of intangible assets	(217)	(1 119)	(3 319)	(1 599)
Cash flows from investing activities	(20 905)	(4 908)	(73 546)	(22 986)
Cash flows from financing activities				
Redemption of preference shares	-	-	-	(80 074)
Dividend on preference shares	-	-	-	(4 585)
Dividend on ordinary shares	-	-	(108 993)	(25 141)
Proceeds from borrowings	129 854	-	822 781	-
Repayment of loans	(207 766)	-	(452 213)	-
Leasing financing received	43 882	-	70 018	4 973
Leasing financing paid	(16 880)	(5 840)	(51 017)	(18 343)
Cash flows from financing activities	(50 910)	(5 840)	280 576	(123 170)
Net change in cash and cash equivalents	23 008	93 269	(126 321)	(7 658)
Cash and cash equivalents at start of the period	188 897	249 888	356 589	352 238
Effect of exchange rate fluctuations on cash and cash equivalents	(2 112)	(5 402)	(20 475)	(6 825)
Cash and cash equivalents at end of the period	209 793	337 755	209 793	337 755

Key Ratios

	Q3 2019	Q3 2018	9 months 2019	9 months 2018
New units sold	242	238	718	624
Revenue, SEK'000	964 124	791 148	2 787 005	2 222 331
Revenue growth, %	21.9%	26.3%	25.4%	13.3%
Gross margin, %	21.4%	20.3%	20.6%	19.6%
EBITDA, SEK'000	150 249	91 078	357 739	216 645
EBITDA margin, %	15.6%	11.5%	12.8%	9.7%
Operating profit, SEK'000	108 625	80 056	262 465	189 195
Operating margin, %	11.3%	10.1%	9.4%	8.5%
Result for the period, SEK'000	73 991	60 654	193 364	145 183
Undiluted earnings per ordinary share, SEK	5.09	4.17	13.31	8.82
Diluted earnings per ordinary share, SEK	5.09	4.17	13.31	8.82
Net debt/(cash), SEK'000	410 593	(297 988)	410 593	(297 988)
Net debt/EBITDA, x	0.9	(1.1)	0.9	(1.1)
Capital employed, SEK'000	1 457 149	653 643	1 457 149	653 643
Return on capital employed, %	33.7%	39.9%	33.7%	39.9%
Working capital, SEK'000	674 537	63 526	674 537	63 526
Working capital/Revenue, %	17.7%	2.2%	17.7%	2.2%
No. of employees at close of period	1 151	927	1 151	927

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

	Q3 2019 SEK '000	Q3 2018 SEK '000	9m 2019 SEK '000	9m 2018 SEK '000
Revenue	30 348	57 092	92 126	137 060
Cost of sales	(18 905)	(49 194)	(75 904)	(119 709)
Gross profit	11 443	7 898	16 221	17 351
Administrative expenses	(4 400)	(3 207)	(10 091)	(8 771)
Operating profit	7 043	4 691	6 131	8 580
Finance income	65	4 250	146	13 439
Finance costs	(47)	(1 246)	(136)	(3 675)
Foreign exchange gains/(-losses) (net)	1 019	(11 399)	(7 014)	(11 494)
Result before income tax	8 080	(3 704)	(873)	6 850
Income tax	(1 677)	808	(9)	(1 528)
Result for the period	6 403	(2 896)	(882)	5 321

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

Parent Company Balance Sheet

	30 September 2019 SEK '000	31 December 2018 SEK '000	30 September 2018 SEK '000
ASSETS			
Non-current assets			
Intangible assets	1 049	721	367
Property, plant and equipment	-	4	5
Financial assets			
Holdings in group companies	152 941	193 610	193 519
Loans to group companies	-	-	172 649
Deferred tax assets	17 324	17 333	19 362
Total financial assets	170 265	210 943	385 530
Total non-current assets	171 314	211 667	385 903
Current assets			
Trade and other receivables	53 706	53 250	71 972
Prepayments	856	1 075	1 067
Cash and cash equivalents	38 839	126 390	8 880
Total current assets	93 401	180 715	81 920
TOTAL ASSETS	264 715	392 382	467 823
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	1 297	1 297	1 297
Unrestricted equity			
Share premium reserve	622 148	622 148	622 148
Retained earnings	(381 905)	(281 878)	(281 878)
Result for the period	(882)	8 967	5 321
TOTAL EQUITY	240 659	350 534	346 889
Current liabilities			
Borrowings	-	-	48 108
Trade and other payables	24 056	41 848	72 826
Total current liabilities	24 056	41 848	120 934
TOTAL LIABILITIES	24 056	41 848	120 934
TOTAL EQUITY AND LIABILITIES	264 715	392 382	467 823

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, the modified retrospective method was used, meaning that the effect of the new standard was recognised in the opening balance on 1 January 2019 without restatement of the comparative. Right-of-use assets were recognised at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Ferronordic used the transition exempt rule under IFRS 16 not to make any new assessment if a contract was or contained parts that constitute a lease and therefore applied the standard for all contracts that had previously been identified as leases. Ferronordic 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 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 recognized 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 recognized 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.

The operating lease commitment of the Group at 31 December 2018 was SEK 51m, on transition from IAS 17 to IFRS 16 the effect of discounting was SEK -13m, extension options reasonably certain to be exercised SEK 29m. As a result, 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 30 September 2019, right-of-use assets amounted to SEK 82m and corresponding lease liabilities amounted to SEK 84m (SEK -2m was recognised in retained earnings). The rates applied for discounting lease payments when measuring lease liabilities during the first nine months 2019 were in the range from 9.45% to 10.75%. The treatment of leases that were recognised as financial leases according to IAS 17 has not changed with implementation of IFRS 16.

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 1.5m lower, finance expenses SEK 2.1m lower and profit before income tax SEK 0.6m higher. EBITDA would have been SEK 8.8m lower. Cash flows from operating activities would have been SEK 6.7m lower while cash flows from financing activities would have been SEK 6.7m higher.

If previous accounting principles for leases had been applied for the first nine months, gross profit would be SEK 1.2m lower, operating profit would be SEK 3.6m lower, finance expenses SEK 5.8m lower and profit before income tax SEK 2.2m higher. EBITDA would have been SEK 23.6m lower. Cash flows from operating activities would have been SEK 17.8m lower while cash flows from financing activities would have been SEK 17.8m 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 AB (publ)

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

Notes
1. Operational Segment and revenue

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.

Disaggregation of revenue	Q3	Q3	9 months	9 months
	2019	2018	2019	2018
	SEK '000	SEK '000	SEK '000	SEK '000
Equipment sales	599 671	542 719	1 828 845	1 539 401
Aftermarket sales	235 651	208 735	670 946	583 631
Other revenue	128 802	39 694	287 214	99 299
Total revenues	964 124	791 148	2 787 005	2 222 331
Total delivery volume, units				
New units	242	238	718	624
Used units	63	35	129	103
Total units	305	273	847	727
EBITDA				
	Q3	Q3	9 months	9 months
	2019	2018	2019	2018
	SEK '000	SEK '000	SEK '000	SEK '000
EBITDA	150 249	91 078	357 739	216 645
Depreciation and amortization	(41 624)	(11 022)	(95 274)	(27 450)
Net foreign exchange gains/(losses) (net)	1 665	(2 144)	14 061	(779)
Finance income	1 364	2 046	5 610	4 382
Finance costs	(19 028)	(2 113)	(38 740)	(6 854)
Result before income tax	92 626	77 845	243 396	185 944
Income tax	(18 635)	(17 191)	(50 032)	(40 761)
Result for the period	73 991	60 654	193 364	145 183

Depreciation and amortisation in Q3 and first nine months 2019 included depreciation of lease assets as a result of IFRS 16 of SEK 7m and 20m, respectively.

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.

	Q3 2019 SEK '000	Q3 2018 SEK '000	9m 2019 SEK '000	9m 2018 SEK '000
Result for the period	73 991	60 654	193 364	145 183
Dividends on preference shares	-	-	-	(3 093)
Difference between redemption price and carrying value of preference shares	-	-	-	(13 966)
Result attributable to holders of ordinary shares	73 991	60 654	193 364	128 124
Average number of ordinary shares during the period before and after dilution	14 532 434	14 532 434	14 532 434	14 532 434
Earnings per ordinary share before and after dilution	5.09	4.17	13.31	8.82

The Board of Directors and the Managing Director declares that the nine-month interim 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, 22 November 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 been reviewed by the Group's independent auditors.

About Ferronordic

Ferronordic is the authorized dealer of Volvo Construction Equipment, 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 over 80 outlets and over 1,100 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

Year-end report January-December 2019

20 February 2020

Interim report January-March 2020

13 May 2020

For more information, please contact:

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This information is information that Ferronordic AB (publ) is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication on 22 November, 07:30 CET.

Financial information for individual quarters

The financial information below regarding individual quarters during the period 1 January 2017 – 30 September 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	Q2 2019	Q3 2019
SEK m (if not stated otherwise)											
Revenue	550	785	626	606	614	817	791	1 019	723	1 100	964
Result for the period	30	51	43	28	30	54	61	64	46	73	74
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	5,03	5,09

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	Q2 2019	Q3 2019
SEK m (if not stated otherwise)											
New units sold (units)	154	218	198	168	155	231	238	324	196	280	242
Revenue growth (%)	78%	94%	54%	13%	11%	4%	26%	68%	18%	35%	22%
Gross margin (%)	19,9%	18,7%	19,2%	18,4%	19,0%	19,3%	20,3%	17,6%	20,2%	20,1%	21,4%
EBITDA	45	67	56	46	48	77	91	105	82	126	150
EBITDA margin (%)	8,1%	8,6%	9,0%	7,5%	7,8%	9,5%	11,5%	10,3%	11,3%	11,4%	15,6%
Operating profit	37	62	50	38	41	68	80	84	56	98	109
Operating margin (%)	6,8%	7,9%	8,0%	6,2%	6,7%	8,3%	10,1%	8,3%	7,7%	8,9%	11,3%
Net debt / (cash)	(216)	(293)	(381)	(312)	(264)	(204)	(298)	(303)	(59)	446	411
Net debt/EBITDA (x)	(1,3x)	(1,4x)	(1,8x)	(1,5x)	(1,2x)	(0,9x)	(1,1x)	(0,9x)	(0,2x)	1,1x	0,9x
Capital employed	502	479	520	651	688	630	654	710	1 101	1 376	1 457
Return on capital employed (%)	35%	43%	42%	36%	34%	37%	40%	41%	33%	33%	34%
Working capital	81	(18)	(68)	117	181	162	64	47	283	655	675
Working capital/Revenue (%)	4%	(1%)	(3%)	5%	7%	6%	2%	1%	8%	18%	18%

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	Q2 2019	Q3 2019
SEK m (if not stated otherwise)											
Long term interest bearing liabilities	16	22	26	22	20	23	17	28	78	111	142
Short term interest bearing liabilities	12	15	18	19	21	23	23	26	264	524	478
Total interest bearing liabilities	29	37	44	40	41	46	40	54	342	635	620
Cash & cash equivalents	245	330	425	352	306	250	338	357	402	189	210
Net debt / (cash)	(216)	(293)	(381)	(312)	(264)	(204)	(298)	(303)	(59)	446	411
Net debt / EBITDA (times)	(1,3)	(1,4)	(1,8)	(1,5)	(1,2)	(0,9)	(1,1)	(0,9)	(0,2)	1,1	0,9

Capital employed

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEK m (if not stated otherwise)	2017	2017	2017	2017	2018	2018	2018	2018	2019	2019	2019
Long term interest bearing liabilities	16	22	26	22	20	23	17	28	78	111	142
Short term interest bearing liabilities	12	15	18	19	21	23	23	26	264	524	478
Shareholder equity	473	441	476	611	647	584	614	656	758	741	837
Capital employed	502	479	520	651	688	630	654	710	1 101	1 376	1 457
Average capital employed	444	438	481	560	595	554	587	681	895	1 003	1 055
EBIT	37	62	50	38	41	68	80	84	56	98	109
Interest income	2	4	6	3	1	1	2	3	2	2	1
Result LTM	155	189	202	202	205	208	234	281	297	327	355
Return on capital employed (%)	35%	43%	42%	36%	34%	37%	40%	41%	33%	33%	34%

Working capital

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEK m (if not stated otherwise)	2017	2017	2017	2017	2018	2018	2018	2018	2019	2019	2019
Inventory	565	515	601	633	691	712	755	741	1 295	1 360	1 168
Trade and other receivables	238	241	194	226	245	342	258	303	358	489	351
Prepayments	21	16	14	20	16	13	14	17	20	36	31
Trade and other payables	726	769	853	737	745	877	935	982	1 362	1 191	830
Deferred income	6	7	10	12	12	14	14	15	15	15	23
Provisions	10	14	14	13	12	14	15	17	14	24	23
Working capital	81	(18)	(68)	117	181	162	64	47	283	655	675
Revenue LTM	1 899	2 279	2 499	2 567	2 630	2 663	2 828	3 241	3 350	3 633	3 806
Working capital / Revenue (%)	4%	(1%)	(3%)	5%	7%	6%	2%	1%	8%	18%	18%

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, 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 / (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 for 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 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.



Translation from the Swedish original

Review report

To the Board of Directors of Ferronordic AB (publ)

Corp. id. 556748-7953

Introduction

We have reviewed the summary interim financial information (interim report) of Ferronordic AB (publ) as of 30 September 2019 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

Conclusion

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

Stockholm 22 November 2019

KPMG AB