



Interim Report January - September 2018

Record-breaking earnings

Best earnings ever for a single quarter

Revenue of SEK 791m and operating profit of SEK 80m

Aftermarket sales increasing 24% - largely thanks to digitalization

Expanding and more profitable contracting services business

Selected key ratios

SEK M	Q3 2018	Q3 2017	%	9 Mo 2018	9 Mo 2017	%
Revenue	791	626	26%	2 222	1 962	13%
EBITDA	91	56	61%	217	168	29%
Operating profit	80	50	60%	189	150	26%
Result for the period	61	43	42%	145	123	18%
Earnings per ordinary share	4.17	2.77	51%	8.82	7.98	11%
Gross margin	20.3%	19.2%		19.6%	19.2%	
EBITDA margin	11.5%	9.0%		9.7%	8.6%	
Operating margin	10.1%	8.0%		8.5%	7.6%	
Return on capital employed	39.9%	41.9%		39.9%	41.9%	
Working capital / Revenue	2.2%	(2.7%)		2.2%	(2.7%)	
Net debt / (cash)	(298)	(381)		(298)	(381)	

* The definition and purpose of each key ratio is presented on page 22.



Lars Corneliusson
CEO

Operating profit reached SEK 80m which was 17% higher than the second quarter this year – which before this quarter used to be our best quarter ever in terms of earnings.

During the quarter we saw a very positive growth in the aftermarket, largely thanks to our investments in digitalized sales support.

Lars Corneliusson, CEO

The third quarter 2018 was another very strong quarter for Ferronordic. Revenue was close to all time high for a single quarter and earnings were higher than ever. Operating profit reached SEK 80m which was 17% higher than the second quarter this year – previously our best quarter even in terms of earnings. The result after tax was also the company's strongest ever for a single quarter and amounted to SEK 61m.

During the quarter we saw a very positive growth in the aftermarket, largely thanks to our investments in a digitalized sales support (based on the machines' telematics systems and our own so-called "rules engine") which is now giving higher results. In total, the aftermarket sales grew by as much as 24%. This is of course very encouraging given that the aftermarket is the "backbone" of the company.

We also continue to optimize the efficiency of our organization. Once again, we managed to reduce our selling and administrative expenses as a percentage of revenue from 11.0% in the third quarter last year to 9.9% in this quarter.

We are happy that our contracting services business continues to develop and expand. Sales are increasing and we are learning to run projects with better profitability. In October, we signed two new contracts for projects that are expected to start during the fourth quarter. One of the projects will be our largest project so far.

The increased sales and profitability in aftermarket and contracting services had a very positive impact on our overall profitability during for the quarter. Gross margin and operating margin for the quarter increased to 20.3% and 10.1%, respectively.

The market continued to recover during the quarter. For our key products, the market (measured in units) increased by approx. 40% (it should be noted though, that the market is still considerably lower than it used to be before the financial downturn). As regards the long- and medium term development of the Russian construction equipment market, we remain optimistic, especially given the existing indications of significantly increased infrastructure spending.



Comments on the interim report

The third quarter was another strong quarter. Revenue amounted to SEK 791m, which was almost as much as the second quarter, previously our best quarter so far in terms of revenue. Operating profit amounted to SEK 80m, an increase over the second quarter of SEK 12m. Hence, in terms of earnings, the third quarter was our strongest quarter ever.

The operating margin reached 10.1%, mainly because of increased sales and profitability in aftermarket and contracting services.

The operating margin reached 10.1%, which was significantly above our financial objective of 7-9%. This was mainly a result of increased sales and profitability in the aftermarket and contracting services. The margin on new machine sales was essentially unchanged.

The Russian market for construction equipment continued to recover during the quarter. For our main products, the market (measured in units) increased by approximately 40%. We gained market share in articulated haulers and larger wheel loaders, maintained our market share in excavators, but lost market share in the fast growing segment for smaller wheel loaders.

We do not believe that the sanctions as they look today will have any material direct effect on Ferronordic.

The political climate was continuously tense during the quarter. On 31 July, the Council of the European Union added six Russian companies to the list of persons affected by the sanctions under Council Regulation (EU) No 269/2014, including a couple of Ferronordic's customers. Currently there are also indications that further U.S. sanctions may be expected. As before, we do not believe that the sanctions as they are structured today will have any material direct effect on Ferronordic. However, they continue to impact the sentiment in and towards Russia negatively.

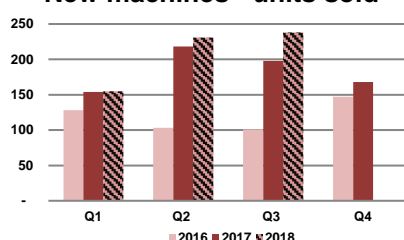
At the same time there are clear signs that the government intends to create economic growth by increasing infrastructure spending. The Ministry of Economic Development has finalized a list of 200 infrastructure projects with an aggregate cost of approx. USD 100 billion. These projects would certainly benefit Ferronordic.

The Russian economy continued to recover during the quarter, albeit somewhat slower than during the second quarter. GDP for 2018 is still expected to grow by about 1.7%.

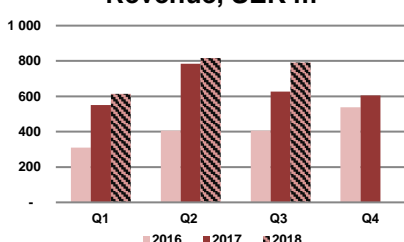
Inflation in September amounted to 3.4%, sharply up from 2.5% reported in July and the highest level for over twelve months. Due to the increased inflation, the Central Bank increased the key rate from 7.25% to 7.50% in September. At the same time it was indicated that further rate increases could be expected later during the year (however, at the Bank's meeting in October it was decided to leave the key rate unchanged).

The oil price increased from USD 77 per barrel to USD 83 during the quarter, and is currently trading at USD 72. The RUB/SEK exchange rate started the quarter at 7.0 and ended the quarter 7.4, with a high of 7.7 on September 12 and only once dipping below its starting point. It is currently trading at 7.4.

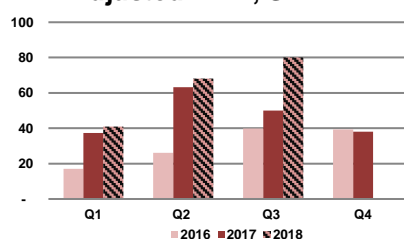
New machines - units sold



Revenue, SEK m



Adjusted EBIT, SEK m



The result for the quarter increased by 42% to SEK 61m (SEK 43m).

Revenue

Revenue during the quarter increased by 26% to SEK 791m (SEK 626m). In rubles, the revenue increased by 28%. Equipment sales increased by 25% while aftermarket sales (parts and service) increased by 24%. In rubles, equipment sales increased by 26% while aftermarket sales increased by 26%. Other revenue (which almost entirely consists of contracting services) increased by 66% (68% in rubles).

During the first nine months, revenue increased by 13% to SEK 2,222m (SEK 1,962m). In rubles, revenue increased by 20%. Equipment and aftermarket sales both increased by 12%. In rubles, equipment sales increased by 19% while aftermarket sales increased by 18%. Other revenue increased by 42% (50% in rubles).

Gross profit and result from operating activities

Gross profit for the quarter amounted to SEK 160m (SEK 120m), an increase of 33% compared to the same period last year. The increase was a result of the higher revenue and an improved gross margin (20.3% compared to 19.2% during the same period last year). The gross margin was positively impacted by increased sales and profitability in the aftermarket and contracting services. The margin on new machine sales was essentially unchanged.

The operating profit for the quarter increased to SEK 80m (SEK 50m). The increase was a result of the higher gross profit, partly offset by higher administrative expenses. Selling expenses were almost the same as during the third quarter last year. As a percentage of revenue, however, selling and administrative expenses decreased to 9.9% from 11.0% last year.

Gross profit for the first nine months amounted to SEK 435m (SEK 376m), an increase of 16%. The gross margin was 19.6% compared to 19.2% during the same period in 2017. The gross margin was positively impacted by the growing contracting services business.

The operating profit for the first nine months increased by more than 26% to SEK 189m (SEK 150m). 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 10.7% from 11.2%.

Result

The result before income tax for the quarter increased to SEK 78m (SEK 54m). This was a direct 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 quarter increased by 42% to SEK 61m (SEK 43m).

The result before income tax for the first nine months was SEK 186m (SEK 157m). The increase was a result of the improved operating profit, partly offset by lower finance income and higher finance costs. The result for the first nine months increased to SEK 145m (SEK 123m).

Earnings per ordinary share

For the quarter, earnings per ordinary share amounted to SEK 4.17 (SEK 2.77).

For the third quarter, the earnings per ordinary share amounted to SEK 4.17 (SEK 2.77).

For the first nine months, the earnings per ordinary share amounted to SEK 8.82 (SEK 7.98). Excluding the impact of the preference share redemption in May, however, the earnings per ordinary share for the first nine months would have been SEK 9.78.

The earnings per ordinary share during the first nine months was negatively affected by the redemption of preference shares in May as the difference between the redemption price (SEK 1,200) and the carrying value of the redeemed preference shares had to be deducted from the calculation of earnings per ordinary share for the relevant periods. In total this reduced earnings per ordinary share for the relevant periods by SEK 0.96. As a comparable number for future periods, however, we believe that earnings per ordinary share excluding the impact of the preference share redemption would be more relevant.

Cash flows

Strong operating cash flow during the quarter despite higher inventory.

Cash flows from operating activities during the quarter amounted to SEK 115m (SEK 98m). The increase was primarily due to the improved result, lower receivables and higher payables. The increase was partly offset by higher inventories.

Cash flows from investing activities during the quarter amounted to SEK -5m (SEK 3m), primarily due increased investments in property, plant & equipment (primarily service vans for mechanics) and intangible assets, and lower interest received.

During the first nine months, cash flows from operating activities amounted to SEK 149m (SEK 282m). The decrease was primarily a result of increased inventory and increased receivables, offset by the stronger result for the period and higher payables.

Cash flows from investing activities during the first nine months amounted to SEK -23m (SEK 5m). This was primarily due to higher investments in property, plant and equipment, mainly related to service vans for mechanics.

Financial position

Cash and cash equivalents at 30 September 2018 amounted to SEK 338m, a decrease of approximately SEK 14m compared to the end of 2017. The lower cash position was largely a result of the preference share redemption and dividends on ordinary and preference shares in May 2018, offset by the strong operating cash flow. Interest-bearing liabilities (including financial leases) were

almost the same as at 31 December 2017 and amounted to SEK 40m.

Property, plant and equipment increased during the first nine months from SEK 136m to SEK 206m. This was mostly related to an increase of the fleet of machines used in contracting services and the purchase of service vans for the company's mechanics. The increase in contracting services fleet was reflected in the Group's statement of cash flows as change in working capital, as the machines were transferred to property, plant and equipment from inventory (non-cash operation).

Equity at 30 September 2018 amounted to SEK 614m, an increase of SEK 3m compared to 31 December 2017. The increase in equity was mainly a result of the result for the first nine months, offset by the redemption of preference shares (SEK 80m), dividends on ordinary shares (SEK 25m) and dividends on preference shares (SEK 5m), all resolved and paid in May 2018.

Employees

The number of employees at the end of the third quarter, converted to full-time equivalent employees, was 927. This represents an increase of 96 employees compared to the end of September 2017 and 79 employees compared to the end of 2017. Most new employees are machine operators involved in contracting services.

Parent company

The revenue of the parent company during the quarter increased to SEK 57m (SEK 19m), primarily due to intra-group sales of Dressta, Rottne and Mecalac machines and parts.. Administrative expenses amounted to SEK 3m (SEK 2m). The result for the quarter decreased to SEK -3m (SEK 2m), primarily due to higher unrealized foreign exchange losses (net) related to intra-group loans. Further, finance income during the quarter was lower than during the same period last year due to reduced interest rates and the depreciation of the ruble against the Swedish krona.

During the first nine months, the revenue of the parent company amounted to SEK 137m (SEK 93m). Administrative expenses during the first nine months amounted to SEK 9m (SEK 8m). The result for the first nine months decreased to SEK 5m (SEK 9m), primarily due to higher unrealized foreign exchange losses (net) and lower interest income compared to the same period 2017. The finance income decreased due to the reasons described above.

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.

Other major events

On 31 July 2018, the Council of the European Union added six Russian companies to the list of persons affected by sanctions under Council Regulation (EU) No 269/2014, including a couple of Ferronordic's customers. Thus, as opposed to previous sanctions, this is expected to have a certain, but not material, direct negative effect on Ferronordic's business.

In July 2018, UniCredit Bank issued a new bank guarantee for RUB 825m (SEK 111m) as security for the Group's payables to Volvo (replacing a previous guarantee issued by Sberbank). The total amount of bank guarantees issued by UniCredit Bank as security for the Group's payables to Volvo is RUB 1,025m (SEK 139m). In total, bank guarantees for RUB 1,575m (SEK 213m) have been issued regarding the Group's payables.

Events after the reporting date

In October, Ferronordic signed an agreement for its largest contracting services project so far, involving about 25 machines and over 100 employees, mainly operators.

In October Ferronordic entered into an agreement for its largest contracting services project so far. The project for the Russian mining company GV Gold will last for three years, starting in the fourth quarter 2018. It involves approx. 25 machines and more than 100 employees, mainly machine operators. The agreement encompasses excavating and transporting earth and rock at a gold mine in Siberia. Further, in October Ferronordic also signed an agreement for a smaller contracting services project in north-western Russia, also expected to commence during the end of 2018.

Outlook

In consideration of the recent recovery of the Russian economy, we are optimistic about the development of the Russian construction equipment market.

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

Presentation of the report

Ferronordic invites investors, financial 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 9 November, 2018 at 10.00 a.m. CET and can be followed via telephone conference or audiocast. The report will be published at 9 November at 07.30 a.m. CET and will be accessed 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 call the phone number no later than five minutes prior to the announced time.

Call-in numbers:

- Sweden: +46 8 5664 2664
- UK: +44 20 30089 801
- Russia: +7 81 080 020 685 011
- US: +1 855 831 5948
- Switzerland: +41 2 256 755 48
- Germany: +49 69 222 229 046

The presentation can also be viewed live at <https://tv.streamfabriken.com/ferronordic-machines-q3-2018>

After the presentation a recording of the webcast will be available at the same page.

Condensed Consolidated Statement of Comprehensive Income

	Third quarter 2018 SEK '000	Third quarter 2017 SEK '000	Nine months 2018 SEK '000	Nine months 2017 SEK '000
Revenue	791 148	626 448	2 222 331	1 961 628
Cost of sales	(630 824)	(506 296)	(1 787 610)	(1 585 433)
Gross profit	160 324	120 152	434 721	376 195
Selling expenses	(32 607)	(32 143)	(99 913)	(95 313)
General and administrative expenses	(46 056)	(37 061)	(137 958)	(125 200)
Other income	1 894	1 172	4 272	3 637
Other expenses	(3 499)	(2 065)	(11 927)	(9 726)
Result from operating activities	80 056	50 055	189 195	149 593
Finance income	2 046	5 512	4 382	11 674
Finance costs	(2 113)	(1 426)	(6 854)	(3 630)
Net foreign exchange gains/(losses)	(2 144)	(235)	(779)	(1 064)
Result before income tax	77 845	53 906	185 944	156 573
Income tax	(17 191)	(11 223)	(40 761)	(33 470)
Result for the period	60 654	42 683	145 183	123 103
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(30 879)	(8 161)	(32 585)	(32 223)
Other comprehensive result for the period, net of tax	(30 879)	(8 161)	(32 585)	(32 223)
Total comprehensive result for the period	29 775	34 522	112 598	90 880
Earnings per ordinary share				
Basic and diluted earnings per share (SEK)	4.17	2.77	8.82	7.98

Condensed Consolidated Statement of Financial Position

	30 September 2018 SEK '000	31 December 2017 SEK '000	30 September 2017 SEK '000
ASSETS			
Non-current assets			
Property, plant and equipment	206 331	136 220	121 791
Intangible assets	5 995	5 507	4 534
Deferred tax assets	41 376	41 936	37 232
Total non-current assets	253 702	183 663	163 557
Current assets			
Inventories	755 499	632 536	601 289
Trade and other receivables	270 517	242 959	205 966
Prepayments	1 566	3 088	2 568
Cash and cash equivalents	337 755	352 238	425 158
Total current assets	1 365 337	1 230 821	1 234 981
TOTAL ASSETS	1 619 039	1 414 484	1 398 538
EQUITY AND LIABILITIES			
Equity			
Share capital	1 297	1 303	937
Additional paid in capital	612 136	692 204	594 279
Translation reserve	(192 801)	(160 216)	(171 563)
Retained earnings	48 061	(73 509)	(70 966)
Result for the period	145 183	151 296	123 103
TOTAL EQUITY	613 876	611 078	475 790
Non-current liabilities			
Deferred income	433	449	628
Deferred tax liabilities	907	862	624
Long-term portion of finance lease liabilities	16 894	21 636	25 995
Total non-current liabilities	18 234	22 947	27 247
Current liabilities			
Trade and other payables	934 918	736 500	853 215
Deferred income	14 162	12 020	9 743
Provisions	14 976	13 171	14 443
Short-term portion of finance lease liabilities	22 873	18 768	18 100
Total current liabilities	986 929	780 459	895 501
TOTAL LIABILITIES	1 005 163	803 406	922 748
TOTAL EQUITY AND LIABILITIES	1 619 039	1 414 484	1 398 538

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				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)
Preference shares dividends				(4 585)	(4 585)
Ordinary shares dividends				(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
SEK '000	Attributable to equity holders of the Company				
	Share capital	Additional paid in capital	Translation reserve	Retained earnings	Total equity
Balance 1 January 2017	937	594 279	(139 340)	(13 466)	442 410
Total comprehensive result for the period					
Result for the period				123 103	123 103
Other comprehensive result					
Foreign exchange differences			(32 223)		(32 223)
Total comprehensive result for the period			(32 223)	123 103	90 880
Contribution by and distribution to owners					
Preference shares dividends				(57 500)	(57 500)
Total contributions and distributions	-	-	-	(57 500)	(57 500)
Balance 30 September 2017	937	594 279	(171 563)	52 137	475 790

Condensed Consolidated Statement of Cash Flows

	Third quarter 2018 SEK '000	Third quarter 2017 SEK '000	Nine months 2018 SEK '000	Nine months 2017 SEK '000
Cash flows from operating activities				
Result before income tax	77 845	53 906	185 944	156 573
Adjustments for:				
Depreciation and amortisation	11 022	6 418	27 450	18 632
(Gain)/loss from impairment of receivables	119	(413)	3 495	(161)
Profit on disposal of property, plant and equipment	(920)	(45)	(920)	(200)
Finance costs	2 113	1 426	6 854	3 630
Finance income	(2 046)	(5 512)	(4 382)	(11 674)
Net foreign exchange losses/(gains)	2 144	235	779	1 064
Cash flows from operating activities before changes in working capital and provisions	90 277	56 015	219 220	167 864
Change in inventories	(127 371)	(87 517)	(227 894)	(161 475)
Change in trade and other receivables	67 043	34 485	(47 081)	(31 509)
Change in prepayments	214	939	1 414	1 160
Change in trade and other payables	105 090	106 814	235 764	330 564
Change in provisions	1 462	1 012	2 569	5 367
Change in deferred income	806	3 516	2 902	4 207
Cash flows from operations before interest and tax paid	137 521	115 264	186 894	316 178
Income tax paid	(20 490)	(15 667)	(30 632)	(30 930)
Interest paid	(2 122)	(1 419)	(6 872)	(3 493)
Cash flows from operating activities	114 909	98 178	149 390	281 755
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	178	604	2 404	1 702
Interest received	2 046	5 512	4 382	11 674
Acquisition of property, plant and equipment	(6 013)	(2 308)	(28 173)	(4 520)
Acquisition of intangible assets	(1 119)	(450)	(1 599)	(3 999)
Cash flows from investing activities	(4 908)	3 358	(22 986)	4 857
Cash flows from financing activities				
Redemption of preference shares	-	-	(80 074)	-
Dividend on preference shares	-	-	(4 585)	(27 500)
Dividend on ordinary shares	-	-	(25 141)	-
Leasing financing received	-	7 794	4 973	7 794
Leasing financing paid	(5 840)	(6 194)	(18 343)	(15 614)
Cash flows from financing activities	(5 840)	1 600	(123 170)	(35 320)
Net change in cash and cash equivalents	104 161	103 136	3 234	251 292
Cash and cash equivalents at start of the period	249 888	330 466	352 238	198 846
Effect of exchange rate fluctuations on cash and cash equivalents	(16 294)	(8 444)	(17 717)	(24 980)
Cash and cash equivalents at end of the period	337 755	425 158	337 755	425 158

Key Ratios

	Third quarter 2018	Third quarter 2017	First nine months 2018	First nine months 2017
New units sold	238	198	624	570
Revenue, SEK'000	791 148	626 448	2 222 331	1 961 628
Revenue growth, %	26.3%	54.2%	13.3%	75.0%
Gross margin, %	20.3%	19.2%	19.6%	19.2%
EBITDA, SEK'000	91 078	56 473	216 645	168 225
EBITDA margin, %	11.5%	9.0%	9.7%	8.6%
Results from operating activities, SEK'000	80 056	50 055	189 195	149 593
Operating margin, %	10.1%	8.0%	8.5%	7.6%
Result for the period, SEK'000	60 654	42 683	145 183	123 103
Undiluted earnings per ordinary share, SEK	4.17	2.77	8.82	7.98
Diluted earnings per ordinary share, SEK	4.17	2.77	8.82	7.98
Net debt/(cash), SEK'000	(297 988)	(381 063)	(297 988)	(381 063)
Net debt/EBITDA, times	(1.1)	(1.8)	(1.1)	(1.8)
Capital employed, SEK'000	653 643	519 885	653 643	519 885
Return on capital employed, %	39.9%	41.9%	39.9%	41.9%
Working capital, SEK'000	63 526	(67 578)	63 526	(67 578)
Working capital/Revenue, %	2.2%	(2.7%)	2.2%	(2.7%)
No. of employees at close of period	927	831	927	831

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

measures may differ from other companies' definitions of the same terms. These ratios should therefore be seen as a supplement rather than as a replacement for measures defined according to IFRS. Definitions of and reasons for each key ratio can be found on page 22.

Parent Company Income Statement

	Third quarter 2018 SEK '000	Third quarter 2017 SEK '000	Nine months 2018 SEK '000	Nine months 2017 SEK '000
Revenue	57 092	18 570	137 060	93 410
Cost of sales	(49 194)	(14 790)	(119 709)	(79 151)
Gross profit	7 898	3 780	17 351	14 259
Administrative expenses	(3 207)	(2 356)	(8 771)	(7 679)
Result from operating activities	4 691	1 424	8 580	6 580
Finance income	4 250	5 504	13 439	19 958
Finance costs	(1 246)	(1 351)	(3 675)	(4 561)
Net foreign exchange gains/(losses)	(11 399)	(3 234)	(11 494)	(10 276)
Result before income tax	(3 704)	2 343	6 850	11 701
Income tax	808	(517)	(1 528)	(2 584)
Result for the period	(2 896)	1 826	5 321	9 117

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

Parent Company Balance Sheet

	30 September 2018 SEK '000	31 December 2017 SEK '000	30 September 2017 SEK '000
ASSETS			
Non-current assets			
Intangible assets	367	-	-
Property, plant and equipment	5	9	10
Financial assets			
Holdings in group companies	193 519	193 088	193 088
Loans to group companies	172 649	207 097	202 283
Deferred tax assets	19 362	20 890	16 759
Total financial assets	<u>385 530</u>	<u>421 075</u>	<u>412 130</u>
Total non-current assets	<u>385 903</u>	<u>421 084</u>	<u>412 140</u>
Current assets			
Trade and other receivables	71 972	71 721	66 880
Prepayments	1 067	1 283	267
Cash and cash equivalents	8 880	76 150	3 818
Total current assets	<u>81 920</u>	<u>149 154</u>	<u>70 965</u>
TOTAL ASSETS	<u><u>467 823</u></u>	<u><u>570 238</u></u>	<u><u>483 105</u></u>
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	1 297	1 303	937
Unrestricted equity			
Share premium reserve	622 148	702 216	604 291
Retained earnings	(281 878)	(267 969)	(265 426)
Result for the period	5 321	15 816	9 117
TOTAL EQUITY	<u>346 889</u>	<u>451 367</u>	<u>348 919</u>
Current liabilities			
Borrowings	48 108	50 930	49 746
Trade and other payables	72 826	67 941	84 440
Total current liabilities	<u>120 934</u>	<u>118 871</u>	<u>134 186</u>
TOTAL LIABILITIES	<u>120 934</u>	<u>118 871</u>	<u>134 186</u>
TOTAL EQUITY AND LIABILITIES	<u><u>467 823</u></u>	<u><u>570 238</u></u>	<u><u>483 105</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.

As of 2018, Ferronordic is applying the new standards IFRS 9 and IFRS 15. The new standard IFRS 16 will be applied from 1 January 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 existing IFRS related to leasing for all periods beginning on or after 1 January 2019. Under IFRS 16, lessees have to recognize all major leases in a way resembling the current recognition of finance leases. As a result, the lessee is required to recognize lease assets and corresponding lease liabilities on the balance sheet for all leases with terms of more than 12 months (except for low value assets). The Group has completed an initial assessment of the impact of IFRS 16 on its consolidated financial statements and expects an increase in total assets and total liabilities for its leased facilities of approximately SEK 76m as at 1 January 2019. The actual impact of IFRS 16 on the Group's financial statements for the initial period of application will depend on future economic conditions, including the Group's borrowing rate, the composition of the Group's lease portfolio at that date and the Group's latest assessment of any lease renewal options. In addition, IFRS 16 also means that the costs for these rental agreements will be reclassified. Instead of reporting rental costs, a depreciation charge for the right to use the lease assets and an interest expense on the reported lease liabilities will be reported.

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 - 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.

	Third quarter 2018 SEK '000	Third quarter 2017 SEK '000	Nine months 2018 SEK '000	Nine months 2017 SEK '000
Revenue				
Equipment sales	542 719	434 895	1 539 401	1 370 007
Aftermarket sales	208 735	167 689	583 631	521 776
Other revenue	39 694	23 864	99 299	69 845
Total revenues	791 148	626 448	2 222 331	1 961 628
Total delivery volume, units				
New units	238	198	624	570
Used units	35	30	103	122
Total units	273	228	727	692
	Third quarter 2018 SEK '000	Third quarter 2017 SEK '000	Nine months 2018 SEK '000	Nine months 2017 SEK '000
EBITDA				
EBITDA	91 078	56 473	216 645	168 225
Depreciation and amortisation	(11 022)	(6 418)	(27 450)	(18 632)
Net foreign exchange gains/(losses)	(2 144)	(235)	(779)	(1 064)
Finance income	2 046	5 512	4 382	11 674
Finance costs	(2 113)	(1 426)	(6 854)	(3 630)
Result before income tax	77 845	53 906	185 944	156 573
Income tax	(17 191)	(11 223)	(40 761)	(33 470)
Result for the period	60 654	42 683	145 183	123 103

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 111m) 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 27m) 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 49m) 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 74m) 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.

	Third quarter 2018 SEK '000	Third quarter 2017 SEK '000	Nine months 2018 SEK '000	Nine months 2017 SEK '000
Result for the period	60 654	42 683	145 183	123 103
Dividends on preference shares required for the period	-	(15 000)	(3 093)	(43 333)
Difference between redemption price and carrying value of preference shares	-	-	(13 966)	-
Result attributable to holders of ordinary shares	60 654	27 683	128 124	79 770
Average number of ordinary shares during the period before and after dilution	14 532 434	10 000 000	14 532 434	10 000 000
Earnings per ordinary share before and after dilution	4.17	2.77	8.82	7.98

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, 9 November 2018

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, Terex Trucks, Dressta, Mecalac and Rottne in Russia. In certain parts of the country, Ferronordic has also been appointed aftermarket dealer for Volvo and Renault Trucks and dealer for Volvo Penta. The company began its operations in 2010 and has expanded rapidly across Russia. The company is well established in all federal districts with 79 outlets and more than 900 employees. Ferronordic's vision is to be regarded as the leading service and sales company in the CIS markets. The ordinary shares in Ferronordic are listed on Nasdaq Stockholm.

www.ferronordic.com

Financial Calendar 2018/19

Interim report January-September 2018

9 November 2018

Year-end report January-December 2018

15 February 2019

Interim report January-May 2019

14 May 2019

For more information, please contact:

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Ferronordic Machines AB (publ)

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This information is information that Ferronordic Machines AB (publ) is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication on 9 November 2018, 07:30 CET.

Financial information for individual quarters

The financial information below regarding individual quarters during the period 1 January 2017 – 30 September 2018 is collected from Ferronordic's interim reports for the relevant quarters.

Key ratios

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

Key ratios defined according to IFRS

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

Key ratios not defined according to IFRS

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

Reconciliation of key ratios

The tables below show reconciliations of certain important key ratios.

Net debt / (Net cash)

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

Capital employed

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

Working capital

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

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

New units sold: Number of new machines sold.

Used to measure and compare number of new units sold during relevant period.

Revenue growth: Growth in revenue compared to the same period last year, expressed in percentage.

Used for comparison of growth between periods as well as comparisons with the market as a whole and with the company's competitors.

Gross margin: Gross profit in relation to revenue.

Provides a measurement of the contribution from the ongoing business.

EBITDA: Result from operating activities excluding depreciation, amortization and write-downs.

Provides a measurement of the result from the ongoing business.

EBITDA margin: EBITDA in relation to revenue.

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

Result from operating activities: Result before financial items and taxes.

Provides a measurement of the result from the ongoing business.

Operating margin: Result from operating activities in relation to revenue.

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

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.



Translation from the Swedish original

Review report

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

Corp. id. 556748-7953

Introduction

We have reviewed the summary interim financial information (interim report) of Ferronordic Machines AB (publ) as of 30 September 2018 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 9 November 2018

KPMG AB

Mattias Lötborn

Authorized Public Accountant