



Interim report January – June 2019

Another record-breaking quarter

Highest revenue and best result to-date in single quarter

*Increased equipment sales amidst moderate market growth
– continued market share gain*

Continued growth in aftermarket sales and contracting services

Selected key ratios

SEK M	Q2 2019	Q2 2018	%	6M 2019	6M 2018	%
Revenue	1,100	817	35%	1,823	1,431	27%
Operating profit	98	68	44%	154	109	41%
Result for the period	73	54	34%	119	85	41%
Earnings per ordinary share	5.03	2.71	85%	8.21	4.64	77%
Gross margin	20.1%	19.3%		20.1%	19.2%	
Operating margin	8.9%	8.3%		8.4%	7.6%	
Return on capital employed	33%	38%		33%	38%	
Working capital / Revenue	18%	6%		18%	6%	
Net debt / (cash)	446	(204)		446	(204)	

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



Lars Corneliusson
CEO

We continued to gain market share in most key product groups and increased equipment sales by 31%

Revenue grew by 35% to SEK 1,100m, our highest revenue to-date in a single quarter

Operating profit improved by 44% to SEK 98m

Working capital is expected to return to lower levels as inventories decline

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

Lars Corneliusson, CEO

During the quarter, we continued to gain market share in most key product groups amidst a market that grew about 5%. Equipment sales grew by 31% Y-o-Y on improvements in both volume and mix. Meanwhile, we continued to increase the important aftermarket sales and gained further traction in contracting services. Compared to Q2 2018, revenue grew by 35% to SEK 1,100m, our highest revenue to-date in a single quarter.

Thanks to continuously strong efforts throughout the organization, we saw good performance in all business areas, including the growing aftermarket business for Volvo and Renault Trucks and the expanding contracting services business. As a result, gross profit grew by 40%. Selling and administrative expenses as a percentage of revenue decreased to 10.1% and the operating margin grew to 8.9%. The operating profit improved by 44% to SEK 98m, our best result to-date for a single quarter.

The roll-out in Kazakhstan continues as planned. Machine and parts logistics are now well established and we continue to build up the local organization. We also proceed with the investment in a component remanufacturing centre in Ekaterinburg. However, most capital expenditure during the quarter went into expanding contracting services.

Inventories were relatively high at the end of the quarter, partly because of seasonality, partly because of delayed disbursements in the road construction sector, and partly because of the ongoing transfer of importation responsibilities for machines and parts from Volvo to Ferronordic. Thus, even though we ordered somewhat less new machines during the quarter, we have good possibilities to capture further market recovery and continue to gain market share going forward. In combination with higher receivables and lower payables, however, the higher inventories resulted in negative cash flows and higher working capital at the end of the quarter. We expect working capital to return to lower levels as inventories decline.

We believe that the market will continue to expand somewhat during the rest of 2019, although not at the same pace as in 2017 and 2018. In a longer perspective, we remain optimistic as the long-term fundamentals in the machine markets in Russia and Kazakhstan are still strong. Our optimism is supported by the so-called “national projects” that are being implemented, a program to boost Russia’s economy, inter alia through increased infrastructure investments.

Comments on the interim report

Revenue during the quarter grew 35% Y-o-Y and amounted to SEK 1,100m. Gross margin improved to 20.1%, mainly thanks to contracting services.

Operating profit amounted to SEK 98m, up 44% Y-o-Y. The result for the quarter amounted to SEK 73m, 34% higher than Q2 2018. The result was negatively affected by higher finance costs, partly offset by favourable currency movements.

The market for our main products, measured in units, expanded by approx. 5% compared to Q2 2018. Our own new machine sales in units grew by 21% as we continued to gain market share.

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Revenue

Revenue increased by 35% Y-o-Y during the second quarter to SEK 1,100m (SEK 817m) (29% in local currency). Equipment sales and aftermarket sales increased by 31% and 13%, respectively (25% and 8% in local currency), while other revenue, mainly consisting of contracting services, increased by as much as 322%.

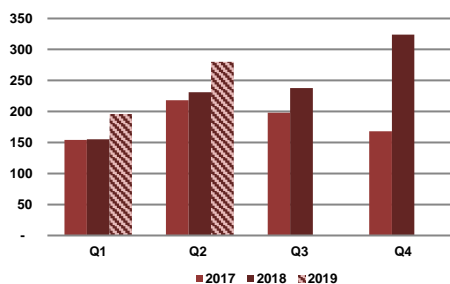
During the first six months of 2019, revenue increased by 27% Y-o-Y to SEK 1,823m (SEK 1,431m) (25% in local currency). Equipment sales increased by 23% while aftermarket sales increased by 16% (21% and 15%, respectively, in local currency). Other revenue, mainly consisting of contracting services, increased by 166%.

Gross profit and operating profit

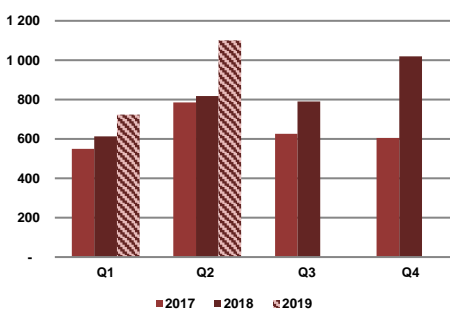
Gross profit for the quarter amounted to SEK 221m (SEK 158m), an increase of 40% compared to Q2 2018. The increase was a result of the higher revenue and improved gross margin (20.1% compared to 19.3% in Q2 2018). The margin improvement was mainly a result of growth in contracting services.

Operating profit for the quarter improved by 44% Y-o-Y to SEK 98m (SEK 68m). 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 declined as a percentage of revenue from 10.3% in Q2 2018 to 10.1% in Q2 2019. The operating profit was negatively impacted by a SEK 9m provision in other expenses relating to a loss of machines in the rental business. The operating margin increased from 8.3% to 8.9%, well within our financial objective.

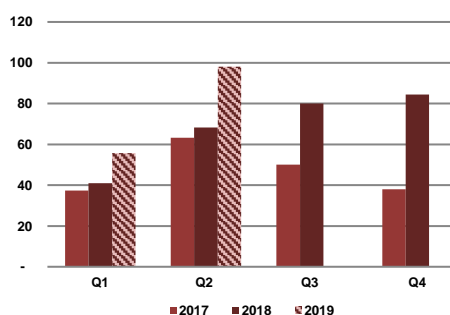
New machines (units sold)



Revenue (SEK m)



Operating profit (SEK m)



Gross profit for the first six months amounted to SEK 367m (SEK 274m), an increase of 34% Y-o-Y. The gross margin increased from 19.2% during the first six months of 2018 to 20.1% during the same period of 2019, positively impacted by growing aftermarket sales and contracting services.

Operating profit for the first six months increased by 41%

Operating profit for the first six months increased by 41% Y-o-Y to SEK 154m (SEK 109m). 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 11.1% in 1H 2018 to 10.8% in 1H 2019. Operating profit was negatively affected by the abovementioned provision for lost machines in the rental business, as well as the expected credit loss of 4 MSEK reported in Q1. The operating margin for the first six months grew from 7.6% in 2018 to 8.4% in 2019, also within our financial objective.

Result

The result for the quarter increased by 34% to SEK 73m

Driven by the improved operating profit, the result before income tax for the quarter increased to SEK 92m (SEK 70m). The result was negatively affected by increased finance costs but supported by higher foreign exchange gains (net) of SEK 4m. The result for the quarter increased by 34% Y-o-Y to SEK 73m (SEK 54m).

For the first six months of 2019, the result before income tax increased to SEK 151m (SEK 108m), supported by higher foreign exchange gains but partly offset by lower finance income and higher finance costs. The result for the first six months thus increased by 41% to SEK 119m (SEK 85m).

Earnings per ordinary share

Earnings per ordinary share for the quarter amounted to SEK 5.03

Earnings per ordinary share for the quarter amounted to SEK 5.03 (SEK 2.71 or SEK 3.67, excluding the impact of the preference share redemption in May 2018).

Earnings per ordinary share for the first six months amounted to SEK 8.21 (SEK 4.64 or SEK 5.60, excluding the impact of the preference share redemption in May 2018).

Cash flows

Cash flows from operating activities during the quarter decreased to SEK -313m

Despite the improved result for the quarter, cash flows from operating activities during the quarter decreased to SEK -313m (SEK 58m). The decrease was due to increases in inventories, receivables and prepayments, and lower payables. Cash flows from investing activities amounted to SEK -34m (SEK 1m), mainly due to increased investments in machines for contracting services and rental, as well as cars for mechanics.

During the first six months, cash flows from operating activities decreased to SEK -428m (SEK 34m), due to an increase in inventories and receivables, offset by the improved operating result and increased payables. Cash flows from investing activities amounted to SEK -53m (SEK -18m), primarily due to higher investments in machines for contracting services and rental, as well as cars for mechanics.

Financial position

Cash and cash equivalents at 30 June 2019 amounted to SEK 189m, a decrease of SEK 168m compared to the end of 2018.

Cash and cash equivalents amounted to SEK 189m, a decrease of SEK 168m since the end of 2018

Interest-bearing liabilities (including lease liabilities) amounted to SEK 635m, an increase of SEK 581m compared to the end of 2018. The increase was mainly due to increased working capital, but also increased investments, as well as a SEK 76m increase in lease liabilities due to the application of IFRS 16.

Interest-bearing liabilities (including leases) amounted to SEK 635m, an increase of SEK 581m since the end of 2018

Property, plant and equipment increased by SEK 218m during the first six months, of which SEK 74m 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 for mechanics.

Equity amounted to SEK 741m, an increase of SEK 86m since the end of 2018

Equity at 30 June 2019 amounted to SEK 741m, an increase of SEK 86m 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 75m, partly offset by a dividend of SEK 109m, resolved by the AGM and paid in May 2019.

Employees

The number of employees at the end of the quarter, converted to full-time equivalent employees, was 1,146. This represents an increase of 114 employees compared to the end of 2018 and 290 more than at the end of Q2 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 25m (SEK 47m) due to lower intra-group sales of machines and parts. Administrative expenses were unchanged Y-o-Y at SEK 3m (SEK 3m). The result for the quarter decreased to SEK -12m (SEK 2m), partly due to lower gross profit and lower finance income following the repayment of intragroup loans in Q4 2018, but mainly due to an increase in foreign exchange losses (net) to SEK -12m, following a partial repayment during the quarter of a shareholder contribution to the subsidiary Ferronordic Machines LLC.

During the first six months, the revenue of the parent company decreased to SEK 62m (SEK 80m). Administrative expenses were unchanged at SEK 6m (SEK 6m). The result decreased to SEK -7m (SEK 8m), due to lower gross profit and finance income, but also due to an increase in foreign exchange losses (net) to SEK -8m, following the abovementioned repayment of a shareholder contribution to Ferronordic Machines LLC.

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.

Annual general meeting 2019

At Ferronordic's AGM in Stockholm on 14 May 2019, the shareholders resolved, in accordance with the resolutions proposed, as follows:

- Ordinary and extraordinary dividends of SEK 3.75 per share each, i.e. in total SEK 7.50 per share, were approved.
- The company's and the Group's income statements and balance sheets were adopted. The Board members and CEO were discharged from liability for the financial year 2018.
- Annette Brodin Rampe, Magnus Brännström, Lars Corneliusson, Erik Eberhardson, Håkan Eriksson and Staffan Jufors were re-elected Board members. Staffan Jufors was re-elected Board chairman.
- Fees to the Board in a total amount of SEK 1,800,000 were approved.
- KPMG AB was re-elected auditor. Fees to the auditor are paid as per agreement between the company and KPMG AB.
- Procedures were adopted regarding the election of the nomination committee and its work.
- Guidelines for remuneration to senior executives were adopted.
- An incentive program for members of the group's executive and extended management teams was approved.
- Changes to the articles of association were approved, meaning that the company's name will be changed to Ferronordic AB and that provisions concerning preference shares are taken out.

Dividends

In accordance with the AGM decision, a dividend of SEK 7.50 per share (SEK 3.75 in ordinary dividend and SEK 3.75 in extraordinary dividend) was paid in May 2019, corresponding to a total dividend of SEK 109m.

Changes in management

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

Other major events

In May it was announced that Ferronordic intends to invest SEK 35m in a remanufacturing centre for engines and gearboxes in Ekaterinburg. The project is ongoing.

In June, Ferronordic Machines LLC entered into two new credit facility agreements with Sberbank regarding new credit facilities for RUB 2,000m and RUB 1,000m, respectively (approx. SEK 300m and SEK 150m, respectively). The facilities replaced a previous facility with Sberbank and expanded the total credit limit. The facilities are available until June 2021.

Events after the reporting date

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

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

Outlook

We believe that the market will continue to expand somewhat during the rest of 2019, although not at the same pace as in 2017 and 2018. In a longer perspective, we remain optimistic, as the long-term fundamentals in the machine markets in Russia and Kazakhstan are still strong. Our optimism is supported by the so-called "national projects" that are being implemented, a program to boost Russia's economy, inter alia through increased infrastructure investments.

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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 15 August 2019 at 10:00 CET and can be followed via telephone conference or audiocast. The report is published on 15 August 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:

- Sweden: +46 8 5055 83 66
- UK: +44 3333 009 035
- Russia: 8 800 500 0133
- US: +1 833 823 0589
- Switzerland: +41 2 258 059 76
- Germany: +49 69 222 220 377

The presentation can also be viewed live at <https://tv.streamfabriken.com/ferronordic-q2-2019>

Condensed Consolidated Statement of Comprehensive Income

	Q2 2019 SEK '000	Q2 2018 SEK '000	Six months 2019 SEK '000	Six months 2018 SEK '000
Revenue	1 099 990	817 473	1 822 881	1 431 183
Cost of sales	(879 157)	(659 880)	(1 455 831)	(1 156 786)
Gross profit	220 833	157 593	367 050	274 397
Selling expenses	(46 501)	(35 527)	(85 094)	(67 306)
General and administrative expenses	(64 664)	(48 699)	(112 251)	(91 902)
Other income	607	495	2 961	2 378
Other expenses	(12 185)	(5 662)	(18 826)	(8 428)
Operating profit	98 090	68 200	153 840	109 139
Finance income	1 798	1 052	4 246	2 336
Finance costs	(11 778)	(2 010)	(19 712)	(4 741)
Foreign exchange gains/(-losses) (net)	4 203	2 271	12 396	1 365
Result before income tax	92 313	69 513	150 770	108 099
Income tax	(19 256)	(15 046)	(31 397)	(23 570)
Result for the period	73 057	54 467	119 373	84 529
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	18 932	(7 220)	75 135	(1 706)
Other comprehensive result for the period, net of tax	18 932	(7 220)	75 135	(1 706)
Total comprehensive result for the period	91 989	47 247	194 508	82 823
Earnings per ordinary share				
Basic and diluted earnings per share (SEK)	5.03	2.71	8.21	4.64

Condensed Consolidated Statement of Financial Position

	30 June 2019 SEK '000	31 December 2018 SEK '000	30 June 2018 SEK '000
ASSETS			
Non-current assets			
Property, plant and equipment	480 409	262 824	175 597
Intangible assets	8 597	6 133	5 492
Deferred tax assets	48 417	40 594	38 895
Total non-current assets	537 423	309 551	219 984
Current assets			
Inventories	1 359 867	740 843	711 915
Trade and other receivables	488 736	318 684	352 988
Prepayments	35 952	1 634	1 878
Cash and cash equivalents	188 897	356 589	249 888
Total current assets	2 073 452	1 417 750	1 316 669
TOTAL ASSETS	2 610 875	1 727 301	1 536 653
EQUITY AND LIABILITIES			
Equity			
Share capital	1 297	1 297	1 297
Additional paid in capital	612 136	612 136	612 136
Translation reserve	(139 535)	(214 670)	(161 922)
Retained earnings	148 184	48 061	48 061
Result for the period	119 373	209 116	84 529
TOTAL EQUITY	741 455	655 940	584 101
Non-current liabilities			
Deferred income	3 834	2 358	761
Deferred tax liabilities	1 220	1 094	927
Long-term lease liabilities	110 997	27 881	23 067
Total non-current liabilities	116 051	31 333	24 755
Current liabilities			
Borrowings	461 615	-	-
Trade and other payables	1 190 548	982 273	876 957
Deferred income	14 890	14 820	13 812
Provisions	23 898	17 041	14 290
Short-term lease liabilities	62 418	25 894	22 738
Total current liabilities	1 753 369	1 040 028	927 797
TOTAL LIABILITIES	1 869 420	1 071 361	952 552
TOTAL EQUITY AND LIABILITIES	2 610 875	1 727 301	1 536 653

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				119 373	119 373
Other comprehensive result					
Foreign exchange differences			75 135		75 135
Total comprehensive result for the period			75 135	119 373	194 508
Contribution by and distribution to owners					
Dividend on ordinary shares				(108 993)	(108 993)
Total contributions and distributions	-	-	-	(108 993)	(108 993)
Balance 30 June 2019	1 297	612 136	(139 535)	267 557	741 455

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				84 529	84 529
Other comprehensive result					
Foreign exchange differences			(1 706)		(1 706)
Total comprehensive result for the period			(1 706)	84 529	82 823
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 June 2018	1 297	612 136	(161 922)	132 590	584 101

Condensed Consolidated Statement of Cash Flows

	Q2 2019 SEK '000	Q2 2018 SEK '000	6 months 2019 SEK '000	6 months 2018 SEK '000
Cash flows from operating activities				
Result before income tax	92 313	69 513	150 770	108 099
Adjustments for:				
Depreciation and amortisation	27 494	9 268	53 650	16 428
(Gain)/loss from impairment of receivables	1 445	2 560	6 303	3 376
Profit on disposal of property, plant and equipment	8 816	-	8 661	-
Finance costs	11 778	2 010	19 712	4 741
Finance income	(1 798)	(1 052)	(4 246)	(2 336)
Foreign exchange losses/(gains) (net)	(4 203)	(2 271)	(12 396)	(1 365)
Cash flows from operating activities before changes in working capital and provisions	135 845	80 028	222 454	128 943
Change in inventories	(97 017)	(50 381)	(558 082)	(100 523)
Change in trade and other receivables	(121 428)	(100 090)	(131 375)	(114 124)
Change in prepayments	(15 135)	146	(32 994)	1 200
Change in trade and other payables	(181 881)	128 959	116 632	130 674
Change in provisions	9 614	2 174	4 728	1 107
Change in deferred income	1 406	1 864	(720)	2 096
Cash flows from operations before interest and tax paid	(268 596)	62 700	(379 357)	49 373
Income tax paid	(31 931)	(2 647)	(29 556)	(10 142)
Interest paid	(12 008)	(2 019)	(19 261)	(4 750)
Cash flows from operating activities	(312 535)	58 034	(428 174)	34 481
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	61	1 507	1 499	2 226
Interest received	1 798	1 052	4 246	2 336
Acquisition of property, plant and equipment	(33 184)	(707)	(55 284)	(22 160)
Acquisition of intangible assets	(2 558)	(481)	(3 102)	(480)
Cash flows from investing activities	(33 883)	1 371	(52 641)	(18 078)
Cash flows from financing activities				
Redemption of preference shares	-	(80 074)	-	(80 074)
Dividend on preference shares	-	(4 585)	-	(4 585)
Dividend on ordinary shares	(108 993)	(25 141)	(108 993)	(25 141)
Proceeds from borrowings	459 313	-	692 927	-
Repayment of loans	(219 417)	-	(244 447)	-
Leasing financing received	26 136	4 973	26 136	4 973
Leasing financing paid	(21 230)	(6 776)	(34 137)	(12 503)
Cash flows from financing activities	135 809	(111 603)	331 486	(117 330)
Net change in cash and cash equivalents	(210 609)	(52 198)	(149 329)	(100 927)
Cash and cash equivalents at start of the period	401 853	305 705	356 589	352 238
Effect of exchange rate fluctuations on cash and cash equivalents	(2 347)	(3 619)	(18 363)	(1 423)
Cash and cash equivalents at end of the period	188 897	249 888	188 897	249 888

Key Ratios

	Q2 2019	Q2 2018	6 months 2019	6 months 2018
New units sold	280	231	476	386
Revenue, SEK'000	1 099 990	817 473	1 822 881	1 431 183
Revenue growth, %	34.6%	4.2%	27.4%	7.2%
Gross margin, %	20.1%	19.3%	20.1%	19.2%
EBITDA, SEK'000	125 584	77 468	207 490	125 567
EBITDA margin, %	11.4%	9.5%	11.4%	8.8%
Operating profit, SEK'000	98 090	68 200	153 840	109 139
Operating margin, %	8.9%	8.3%	8.4%	7.6%
Result for the period, SEK'000	73 057	54 467	119 373	84 529
Undiluted earnings per ordinary share, SEK	5.03	2.71	8.21	4.64
Diluted earnings per ordinary share, SEK	5.03	2.71	8.21	4.64
Net debt/(cash), SEK'000	446 133	(204 083)	446 133	(204 083)
Net debt/EBITDA, x	1.1	(0.9)	1.1	(0.9)
Capital employed, SEK'000	1 376 485	629 906	1 376 485	629 906
Return on capital employed, %	32.6%	37.5%	32.6%	37.5%
Working capital, SEK'000	655 219	161 722	655 219	161 722
Working capital/Revenue, %	18.0%	6.1%	18.0%	6.1%
No. of employees at close of period	1 146	856	1 146	856

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

	Q2 2019 SEK '000	Q2 2018 SEK '000	6m 2019 SEK '000	6m 2018 SEK '000
Revenue	25 028	47 069	61 786	79 968
Cost of sales	(24 278)	(41 659)	(57 006)	(70 515)
Gross profit	750	5 410	4 780	9 453
Administrative expenses	(3 031)	(2 849)	(5 691)	(5 565)
Operating profit	(2 281)	2 562	(911)	3 889
Finance income	80	4 286	82	9 189
Finance costs	(45)	(1 179)	(89)	(2 429)
Foreign exchange gains/(-losses) (net)	(12 473)	(2 747)	(8 034)	(95)
Result before income tax	(14 719)	2 922	(8 952)	10 553
Income tax	2 910	(650)	1 668	(2 336)
Result for the period	(11 809)	2 272	(7 284)	8 217

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

Parent Company Balance Sheet

	30 June 2019 SEK '000	31 December 2018 SEK '000	30 June 2018 SEK '000
ASSETS			
Non-current assets			
Intangible assets	1 069	721	-
Property, plant and equipment	1	4	6
Financial assets			
Holdings in group companies	152 941	193 610	193 519
Loans to group companies	-	-	182 349
Deferred tax assets	19 001	17 333	18 555
Total financial assets	171 942	210 943	394 423
Total non-current assets	173 012	211 667	394 430
Current assets			
Trade and other receivables	39 291	53 250	62 888
Prepayments	895	1 075	1 206
Cash and cash equivalents	49 780	126 390	6 245
Total current assets	89 967	180 715	70 338
TOTAL ASSETS	262 979	392 382	464 768
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	(7 284)	8 967	8 217
TOTAL EQUITY	234 257	350 534	349 785
Current liabilities			
Borrowings	-	-	50 811
Trade and other payables	28 722	41 848	64 172
Total current liabilities	28 722	41 848	114 983
TOTAL LIABILITIES	28 722	41 848	114 983
TOTAL EQUITY AND LIABILITIES	262 979	392 382	464 768

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.

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 June 2019, right-of-use assets amounted to SEK 74m and corresponding lease liabilities amounted to SEK 76m (SEK -2m was recognised in retained earnings).

If previous accounting principles for leases (IAS 17) had been applied for the quarter, gross profit would be SEK 0.4m lower, operating profit would be SEK 1.0m lower, finance expenses SEK 1.8m lower and profit before income tax SEK 0.8m higher. EBITDA would have been SEK 7.7m lower. Cash flows from operating activities would have been SEK 6.0m lower while cash flows from financing activities would have been SEK 6.0m higher. If previous accounting principles for leases had been applied for the first six months, gross profit would be SEK 0.8m lower, operating profit would be SEK 2.0m lower, finance expenses SEK 3.7m lower and profit before income tax SEK 1.6m higher. EBITDA would have been SEK 14.7m lower. Cash flows from operating activities would have been SEK 11.1m lower while cash flows from financing activities would have been SEK 11.1m 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	Q2	Q2	6 months	6 months
	2019	2018	2019	2018
	SEK '000	SEK '000	SEK '000	SEK '000
Equipment sales	779 233	594 053	1 229 174	996 682
Aftermarket sales	226 804	201 154	435 295	374 896
Other revenue	93 953	22 266	158 412	59 605
Total revenues	1 099 990	817 473	1 822 881	1 431 183
Total delivery volume, units				
New units	280	231	476	386
Used units	39	35	66	68
Total units	319	266	542	454
EBITDA				
	Q2	Q2	6 months	6 months
	2019	2018	2019	2018
	SEK '000	SEK '000	SEK '000	SEK '000
EBITDA	125 584	77 468	207 490	125 567
Depreciation and amortization	(27 494)	(9 268)	(53 650)	(16 428)
Net foreign exchange gains/(losses) (net)	4 203	2 271	12 396	1 365
Finance income	1 798	1 052	4 246	2 336
Finance costs	(11 778)	(2 010)	(19 712)	(4 741)
Result before income tax	92 313	69 513	150 770	108 099
Income tax	(19 256)	(15 046)	(31 397)	(23 570)
Result for the period	73 057	54 467	119 373	84 529

Depreciation and amortisation in Q2 and first six months 2019 included depreciation of lease assets as a result of IFRS 16 of SEK 7m and 13m, 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.

	Q2 2019 SEK '000	Q2 2018 SEK '000	6m 2019 SEK '000	6m 2018 SEK '000
Result for the period	73 057	54 467	119 373	84 529
Dividends on preference shares	-	(1 091)	-	(3 093)
Difference between redemption price and carrying value of preference shares	-	(13 966)	-	(13 966)
Result attributable to holders of ordinary shares	73 057	39 410	119 373	67 470
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	5.03	2.71	8.21	4.64

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

Stockholm, 15 August 2019

Lars Corneliusson
CEO

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

About Ferronordic

Ferronordic is the authorized dealer of Volvo Construction Equipment, Terex Trucks, Dressta, Mecalac and Rottne in Russia, 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

Interim report January-September 2019

22 November 2019

Year-end report January-December 2019

20 February 2020

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This information is information that Ferronordic AB (publ) is obliged to disclose pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act (2007:528). The information was submitted for publication on 15 August 2019, 07:30 CET.

Financial information for individual quarters

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

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
SEK m (if not stated otherwise)										
New units sold (units)	154	218	198	168	155	231	238	324	196	280
Revenue growth (%)	78%	94%	54%	13%	11%	4%	26%	68%	18%	35%
Gross margin (%)	19,9%	18,7%	19,2%	18,4%	19,0%	19,3%	20,3%	17,6%	20,2%	20,1%
EBITDA	45	67	56	46	48	77	91	105	82	126
EBITDA margin (%)	8,1%	8,6%	9,0%	7,5%	7,8%	9,5%	11,5%	10,3%	11,3%	11,4%
Operating profit	37	62	50	38	41	68	80	84	56	98
Operating margin (%)	6,8%	7,9%	8,0%	6,2%	6,7%	8,3%	10,1%	8,3%	7,7%	8,9%
Net debt / (cash)	(216)	(293)	(381)	(312)	(264)	(204)	(298)	(303)	(59)	446
Net debt/EBITDA (x)	(1,3x)	(1,4x)	(1,8x)	(1,5x)	(1,2x)	(0,9x)	(1,1x)	(0,9x)	(0,2x)	1,1x
Capital employed	502	479	520	651	688	630	654	710	1 101	1 376
Return on capital employed (%)	35%	43%	42%	36%	34%	37%	40%	41%	33%	33%
Working capital	81	(18)	(68)	117	181	162	64	47	283	655
Working capital/Revenue (%)	4%	(1%)	(3%)	5%	7%	6%	2%	1%	8%	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
SEK m (if not stated otherwise)										
Long term interest bearing liabilities	16	22	26	22	20	23	17	28	78	111
Short term interest bearing liabilities	12	15	18	19	21	23	23	26	264	524
Total interest bearing liabilities	29	37	44	40	41	46	40	54	342	635
Cash & cash equivalents	245	330	425	352	306	250	338	357	402	189
Net debt / (cash)	(216)	(293)	(381)	(312)	(264)	(204)	(298)	(303)	(59)	446
Net debt / EBITDA (times)	(1,3)	(1,4)	(1,8)	(1,5)	(1,2)	(0,9)	(1,1)	(0,9)	(0,2)	1,1

Capital employed

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
SEK m (if not stated otherwise)	2017	2017	2017	2017	2018	2018	2018	2018	2019	2019
Long term interest bearing liabilities	16	22	26	22	20	23	17	28	78	111
Short term interest bearing liabilities	12	15	18	19	21	23	23	26	264	524
Shareholder equity	473	441	476	611	647	584	614	656	758	741
Capital employed	502	479	520	651	688	630	654	710	1 101	1 376
Average capital employed	444	438	481	560	595	554	587	681	895	1 003
Return on capital employed (%)	35%	43%	42%	36%	34%	37%	40%	41%	33%	33%

Working capital

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
SEK m (if not stated otherwise)	2017	2017	2017	2017	2018	2018	2018	2018	2019	2019
Inventory	565	515	601	633	691	712	755	741	1 295	1 360
Trade and other receivables	255	254	206	243	258	353	271	319	358	489
Prepayments	3	4	3	3	2	2	2	2	20	36
Trade and other payables	726	769	853	737	745	877	935	982	1 362	1 191
Deferred income	6	7	10	12	12	14	14	15	15	15
Provisions	10	14	14	13	12	14	15	17	14	24
Working capital	81	(18)	(68)	117	181	162	64	47	283	655
Working capital / Revenue (%)	4%	(1%)	(3%)	5%	7%	6%	2%	1%	8%	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.