

24 November 2015

## Ferronordic Machines AB (publ) Interim Report January - September 2015

### IMPROVED RESULT AND STRONG CASH FLOW

#### THIRD QUARTER 2015

- Revenue decreased by 39% (14% in rubles) to SEK 373m (SEK 616m)
- Operating profit increased to SEK 31m (SEK 12m)
- Operating margin was 8.3% (1.9%)
- EBITDA amounted to SEK 45m (SEK 41m)
- The after-tax result amounted to SEK 17m (SEK 0m)
- Earnings per ordinary share amounted to SEK 0.47 (SEK -1.20)
- Cash flow from operating activities amounted to SEK 183m (SEK -94m)

#### JANUARY - SEPTEMBER 2015

- Revenue decreased by 39% (19% decrease in rubles) to SEK 1,068m (SEK 1,739m)
- Operating profit amounted to SEK 43m (SEK 43m)
- Operating margin was 4.0% (2.5%)
- EBITDA amounted to SEK 97m (SEK 121m)
- The after-tax result amounted to SEK 20m (SEK 13m)
- Earnings per ordinary share amounted to SEK -1.73 (SEK -2.47)
- Cash flow from operating activities amounted to SEK 161m (SEK -145m)

SEK M	2015 Q3	2014 Q3	2015 9M	2014 9M
Revenue	372.9	615.6	1 068.4	1 738.9
EBITDA	45.1	41.3	96.7	121.0
Operating profit	31.1	11.9	43.1	43.5
After-tax result	17.2	0.5	20.2	12.8
Net Debt	(40.5)	244.7	(40.5)	244.7
Net Debt / EBITDA	(0.3x)	1.5x	(0.3x)	1.5x

#### COMMENTS BY LARS CORNELIUSSON, CEO AND PRESIDENT:

- The market for new machines in Russia continues to be weak. Compared to last year, the number of new units sold is down by about 70%. The falling oil price in combination with the economic sanctions against Russia continue to limit access to capital, resulting in postponed projects and difficulties for customers to finance their investments. In view of this I think we have delivered a strong result during the quarter, especially in terms of cash flow and profitability. We also continue to gain market share. At the end of the quarter, our total market share for the last twelve months was over 10%.
- During the quarter we have seen a continued change in product mix, where the lower sales of new machines is compensated by higher sales of parts and used machines. In combination with the cost reductions made, this has led to a significant improvement of our profit margins. We have also reduced our finance costs. In total, this resulted in an after-tax margin of 4% compared to zero in the third quarter last year.
- Despite the weak market, we have seen a good cash flow during the year and especially during the third quarter. The operating cash flow during the third quarter amounted to SEK 183m. Thanks to this we managed to end the quarter with a net cash position.
- Unfortunately we do not see any signs that the market would recover in the short term and thus expect the rest of 2015 and 2016 to continue to be challenging. However, we remain optimistic about the long term prospects of the Russian construction equipment market.

## Comments to the third quarter report

As previously during the year, the demand for new machines has remained weak. Due to the lack of liquidity, projects are postponed and customers have difficulties in financing their investments. Demand is further weakened by the price increases made as a result of the depreciating ruble.

Both the oil price and the ruble fluctuated significantly during the quarter. The oil price decreased from USD 60 per barrel at the beginning of the quarter to USD 47 per barrel at the end of the quarter. The ruble had a similar development and depreciated from 6.6 ruble per krona at the beginning of the quarter to 7.8 ruble per krona at the end of the quarter. The Central Bank kept its key rate at 11.0% in consideration of the continuously elevated inflation. MosPrime 3M decreased from 12.5% at the end of the second quarter to 11.7% at the time of this report.

In consideration of the continuously weak sales of new machines, we continued to focus on the sales of used machines and the aftermarket. We saw particularly strong results in our parts sales.

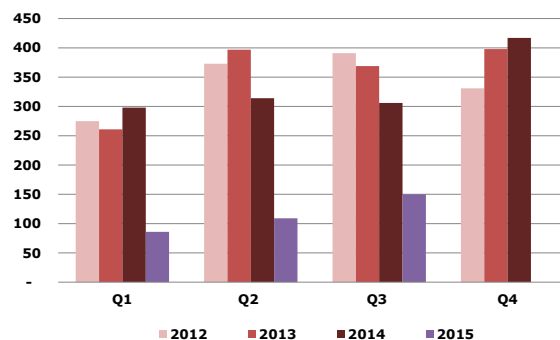
Despite the high inflation in Russia, thanks to the cost saving measures that commenced in the fourth quarter of 2014 we have managed to reduce our expenses. Compared to the fourth quarter of 2014 operating expenses in the third quarter were 15% lower in rubles and 27% lower in Swedish krona.

## Revenue

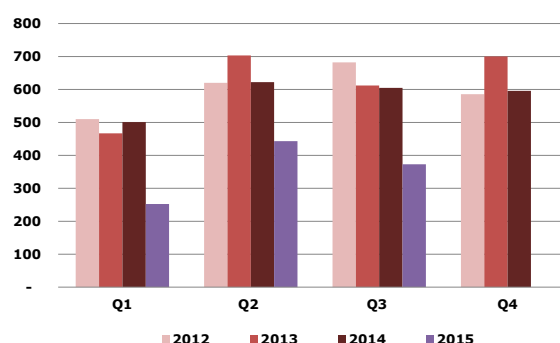
Revenue during the third quarter decreased by 39% to SEK 372.9m (SEK 615.6m). In rubles the decrease amounted to 14%. Revenue from equipment sales decreased by 48% while aftermarket revenue decreased by 9%. In rubles, revenue from equipment sales decreased by 26% while aftermarket revenue increased by 30%. The relatively modest drop in revenue from equipment sales (given the total market decline of approximately 70% in new units) is primarily a result of improved price realization and increased market share.

Revenue during the first nine months decreased by 39% to SEK 1,068.4m (SEK 1,738.9m). In rubles the revenue decreased by 19%. Revenue from equipment sales decreased by 49% while aftermarket revenue decreased by 6%. In rubles the revenue from sale of equipment decreased by 33% while the aftermarket revenue increased by 24%.

## New units sold



## Revenue, SEK m



## Gross profit and results from operating activities

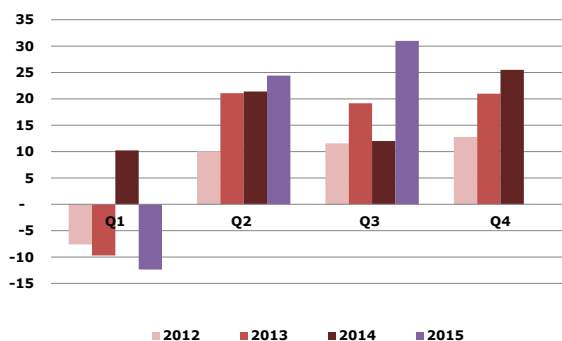
Gross profit for the quarter amounted to SEK 93.3m (SEK 100.2m), a decrease of 7%. Gross margin, however, increased to 25.0% compared to 16.3% during the same period last year. This is partly a result of improved margins on sold machines (particularly used machines), as well as the fact that the aftermarket now accounts for a higher proportion of the total revenue.

The results from operating activities for the quarter increased to SEK 31.1m (SEK 11.9m). This was primarily a result of a SEK 18.6m reduction in general and administrative expenses. The reduction in operating expenses was partly offset by an increase in provisions for bad debt of SEK 1.2m.

Gross profit for the first nine months amounted to SEK 248.1m (SEK 288.8m), a decrease of 14%. Gross margin increased from 16.6% during the first nine months of 2014 to 23.2% during the same period this year.

Results from operating activities for the first nine months were almost the same as for the same period last year and amounted to SEK 43.1m (SEK 43.5m).

### Results from operating activities, SEK m



### Result

The result before income tax for the quarter increased to SEK 20.9m (SEK 0.8m), primarily as a result of the improved results from operating activities. As a result, the after-tax result increased to SEK 17.2m (SEK 0.5m).

The result before income tax for the first nine months increased to SEK 25.7m (SEK 16.9m). This was partly a result of a reduction in administrative expenses of SEK 36.5m, as well as a reduction in net financial expenses of SEK 8.7m. As a result, the after-tax result for the period increased to SEK 20.2m (SEK 12.8m).

### Cash flow

Cash flow from operating activities during the quarter increased to SEK 182.7m (SEK -93.8m), primarily as a result of higher payables, reduced receivables and lower inventory.

Investments in property, plant and equipment amounted to SEK 3.1m. Proceeds from sale of property, plant and equipment were minor. This was partly offset by interest received. As a result, cash flow from investing activities amounted to SEK -1.0m (SEK -3.0m).

During the first nine months, cash flow from operating activities increased to SEK 160.5m (SEK -145.4m), primarily a result of lower inventory and receivables, and partly offset by lower payables. Compared to the same period last year, cash flow increased by SEK 306.2m. During the first nine months 2014, we instead saw an increase in inventory and receivables.

Cash flow from investing activities during the first nine months amounted to SEK 4.2m (SEK -24.5m). This was a result of decreased investments in property, plant and equipment and software licenses, and higher interest received and proceeds from sale of property, plant and equipment during the period (mainly reduction of carpool).

### Financial position

Cash and cash equivalents at 30 September 2015 amounted to SEK 147.9m, a decrease of approximately SEK 29.5m compared to 31 December 2014. Interest-bearing liabilities at 30 September 2015 amounted to SEK 107.4m, a decrease of SEK 179.1m compared to 31 December 2014 (interest-bearing liabilities include debt and obligations under finance leases, both short term and long term). The reduction in cash and cash equivalents and interest-bearing liabilities was primarily a result of repayments of loans in order to reduce financing costs.

Equity at 30 September 2015 amounted to SEK 368.1m, a decrease of SEK 3.4m compared to 31 December 2014. This is a result of negative translation differences in the amount of SEK 23.0m following the depreciation of the ruble during the period, partly compensated by the positive result for the period.

### Employees

The number of employees at the end of the quarter, converted to equivalent full-time employees, amounted to 672 people. This represents a decrease of 117 employees compared to the end of September 2014 and 95 employees compared to the end of December 2014.

### Parent company

The revenue of the parent company for the quarter amounted to SEK 3.0m (SEK -3.5m). The low revenue in 2014 is the result of an adjustment related to reduced royalties under a group-internal trademark license agreement during the first half of 2014. Administrative expenses amounted to SEK 4.1m (SEK 3.7m). The result for the period increased to SEK 3.7m (SEK 1.9m) because of the increase in revenue.

During the first nine months the revenue of the parent company amounted to SEK 8.4m (SEK 11.8m). The difference relates to the royalties under the intra-group trademark license agreement, which were lower during the first nine months of 2015

compared to the same period last year. Administrative expenses amounted to SEK 11.3m (SEK 14.1m), a decrease of 20 % compared to the same period last year. As a result, the after-tax result decreased to SEK 16.7m (SEK 21.1m).

### **Risks and uncertainties**

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Ferronordic Machines is exposed to a number of risks, as described in the 2014 annual report. Identifying, managing and pricing these risks are of fundamental importance to Ferronordic Machines' profitability. There have been no significant changes to what was stated in the 2014 annual report.

### **Events after the balance sheet date**

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On 2 October 2015, an extraordinary general meeting of Ferronordic Machines AB was held in Stockholm. In accordance with the proposal of the board, the meeting resolved to pay dividends on the company's preference shares in an amount of SEK 50 per preference share, corresponding to a total dividend payment of SEK 25,000,000. The dividend was paid on 28 October 2015.

On 15 October, Russian CE Distribution Investors AB sold its entire holding of 2,284,100 ordinary

shares in Ferronordic Machines AB. The purchaser of the shares was Skandinavkonsult i Stockholm AB, a company owned by the Swedish investor and entrepreneur Håkan Eriksson and his family. Following the transaction, Skandinavkonsult i Stockholm AB holds 2,341,500 ordinary shares in Ferronordic Machines, corresponding to 22.3% of the total number of shares and 23.3% of the total number of votes. The terms of the transaction are not public. The transaction is not expected to result in any changes of the company's strategy, operations or current dividend policy.

In addition to what has been described above and elsewhere in this report, no events requiring disclosure in the financial statements have occurred after the balance sheet date.

### **Outlook**

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With the continuous economic uncertainty in Russia and the weak market for new machines, it is clear that 2015 and most likely also 2016 will be difficult. All in all, however, we are still optimistic about the future of our business as the long-term fundamentals in the Russian construction equipment market remain strong.

	Third quarter 2015 SEK '000	Third quarter 2014 SEK '000	First nine months 2015 SEK '000	First nine months 2014 SEK '000
<b>Condensed consolidated statement of comprehensive income</b>				
<b>Revenue</b>	<b>372 857</b>	<b>615 595</b>	<b>1 068 382</b>	<b>1 738 880</b>
Cost of sales	(279 527)	(515 347)	(820 330)	(1 450 108)
<b>Gross profit</b>	<b>93 330</b>	<b>100 248</b>	<b>248 052</b>	<b>288 772</b>
Selling expenses	(17 989)	(25 608)	(62 220)	(71 930)
General and administrative expenses	(41 788)	(60 339)	(131 900)	(168 403)
Other income	830	1 088	3 902	3 430
Other expenses	(3 303)	(3 533)	(14 710)	(8 397)
<b>Results from operating activities</b>	<b>31 080</b>	<b>11 856</b>	<b>43 124</b>	<b>43 472</b>
Finance income	2 058	750	7 541	2 058
Finance costs	(5 730)	(9 386)	(21 883)	(25 078)
Net foreign exchange gains/losses	(6 498)	(2 459)	(3 094)	(3 522)
<b>Result before income tax</b>	<b>20 910</b>	<b>761</b>	<b>25 688</b>	<b>16 930</b>
Income tax	(3 731)	(305)	(5 496)	(4 125)
<b>Result for the period</b>	<b>17 179</b>	<b>456</b>	<b>20 192</b>	<b>12 805</b>
<b>Other comprehensive result</b>				
<i>Items that are or may be reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(41 832)	(33 306)	(23 036)	(34 178)
<b>Other comprehensive result for the period, net of tax</b>	<b>(41 832)</b>	<b>(33 306)</b>	<b>(23 036)</b>	<b>(34 178)</b>
<b>Total comprehensive result for the period</b>	<b>(24 653)</b>	<b>(32 850)</b>	<b>(2 844)</b>	<b>(21 373)</b>
<b>Result per share</b>				
Basic result per share (SEK)	0.47	(1.20)	(1.73)	(2.47)

	30 September 2015	31 December 2014	30 September 2014
<b>Condensed consolidated statement of financial position</b>	<b>SEK '000</b>	<b>SEK '000</b>	<b>SEK '000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	22 136	42 544	65 854
Property, plant and equipment	123 663	224 688	316 659
Deferred tax assets	37 817	36 192	23 692
<b>Total non-current assets</b>	<b>183 616</b>	<b>303 424</b>	<b>406 205</b>
<b>Current assets</b>			
Inventories	334 497	424 693	680 922
Trade and other receivables	200 696	265 412	326 690
Prepayments	706	1 336	1 507
Other assets	1 319	706	929
Cash and cash equivalents	147 925	177 453	41 046
<b>Total current assets</b>	<b>685 143</b>	<b>869 600</b>	<b>1 051 094</b>
<b>TOTAL ASSETS</b>	<b>868 759</b>	<b>1 173 024</b>	<b>1 457 299</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	937	937	937
Additional paid in capital	594 279	594 865	594 865
Translation reserve	(198 937)	(175 901)	(75 404)
Retained earnings	(48 373)	(67 102)	(67 102)
Result for the period	20 192	18 729	12 805
<b>TOTAL EQUITY</b>	<b>368 098</b>	<b>371 528</b>	<b>466 101</b>
<b>Non-current liabilities</b>			
Borrowings	31 887	-	-
Deferred tax liabilities	1 379	6 567	10 364
Long-term portion of finance lease liabilities	5 847	21 278	32 642
<b>Total non-current liabilities</b>	<b>39 113</b>	<b>27 845</b>	<b>43 006</b>
<b>Current liabilities</b>			
Borrowings	63 774	246 370	220 711
Trade and other payables	384 175	491 736	670 320
Deferred income	4 553	7 508	12 150
Provisions	3 137	9 121	12 588
Short-term portion of finance lease liabilities	5 909	18 916	32 423
<b>Total current liabilities</b>	<b>461 548</b>	<b>773 651</b>	<b>948 192</b>
<b>TOTAL LIABILITIES</b>	<b>500 661</b>	<b>801 496</b>	<b>991 198</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>868 759</b>	<b>1 173 024</b>	<b>1 457 299</b>
<b>Pledged Assets and Contingent Liabilities</b>			
Pledged Assets	11 660	209 135	227 559
Contingent Liabilities	-	-	-

**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	
<b>Balance 1 January 2015</b>	<b>937</b>	<b>594 865</b>	<b>(175 901)</b>	<b>(48 373)</b>	<b>371 528</b>
<b>Total comprehensive income for the period</b>					
Result for the period				20 192	20 192
<b>Other comprehensive income</b>					
Foreign exchange differences			(23 036)		(23 036)
<b>Total comprehensive income for the period</b>			<b>(23 036)</b>	<b>20 192</b>	<b>(2 844)</b>
<b>Contribution by and distribution to owners</b>					
Repurchase of warrants		(586)			(586)
<b>Total contributions and distributions</b>	<b>-</b>	<b>(586)</b>	<b>-</b>	<b>-</b>	<b>(586)</b>
<b>Balance 30 September 2015</b>	<b>937</b>	<b>594 279</b>	<b>(198 937)</b>	<b>(28 181)</b>	<b>368 098</b>

SEK '000	Attributable to equity holders of the Company				Total equity
	Share capital	Additional paid in capital	Translation reserve	Retained earnings	
<b>Balance 1 January 2014</b>	<b>937</b>	<b>595 192</b>	<b>(41 226)</b>	<b>(17 102)</b>	<b>537 801</b>
<b>Total comprehensive income for the period</b>					
Result for the period				12 805	12 805
<b>Other comprehensive income</b>					
Foreign exchange differences			(34 178)		(34 178)
<b>Total comprehensive income for the period</b>			<b>(34 178)</b>	<b>12 805</b>	<b>(21 373)</b>
<b>Contribution by and distribution to owners</b>					
Preference shares dividends				(50 000)	(50 000)
Repurchase of warrants		(327)			(327)
<b>Total contributions and distributions</b>	<b>-</b>	<b>(327)</b>	<b>-</b>	<b>(50 000)</b>	<b>(50 327)</b>
<b>Balance 30 September 2014</b>	<b>937</b>	<b>594 865</b>	<b>(75 404)</b>	<b>(54 297)</b>	<b>466 101</b>

Condensed consolidated statement of cash flows	Third quarter	Third quarter	First nine months	First nine months
	2015	2014	2015	2014
	SEK '000	SEK '000	SEK '000	SEK '000
<b>Cash flows from operating activities</b>				
Result before income tax	20 910	761	25 688	16 930
Adjustments for:				
Depreciation and amortisation	14 062	29 421	53 619	77 495
Loss from write off (gain from provisions release) of receivables	1 188	3 031	10 335	7 110
Profit on disposal of property, plant and equipment	(201)	-	(825)	-
Finance costs	5 730	9 386	21 883	25 078
Finance income	(2 058)	(750)	(7 541)	(2 058)
Net foreign exchange gains/losses	6 498	2 459	3 094	3 522
<b>Cash flows from operating activities before changes in working capital and provisions</b>	<b>46 129</b>	<b>44 308</b>	<b>106 253</b>	<b>128 077</b>
Change in inventories	7 489	(40 858)	139 091	(250 132)
Change in trade and other receivables	26 310	15 544	30 951	(21 248)
Change in prepayments	289	18	556	(546)
Change in trade and other payables	110 567	(99 102)	(82 858)	31 613
Change in provisions	(1 487)	(1 879)	(5 905)	(4 223)
Changes in other assets	(51)	(887)	(792)	(295)
Change in deferred income	(767)	(1 428)	(2 726)	(2 199)
<b>Cash flows from operations before interest paid</b>	<b>188 479</b>	<b>(84 284)</b>	<b>184 570</b>	<b>(118 953)</b>
Income tax paid	(107)	-	(286)	(1 335)
Interest paid	(5 717)	(9 510)	(23 437)	(25 076)
<b>Net cash from/(used in) operating activities</b>	<b>182 655</b>	<b>(93 794)</b>	<b>160 847</b>	<b>(145 364)</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment	152	-	3 259	-
Interest received	2 058	750	7 541	2 058
Acquisition of property, plant and equipment	(3 107)	(2 979)	(5 102)	(21 884)
Acquisition of intangible assets	(142)	(755)	(1 416)	(4 649)
<b>Net cash from (used in) investing activities</b>	<b>(1 039)</b>	<b>(2 984)</b>	<b>4 282</b>	<b>(24 475)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	-	110 676	108 522	604 042
Repayment of loans	(44 317)	(24 364)	(238 187)	(531 422)
Distributions to pref shareholders	-	-	(25 000)	(25 000)
Leasing financing received	-	-	-	41 523
Leasing financing paid	(8 246)	(15 984)	(27 228)	(33 125)
Repurchase of warrants	-	-	(586)	(327)
<b>Net cash from/(used in) financing activities</b>	<b>(52 563)</b>	<b>70 328</b>	<b>(182 479)</b>	<b>55 691</b>
<b>Net decrease in cash and cash equivalents</b>	<b>129 053</b>	<b>(26 450)</b>	<b>(17 350)</b>	<b>(114 148)</b>
<b>Cash and cash equivalents at start of the period</b>	<b>33 604</b>	<b>71 821</b>	<b>177 453</b>	<b>164 075</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(14 732)	(4 325)	(12 178)	(8 881)
<b>Cash and cash equivalents at end of the period</b>	<b>147 925</b>	<b>41 046</b>	<b>147 925</b>	<b>41 046</b>



Key Ratios	Note	Third quarter	Third quarter	First nine months	First nine months
		2015	2014	2015	2014
Gross margin, %	1	25.0%	16.3%	23.2%	16.6%
Operating margin, %	2	8.3%	1.9%	4.0%	2.5%
Operating working capital, SEK'000	3	145 353	314 990	145 353	314 990
Net debt, SEK'000	4	- 40 508	244 730	- 40 508	244 730
Capital employed, SEK'000	5	327 590	710 831	327 590	710 831
EBITDA, SEK'000	6	45 142	41 277	96 743	120 967
Net debt/EBITDA, times	7	- 0.3	1.5	- 0.3	1.5
EBITDA margin, %	8	12.1%	6.7%	9.1%	7.0%
Return on capital employed, %	9	14.8%	10.5%	14.8%	10.5%
Undiluted average number of ordinary shares	10	10 000 000	10 000 000	10 000 000	10 000 000
Diluted average number of ordinary shares	10	10 000 000	10 000 000	10 000 000	10 000 000
Undiluted earnings per ordinary share, SEK	11	0.47	(1.20)	(1.73)	(2.47)
Diluted earnings per ordinary share, SEK	11	0.47	(1.20)	(1.73)	(2.47)
No. of employees at close of period		672	789	672	789
Days receivables outstanding	12	41	40	43	43
Days inventory outstanding	13	108	119	110	127

## Definitions

- Gross profit in relation to revenue
- Results from operating activities in relation to revenue
- Current assets less current liabilities excluding interest-bearing liabilities and cash and cash equivalents
- Interest-bearing liabilities less cash and cash equivalents. Interest-bearing liabilities include borrowings and financial lease liabilities.
- Total equity and net debt
- Results from operating activities less depreciation and amortization
- Net debt in relation to EBIDTA during last twelve months
- EBITDA in relation to revenue
- Result for last twelve months less finance cost and net foreign exchange gains/(losses) in relation to average capital employed
- Weighted average number of ordinary shares
- Result for the period less dividends declared on preference shares, divided by average number of ordinary shares
- Outstanding receivables in relation to average daily sales. Average daily sales is revenue divided by number of days in the reporting period.
- Outstanding inventory in relation to average daily cost of sales. Average daily cost of sales is cost of sales divided by number of days in the reporting period.

	Third quarter	Third quarter	First nine months	First nine months
	2015	2014	2015	2014
Parent Company income statement	SEK '000	SEK '000	SEK '000	SEK '000
Revenue	3 002	4 229	8 396	11 793
Adjustment of revenue for 6 months ended 30 of June 2014	-	(7 729)	-	-
<b>Gross profit</b>	<b>3 002</b>	<b>(3 500)</b>	<b>8 396</b>	<b>11 793</b>
Administrative expenses	(4 058)	(3 663)	(11 320)	(14 059)
<b>Results from operating activities</b>	<b>(1 056)</b>	<b>(7 163)</b>	<b>(2 924)</b>	<b>(2 266)</b>
Finance income	7 361	10 415	23 276	30 740
Finance costs	(145)	-	(318)	(1)
Net foreign exchange losses	(1 440)	(1 564)	1 386	(2 044)
<b>Result before income tax benefit</b>	<b>4 720</b>	<b>1 688</b>	<b>21 420</b>	<b>26 429</b>
Income tax	(1 041)	258	(4 740)	(5 289)
<b>Result for the period</b>	<b>3 679</b>	<b>1 946</b>	<b>16 680</b>	<b>21 140</b>
<b>Parent company statement of comprehensive income</b>				
<b>Result for the period</b>	<b>3 679</b>	<b>1 946</b>	<b>16 680</b>	<b>21 140</b>
<b>Other comprehensive result</b>				
<i>Items that are or may be reclassified to profit or loss:</i>				
Translation difference, expanded net investments in foreign operations	(22 426)	(18 442)	(11 217)	(16 284)
<b>Other comprehensive result for the period, net of tax</b>	<b>(22 426)</b>	<b>(18 442)</b>	<b>(11 217)</b>	<b>(16 284)</b>
<b>Total comprehensive result for the period</b>	<b>(18 747)</b>	<b>(16 496)</b>	<b>5 463</b>	<b>4 856</b>

	<b>30 September 2015</b>	<b>31 December 2014</b>	<b>30 September 2014</b>
<b>Parent Company Balance Sheet</b>	<b>SEK '000</b>	<b>SEK '000</b>	<b>SEK '000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	24	30	33
Intangible assets	2 953	6 275	7 383
Financial assets			
Holdings in group companies	192 162	192 162	192 162
Loans to group companies	184 639	199 021	266 251
Deferred tax assets	32 517	34 078	20 174
Total financial assets	409 318	425 261	478 587
<b>Total non-current assets</b>	<b>412 295</b>	<b>431 566</b>	<b>486 003</b>
<b>Current assets</b>			
Trade and other receivables	8 889	19 298	36 477
Prepayments	218	353	278
Cash and cash equivalents	14 323	370	1 917
<b>Total current assets</b>	<b>23 430</b>	<b>20 021</b>	<b>38 672</b>
<b>TOTAL ASSETS</b>	<b>435 725</b>	<b>451 587</b>	<b>524 675</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity			
Share capital	937	937	937
Unrestricted equity			
Share premium reserve	604 336	604 922	604 880
Translation reserve	(80 893)	(69 676)	(16 284)
Retained earnings	(112 924)	(138 075)	(138 075)
Result for the period	16 680	25 151	21 140
<b>TOTAL EQUITY</b>	<b>428 136</b>	<b>423 259</b>	<b>472 598</b>
<b>Current liabilities</b>			
Borrowings	4 504	-	-
Trade and other payables	3 085	28 328	52 077
<b>Total current liabilities</b>	<b>7 589</b>	<b>28 328</b>	<b>52 077</b>
<b>TOTAL LIABILITIES</b>	<b>7 589</b>	<b>28 328</b>	<b>52 077</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>435 725</b>	<b>451 587</b>	<b>524 675</b>
Guarantees issued*	159 435	68 742	99 419

No assets had been pledged either as of 30 September 2015, 31 December 2014 or 30 September 2014.

\* Guarantees in favor of Sberbank as security for credit facility and bank guarantee to Ferronordic Machines LLC, a subsidiary.

## **Basis of presentation and summary of significant accounting policies**

### **1. Accounting Policies**

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Ferronordic Machines 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, issued by the Swedish Financial Reporting Board. It should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014.

Except as described below, the same accounting policies and valuation principles were applied in the preparation of this report as in the preparation of the 2014 Annual Report. Figures in parentheses refer to same period of the previous year.

Previously the Group presented proceeds from sales of machines from the rental fleet in the consolidated statement of cash flows within operating activities by using the direct method. Since 2015 the Group has decided that it is more appropriate to present proceeds from sale of machines from the rental fleet by using the indirect method. Comparative information has been presented accordingly.

### **2. Determination of fair values**

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The basis for determination of fair value of financial assets and liabilities is disclosed in Note 5 in the Annual Report for 2014. The fair values of the Group's financial assets and liabilities approximate their respective carrying amounts.

### **3. Seasonal Variations**

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Ferronordic Machines' 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 and infrastructure projects is constrained during the winter months), but with strong demand in aftermarket (sale of parts and services). This is usually followed by a strong increase during the second quarter as contracts start to be put out for tender, and customers start preparing for the busy 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**

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

**Notes**
**1. Operational Segment**


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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.

**Revenue from Equipment Distribution:**

	Third quarter 2015 SEK '000	Third quarter 2014 SEK '000	First nine months 2015 SEK '000	First nine months 2014 SEK '000
<b>Revenue</b>				
Equipment Sales	233 928	449 934	660 225	1 285 703
Equipment Rentals	4 101	19 596	16 819	45 695
Aftermarket	131 741	145 195	382 398	406 612
Other revenue	3 087	870	8 940	870
<b>Total revenues</b>	<b>372 857</b>	<b>615 595</b>	<b>1 068 382</b>	<b>1 738 880</b>
<b>Total delivery volume, units</b>				
New units	150	306	345	918
Used units	44	52	179	114
<b>Total units</b>	<b>194</b>	<b>358</b>	<b>524</b>	<b>1 032</b>

**EBITDA to result for the period:**

	Third quarter 2015 SEK '000	Third quarter 2014 SEK '000	First nine months 2015 SEK '000	First nine months 2014 SEK '000
<b>EBITDA</b>				
EBITDA	45 142	41 277	96 743	120 967
Depreciation and amortisation	(14 062)	(29 421)	(53 619)	(77 495)
Foreign exchange gain/(loss)	(6 498)	(2 459)	(3 094)	(3 522)
Finance income	2 058	750	7 541	2 058
Finance costs	(5 730)	(9 386)	(21 883)	(25 078)
<b>Result before income tax</b>	<b>20 910</b>	<b>761</b>	<b>25 688</b>	<b>16 930</b>
Income tax	(3 731)	(305)	(5 496)	(4 125)
<b>Result for the period</b>	<b>17 179</b>	<b>456</b>	<b>20 192</b>	<b>12 805</b>

**2. Related party transactions**


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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 2014 Annual Report.

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 parent company's operations, their financial position and performance, and describes material risks and uncertainties facing the parent company and other companies in the group.

Stockholm, 24 November 2015

Per-Olof Eriksson  
Chairman

Martin Leach  
Vice Chairman

Erik Eberhardson  
Vice Chairman

Magnus Brännström  
Director

Lars Corneliusson  
Director

Marika Fredriksson  
Director

Kristian Terling  
Director

Lars Corneliusson  
Managing Director

This report has been reviewed by the Company's independent auditors.

### **About Ferronordic Machines**

Ferronordic Machines is the authorized dealer of Volvo Construction Equipment and Terex Trucks in Russia. The company began its operations in June 2010 and has expanded rapidly across Russia and is today well established in all federal districts with almost 70 outlets and approximately 700 employees. In addition to distributing and providing aftermarket support to Volvo Construction Equipment machines, the company has also been appointed aftermarket dealer for Volvo and Renault Trucks as well as dealer for Volvo Penta in certain parts of Russia. The company has also signed up some other high quality brands such as Logset and several attachment manufacturers. The vision of Ferronordic Machines is to be regarded as the leading service- and sales company in the CIS markets. The preference shares of Ferronordic Machines are listed on NASDAQ OMX First North Premier. The company has appointed Avanza Bank AB as its Certified Advisor.

### **Financial Calendar**

Year-end Report 2015	22 February 2016
Interim Report January – March 2016	19 May 2016
Interim Report April – June 2016	22 August 2016
Interim Report July – September 2016	23 November 2016

### **For more information, please contact:**

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Ferronordic Machines discloses the information herein pursuant to the Securities Markets Act and/or the Financial Instruments Act. The information was submitted for publication on 24 November 2015, 1:00 pm CET.