

19 May 2016

Ferronordic Machines AB (publ)
Interim Report January - March 2016
STRONG QUARTER DESPITE CONTINUOUS FALLING MARKET

- Revenue increased by 23% (43% in rubles) to SEK 309.6m (SEK 252.4m)
- Operating profit amounted to SEK 17.1m (SEK -12.4m)
- Operating margin was 5.5% (-4.9%)
- EBITDA increased to SEK 26.6m (SEK 7.3m)
- The after-tax result increased to SEK 14.3m (SEK -11.0m)
- Earnings per ordinary share amounted to SEK 0.18 (SEK -2.35)
- Cash flow from operating activities amounted to SEK 43.1m (SEK 29.6m)

SEK M	First quarter 2016	First quarter 2015
Revenue	309.6	252.4
EBITDA	26.6	7.3
Operating profit	17.1	(12.4)
After-tax result	14.3	(11.0)
Net debt / (cash)	(131.0)	81.1
Net debt / EBITDA	(0.9x)	0.5x

COMMENTS BY LARS CORNELIUSSON, CEO AND PRESIDENT:

- The decline of the Russian economy continued in the first quarter. GDP declined by 1.2% compared to the same period last year. The market for new construction equipment also continued its backward movement and dropped over 20% compared to an already very low level in 2015. Compared with the same period two years ago, the total market is down 80% and is at the lowest level recorded since relatively reliable market statistics were introduced in 2004.
- Despite this, the first quarter of 2016 was the most profitable first quarter since the company was founded in 2010. This was achieved despite revenue of only 310 MSEK, compared with revenue of approximately 500 MSEK in same period in 2012 to 2014. The improved profitability was a result of hard work throughout the company - with increased aftermarket sales, well executed price realization on used and new machines, lower costs, reduced inventory and with a very strong net cash position as a result.
- During the quarter, we recorded a positive result per ordinary share, which is calculated after dividends on preference shares. I am very pleased with this result given the current difficult market situation.
- Despite the drop of the total market, we increased our sales of new machines in units by nearly 50% and hence continued to gain market share.
- Cash flow from operations during the quarter amounted to SEK 43 million, which contributed to a stronger net cash position than three months earlier. Towards the end of this year, we will probably be seeing a more challenging cash flow as we need to increase our inventory.
- Despite the strong first quarter, we have clear challenges ahead of us, and the rest of the year is likely to become even more demanding. There are no clear signs that the Russian economy and our market would improve in the short term. In addition, recently the ruble appreciated. As many of our competitors buy goods in hard currency, this will impair our competitiveness going forward. This in an already hard-pressed market with a strained general price picture. We will probably have to respond to pressure on our margins during the remainder of the year.
- In April it was announced that the proposal of the Board to the AGM is that no dividends should be paid on the preference shares for the time being. This does not mean that the payment of dividends has been cancelled. The intention is that dividend payments should be paid. But in a year like this, with the Russian market continuing to fall, it would not be prudent to make a decision already now in May to pay dividends in October 2016 and April 2017. In the same way as last year, if the financial position allows it, the Board will call for an extraordinary general meeting in October 2016 and/or April 2017 where the dividend payments can be decided.

Comments to the first quarter report

The Russian economy continued to decline during this quarter. The lack of capital on the market remains and, as a result, several infrastructure projects are postponed and our customers have difficulties to find financing. This has contributed to a drop in the market from an already low position last year.

Some of the economic indicators that affect us stabilized somewhat towards the end of the quarter. For example, the ruble strengthened from 8.76 to 8.32 ruble per krona during the quarter. As before, the value of the ruble is highly dependent on the oil price. Despite some heavy fluctuations during the quarter, the oil price remained around USD 36-37 per barrel at the end of the quarter. Since then, the oil price has strengthened to USD 48 per barrel, and the ruble is now trading around 7.9 to the krona.

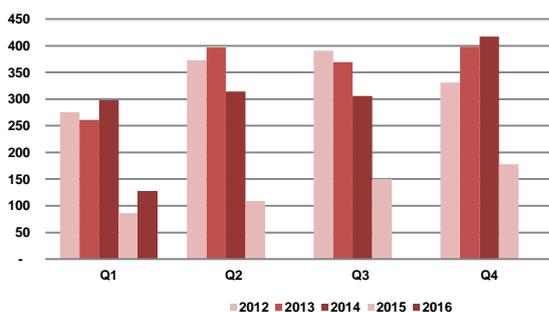
The key rate of the Russian Central Bank has been stable at 11.0% and MosPrime 3M both started and ended the quarter at 11.8% and was fairly stable in between.

The strengthening of the ruble together with our positive result had a positive impact on our equity during the quarter. In total, our equity increased by SEK 29m.

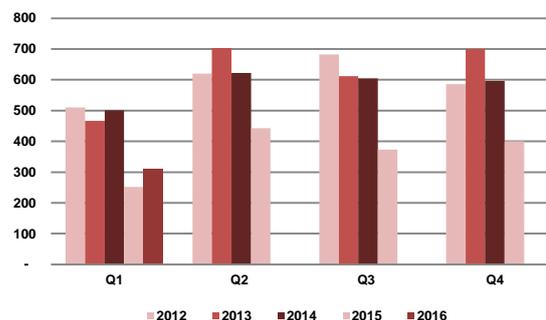
Revenue

Revenue during the quarter increased by 23% to SEK 309.6m (SEK 252.4m). In rubles the increase amounted to 43%. Revenue from sales of equipment increased by 38% and revenue from the aftermarket (parts and service) increased by 9%. In rubles, sales of equipment increased by 61% and revenue from the aftermarket increased by 28%. The increase in the aftermarket is especially pleasing given that we in this segment had a relatively strong quarter already last year.

New Units sold



Revenue, SEK m

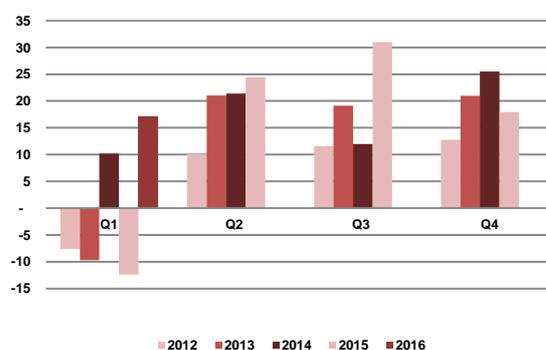


Gross profit and results from operating activities

Gross profit for the period amounted to SEK 71.6m (SEK 53.0m), an increase of 35%. Gross margin increased to 23.1% compared to 21.0% during the same period last year. The increase is partly a result of a well-executed price realisation on new machines from inventory and used machines sales but also the fact that the aftermarket now constitutes a higher proportion of the total revenue.

The results from operating activities increased to SEK 17.1m (SEK -12.4m). This was primarily a result of the increased gross profit, but also a decrease in selling, general and administrative expenses of SEK 9.7m.

Results from operating activities, SEK m



Result

The result before income tax increased to SEK 18.5m (SEK -13.5m), primarily because of the increased results from operating activities. The increase was also supported by a net financial income and a small foreign exchange gain following the strengthening of the ruble.

The result for the period increased to SEK 14.3m (SEK -11.0m).

Cash flow

In the first quarter the Group's cash flow from operating activities amounted to SEK 43,1m (SEK 29.6m). This was primarily a result of our strong result, lower inventory and lower receivables.

Cash flow from investing activities amounted to SEK 0m (SEK 2.2m), mainly because of higher investments in property, plant and equipment which were offset by interest received.

Financial position

The Group's cash and cash equivalents at 31 March 2016 amounted to SEK 166.6m, a decrease of approximately SEK 8.7m compared to 31 December 2015. Interest-bearing liabilities at 31 March 2016 amounted to SEK 35.6m, a decrease of SEK 57.9m compared to 31 December 2015 (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 is primarily a result of repayments of loans.

Equity at 31 March 2016 amounted to SEK 350.8m, an increase of SEK 28.7m compared to 31 December 2015. The increase was due to the positive result for the period, and positive translation differences in the amount of SEK 14.5m following the strengthening of the ruble.

Employees

The number of employees at the end of the quarter, converted to equivalent full-time employees, was 699 people. This represents a decrease of 17 employees since the end of March 2015 and an increase of 14 employees compared to the end of December 2015.

Parent company

The revenue of the parent company amounted to SEK 2.7m (SEK 2.3m). The increase relates primarily to strengthening of the ruble.

Administrative expenses amounted to SEK 3.9m (SEK 3.6m).

The result for the period decreased to SEK 3.5m (SEK 6.0m).

Risks and uncertainties

Ferronordic Machines is exposed to a number of risks, as described in the 2015 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 2015 annual report.

Annual general meeting, annual report 2015 and proposed dividends

The annual general meeting (AGM) will be held on 19 May 2016. The notice to the meeting was published on 18 April 2016 and is available on the website.

The annual report for 2015 was published on the website on 18 April 2016.

Similar to last year, the Board's proposal to AGM is that no dividends should be paid on either ordinary shares or preference shares. This does not mean that the payments of preference share dividends in October 2016 and April 2017 have been cancelled. The intention is that dividend payments should be made according to plan. But in a year like this, with the challenging market in Russia, we cannot make a decision already in May to pay dividends in October 2016 and April 2017. Before dividends can be paid we must first ensure that we have funds available to fulfil obligations to our suppliers. If our cash flow and general financial position allow it, the Board will call for an extraordinary general meeting in October 2016 and/or April 2017 where the dividend payments can be decided.

Major events

No major events occurred during the quarter.

Events after the balance sheet date

On 4 April 2016, the extraordinary general meeting in Ferronordic Machines AB resolved on dividends on the preference shares corresponding to SEK 50 per preference share, i.e. in total SEK 25m. The dividend was paid through Euroclear Sweden AB on 28 April 2016. No dividends was paid on ordinary shares.

On 5 April 2016, Ferronordic Machines LLC received a claim in the amount of RUB 103m (SEK 12.2m) from its customer, OOO Orenburg-RealStroy, relating to administrative documentation regarding service orders performed since 20 March 2013. Ferronordic Machines does not accept the claim and assesses that the claim will be rejected by the court.

In April 2016, Ferronordic Machines LLC entered into a new three year RUB 250m frame financial lease agreement with RB Leasing (subsidiary of Rosbank, 99.5% owned by Société Générale S.A.).

Outlook

With the continuously difficult economic situation in Russia and the weak market for new machines, we believe that 2016, despite the strong first quarter, 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.

Presentation of the report

A presentation of this report will be held by phone on 20 May 2016 at 9:30 a.m. CET.

The presentation can be accessed on the company's website prior to the meeting. To join the presentation, please dial the phone number no later than five minutes prior to the announced time.

Call-in numbers:

- Sweden Toll Number: 08 5059 6306
- Sweden Toll-Free Number: 0200 899 908
- UK Toll Number: 0203 139 4830
- UK Toll-Free Number: 0808 237 0030
- Russia Toll Number: 049 564 693 04
- Russia Toll-Free Number: 810 800 2136 5011

Participant code: 76112647#

<u>Condensed consolidated statement of comprehensive income</u>	<u>Note</u>	<u>First quarter 2016 SEK '000</u>	<u>First quarter 2015 SEK '000</u>
Revenue	1	309 588	252 381
Cost of sales		(237 962)	(199 351)
Gross profit		71 626	53 030
Selling expenses		(19 271)	(22 355)
General and administrative expenses		(35 115)	(41 713)
Other income		30	1 128
Other expenses		(139)	(2 461)
Results from operating activities		17 131	(12 371)
Finance income		3 483	4 355
Finance costs		(3 192)	(8 851)
Net foreign exchange gains		1 034	3 387
Result before income tax		18 456	(13 480)
Income tax		(4 163)	2 465
Result for the period		14 293	(11 015)
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss:</i>			
Foreign currency translation differences for foreign operations		14 455	23 291
Other comprehensive income for the period, net of tax		14 455	23 291
Total comprehensive income for the period		28 748	12 276
Earnings per ordinary share			
Basic earnings per ordinary share (SEK)		0.18	(2.35)

	31 March 2016	31 December 2015	31 March 2015
Condensed consolidated statement of financial position	SEK '000	SEK '000	SEK '000
ASSETS			
Non-current assets			
Intangible assets	10 664	14 629	40 232
Property, plant and equipment	85 582	83 355	213 719
Deferred tax assets	46 864	45 032	32 584
Total non-current assets	143 110	143 016	286 535
Current assets			
Inventories	313 713	327 235	441 646
Trade and other receivables	156 180	161 152	233 298
Prepayments	987	642	1 137
Other assets	404	315	924
Cash and cash equivalents	166 645	175 295	65 693
Total current assets	637 929	664 639	742 698
TOTAL ASSETS	781 039	807 655	1 029 233
EQUITY AND LIABILITIES			
Equity			
Share capital	937	937	937
Additional paid in capital	594 279	594 279	594 865
Translation reserve	(214 083)	(228 538)	(152 610)
Retained earnings	(44 607)	(73 373)	(48 373)
Result for the period	14 293	28 766	(11 015)
TOTAL EQUITY	350 819	322 071	383 804
Non-current liabilities			
Deferred tax liabilities	91	49	4 099
Long-term portion of finance lease liabilities	2 394	3 709	18 092
Total non-current liabilities	2 485	3 758	22 191
Current liabilities			
Borrowings	30 050	85 624	111 997
Trade and other payables	385 237	384 138	479 835
Deferred income	5 670	4 289	7 335
Provisions	3 616	3 622	7 400
Short-term portion of finance lease liabilities	3 162	4 153	16 671
Total current liabilities	427 735	481 826	623 238
TOTAL LIABILITIES	430 220	485 584	645 429
TOTAL EQUITY AND LIABILITIES	781 039	807 655	1 029 233
Pledged Assets and Contingent Liabilities			
Pledged Assets	17 517	10 435	152 345
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	
Balance at 1 January 2016	937	594 279	(228 538)	(44 607)	322 071
Total comprehensive income for the period					
Result for the period				14 293	14 293
Other comprehensive income					
Foreign exchange differences			14 455		14 455
Total comprehensive income for the period			14 455	14 293	28 748
Balance at 31 March 2016	937	594 279	(214 083)	(30 314)	350 819

SEK '000

	Attributable to equity holders of the Company				Total equity
	Share capital	Additional paid in capital	Translation reserve	Retained earnings	
Balance 1 January 2015	937	594 865	(175 901)	(48 373)	371 528
Total comprehensive income for the period					
Result for the period				(11 015)	(11 015)
Other comprehensive income					
Foreign exchange differences			23 291		23 291
Total comprehensive income for the period			23 291	(11 015)	12 276
Balance 31 March 2015	937	594 865	(152 610)	(59 388)	383 804

	First quarter 2016	First quarter 2015
	SEK '000	SEK '000
Condensed consolidated statement of cash flows		
Cash flows from operating activities		
Result before income tax	18 456	(13 480)
Adjustments for:		
Depreciation and amortisation	9 459	19 657
Loss from write off of receivables	207	1 609
Profit on disposal of property, plant and equipment	(21)	-
Finance cost	3 192	8 851
Finance income	(3 483)	(4 355)
Net foreign exchange losses	(1 034)	(3 387)
Cash flows from operating activities before changes in working capital and provisions	26 776	8 895
Change in inventories	29 803	32 079
Change in trade and other receivables	12 543	46 643
Change in prepayments	(294)	277
Change in trade and other payables	(16 790)	(44 570)
Change in provisions	(223)	(2 213)
Changes in other assets	(68)	(139)
Change in deferred income	1 091	(728)
Cash flows from operations before interest paid	52 838	40 244
Income tax paid	(6 413)	(179)
Interest paid	(3 332)	(10 448)
Cash flows from operating activities	43 093	29 617
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	68	-
Interest received	3 483	4 355
Acquisition of property, plant and equipment	(2 578)	(884)
Acquisition of intangible assets	(1 068)	(1 229)
Cash flow from investing activities	(95)	2 242
Cash flows from financing activities		
Proceeds from borrowings	-	-
Repayment of loans	(56 790)	(138 013)
Leasing financing received	-	-
Leasing financing paid	(2 432)	(6 292)
Cash flows from financing activities	(59 222)	(144 305)
Net increase/(decrease) in cash and cash equivalents	(16 224)	(112 446)
Cash and cash equivalents at start of the period	175 295	177 453
Effect of exchange rate fluctuations on cash and cash equivalents	7 574	686
Cash and cash equivalents at the end of the period	166 645	65 693

Key Ratios	Note	First quarter	First quarter
		2016	2015
Gross margin, %	1	23.1%	21.0%
Operating margin, %	2	5.5%	(4.9%)
Operating working capital, SEK'000	3	76 761	182 435
Net debt, SEK'000	4	(131 039)	81 067
Capital employed, SEK'000	5	219 780	464 871
EBITDA, SEK'000	6	26 590	7 286
Net debt/EBIDTA, times	7	(0.9)	0.5
EBITDA margin, %	8	8.6%	2.9%
Return on capital employed, %	9	29.2%	10.2%
Undiluted average number of ordinary shares	10	10 000 000	10 000 000
Diluted average number of ordinary shares	10	10 000 000	10 000 000
Undiluted earnings per ordinary share, SEK	11	0.18	(2.35)
Diluted earnings per ordinary share, SEK	11	0.18	(2.35)
No. of employees at close of period		699	716
Days receivables outstanding	12	38	71
Days inventory outstanding	13	119	199

Definitions

1. Gross profit in relation to revenue
2. Results from operating activities in relation to revenue
3. Current assets less current liabilities excluding interest-bearing liabilities and cash and cash equivalents
4. Interest-bearing liabilities less cash and cash equivalents
5. Total equity and net debt
6. Results from operating activities less depreciation and amortization
7. Net debt in relation to EBIDTA during last twelve months
8. EBITDA in relation to revenue
9. Result for last twelve months less finance cost and net foreign exchange gains/(losses) in relation to average capital employed
10. Weighted average number of ordinary shares, recalculated based on the number of shares after share split in October 2013
11. Result for the period less dividends declared on preference shares, divided by average number of ordinary shares
12. Outstanding receivables in relation to average daily sales
13. Outstanding inventory in relation to average daily cost of sales

Parent Company income statement	First quarter 2016 SEK '000	First quarter 2015 SEK '000
Revenue	2 693	2 326
Gross profit	2 693	2 326
Administrative expenses	(3 909)	(3 586)
Results from operating activities	(1 216)	(1 260)
Finance income	6 182	7 194
Finance cost	(388)	-
Net foreign exchange gains/(losses)	(28)	1 739
Result before income tax	4 550	7 673
Income tax	(1 016)	(1 691)
Result for the period	3 534	5 982
Parent Company statement of comprehensive income		
Result for the period	3 534	5 982
Other comprehensive income		
<i>Items that are to or may be reclassified to profit or loss:</i>		
Translation difference, expanded net investments in foreign operations	6 815	13 376
Other comprehensive income for the period, net of tax	6 815	13 376
Total comprehensive income for the period	10 349	19 358

Parent Company Balance Sheet	31 March 2016 SEK '000	31 December 2015 SEK '000	31 March 2015 SEK '000
ASSETS			
Non-current assets			
Property, plant and equipment	20	22	28
Intangible assets	738	1 846	5 168
Financial assets			
Holdings in group companies	192 949	192 949	192 162
Loans to group companies	174 003	165 265	216 169
Deferred tax assets	32 568	35 506	28 614
Total financial assets	399 520	393 720	436 945
Total non-current assets	400 278	395 588	442 141
Current assets			
Trade and other receivables	6 319	14 105	26 528
Prepayments	324	352	322
Cash and cash equivalents	15 515	1 477	1 285
Total current assets	22 158	15 934	28 135
TOTAL ASSETS	422 436	411 522	470 276
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	937	937	937
Unrestricted equity			
Share premium reserve	604 336	604 336	604 922
Translation reserve	(89 191)	(96 006)	(56 300)
Retained earnings	(116 672)	(137 924)	(112 924)
Result for the period	3 534	21 252	5 982
TOTAL EQUITY	402 944	392 595	442 617
Current liabilities			
Borrowings	14 785	14 042	-
Trade and other payables	4 707	4 885	27 659
Total current liabilities	19 492	18 927	27 659
TOTAL LIABILITIES	19 492	18 927	27 659
TOTAL EQUITY AND LIABILITIES	422 436	411 522	470 276
Contingent Liabilities*	90 151	142 711	74 665

No assets had been pledged either as of 31 March 2016, 31 December 2015 or 31 March 2015.

* Guarantee in favor of Sberbank as security for credit facility to Ferronordic Machines LLC, a subsidiary, and for surety issued by Sberbank to Volvo

Basis of presentation and summary of significant accounting policies

1. Accounting Policies

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. Except as described below, the same accounting and valuation principles were applied in the preparation of this report as in the preparation of the 2015 Annual Report. Figures in parentheses refer to same period of the previous 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 Annual Report for 2015. Except for finance lease liabilities, the fair values of the Group's financial assets and liabilities approximate their respective carrying amounts.

3. Seasonal Variations

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

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

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:

	First quarter 2016 SEK '000	First quarter 2015 SEK '000
Revenue		
Equipment Sales	198 434	143 649
Equipment Rentals	654	6 955
Aftermarket	108 303	99 008
Other revenue	2 197	2 769
Total revenues	309 588	252 381
Total delivery volume, units		
New units	128	86
Used units	54	60
Total units	182	146

EBITDA to result for the period:

	First quarter 2016 SEK '000	First quarter 2015 SEK '000
EBITDA		
EBITDA	26 590	7 286
Depreciation and amortisation	(9 459)	(19 657)
Foreign exchange gain	1 034	3 387
Finance income	3 483	4 355
Finance costs	(3 192)	(8 851)
Result before income tax	18 456	(13 480)
Income tax benefit/(expense)	(4 163)	2 465
Result for the period	14 293	(11 015)

2. 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 2015 Annual Report.

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

Stockholm, 19 May 2016

Lars Corneliusson
CEO and President

This report has not 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 approximately 65 outlets and almost 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 2016

Interim Report April - June 2016	22 August 2016
Interim Report July - September 2016	23 November 2016
Year-end Report 2016	20 February 2017

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 19 May 2016, 11:30 CET.