FERRONORDIC machines

ANNUAL REPORT 2015

CONTENT



This is **Ferronordic Machines**

	2015
REVENUE (SEK MM)	1,469
EBITDA (SEK MM)	128
EMPLOYEES	685
OUTLETS	65

- Official dealer of Volvo CE and Terex Trucks in Russia
- Aftermarket dealer for Volvo and Renault Trucks in select locations
- Significant presence all over Russia
- Revenue of SEK 1,469m and EBITDA of SEK 128m
- Experienced management and board of directors



Year in brief

Continuously deteriorating Russian economy
- Weakening ruble due to falling oil price

65% drop in market for new construction equipment

Increased market share

Improved margins thanks to increased focus on aftermarket

Aftermarket absorption rate above 100% in second half of the year

Implemented cost reductions showing result

Significant profitability improvement
- Increase in gross profit margin by 5.6 percentage points
- Increase in EBITDA margin of 1.3 percentage points

Strong cash flow from operating activities amounting to SEK 234m

SEK MM	2015	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2014
New units sold*	523	86	109	150	178	1,335
Revenue	1,469	252	443	373	400	2,335
EBITDA	128	7	44	45	32	172
Margin	*8.7%*	*2.9%*	*10.0%*	*12.1%*	*7.9%*	*7.4%*
EBITA	87	(6)	32	37	24	102
Margin	*5.9%*	*NM*	*7.2%*	*10.0%*	*6.0%*	*4.4%*
Net debt / (cash)	(82)	81	148	(41)	(82)	109
Total assets	808	1,029	904	869	808	1,173
Equity/total assets	40%	37%	43%	42%	40%	32%

* Excluding machines added to rental fleet.

Improved result and strong cash flow **despite challenging market**

Lars Corneliusson, CEO

Considering all the negatives that have surrounded us, I think we delivered a strong result, which shows that our business model holds even in very tough times.

2015 WAS A CHALLENGING YEAR FOR FERRONORDIC MACHINES AND THE RUSSIAN CONSTRUCTION EQUIPMENT MARKET. While the economic and geopolitical uncertainty in Russia seemed to stabilize in the beginning of the year, the dramatic fall in the oil price later during the year resulted in a considerable worsening of most economic indicators in the market. The most obvious deterioration was the continued depreciation of the ruble, which led to substantial price increases for imported machines. At the same time, the financial sanctions continued to limit access to capital in the market, resulting in many projects being postponed or cancelled, and creating difficulties for our customers to finance their investments.

AS A RESULT OF THIS, we saw a clear decrease in demand during the year. Compared to 2014, the Russian market for new machines fell by 65%. The fall receded somewhat towards the end of the year, but this was only because the accelerated fall of the market began already at the end of 2014. Our own sales of new machines, measured in units, fell by 61% compared to 2014 and thus we continued to gain market share.

IN RESPONSE TO THE FALLING DEMAND, we took various measures to reduce our costs, for instance a reduction of headcount and closing down of certain locations. We also allocated more resources to the sales of used machines and to the aftermarket, with good results, particularly as regard parts sales for Terex Trucks and the increasingly important aftermarket business for Volvo and Renault Trucks. We also benefited from investments made earlier in our network in the Asian parts of Russia, which were less affected by the economic downturn than the European parts of the country. The fact that we operate in the whole of Russia and are able to redistribute resources between different regions proves to be a strength also in bad times.

THANKS TO THE CHANGED REVENUE MIX, the increased sales of larger machines to the Asian parts of Russia, together with the effects of the cost reductions, our profitability continued to develop positively despite the challenging market. In addition, we also had very strong cash flow and in total during the year we had a positive operating cash flow of SEK 234m. This contributed to a year-end net cash position of SEK 82m, compared to a net debt position of SEK 109m a year earlier. Considering all the negatives that have surrounded us, I think we delivered a strong result, which shows that our business model holds even in very tough times.

DURING THE YEAR our company continued to develop in the right direction. Our sales and service organization is becoming more efficient all the time. We continue to improve our processes to commercialize the aftermarket. By increasing the usage of real-time data from the machine population, we can make even more proactive sales offerings for both parts, service and machine sales. We also continue to implement our strategy towards increased customer integration, for instance through the contracting services projects we are participating in for various customers in the mining industry.

LOOKING INTO THE FUTURE, we see no reason to assume that 2016 will be any easier than 2015. Nevertheless, we remain optimistic about the long-term prospects of the Russian construction equipment market. Because of the old and outdated machine population, there was a pent-up demand in the market already before the current economic downturn. As a result of the low levels of investments in new machines, this pent-up demand is now increasing. We are well prepared to capitalize on this opportunity once the market normalizes.



Vision, objectives **and strategy**

Our vision is to be regarded as the leading service and sales company in the CIS markets

STRATEGIC OBJECTIVES

- Leadership within the market for construction equipment
- Geographic expansion of current product portfolio
- Expansion into related business areas such as other types of machinery and commercial vehicles
- Extract synergies in dealer network and support functions

FINANCIAL OBJECTIVES

- Double-digit revenue growth in SEK (CAGR over a five-year period)
- EBIT margin of 6-8% (within a five-year period)
- Net debt to EBITDA of 0-2 times (over a business cycle)
- Absorption rate of 1.0x (gross profit from aftermarket shall cover 100% of fixed operating expenses) (within a five-year period)



STRATEGIC CORNERSTONES

CUSTOMER ORIENTATION

- Leading service and product availability
- Tailored service and repair programs
- Financial services offerings
- Developed trade-in system
- Fleet and residual value management
- Rental fleet

BUILD ON STRONG BRAND

- Volvo CE - the third largest manufacturer of construction equipment in the world
- Building on No. 1 brand position in Russia
- Broad range of equipment for road and general construction, oil and gas and mining
- Development through additional strong brands

SUPERIOR INFRASTRUCTURE

- High density network – many points of presence
- Mobile workshops and service vans/trucks
- Well equipped, purpose-built facilities in select locations
- Infrastructure to be used for other brands

OPERATIONAL EXCELLENCE

- Implementation of best practices and processes
- Leading IT systems
- Close cooperation with manufacturers
- Get the right people to do the right job right
- Continuous improvement of processes

Market **overview**

Ferronordic Machines is active on the Russian market for high-quality construction equipment. Construction equipment is primarily used in the construction industry for construction of infrastructure, roads and heavy installations, but also operationally in other industries, such as the mining, quarry and forestry sectors. In addition, Ferronordic Machines operates service stations for Volvo and Renault Trucks in select locations.

THE RUSSIAN ECONOMY

Russia is the largest country in the world measured by area. It has a population of 144 million and an abundance of oil, natural gas, metals and other natural resources. It is the world's second largest producer of oil and holds the world's second largest proven reserves of natural gas. It is a leading producer and exporter of minerals and gold. In Russia, there is also 800 million hectares of forest land, a fifth of the world's forest area, making it the largest forest country in the world. This wealth of natural resources is and will continue to be important for the Russian economy.

During the years 2000 to 2008, the Russian economy grew on average 7% per year. In 2008, Russian banks were hit by the global financial crisis, though no long-term damage was done. Thus, a brief recession in 2008 was followed by strong recovery, beginning in late 2009. After a few years of strong growth, the economy slowed down somewhat and grew by a mere 1.3% in 2013. Following the annexation of Crimea in March 2014 and Russia's reported involvement in the conflict in eastern Ukraine, the U.S. and EU imposed sanctions on Russia. This together with a dropping oil price led to a significant decline of the Russian ruble and considerably limited the access to capital. Russia responded with sanctions against a number of countries, including a ban on food imports from the EU and other countries. As a result, the Russian economy grew by a mere 0.6% in 2014.

During 2015, the situation continued to deteriorate. The oil price fell from USD 55 per barrel to USD 36 per barrel, a decrease by approximately 35%. This followed an already weak year in 2014 when the oil price dropped by approximately 50% from USD 111 per barrel at the beginning of the year. Because of the dropping oil price and the continued sanctions, the ruble lost significantly in value. During 2015, the RUB/SEK rate changed from 7.3 to 8.8. In relation to the euro, the ruble fell from 69 to 80 and in relation to the USD, it fell from 57 to 73. Annual inflation in Russia during 2015 was approximately 15%. For 2016, the Russian GDP is expected to continue to be weak, depending on the development of the oil price and if and when the financial sector sanctions will be eased.

Despite the current economic situation, Ferronordic Machines expects the Russian economy to continue to grow long-term, partly because of the country's significant natural resources, primarily oil and gas, and partly because of the infrastructure investments which will be necessary going forward.

FERRONORDIC MACHINES REGIONS

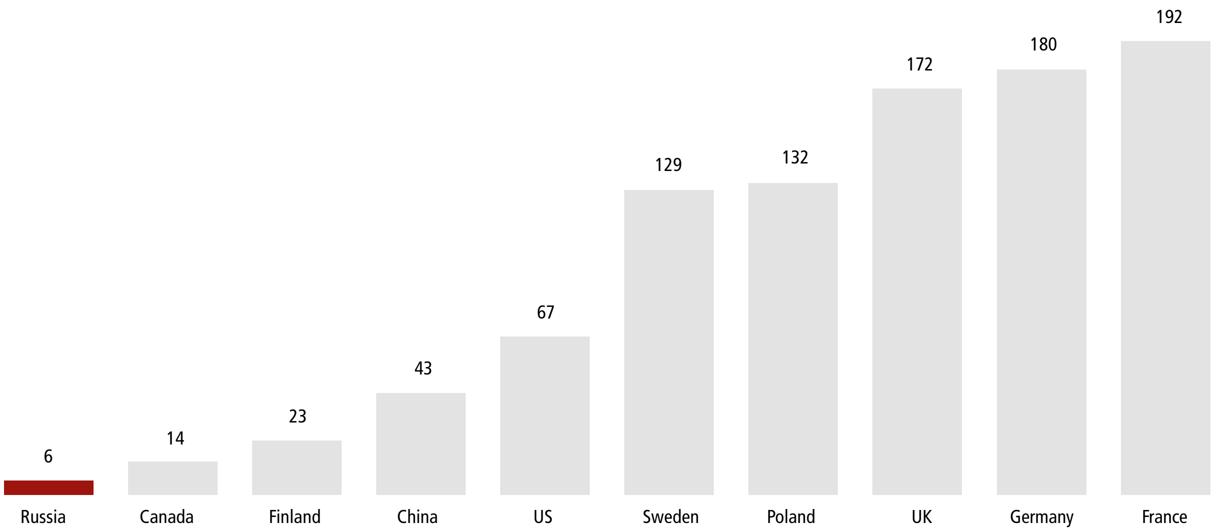
The economic development in Russia will vary between different regions and have different drivers in different parts of the country. The table below summarizes the size and population of the Russian federal districts where Ferronordic Machines is operating. Since the company reports the separate districts North Caucasus and South as one single district, the map and table have been adjusted to reflect the company's reporting.

Federal District	Area (000s of km^2)	Population (million)
Central	~650	38.8
North West	~1,700	13.8
South	~600	23.6
Volga	~1,000	29.7
Urals	~1,800	12.2
Siberia	~5,100	19.3
Far East	~6,200	6.2

Source: Rosstat

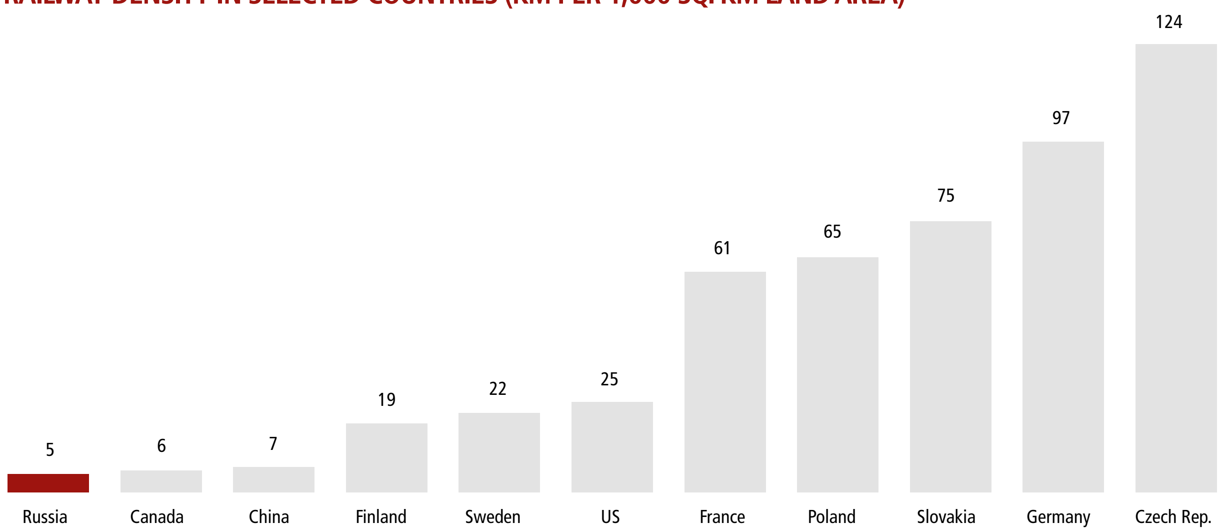
Despite the current economic situation in Russia, the market for construction equipment is expected to capitalize on the long-term growth in Russia. An important driver will be the need to improve the country's aging infrastructure, the bulk of which was built in the Soviet era and is generally old and in need of improvement. For example, according to the Russian federal road agency, Avtodor, as much as 40% of all roads in the country fail to meet domestic regulatory requirements. Another example of underdeveloped infrastructure is the low density of the railroad network. Upgrading and expanding the country's underdeveloped road and railway networks are expected to be important parts of Russia's continued economic development. Several major construction projects are planned or ongoing. In order to carry out these projects, the existing population of construction equipment in Russian must grow significantly.

ROAD DENSITY IN SELECTED COUNTRIES (KM PER 100 SQ. KM LAND AREA)



Source: World Bank

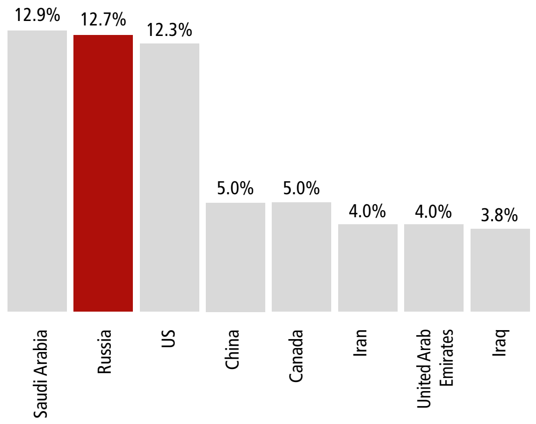
RAILWAY DENSITY IN SELECTED COUNTRIES (KM PER 1,000 SQ. KM LAND AREA)



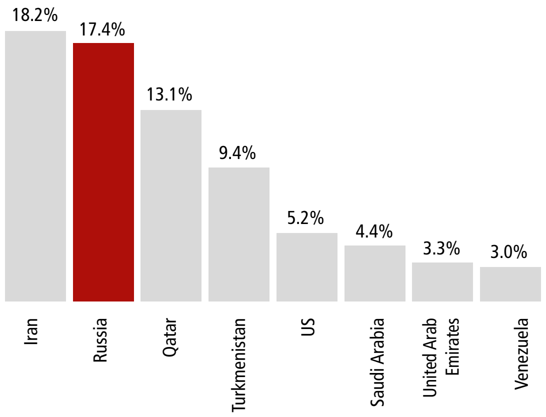
Source: World Bank

Another driver for both long-term growth and future construction projects will be the continued extraction and refinement of natural resources, in particular oil and gas. In the graph below, the world's largest countries in oil production and reserves of gas are presented.

OIL PRODUCTION (% OF TOTAL)



PROVED PRESERVES OF GAS (% OF TOTAL)



Source: British Petroleums Statistical Review of World Energy, June 2015.

THE CONSTRUCTION EQUIPMENT MARKET IN RUSSIA

Construction equipment is used in a wide range of activities including both the construction industry as well as other industries. Areas of use include construction and maintenance of roads, heavy industry, utilities, residential housing, as well as infrastructure for the oil and gas industry. Construction equipment is also used operationally in a wide range of industries, such as mining, quarries, aggregates and forestry. Below is a description of the main applications for construction equipment in different industries.

Industry	Main areas of use	Main geographical areas	Portion of Ferronordic Machines' equipment sales
Road construction	• Construction of new roads • Upgrading of existing roads • Maintenance and repair of roads	• Whole Russia	21%
General construction and other	• Construction of heavy industry • Construction of utilities • Construction of residential and non-residential properties	• Whole Russia	35%
Oil & gas	• Construction of pipelines and other infrastructure etc. • Construction of refineries and other facilities • Maintenance of existing infrastructure	• Volga • Urals • Siberia	2%
Mining	• Construction of infrastructure • On-site construction and maintenance • Operational use in day-to-day operations (e.g. digging, earth-moving, etc.)	• North West • Siberia • Far East • Urals	22%
Quarries and aggregates	• Extraction and production of raw material for road and general construction	• North West • South • Siberia • Central • Urals	5%
Forestry	• Site construction and maintenance • Harvesting • Off-road transport	• North West • Siberia • Far East • Volga	15%

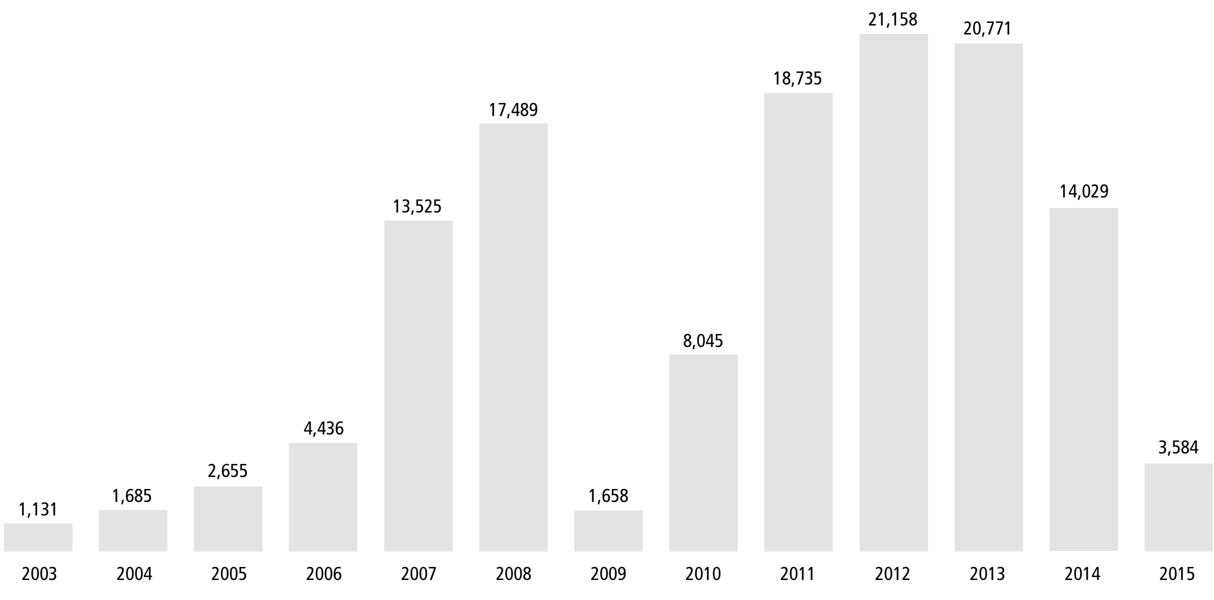
Note: General construction and other also include areas such as agriculture and landscaping, demolition, industrial material handling, recycling and waste.

The existing population of construction equipment in Russia is generally old and outdated. Thus, in addition to the need to increase the total machine population to enable increasing infrastructure investments, we also expect to benefit from the fact that the aging machines existing in Russia today need to be replaced. In today's market, this pent-up demand is growing at an even quicker pace, as customer's, due to the economic situation, are forced to operate their machines longer than they would do otherwise.

Unsurprisingly, the negative development of the Russian economy during 2014 and 2015 has had a significant negative impact on the demand of new construction equipment machines in Russia. During 2014 and 2015, the market for new machines fell by 25% and 65%, respectively. Despite this decline, however, the import of foreign construction equipment to Russia has overall grown significantly during the last 10 years. The main reason for this has been the overall construction growth, as well as the need to replace and upgrade the existing machine fleet - a trend that we expect to continue going forward, once the market normalizes. Among the imported equipment, we see a clear difference between western manufacturers, offering machines of higher quality and higher prices, and Chinese manufacturers offering less expensive, standardized and often small-type machines (such as small wheel-loaders).

Ferronordic Machines mainly distributes machines made by Volvo CE, a well-known brand in Russia. The product offering ranges from large machines, such as articulated haulers with prices around SEK 5m, to small skid steer-loaders with prices below SEK 0.5m. In addition, Ferronordic Machines distributes dump trucks made by Terex Trucks (owned by Volvo CE). The main competitors are other manufacturers of high-quality construction equipment, such as Caterpillar, Komatsu, JCB and Hitachi. The graph below shows the development of the import of construction equipment to Russia (in number of units), excluding Chinese manufacturers.

RUSSIAN CONSTRUCTION EQUIPMENT IMPORT STATISITCS (UNITS)



Source: Russian import statistics provided by Volvo CE and Ferronordic Machines.
Note: The decrease in number of imported machines in 2015 presented in the table above is 74%. The higher drop in imported machines than the 65% market drop discussed earlier in the report is due to distributors having a fairly significant inventory of machines at the start of 2015 which were imported in 2014. The 65% drop is based on sales statistics rather than import statistics. However, over a longer period of time, these two statistics are similar.

The Company

THIS IS FERRONORDIC MACHINES

Ferronordic Machines is the official dealer of Volvo Construction Equipment and Terex Trucks in Russia. Since the company began its operations in June 2010, it has expanded rapidly across Russia and is today well established in all federal districts with 65 outlets and approximately 700 employees. In addition to distributing and providing aftermarket support to Volvo CE machines and Terex Trucks, 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 brands, including Logset and several attachment manufacturers.

(SEK MM)	2010	2011	2012	2013	2014	2015
Outlets	12	53	69	74	75	65
Employees	326	540	654	731	767	685
Revenue	706	2,421	2,402	2,483	2,335	1,469
EBITDA	-13	111	117	153	172	128

BUSINESS CONCEPT

In more developed markets, the focus of construction equipment customers has generally shifted from the initial price to total cost of the machines during its entire life-cycle, including fuel costs, cost of repair and maintenance, cost of standstill, residual value, etc. In Russia, however, customers often still focus on initial price. Factors like quality, productivity, high machine utilization and residual value have traditionally been less important than the initial purchase price for the machine. However, we see a trend that this is changing as Russian customers are becoming more and more sophisticated.

To meet the individual needs and increasing sophistication of our customers, Ferronordic Machines has developed a complete offering, both for Volvo CE and Terex Trucks. Thus, in addition to delivering high-quality machines, we also provide consultancy services, such as fleet management, operator training, trade-in, site simulation and advice regarding optimal fleet composition and specifications. Since 2014, we are even performing certain operations outsourced to us by our customers in the mining industry. Although still on a small scale, we expect this business to grow. Altogether, these services make Ferronordic Machines an integrated partner for our customers and more than ”just” a supplier of equipment. As such, Ferronordic Machines is, we think, a strong force in driving the shift in focus in Russia from initial cost to total life-cycle cost, which will benefit Volvo CE and other premium brands in the years to come.

A major part in keeping down the total life-cycle cost of machines is to ensure that the machines have high utilization. Machines at standstill, because of poor planning or breakdown, quickly have a deteriorating effect on a project’s profitability. The high cost of machines at standstill results in high demand on dealers’ service levels and availability of spare parts. This has been a key driver for us for building a high-density, mobile network across the whole of Russia. Proximity to customers, large number of outlets and high availability of service and parts are three differentiating factors of Ferronordic Machines on the Russian market. The fact that we operate all over Russia has also been important in the current market since we were able to move resources to regions and sectors that were less affected by the economic downturn.

In the Russian market, we also have an unprecedented focus on the commercialization of the aftermarket, i.e. a proactive and competitive offering of customer service and spare parts supply, based on real-time data from the existing machine population and long experience in the industry.

The implementation of our business concept has been a strong contributing factor to the further strengthening of the number one brand position of Volvo CE in Russia between the years 2011 and 2014[1]. Customers surveyed have in particular appreciated customer relations, dense network and good service packages when answering the survey.

[1] According to the Volvo Construction Equipment Brand Track Survey in 2014.

VOLVO GROUP IN RUSSIA

The Volvo Group is a major investor in Russia and has a long history in the country. The first 100 Volvo F89 trucks were delivered to Russia already in 1973. In 2003, Volvo became the first western manufacturer of heavy trucks in Russia through the opening of an assembly factory in Zelenograd and in 2009, Volvo opened an assembly factory in Kaluga with an annual capacity of 15,000 trucks. In 2014, Volvo inaugurated a facility for cab production on the Kaluga site, also with an annual capacity of 15,000.

Even though Volvo CE established a Russian market presence fairly late (2002), it enjoys a strong brand image in Russia. As described above, according to a survey made in 2014, Volvo CE is considered the number one brand within construction equipment with competitive market shares in key premium segments.

The number of delivered Volvo CE machines into Russia has increased from approximately 150 units in 2002 to over 1,500 at its peak in 2013. In 2013 Volvo CE opened a 20,660 m2 excavator plant in Kaluga. The plant currently produces three models of excavators. The investment is in line with Volvo CE's strategy to build machines where they are sold and validates Volvo CE's commitment to Russia and to Ferronordic Machines.

In 2014, Volvo CE acquired Terex Equipment Ltd, the producer of Terex Trucks, from Terex Corporation. Following this acquisition, Ferronordic Machines was appointed the official dealer of Terex Trucks in Russia. Since 2007, Terex Trucks has sold about 200 rigid and articulated dump trucks in Russia.

VOLVO CE AND TEREX TRUCKS DEALER AGREEMENTS

Ferronordic Machines signed an initial dealer agreement with Volvo CE in June 2010 (subsequently replaced by an amended dealer agreement in July 2012). In the agreement, Volvo CE appointed Ferronordic Machines the official dealer of Volvo CE machines, parts and services in the whole of Russia. In December 2014, Ferronordic Machines signed a corresponding agreement regarding Terex Trucks. The initial term of both agreements was made until 27 April 2016. Thereafter either party can terminate the agreements by giving 180 days' prior notice, which is in line with the standard contract terms for Volvo CE dealers around the world. Ferronordic Machines is free to extend its product offering to include products that complement Volvo CE's and Terex Trucks' products.

VOLVO TRUCKS AND RENAULT TRUCKS

In addition to being the Russian distributor for Volvo CE and Terex Trucks, Ferronordic Machines is also an authorized aftermarket (parts and service) dealer for Volvo Trucks and Renault Trucks. Ferronordic Machines is currently operating service stations for Volvo Trucks and Renault Trucks in eastern Moscow, Krasnodar, Arkhangelsk, Kotlas, Khabarovsk, Sakhalin and Noviy Urgengoy. While the trucks business is still under development, it is an increasingly important part of our overall business. It has the potential of being highly profit generating on its own but is also very synergetic to our general construction equipment business. The trucks business also make it possible for us to utilize our facilities more efficiently.

OPERATIONS OVERVIEW

While Ferronordic Machines operates in a cyclical industry, we have customers in a number of different industries throughout Russia. This diversification makes us less exposed to trends and business cycles that impact specific regions or industries. In 2015, for example, the market for sales of new machines was particularly weak in the European part of Russia, but less so in Siberia and Far East. Another buffer is provided by the strong focus on the aftermarket, including the increasingly important parts and service sales for Volvo and Renault Trucks. As seen during 2015 the aftermarket sales is relatively insensitive to changes in business cycles, compared to the sales of machines.

In December 2015, Ferronordic Machines had 65 outlets throughout Russia. Most facilities are located in large cities or other places that have (or are expected to receive) significant investments and high construction activity (e.g. centra for the oil & gas or mining industries). Standards vary from basic to purpose-built. Ferronordic Machines currently has two owned facilities in operation, both for Volvo CE and for Volvo and Renault Trucks: a 2,382m2 facility in eastern Moscow region and a 2,620m2 facility in Arkhangelsk. The company also owns two land plots ready for construction. Other permanent facilities are rented. The smallest facilities consist of a single mechanic with a van, based at home. In addition to permanent facilities, we can also establish temporary facilities in connection with large projects. There are usually modular service depots based on air-filled hangars and/or containers. These projects are often located at very remote locations (e.g. mines or oil fields) and are often so large and demanding that it is necessary to establish a service station with a small parts warehouse at site. Currently Ferronordic Machines operates five such customer-based outlets.

PRODUCTS AND SERVICES
EQUIPMENT SALES

The equipment sales consist of sales of new and used machines, as well as different types of attachments. Most of the revenue from equipment sales comes from sales of new machines made by Volvo CE such as articulated haulers, wheel loaders, excavators, pipelayers, backhoe loaders and road construction equipment. In 2015, the sales of new Volvo CE products represented over 95% of the Group's new machine revenue. Sales of new machines also include Terex dump trucks, Logset forestry machines and various brands of attachments.

In 2015, we saw a significant increase in the sales of used machines. This was partly driven by increased demand for cheaper machines, but also by our efforts to decrease our rental fleet. Used machines sold are mainly Volvo CE machines sold from our own rental fleet, as well as machines repurchased from customers in connection with sales of new machines. Used machines can also be products from other brands, purchased from customers in connection with trade-ins.

In 2014, Volvo CE announced that it would cease production of Volvo-branded motor graders and backhoe loaders in its European and Americas operations. Instead, these products would be designed and manufactured by SDLG, Volvo CE's subsidiary in China. The production of these products ceased gradually during 2015. As regards backhoe loaders, we had sufficient supply to cover demand during the whole of 2015 and will in the current market also have sufficient supply to cover demand during 2016. As regards motor graders we had sufficient supply to cover demand during most of 2015 but sold the last grader in November. In the current market, the lack of supply of motor graders will have fairly limited impact on sales in 2016. We are discussing alternative solutions with different partners and hope to find a satisfactory solution during 2016.

Product type	Example product	New units sold 2015	Description
Backhoe loaders		101	A tractor with a shovel or bucket on the front and a backhoe on the back. Wide range of applications, including trenching, lifting, loading, craning, material handling and construction.
Excavators		189	Excavators (or diggers) are used for site preparation, landscaping, trenching, excavation, demolition, truck loading, piping etc.
Articulated haulers/ dump trucks		56	Volvo CE developed the articulated hauler concept and is still the market leader of articulated hauling in demanding conditions. Since 2014, Ferronordic Machines also sells Terex-branded articulated haulers (owned by Volvo CE). Applications include road construction, quarrying, mining and waste handling.
Wheel loaders		57	Loaders are used to move or load materials. Loaders come in several sizes, from compact loaders to large production machines. Used for load and carry operations, quarries and aggregate, civil & building construction etc.
Road construction equipment		64	Volvo CE road construction equipment consist of pavers and compactors. Pavers (tracked or wheeled) are used to lay asphalt in connection with the construction of roads, airports, etc. Compactors are used to press surfaces, e.g. asphalt or soil, also in connection with construction of roads or similar. Volvo CE offers both asphalt and soil compactors in various sizes and models.
Skid steer loaders		46	Skid steer-loaders are small and versatile machines, equipped with lifting arms on which are variety of tools can be attached (shovels, brushes, etc.). Volvo CE offers a range of attachments for hauling earth, cutting trenches, digging postholes, palletizing material, breaking concrete, etc.
Pipelayers		3	Pipelayers are excavators with long lifting boom sticks, developed especially to handle different types of pipes. Pipelayers are used in connection with construction and maintenance of various types of piping infrastructure, e.g. sewages or pipelines for oil & gas.
Forestry Machines		5	Ferronordic Machines distributes forestry harvesters and forwarders. Harvesters are used in logging operations for felling, delimbing and bucking trees. Forwarders are used to transport logs from the stump to a roadside landing where the logs can be collected by a timber truck.
Gensets		2	"Gensets" consist of a diesel engine and an electric generator and are used to generate electricity. They are typically used in places without connection to a power grid, or as emergency power supply. Our gensets include Volvo Penta engines but are assembled in Russia and sold under the Ferronordic Machines brand.
Rigid dump trucks		–	Rigid dump trucks are massive trucks with payloads ranging from 41 to 91 tons. They are used to move earth and other heavy loads in connection with mining, quarrying, road construction, etc.

EQUIPMENT RENTAL

Ferronordic Machines may from time to time engage in equipment rentals. During 2015, the rental business was however significantly reduced and only contributed to just over 1% of our revenue. However, several machines from the rental fleet were sold as used machines, which contributed nicely to the increased sales of used machines and positively to our profitability and cash flow.

PARTS

Sales of parts is Ferronordic Machines' largest revenue stream from the important aftermarket. In addition to the sales of parts for Volvo CE machines and Terex Trucks, we also sell parts for Volvo Trucks, Renault Trucks, Logset and Volvo Penta. As described above, good parts availability is a fundamental attribute for construction equipment dealers, and it can be a differentiating factor. For this reason, Ferronordic Machines keeps inventory of parts throughout Russia. Proximity to customers is decisive for fast delivery, and our presence in all parts of Russia provides for excellent customer service. We also offer remanufacturing of vital parts, such as engines and gearboxes, thus extending the lifecycle of the machines and trucks of our customers.

SERVICE

Service essentially consists of repair and maintenance of construction equipment and trucks. This includes planned maintenance, diagnostics, as well as planned and unplanned repairs. To tailor our offering and satisfy the individual needs of our customers, we offer a range of different service contracts. These service contracts increase the stability of the operations and improve the possibility to predict future revenues and cash flow, both for our customers and for ourselves. In addition to the servicing Volvo CE and Terex Trucks machines, we also service Volvo Trucks and Renault Trucks, as well as forestry equipment.

CONTRACTING SERVICES

As part of our strategic objective to achieve increased customer integration, Ferronordic Machines offers so-called contracting services, where Ferronordic Machines not only delivers and services machines, but also provides machine operators to perform specific tasks. Current contracting services customers consist of mining companies, which have outsourced to Ferronordic Machines the handling of excavation and transportation of ore and overburden at their mining sites. In these projects, Ferronordic Machines charges based on the quantity of ore and overburden transported. Outsourcing of non-core activities to contractors is common in the mining industry in other parts of the world, such as Australia and South Africa. In Russia, however, outsourcing is still an undeveloped business that we expect to grow in the years to come. In the future, contracting services may also involve projects in other industries.

SOFT PRODUCTS

In connection with the sales and servicing of machines, we also offer various soft products, either ourselves or together with our partners. This includes for instance the Volvo CareTrack system, a telematics system that gives our customers and ourselves a wide range of data regarding the customers' machines and how they are used (fuel consumption, etc.). Thanks to CareTrack we can advice our customers on how to reduce fuel costs, optimize performance and manage the service plan for their entire fleets and maximize uptime. The system transfers machine data via mobile network or satellite. CareTrack increases our ability to provide a high level of customer service, both in terms of technical support by our mechanics, as well as proactive offers for spare parts and trade-ins of used machines.

Additional soft products include:

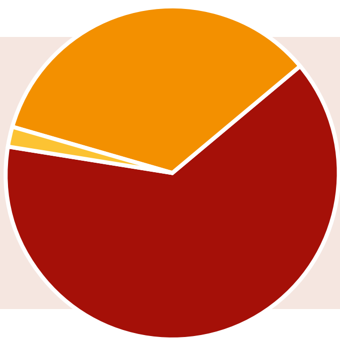
- Fleet management
  - Simulation of projects
  - Consultancy on optimal fleet and specification composition
- Financial service through Volvo Financial Services and other leasing companies
- Operator training
- Extended warranties
- Consultancy on residual values
- Trade-in of used machines

REVENUE SPLIT 2015

Equipment sales 63.6%

Aftermarket 34.2%

Equipment rental and other 2.2%



GEOGRAPHIC PRESENCE

Ferronordic Machines has a high-density network of service stations and outlets all over Russia. The network is divided into seven regions: Central, Northwest, Volga, South, Ural, Siberia and Far East. These regions roughly correspond to the division of federal districts in the Russian Federation. In addition to regions, Ferronordic Machines has a key accounts department based in Moscow, focusing on large customers with operations in several regions.

In 2010, when Ferronordic Machines was founded, about 82% of all units sold were sold in the Northwest and Central regions. Since then we have continuously expanded the operations to other regions to capitalize on the large projects in the Asian parts of Russia. Thanks to these efforts, the share of units sold in other regions than Northwest and Central has increased to almost 50% in 2015.

NORTHWEST (EUROPE)
Population: 13.8m
Regional hub: St. Petersburg
Regional director: Sergey Godun

CENTRAL (EUROPE)
Population: 38.8m
Regional hub: Moscow
Regional director: Andrey Korneev

SOUTH (EUROPE)
Population: 23.6m
Regional hub: Krasnodar
Regional director: Petr Egorov

VOLGA (EUROPE)
Population: 29.7m
Regional hub: Kazan
Regional director: Petr Egorov

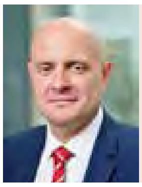
URAL (EUROPE AND ASIA)
Population: 12.2m
Regional hub: Ekaterinburg
Regional director: Vladimir Gorodchikov

SIBERIA (ASIA)

Population: 19.3m

Regional hub: Krasnoyarsk

Regional director: Vladimir Gorodchikov



FAR EAST (ASIA)

Population: 6.2m

Regional hub: Khabarovsk

Regional director: Vitaliy Demidenko

Corporate **social responsibility**

The business of Ferronordic Machines shall be conducted responsibly, taking economic, environmental and social responsibility.

COMMITMENT TO HEALTH AND SAFETY

We recognize the importance of health and safety within our operations. Our goal is to achieve an injury free workplace for our employees. While each individual employee is responsible for sustaining health and safety, we share this responsibility by promoting health and safety across our operations, providing safe workplaces, and providing relevant training. By selling and servicing safe machines of high quality and outstanding ergonomical features, we also take responsibility for promoting health and safety at large in the society where we operate.

COMMITMENT TO THE ENVIRONMENT

The business of Ferronordic Machines shall comply with environmental laws and regulations and have as limited environmental impact as possible while remaining economically viable, including as regards the process of handling, storing and recycling waste, oils and parts.

An essential part of our work to promote environmental sustainability is our daily work to distribute and maintain energy- and fuel efficient products. Another important part of our work consists of training machine operators to apply more fuel efficient driving techniques, lowering the operating costs of machines while reducing their environmental impact.

COMMITMENT TO EMPLOYEES

Ferronordic Machines provides employment for 685 employees in various communities all across Russia. Ensuring that Ferronordic Machines is an attractive and fair employer is another part of our work to build sustainable development and taking social responsibility on the market where we operate. Part of our work to build sustainable development is the significant investment we make to train our employees. In 2015, over 37,000 training hours were provided to our employees. The aim is to utilize internal competence and give employees the opportunity to develop and take greater responsibility within the company – while at the same time empowering local young employees.

Ferronordic Machines does not tolerate abuse and discrimination. We strive for diversity and equality. We remunerate employees fairly according to skills and performance and with reference to competitive industry and local conditions. We do not accept forced labor or child labor.

COMMITMENT TO BUSINESS ETHICS

Ferronordic Machines has zero tolerance for bribery, fraud and other forms of corruption. We take active measures to prevent, monitor and investigate potential corruption within our operations. Our anti-corruption program includes various policies implemented throughout the company. All employees are required to participate in annual trainings regarding compliance and other matters relating to ethics and integrity. Preventing corruption and promoting fair and ethical business practices form an important part of our work to build sustainable development and taking responsibility in the market where we operate.


FERRONORDIC
machines
официальный дилер Volvo Construction Equipment


VOLVO
VOLVO
ГДЕ VOLVO ТАМ ПРАЗДНИК


VOLVO
VOLVO


VOLVO

Shares **and Shareholders**

The number of outstanding ordinary shares amounts to 10,000,000. The number of outstanding preference shares amounts to 500,000. Each ordinary share carries one voting right and each preference share carries a one tenth (1/10) voting right at the general meeting. As of 31 December 2015, Ferronordic Machines had 20 holders of ordinary shares and over 600 holders of preference shares.

The company's ordinary shares are not listed on any exchange. The company's preference shares, issued in October 2013, are listed on NASDAQ OMX First North Premier under the symbol FNMA PREF.

On 15 October 2015, Russian CE Distribution Investors AB sold its entire holding of 2,284,100 ordinary shares in the company to Skandinavkonsult i Stockholm AB, a company owned by the Swedish investor and entrepreneur Håkan Eriksson and his family. Later, on 22 December 2015, Lars Corneliusson and Erik Eberhardson, respectively divested 786,968 and 1,269,103 ordinary shares in the company. Out of the sold shares, 1,479,450 shares were transferred to the company's initial investors and 576,621 were transferred to other members of the executive management. The transactions are not expected to result in any changes of the company's strategy, operations or current dividend policy.

Ferronordic Machines continues to evaluate a potential listing of the company's ordinary shares and is well prepared if and when the situation in Russia stabilizes.

The table below sets forth the ten largest shareholders as of 31 December 2015:

	Number of Ordinary Shares	Number of Preference Shares	Share of Capital (%)	Votes (%)
Skandinavkonsult i Stockholm AB	2,606,888	-	24.8%	25.9%
Lars Corneliusson (through companies)	1,372,620	600	13.1%	13.7%
Erik Eberhardson (through companies)	1,330,109	-	12.7%	13.2%
Mellby Gård AB	1,216,200	-	11.6%	12.1%
Anders Blomqvist (through companies)	786,299	-	7.5%	7.8%
Creades AB	502,800	16,000	4.9%	5.0%
Fastighetsaktiebolaget Granen	490,800	8,000	4.8%	4.9%
Henrik Carlborg (through companies)	436,130	-	4.2%	4.3%
AltoCumulus S.A.	357,700	-	3.4%	3.6%
Hoist Kredit AB	357,700	-	3.4%	3.6%
Other Shareholders	542,754	475,400	9.7%	5.9%
Total	10,000,000	500,000	100.0%	100.0%


Share Capital

The table below indicates the changes in Ferronordic Machines' share capital and the number of shares.

Year	Action	Number of ordinary shares	Number of class A-preference shares	Change in share capital (SEK)	Total share capital (SEK)
2008	New formation	11,000	-	98,211	98,211
2010	Issue of new shares	89,000	-	794,619	892,830
2013	Share split (100:1)	9,900,000	-	-	892,830
2013	Issue of new shares	-	500,000	44,641	937,471
Total number of shares outstanding at 31 December 2015		10,000,000	500,000		937,471

The share capital of SEK 937,471 is divided among 10,500,000 shares of which 10,000,000 are ordinary shares and 500,000 are class A-preference shares ("preference shares").

PREFERENCE SHARES

Provided that the general meeting resolves to pay dividends, each preference share carries the right to a preferred dividend of SEK 100 per year until the last payment date before the AGM in 2016. From the first payment date after the AGM in 2016 and until and including the first payment after the AGM in 2023, the preferred dividend increases by SEK 10 per year. If the dividend is not paid, any unpaid amount ("Outstanding Amount") is added to future dividends. The Outstanding Amount is adjusted upwards by 20% p.a. from the date when payment should have been made until the dividends have been paid in full. No dividend can be paid to holders of ordinary shares before the holders of preference shares have received full payments of any Outstanding Amount.

In connection with a potential listing of the ordinary shares on NASDAQ OMX Stockholm or another regulated market, the holders of the preference shares have a right to exchange the preference shares into class B-preference shares. Each class B-preference share will in such case entitle its holder to subscribe for a number of ordinary shares in Ferronordic Machines corresponding to SEK 650 divided by 50% of the price per each ordinary share offered in the listing. Based on the subscription price for the preference shares, this implies a discount to the listing price of approximately 23% (excluding compensation for accrued dividends and Outstanding Amounts). There are no guarantees that the ordinary shares will be listed or that the company will, or will be able to, implement the conversion right as this requires a resolution on a directed issue of ordinary shares to those holders of the preference shares who wish to utilize the conversion right. Furthermore, a resolution to redeem shares is conditional upon that the company has sufficient unrestricted equity.

The company has the right to redeem the preference shares in cash. The redemption price is SEK 1,200 for class A-preference shares and SEK 1,300 for class B-preference shares (currently only class A-preference shares have been issued).

In the event of liquidation of the company, preference shares have priority over ordinary shares to an amount of SEK 1,200 per preference share (plus accrued dividend and Outstanding Amounts, if any).

The terms of the preference shares are set out in the articles of association, available at the Group's website.

TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising out of translation of the Group's financial statements from functional currency to presentation currency.

SHARE BASED LONG-TERM INCENTIVE PROGRAMS

Ferronordic Machines previously had a warrant program for certain executives, regional directors and other senior managers. In accordance with the resolution of the AGM on 19 May 2015, the company made an offer to the warrants holders to repurchase the warrants at a price corresponding to the price paid for them by the holders, i.e. in total EUR 61,306. All holders accepted the offer and the warrants were repurchased during the second quarter of 2015.

For the AGM in 2016, the board of directors has proposed a new long-term incentive program for the members of the company's executive and extended management teams (in total 16 participants). If the AGM approves the program, the company would pay an additional bonus to the participants of approximately SEK two million which the participants must use to purchase preference shares in Ferronordic Machines. The participants are not allowed to sell the purchased preference shares for a period of three years. If the participant resigns from his/her employment in the group, or the participant is dismissed because of gross misconduct, the participant must sell his/her preference shares to the other participants at a pre-agreed discounted price. In addition to providing long-term incentive to the company's management, the purpose of the program is also to further align the interests of the company's management and the preference share investors.

DIVIDENDS

In accordance with the resolution of the AGM on 20 May 2014, the company paid dividends on the preference shares on 29 April 2015 in an amount of SEK 50 per preference share, i.e. in total SEK 25 million.

Due to the weak market and the uncertain economic situation in Russia, the AGM on 19 May 2015 resolved that, for the time being, no dividends should be paid on the company's preference shares. If the Board would later conclude that a payment of dividends on the preference shares would be possible, the Board would convene an EGM in the beginning of October 2015 and/or April 2016 where a resolution could be made to pay dividends on the preference shares. The AGM further resolved that no dividends should be paid on ordinary shares.

On 2 October 2015, the EGM resolved on dividends on the preference shares corresponding to SEK 50 per preference share, i.e. in total SEK 25 million. The payment was made on 28 October 2015. Given the continuously weak market and uncertain economic situation in Russia, no resolution was made regarding payment of dividends on the preference shares in April 2016. If the board would later conclude that an additional payment of dividends on the preference shares would be possible, the Board would convene another EGM in March or April 2016 in order to pass the required resolutions.

On 4 April 2016, the EGM resolved on dividends on the preference shares corresponding to SEK 50 per preference share, i.e. in total SEK 25 million. The dividend will be paid through Euroclear Sweden AB on 28 April 2016 with record date on 25 April 2016. No dividends shall be paid on ordinary shares.

Having regard to the current economic situation in Russia and the effect this may have on the Group's cash position and working capital, the Board is still of the opinion that it would not be prudent to make a resolution already at the AGM in May to pay dividends on the company's preference shares when the record dates for the dividend payments do not occur until October 2016 and April 2017. Like before, the Board will instead convene an EGM closer to the payment dates if the Board finds that a dividend payment on the preference shares will be possible. The Board further proposes that no dividends be paid on ordinary shares.

Board of **Directors**

PER-OLOF ERIKSSON

Chairman of the Board, Chairman of the remuneration committee and member of the audit committee

General: Swedish citizen. Born 1938. M.Sc. in Applied Physics (T Dr hc).

Current positions: Board chairman of Odlander, Fredriksson & Co AB, OFP Partners AB, HealthCap Advisor AB and HealthCap VII Advisor AB. Board member of Kamstrup AB and Kamstrup Karlskrona AB.

Previous positions: President and CEO of Sandvik AB, 1984-1994. President and CEO of Seco Tools AB, 1976-1984. Previous board memberships include AB Volvo, Investment AB Öresund, Assa Abloy, Skanska and Handelsbanken.

Independent of the company, its management and major shareholders.

Number of shares in Ferronordic Machines: 121,600 ordinary shares (through company) and 1,155 preference shares.

MARTIN LEACH

Vice Chairman of the Board, Member of the remuneration committee and chairman of the audit committee

General: British citizen. Born 1957. Dr.Sc.

Current positions: Board chairman of Magma Group. Board member of Auto XP Limited.

Previous positions: Board chairman and CEO of GAZ International Limited, 2006-2008. Board chairman of LDV Holdings Ltd 2006-2008. CEO of Maserati Spa, 2004-2005. President and COO of Ford Europe, Ford Motor Company, 2002-2003. Vice President Product Development Ford Europe, Ford Motor Company, 2000-2002. Managing Director of Mazda Motor Company, Japan, 1997-1999. Director Mazda Motor Company Japan, 1996-1997.

Independent of the company, its management and major shareholders.

Number of shares in Ferronordic Machines: 0

ERIK EBERHARDSON

Executive Vice Chairman of the Board

General: Swedish citizen. Born 1970. B.Sc. in Business Administration. Studies in Applied Physics.

Current positions: Founder and Head of Business Development of Ferronordic Machines.

Previous positions: Board member of Lindab International AB, 2009-2016. Chairman of OJSC GAZ, 2008-2009. CEO and President of OJSC GAZ, 2006-2007. Vice President of OJSC GAZ, 2005-2006. President of Volvo Construction Equipment, CIS and Russia, 2002-2005. President of Volvo Ukraine LLC, 1996-2000.

Dependent of the company, its management and major shareholders.

Number of shares in Ferronordic Machines: 1,330,109 ordinary shares (through companies).

MAGNUS BRÄNNSTRÖM

Member of the Board and the audit committee

General: Swedish citizen. Born 1966. M.Sc. in Business Administration.

Current positions: CEO and President of Oriflame Cosmetics SA.

Previous positions: Managing Director of Oriflame Russia, 1997-2005.

Independent of the company, its management and major shareholders.

Number of shares in Ferronordic Machines: 0.

LARS CORNELIUSSON

Member of the Board

General: Swedish citizen. Born 1967. M.Sc. in Business Administration.

Current positions: President and CEO of Ferronordic Machines Group.

Previous positions: Managing Director of ZAO Volvo Vostok and President of Volvo Trucks Russia, 1999-2011.

Dependent of the company, its management and major shareholders.

Number of shares in Ferronordic Machines: 1,372,620 ordinary shares (through companies) and 600 preference shares.

MARIKA FREDRIKSSON

Member of the Board and the audit committee

General: Swedish citizen. Born 1963. M.Sc. in Business Administration.

Current positions: CFO and Executive Vice President of Vestas Wind System A/S. Board member of ÅF AB.

Previous positions: CFO and Senior Vice President of Gambro AB, 2009-2012. CFO and Vice President of Autoliv Inc., 2008-2009. CFO and Senior Vice President of Volvo Construction Equipment, 2004-2008.

Independent of the company, its management and major shareholders.

Number of shares in Ferronordic Machines: 57,200 ordinary shares and 1,020 preference shares.

KRISTIAN TERLING

Member of the Board, the remuneration committee and the audit committee

General: Swedish citizen. Born 1969. M.Sc. in Electrical and Electronic Engineering.

Current positions: Managing Director and Head of Banking, Nordic Region, at HSBC. Board member of AH Automation AB.

Previous positions: Managing Director at Houlihan Lokey, 2012-2014, Managing Director at Credit Suisse, 2006-2012, Sector Head of Corporate Finance at Handelsbanken Capital Markets, 2003-2004 and Vice President of Technologies/Nordic Investment Banking, 1992-2003.

Independent of the company, its management and major shareholders.

Number of shares in Ferronordic Machines: 0.

Executive **Management**

LARS CORNELIUSSON

President and CEO

General: Swedish citizen.
Born 1967.
M.Sc. in Business Administration.
Employed since 2011.

Number of shares in Ferronordic Machines: 1,372,620 ordinary shares (through companies) and 600 preference shares.

NADEZHDA ARZUMANOVA

Human Resources Director

General: Russian citizen.
Born 1979.
Studies in Organizational Management.
Employed since 2010.

Number of shares in Ferronordic Machines: 0.

ANDERS BLOMQVIST

CFO

General: Swedish citizen.
Born 1970.
M.Sc. in Business Administration.
Employed since 2010.

Number of shares in Ferronordic Machines: 786,299 ordinary shares (through companies).

HENRIK CARLBORG

General Counsel

General: Swedish citizen.
Born 1975.
LL.M.
Employed since 2013.

Number of shares in Ferronordic Machines: 436,130 ordinary shares (through companies).

ERIK EBERHARDSON

Head of Business Development

General: Swedish citizen.
Born 1970.
B.Sc. in Business Administration.
Studies in Applied Physics.
Employed since 2010.

Number of shares in Ferronordic Machines: 1,330,109 ordinary shares (through companies).

ONUR GUCUM

Commercial Director

General: Turkish citizen.
Born 1973.
B.Sc. in Economics and Mathematics.
Employed since 2012.

Number of shares in Ferronordic Machines: 193,554 ordinary shares (through companies).

AUDITORS

At the AGM on 19 May 2015, KPMG was appointed auditor until the next annual general meeting, with Mattias Lötborn as the main responsible auditor and without deputy.

Directors' **Report**

The Board of Directors of Ferronordic Machines AB, corporate registration number 556748-7953 (parent company), hereby presents its annual report and consolidated financial statements for the financial year 2015. All amounts are indicated in SEK millions (SEK m) unless otherwise stated. Amounts in brackets refer to the financial year 2014 if not otherwise stated.

THE BUSINESS

The parent company (together with its subsidiaries referred to as the "Group" or "Ferronordic Machines") is a Swedish public limited liability company. The address of the parent company is Hovslagargatan 5B, 111 48 Stockholm. The parent company is the holding company of the Group, providing financing to the Group's operational companies and being the owner of the "Ferronordic Machines" trademark.

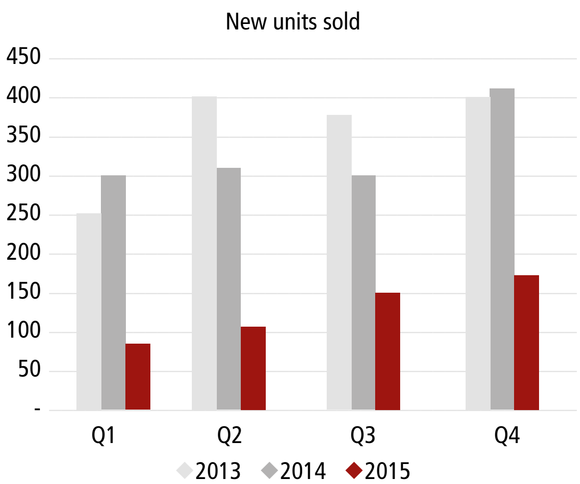
The Group has administrative offices in Stockholm and Moscow. The office in Stockholm provides support functions in finance and investor relations. The office in Moscow is the Group's operational headquarter and provides support functions in, inter alia, purchasing, business development, IT, marketing, HR, legal affairs, and accounting and finance. In addition, the Group has sales and service locations throughout Russia.

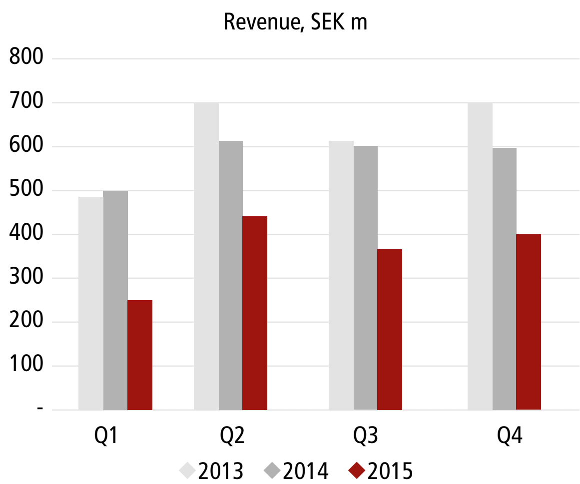
The Group was created in 2010 to acquire and operate the Volvo CE distribution business in Russia. The acquisition took place on 27 May 2010 (see Note 5 to the financial statements for the financial year 2011). In connection with the acquisition, the Group was appointed the official Volvo CE dealer in Russia. The Group's operations consist of distribution and sales of new construction equipment, sales of used equipment, rental of equipment, sales of parts, sales of attachments, and providing of services and technical support to customers.

The Group's customers are located in Russia and operate in a variety of industries, including oil & gas, mining, forestry, road and general construction, public utilities, municipal services and other areas.

ACTIVITIES IN 2015 COMPARED TO 2014

In 2015, Ferronordic Machines generated revenue of SEK 1,469m, a 37% decrease compared to 2014. However, in local currency our revenue decreased by less than 20% and reached RUB 10,571m. Revenue from sales of equipment decreased by 46% whereas revenue from the aftermarket decreased by only 4%. In rubles, however, the revenue from sales of equipment decreased by only 31% while the revenue from the aftermarket increased by 24%. The Group also managed to increase the gross margin, primarily as a result of the revenue from the aftermarket increasing proportionally to revenue for equipment sales. This together with lower selling, general and administrative expenses led to an increase in EBITDA margin of 1.3 percentage points. EBITDA for 2015 amounted to SEK 128m, a 25% decrease compared to SEK 172m in 2014. In local currency EBITDA decreased by 6%. Net result, excluding amortization of transaction related intangibles, increased by SEK 4m to SEK 49. Cash flow from operating activities was SEK 234m and cash flow from investing activities was SEK 8m. This resulted in a net cash position at the end of the year of SEK 82m[1].





[1] Interest-bearing liabilities less cash and cash equivalents.

Presence in Russia

The Group has established a strong presence in all regions in Russia. As a result of the cost saving measures taken during the year, however, the number of sales- and/or service locations decreased from 75 to 65 and the number of employees decreased from 767 to 685.

REVENUE

Revenue during the year decreased by 37% to SEK 1,469m (SEK 2,335m). In rubles, the revenue decreased by 19%. Revenue from sales of equipment decreased by 46% and revenue from the aftermarket decreased by 4%. In rubles, the sale of equipment decreased by 31% while the revenue from the aftermarket increased by 24%.

GROSS PROFIT AND RESULTS FROM OPERATING ACTIVITIES

Gross profit amounted to SEK 333m (SEK 398m), a decrease of 16%. Gross margin during the year increased from 17.1% in 2014 to 22.7% in 2015, primarily because of increasing revenue from the aftermarket relative to new machine sales. Results from operating activities amounted to SEK 61m (SEK 69m), primarily as a result of lower gross profit which was partly offset by a SEK 67m reduction in selling, general and administrative expenses.

RESULT BEFORE INCOME TAX

The result before income tax for the year amounted to SEK 37m (SEK 26m). The strong improvement was primarily a result of reduced selling, general and administrative costs and reduced net finance costs. The SEK 67m decrease in selling, general and administrative costs was primarily a result of the cost reductions made during the year, as well as the weakening of the ruble against the Swedish krona. The finance costs came down by SEK 10m thanks to lower interest-bearing liabilities and the depreciation of the ruble. The finance income increased by SEK 8m as a result of improved cash flow.

RESULT FOR THE YEAR

Because of the foregoing, the result for the year increased to SEK 29m (SEK 19m). Despite the positive result, earnings per ordinary share amounted to SEK -2.12 (SEK -3.13) as it is calculated after the SEK 50m dividend payment on preference shares.

CASH FLOW AND INVESTMENTS

The cash flow from operating activities was strong during the year and amounted to SEK 234m (SEK -25m). This was primarily a result of reduced inventory and lower receivables, as well as the clearance of the rental fleet and the positive result during the year. Cash flow from investing activities was positiv during the year and amounted to SEK 8m (SEK -37m) as a result of proceeds from sales of property, plant and equipment and interest received, partly offset by acquisitions of property, plant and equipment and IT software.

FINANCIAL POSITION

Cash and cash equivalents at 31 December 2015 amounted to SEK 175m, a decrease of approximately SEK 2m compared to the same time last year. Interest-bearing liabilities at 31 December 2015 amounted to SEK 94m, an decrease of SEK 193m compared to the same time last year (interest-bearing liabilities include debt and obligations under financial leases, both short term and long term). The decrease in interest-bearing liabilities was primarily a result of the strong cash flow from operating activities.

Equity at 31 December 2015 amounted to SEK 322m, a decrease of SEK 49m compared to the same time last year. The decrease was mainly a result of dividends on the company's preference shares, as well as negative translation differences in the amount of SEK 53m. The negative translation differences were caused by the significant depreciation of the ruble against the Swedish krona, which led to a significant decrease in the net asset value in the reporting currency.

CHANGE TO VOLVO CE'S PRODUCT LINE

In 2014, Volvo CE announced that it would cease production of Volvo-branded motor graders and backhoe loaders in its European and Americas operations. Instead, these products would be designed and manufactured by SDLG, Volvo CE's subsidiary in China. The production of these products ceased gradually during 2015. As regards backhoe-loaders, we had sufficient supply to cover demand during the whole of 2015 and will in the current market also have sufficient supply to cover demand during 2016. As regards motor-graders we had sufficient supply to cover demand during most of 2015 but sold the last grader In November. In the current market, we estimate that the lack of motor graders will have fairly limited impact on sales in 2016. We are discussing alternative solutions with different partners and hope to find a satisfactory solution during 2016.

EMPLOYEES

Competence development

The Group provides training to all employees, in particular mechanics and sales representatives. A large part of the training materials is provided online, and most of it is translated into Russian. During 2015 the company provided 37,000 training hours (41,066).

Recruitment
For each vacant position the Group seeks to identify the individual who has the best skills profile and development potential among the applicants. To be able to offer good career opportunities and personal development for the employees, the company promotes internal recruitment.

Compliance Program
The Group has developed a program to prevent bribery and fraud and ensure compliance with Russian and international anti-corruption legislation. The program consists of various policies and procedures (e.g. policies regarding gifts and entertainment, due diligence and contracts with agents, subdealers and other associated parties, M&A policy, etc.), a web-based training, and the signing of compliance certifications. At the start of employment, each new employees receives a copy of the Group's Code of Conduct and anti-corruption policy and confirm in writing that he/she has read and understood these. Each year, the board of directors asks an independent audit firm to identity potential areas for improvement and to verify whether the Group's compliance related policies are followed.

SIGNIFICANT RISKS AND UNCERTAINTIES

The Group is exposed to various types of risk, both operational and financial. To identify, manage and estimate these risks is fundamental to the Group's profitability. Operational risks are associated with the daily operations and relate to business cycles, tendering, capacity utilization, price risks and revenue recognition. Financial risks are related to the amount of capital tied up and the Group's capital requirements. To fulfill the demand for short-term customer financing of equipment, parts and services, and to maintain proper stock-levels, the Group might require borrowings and extended payment terms from its suppliers to maintain adequate working capital. The Group is exposed to greater operational risks than financial risks.

The parent company is indirectly subject to the same risks and uncertainties as the Group.

RISK MANAGEMENT

The management of the operational risks comprises a continuous improvement process, covering a large number of ongoing projects and tasks. It is particularly important that the Group's employees consistently comply with standardized processes and working methods, as they are developed to ensure that operational risks are kept under control.

Financial risks and credit risks are managed centrally in order to minimize and control the risk exposure.

OPERATIONAL RISKS

Political and legal environment
Political conditions in Russia were highly volatile in the 1990s. Over the past two decades the course of political and other reforms has in some respects been uneven and the composition of the Russian government has at times been unstable. The Russian political system continues to be vulnerable to popular dissatisfaction. During Vladimir Putin's and Dmitry Medvedev's presidencies, the Russian government and the Russian parliament have generally been stable, although there have been public protests in Moscow and other urban areas following the elections for the State Duma in December 2011 and the re-election of Vladimir Putin as president in March 2012. Further, the risk of political instability resulting from deterioration of the economic situation in Russia and deteriorating standards of living should not be underestimated. Any such instability could negatively affect the economic and political environment, particularly in the short term. Lately these risks have increased because of the current geopolitical uncertainty and the worsening of the Russian economy.

The crisis in Ukraine that began in 2014 continued throughout 2015. During 2015, Russia also commenced military campaigns in Syria and ended up in a diplomatic crisis with Turkey. Relations between Russia and the international community remain poor. Sanctions imposed by the EU and U.S. over Russia's involvement in Crimea and eastern Ukraine are still in place. The sanctions have not had any direct material adverse effect on the Group's activities or financial position. For example, they have not prevented the Group from continuing to do business with its existing customers. Nevertheless, the indirect effects of the sanctions are visible and they have contributed to the continued worsening of the economic situation in Russia during 2014 and 2015.

In the wake of the western sanctions and deteriorated economy, there are also signs of increased protectionism in Russia. For example, a government decree introduced in 2014 imposes certain restrictions for state and municipal entities to buy non-Russian construction equipment. While this decree has had limited impact on the Group's business, the Group does not exclude that similar and more extensive protectionist legislation may be introduced in the future, which could have a material adverse effect on the Group's operations, financial condition and result. During 2015, the political support for increased localization has increased.

Corruption
Russian and international media have reported high levels of corruption in Russia. These reports are confirmed by the low ranking of Russia in Transparency International's Corruption Perception Index (Russia currently holds place 119 of 168 countries in total). Although the Group adheres to a business ethics policy and strict compliance procedures to counteract corruption (including conducting recurring compliance audits by an external auditing firm), instances of illegal activities, demands of corrupt officials, allegations that the Group or its management have been involved in corruption or illegal activities or biased articles and negative publicity could have an adverse effect on the Group's business, financial condition and results of operations.

Russian tax system
Refer to Note 25 *(Contingencies)* for a description of the Group's risks related to the Russian tax system.

Economic activity
Fluctuations in the economy and government spending affect the market for construction equipment, which is sensitive to market fluctuations and political decisions that can have an impact on demand for new residential and commercial buildings and investments in industry and infrastructure. A sign of this is the decline in the market that has followed the deteriorating economic climate in Russian during 2014 and 2015. In a longer perspective, however, the demand for construction equipment is driven by a countrywide need to renovate and upgrade existing infrastructure, and a need to renew the existing machine population, most of which is old and outdated and has limited production capacity. Demand for service and parts is not as sensitive to fluctuations in the economic cycle.

Capacity utilization
The Group is expanding its network and has plans to expand its capacity further. An unforeseen decline in capacity utilization generally results in a loss of revenue which in the short term cannot be offset by a corresponding cost reduction. The Group seeks to mitigate these risks through continuous resource planning, monitoring and by utilizing rapid start-up methodologies to address new markets.

Price risks
The Group has a close cooperation with Volvo CE and other suppliers to monitor market tendencies and market share development, and to adjust the prices the Group pays for machines and parts. Unforeseen and/or significant changes in the prices charged by Volvo CE and other suppliers constitute a risk. The Group believes that its close partnership with Volvo CE, the Group's main supplier, constitutes a flexible framework to share and mitigate the price risk.

Revenue recognition
The Group recognizes revenue from sales of goods when the significant risks and rewards of ownership of the goods are transferred to the customer. The revenue from rendering of services is recognized when the service work is complete and accepted by the customer.

Insurances
The Group assesses that it has adequate insurance coverage for its operations in Sweden. The insurance market in Russia, however, is still underdeveloped. Several types of insurance that are customary in other countries are not available in Russia. The Group maintains insurance against some, but not all, potential risks and losses affecting its operations. Hence, there is a risk that the Group's insurance coverage is not adequate to cover all potential losses or liabilities. Consequently, there is a risk that the loss or destruction of certain assets, or that claims against the Group, can have a material adverse impact on the Group's business, financial position or results until the Group receives adequate insurance coverage.

Financial risks
The Group is exposed to financial risks, partly arising because of changes in debt levels, interest rates and currency movements. For information about the Group´s financial risks, see Note 22 to the consolidated financial statements *(Financial instruments and risk management)*.

Material disputes
No material disputes have taken place during the year.

OUTLOOK

With the continuously difficult economic situation in Russia and the weak market for new machines, we predict that 2016 will also be difficult. Overall, however, we are still optimistic about the future of our business, as the long-term fundamentals in the Russian construction equipment market remain strong.

SHAREHOLDERS

Please refer to section shares and shareholders on page 24.

THE WORK OF THE BOARD OF DIRECTORS

Please refer to the corporate governance report on page 35.

PARENT COMPANY

The revenue of the parent company during 2015 amounted to SEK 11.6m (SEK 15.8m). The difference between the periods relates to royalties from Ferronordic Machines LLC under an intra-group trademark license agreement, which were lower in 2015 than in 2014 (primarily because of the depreciation of the ruble). Administrative expenses in 2015 amounted to SEK 15.4m (SEK 18.3m), a decrease of 16% compared to 2014. The after-tax result decreased to SEK 21.3m (SEK 25.2m), mainly because of the lower revenue. Cash flow for 2015 amounted to SEK 1.1m (SEK -4.6m).

As of 31 December 2015, the value of the parent company's net assets amounted to SEK 392.6m (SEK 423.3m).

At the end of the year, the parent company had two employees.

EVENTS SUBSEQUENT TO THE REPORTING DATE

On 4 April 2016, the EGM resolved on dividends on the preference shares corresponding to SEK 50 per preference share, i.e. in total SEK 25m. The dividend will be paid through Euroclear Sweden AB on 28 April 2016 with record date on 25 April 2016. No dividends shall be paid on ordinary shares.

On 5 April 2016, Ferronordic Machines LLC received a claim for RUB 103m (SEK 12.2m) from OOO Orenburg-RealStroy ("ORS"), relating to service orders performed since 20 March 2013. However, RUB 5m of the RUB 103m relate to service orders older than three years and cannot be subject to the claim, hence we believe the amount at risk is RUB 98m. Ferronordic Machines strongly objects the claim and believe it 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 which is 99.5% owned by Societe Generale S.A.).

PROPOSED ALLOCATION OF PROFIT

The following amount is available for allocation by the AGM:

391,657,644

The Board proposes that this amount is allocated as follows:

SEK	
Amount carried forward	391,657,644
of which to the Share Premium Reserve	604,336,478
Total amount allocated	**391,657,644**

Having regard to the current economic situation in Russia and the effect this may have on the Group's cash position and working capital, the Board is still of the opinion that it would be inprudent to make a resolution already at the AGM in May to pay dividends on the company's preference shares when the record dates for the dividend payments do not occur until October 2016 and April 2017. The Board's proposal to the AGM is therefore that, for the time being, no dividends be paid on the preference shares. If the Board later concludes that a dividend payment on the preference shares will be possible, the Board will convene extraordinary general meetings in the beginning of October 2016 and/or April 2017 where resolutions to pay dividends on the preference shares can be made. The Board further proposes that no dividends be paid on ordinary shares.

For more information about the Group's results and financial position, see the following financial statements and the Notes thereto.

Corporate **governance report**

Ferronordic Machines AB (publ) is a Swedish public company domiciled in Stockholm. The company's preference shares are listed on NASDAQ OMX First North Premier.

Corporate governance within Ferronordic Machines comprises the Group's control and management systems. The aim is to ensure efficient decision-making by a clearly specified allocation of roles and responsibilities among shareholders, the Board and the management.

This corporate governance report has been prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code (the Code). The corporate governance report has been reviewed by the company's auditors.

SUMMARY OF FERRONORDIC MACHINES' CORPORATE GOVERNANCE MODEL

The shareholders make the ultimate decision on the company's direction by appointing the Board and the chairman of the Board. The AGM also elects the auditors and adopts the principles concerning the Nomination Committee. The task of the Board is to manage the company's and the Group's affairs on behalf of the shareholders. The auditors report to the AGM on their scrutiny. The Board establishes work procedures for the Board, including instructions for the CEO. The Board appoints the CEO. The CEO in turn appoints the members of the executive and extended management, including Ferronordic Machines' regional directors.

MORE INFORMATION ON CORPORATE GOVERNANCE:

The following information is available at www.ferronordic.com:

- Ferronordic Machines' Articles of Association
- Code of Conduct
- Information on Ferronordic's General Meetings

The Swedish Corporate Governance Code is available at www.bolagsstyrning.se.

SHAREHOLDERS' AGREEMENT

In addition to applicable external and internal regulations, the corporate governance of Ferronordic Machines is also regulated by a shareholders' agreement between the holders of the company's ordinary shares. The shareholders' agreement stipulates that Ferronordic Machines shall apply the Code. The shareholders' agreement also includes a list of reserved matters that must be approved by the Board, and minimum requirements regarding the Group's anti-bribery and compliance program. The shareholders' agreement will terminate upon a listing of the company's ordinary shares.

SWEDISH CORPORATE GOVERNANCE CODE

Companies listed on First North Premier are not required to apply the Code. However, in accordance with the shareholders' agreement for Ferronordic Machines and as part of the company's ambition to list its shares on a regulated market In Sweden, Ferronordic Machines anyway acts as if the Code applied to it. This corporate governance report has therefore also been prepared to describe how Ferronordic Machines has applied the Code.

During 2015, Ferronordic Machines has deviated from one Code rule: more than one member of the Board is also a member of the Group's executive management. Currently both Lars Corneliusson and Erik Eberhardson are members of the Board. This has been deemed appropriate and in the best interest of the company and the shareholders since both of them possesses unique experience relevant to the Board. Both of them are also large shareholders of the company.

SHARE CAPITAL AND SHAREHOLDERS

At the end of 2015, four shareholders controlled more than ten percent of the votes in Ferronordic Machines: Skandinavkonsult i Stockholm AB with 25.9%, Lars Corneliusson with 13.7%, Erik Eberhardson with 13.2% and Mellby Gård AB with 12.1%. Further information about Ferronordic Machines' share capital and shareholders can be found on pages 24-26.

GENERAL MEETINGS

The general meeting of shareholders is the company's highest decision-making body through which the shareholders exercise their right to make decisions regarding the company's affairs. The general meeting held within six months after the end of each financial year in order to adopt the annual report is called the annual general meeting (AGM). In addition to adopting the annual report, the AGM makes resolutions regarding dividends, election of Board members, election of the company's auditors and other matters required by the Swedish Companies Act, the articles of association, and the Code.

Notice convening a general meeting is published in the Swedish official gazette, Post- och Inrikes Tidningar, and on the company's website. The fact that a notice has been issued is also announced in Dagens Industri.

All shareholders are entitled to participate in the general meeting, either in person or by proxy, provided that they are recorded in the share register five working days prior to the general meeting and have notified the company of their participation as specified in the notice. All shareholders are also entitled to have an item dealt with at the general meeting, provided that they inform the Board in writing early enough so that the item can be included in the notice. At the general meetings shareholders also have the opportunity to present questions to the Board and the management.

ANNUAL GENERAL MEETING 2015

The AGM 2015 took place on 19 May 2015 in Stockholm. At the meeting, 76.9% of the shares and 82.8% of the votes were represented in person or by proxy. The chairman of the Board, Per-Olof Eriksson was elected chairman of the meeting.

The CEO, the auditor, the chairman of the Nomination Committee and all member of the board elected by the AGM were present at the meeting.

The minutes of the meeting has been available at Ferronordic Machines' website. The following resolutions were made:

- the income statements and balance sheets were adopted,
- no dividends were to paid with regard to the company's preference shares or ordinary shares,
- the members of the Board and the CEO were discharged of liability with regard to the financial year 2014,
- the number of Board members should be seven, without deputies,
- the chairman of the Board was awarded a fee of SEK 600,000, the vice chairman of the Board a fee of SEK 500,000, and each other Board member (except Lars Corneliusson and Erik Eberhardson) a fee of SEK 300,000,
- Magnus Brännström, Lars Corneliusson, Erik Eberhardson, Per-Olof Eriksson, Marika Fredriksson, Martin Leach and Kristian Terling were reelected as Board members,
- Per-Olof Eriksson was reelected as chairman of the Board,
- KPMG AB was reelected as the company's auditor, the principles regarding the company's Nomination Committee were adopted,
- the guidelines regarding remuneration of senior executives were approved,
- the company should offer the holders of warrants 2013/2016 to repurchase the warrants at a price corresponding to what the holders paid for the warrants, and
- the Board was authorized to resolve on the issue of new ordinary shares and the issue of new ordinary shares of series 2.

EXTRAORDINARY GENERAL MEETING 2015

An extraordinary general meeting (EGM) took place on 2 October 2015 in Stockholm. At the meeting, it was 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 25m. No dividends were to be paid on ordinary shares. At the meeting, 85.1% of the shares and 88.8% of the votes were represented in person or by proxy. The company's general counsel, Henrik Carlborg, was appointed chairman. The minutes of the EGM were made available on the company's website.

EXTRAORDINARY GENERAL MEETING 2016

An extraordinary general meeting (EGM) took place on 4 April 2016 in Stockholm. At the meeting, it was 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 25m. No dividends were to be paid on ordinary shares. At the meeting, 74.3% of the shares and 77.6% of the votes were represented in person or by proxy. The company's CFO, Anders Blomqvist, was appointed chairman. The minutes of the EGM were made available on the company's website.

ANNUAL GENERAL MEETING 2016

Ferronordic Machines' AGM 2016 will be held on 19 May 2016 at 7A Strandvägen, Conference & Events in Stockholm. More information is available at the company's website, www.ferronordic.com.

NOMINATION COMMITTEE

For the AGM 2015, the nomination committee consisted of Rune Andersson, representing Mellby Gård AB, Mikael Brantberg (chairman), representing Russian CE Distribution Investors AB, Per-Olof Eriksson, representing shareholders who are Board members and/or employees of the group, and Daniel Nyhrén, representing Creades AB. All members were independent of the company, the company's management as well as the company's largest shareholder, measured by number of votes. Shareholders were offered the opportunity to submit proposals to the nomination committee. No proposals were submitted for the AGM 2015. The nomination committee's proposals to the AGM 2015, together with motivated statements, were presented in the notice to the AGM on 20 April 2014. No compensation was paid to the members of the nomination committee.

Principles regarding the nomination committee

At the AGM 2015, the following principles were adopted regarding the nomination committee:
The nomination committee shall consist of four members. The chairman of the Board shall in connection with the end of the third quarter of 2015 contact each of the four largest shareholders in the company and encourage them to appoint their respective representatives for the nomination committee. As regards the appointment of representatives for the nomination committee, all shareholders who are members of the Board and/or employed by the group shall be regarded as one shareholder. If a shareholder chooses not to appoint a representative for the nomination committee, the right to appoint a member of the nomination committee shall transfer to the next largest shareholder (provided such shareholder has not already appointed or is entitled to appoint a member of the nomination committee). If a member of the nomination committee resigns, the shareholder appointing the resigning member shall be asked to appoint another member of the nomination committee.

The chairman of the nomination committee shall be the member appointed by the largest shareholder, unless the nomination committee does not agree otherwise (though not a person employed by the group or a member of the Board).

The nomination committee shall act in the interest of all shareholders. The duties of the nomination committee shall include to evaluate the Board's constitution and work, and to make proposals for the annual general meeting regarding:

- election of chairman for the annual general meeting,
- number of Board members,
- election of the Board and the chairman of the Board,
- election of auditor (in cooperation with the Board's auditing committee),
- fees for the Board members, Board committees and auditors, and
- principles concerning the Nomination Committee for the annual general meeting 2017.

The mandate of the nomination committee is valid until a new nomination committee has been constituted. In case of material changes in the owners during the mandate period, the nomination committee shall ensure that a new large shareholder is given representation in the nomination committee.
The constitution of the nomination committee shall be announced not later than six months before the annual general meeting 2016. The members of the nomination committee shall not receive any compensation from the company but are entitled to reimbursement for reasonable expenses.

Nomination committee for AGM 2016

The nomination committee for the AGM 2016 consists of the following members:

- Per Arwidsson, representing Fastighetsaktiebolaget Granen
- Håkan Eriksson, representing Skandinavkonsult i Stockholm AB
- Per-Olof Eriksson, representing the shareholders who are either employees of the group or member of the board
- Per Frankling, representing Creades AB

Håkan Eriksson has been appointed chairman of the nomination committee.

Shareholders who wish to submit proposals to the nomination committee for the AGM 2016 may do so by post to Ferronordic Machines AB, "Nomination Committee", Hovslagargatan 5B, 111 48 Stockholm, or by email to henrik.carlborg@ferronordic.ru. As per the date of this report, one proposal had been submitted to the nomination committee.

BOARD OF DIRECTORS

The board of directors (Board) is responsible for the company's organization and the management of the company's operations. The tasks of the Board include:

- establishing the company's objectives and strategy;
- appointing, evaluation and, when needed, dismissing the CEO;
- ensuring that there are effective systems for follow-up and control of the company's operations;
- ensure that there is sufficient control over the company's compliance with laws and other rules applicable to the company's operations; and
- ensuring that the company's information disclosure is characterized by transparency and is correct, relevant and reliable.

The chairman of the Board ensures that the Board's work is carried out efficiently and that the Board fulfils its obligations.

Composition

During 2015, the Board consisted of seven members without deputies. All Board members were elected at the AGM 2015 for the period until the AGM 2016. The AGM 2015 also re-elected Per-Olof Eriksson as chairman for the period until the AGM 2016. Detailed information about the Board, including their shareholdings and various appointments, can be found on page 28.

According to the Shareholders' Agreement, investors holding over 20% of the ordinary shares and votes may appoint a representative to attend, observe and speak, but not vote, at the Board meetings. Russian CE Investors AB utilized this right and appointed Mikael Brantberg as Board observer until 15 October 2015 when Russia CE Investors AB sold its shares in the company to Skandinavkonsult i Stockholm AB. Since then, Skandinavkonsult i Stockholm AB has utilized this right and appointed Håkan Eriksson as Board observer.

The Group's CFO and General Counsel attend the meetings of the Board. The General Counsel is the secretary of the Board.

Independence requirements

According to the Code the majority of the Board shall be independent of the company and the company's management, and at least two of the Board members who are independent of the company and its management shall also be independent of the company's major shareholders. The Board meets these requirements, as five of the seven Board members are deemed independent of the company, its management and the major shareholders. The Code also stipulates that only one Board member may work in the company's management. The company deviates from this requirement since the Board includes two members of the Group's management, Lars Corneliusson and Erik Eberhardson.

Work procedures

Each year the Board adopts procedures for the Board's work. The procedures contain rules pertaining to the distribution of work between the Board members, the number of Board meetings, matters to be addressed at regular meetings and the duties of the Board chairman. In addition, the work procedures contain directives concerning the tasks of the Board's committees. The Board has also issued written instructions specifying how financial information should be reported to the Board, as well as defining the distribution of duties between the Board and the CEO.

Evaluation of the Board work

In order to develop the Board's working methods and efficiency, the Board evaluates its work annually through a systematic and structured process. The process consists of a questionnaire that is filled out by each Board member anonymously. The result of the questionnaires is compiled by the secretary of the Board and presented to the Board in its entirety. The result is then discussed and additional comments are added. The results of this evaluation are documented and presented to the nomination committee.

Board work in 2015

During 2015, the Board held eight meetings. Over the year the Board devoted particular focus to the following issues:

- the Group's earnings and financial position;
- interim reporting;
- development of the geopolitical and financial situation in Russia and the effect on the Group and the Russian construction equipment market;
- corporate governance, risk management and internal control;
- strategic issues and business development;
- financial matters; and
- evaluation of the work of the Board and the CEO.

The work of the CEO is evaluated by the Board continuously. At least once per year the Board discusses the evaluation of the CEO's work without the presence of the CEO or anyone else from the company's management.

ATTENDANCE IN BOARD MEETINGS IN 2015

	Magnus Brännström	Lars Corneliusson	Kristian Terling	Erik Eberhardson	Per-Olof Eriksson	Marika Fredriksson	Martin Leach
19 February	•	•	•	•	•	•	•
15 April	•	•	•	•	•		•
19 May	•	•	•	•	•	•	•
19 May	•	•	•	•	•	•	•
25 August		•	•	•	•		•
6 September	•	•		•	•	•	
2 October	•	•	•	•	•	•	•
24 November		•	•	•	•	•	•

REMUNERATION OF THE BOARD

As resolved at the AGM 2015, the total remuneration of the Board amounts to SEK 2,000,000, of which SEK 600,000 is paid to the chairman, SEK 500,000 to the vice chairman, and SEK 300,000 to each of the other directors, except for the two directors who are employed by the Group. No additional compensation is paid for committee work.

BOARD COMMITTEES

The tasks of the Board's committees are stipulated in the Board's working procedures. The main task of the committees is to prepare issues and present them to the Board for resolutions.

Audit Committees

The audit committee shall ensure the quality of the financial statements, maintain ongoing contacts with the auditors, monitor the independence and objectivity of the auditors, prepare the election of the auditors (in corporation with the nomination committee), monitor the internal control of the Group, as well as dealing with other related matters. The audit committee consists of the following five members:

- Magnus Brännström,
- Per-Olof Eriksson,
- Marika Fredriksson (independent and qualified member),
- Martin Leach (chairman), and
- Kristian Terling.

All members of the audit committee are independent of the company, the company's management and the largest shareholders.

In 2015 the audit committee held three meetings in connection with the meetings of the Board. The minutes of these meetings are included in the minutes of the Board meetings.

Remuneration Committee

The remuneration committee prepares matters concerning remuneration principles, remuneration and other employment terms of the CEO and other members of the executive management. The remuneration committee consists of three members: Per-Olof Eriksson (chairman), Martin Leach and Kristian Terling. All members of the remuneration committee are independent of the company, the company's management and the company's larger shareholders. The members are deemed to have appropriate knowledge and experience of matters relating to executive remuneration.

The remuneration committee held one formal meeting in 2015. In addition the members of the remuneration committee have had an informal continuous discussion throughout the year per email and telephone, and in connection with the meetings of the Board.

AUDITORS

Ferronordic Machines' auditors are elected at the AGM. The current auditor is KPMG AB, which was re-elected at the AGM 2015 for the period until the AGM 2016. Mattias Lötborn is the auditor-in-charge. The compensation paid to KMPG is indicated in note 30 on page 82.

CEO AND EXECUTIVE MANAGEMENT

The CEO, Lars Corneliusson, is appointed by the Board and is responsible for the day-to-day management of the Group. The CEO is also the General Director of Ferronordic Machines LLC, the Group's main operating entity in Russia.

The executive management convenes on a regular basis, at least once a month, and deals with the Group's financial development, company-wide development projects, leadership and competence sourcing, and other strategic issues.

In addition to the CEO, in 2015 the executive management consisted of Nadezhda Arzumanova, HR Director, Anders Blomqvist, CFO and Investor Relations, Henrik Carlborg, General Counsel, Erik Eberhardson, Business Development, Onur Gucum, Commercial Director; and Anton Varekha, Financial Director (until June). The members of the executive management report to the CEO. Information on the CEO and the other members of executive management, including their age, main education, professional experience, shareholdings in the company, etc., can be found on page 29.

For certain matters, the executive management is supplemented by certain other Group functions and the regional directors (extended management).

The Group has established functions that are responsible for such Group-wide activities as financial reporting, treasury, IT, communications, legal affairs, compliance, HR, purchasing, logistics, real estate, security, etc.

Operationally Ferronordic Machines is divided into seven regions, i.e. North West (with regional hub in St. Petersburg), Central (with regional hub in Moscow), Volga (with regional hub in Kazan), South (with regional hub in Krasnodar), Ural (with regional hub in Yekaterinburg), Siberia (with regional hub in Krasnoyarsk) and Far East (with regional hub in Khabarovsk). Each region has its own regional director. The regional directors are responsible for the business, as well as the coordination and implementation of company-wide policies and processes, in their respective regions. Each region also has a regional board, comprising the relevant regional director and the executive management.

REMUNERATION OF SENIOR EXECUTIVES

For information regarding remuneration and other benefits to the executive management, refer to note 29 (e) on page 81.

The AGM 2015 adopted the following principles regarding remuneration to the company's executives:

These guidelines concern remuneration and other terms of employment for the Ferronordic Machines executive management team. The members of the executive management team, including the CEO and any possible deputy CEO, are hereafter referred as the Executives". The guidelines apply to employment agreements made after the approval of these guidelines by the meeting and to amendments to existing employment agreements made thereafter.

Basic principles

Remuneration to Executives shall be based on market terms in the markets where Ferronordic Machines operates and the environment in which the individual Executive is working. In addition, remuneration shall be competitive in order to enable Ferronordic Machines to attract and retain competent executives.

Fixed salaries

Fixed salaries are established individually based on the criteria specified above, as well as the individual Executive's areas of responsibility and performance. For expatriate Executives with salaries in rubles the fixed salaries can be adjusted to reflect changes in fore exchange rates.

Variable salaries

Executives may receive variable salaries in addition to fixed salaries. Variable salaries shall be paid upon fulfilment of predetermined and measurable performance criteria, primarily based on the development of the group as a whole or the development of the part of the group for which the individual in question is responsible. The variable salary may, as regards the CEO, amount to not more than 100% of the fixed salary and, as regards other Executives, not more than 50% of the fixed salary. An exception may be made regarding Erik Eberhardson, whose variable salary may to not more than 150% of the fixed salary (according to previous agreement in connection with reduction of fixed salary).

Non-monetary and other benefits

The Executives are entitled to customary non-monetary benefits such as company cars and company health insurance. In addition to these benefits company housing and other benefits can be offered on an individual basis, such housing allowances and school/kindergarten allowances for expatriate Executives.

Pension benefits

In addition to those pension benefits that Executives are entitled to according to law, Executives may be offered pension benefits that are competitive in the country where the individual in question is or has been a resident or to which the individual has a relevant connection. Pension plans shall be defined contribution plans without guaranteed level of pension.

Severance pay
Severance pay shall not exceed 12 months salary.

The Board's preparation and decision-making on issues concerning remuneration and other terms of employment

The Remuneration Committee is responsible for:
1) preparing the Board's decisions on issues concerning principles of remuneration, remuneration and other terms of employment for the Executives,
2) monitoring and evaluating programs for variable remuneration, both ongoing and those who end during the year,
3) monitoring and evaluating programs the application of these guidelines, and
4) monitoring and evaluating current remuneration structures and levels in the group.

The Remuneration Committee prepares and the Board resolves on:
1) the remuneration and terms of employment of the CEO and the deputy CEO,
2) the principles for remuneration (including pension and severance pay) for the other Executives.

The Remuneration Committee is further responsible for reviewing and recommending to the Board share-related incentive programs to be decided by the annual general meeting.

Authority to decide on deviations from these guidelines

The Board may deviate from these guidelines if there are specific reasons to do so in an individual case.

Information on earlier decisions on remuneration that has not become due for payment at the time of the annual general meeting's consideration of these guidelines

Decisions on remuneration that will not have become due the time of the annual general meeting 2015 fall within the frames of these guidelines.

REPORT ON INTERNAL CONTROL

According to the Swedish Companies Act and the Code, the Board is responsible for ensuring that the company has good internal control. The board shall also see to it that the company has formalized routines to ensure that established principles for financial reporting and internal control are complied with, and that the company's financial reports are prepared in accordance with law, applicable accounting standards and other requirements for listed companies.

Control environment
The control environment constitutes the basis for the internal control as well as the corporate culture which exists in the Group and within which the Group's leaders and employees are operating. The control environment is built around the Group's policies and instructions, as well as the Group's divisions of responsibilities and authority. The Code of Conduct is of fundamental importance and aims to ensure that the organization is characterized by integrity and good ethics and morals. Material policies and procedures for internal control over financial reporting include, inter alia, the financial handbook, with instructions on accounting and reporting, and the financial policy. The division of responsibilities and authority is established in the Board's instructions to the CEO, as well as the Group's signature policy, including instructions regarding decision- and approval levels for different areas. The insider policy regarding insider matters and the information policy regarding external communication and press releases are other important policies and guidelines which aim to ensure good internal control.

Risk assessment
Ferronordic Machines has established an annual process for reviewing and assessing risks relating to financial reporting. The risk assessment also include risks related to fraud and irregularities, as well as the risk of loss or misappropriation of assets. Identified risks are prioritized and actions to manage and mitigate the identified risks are established. Risks relating to financial reporting are also evaluated on an ongoing basis within the framework of the internal audit. Policies and procedures regarding financial reporting are being evaluated continuously, based on the risk assessment. The board is updated continuously on material risks as well as actions planned or taken to manage and mitigate such risks.

Control activities
The main purpose of the control activities is to identify and prevent errors and thus guarantee the quality of the financial reporting. Based on the risk assessment, various control activities have been established within identified processes. These aim to ensure that the requirements on the external financial reporting are fulfilled. The activities are both manual and automatic, and includes e.g. reviews and approvals of different types of bookkeeping transactions, analysis of key ratios, verification of accounts and checklists, as well as application of controls for financial information in the IT systems which are used for the financial reporting.

In addition, the Board and its Audit Committee, as well as the executive management, constitute general control bodies that carry out different control activities. Ferronordic Machines has also established an internal audit function which, among other things, control financial reporting.

Information and communication
Information on the policies and procedures regarding financial reporting is given to all relevant employees at the beginning of their employment. Subsequent updates of applicable policies and procedures are communicated to all relevant employees. Policies and instructions regarding financial reporting are also available at the Group's intranet, available to all employees. The Board regularly receives financial updates and reports. Financial information regarding the company can only be communicated by the CEO or the CFO (also responsible for investor relations).

Monitoring
The company's financial development is reviewed at every board meeting. All interim reports are reviewed and approved by the Board before they are made public. The annual report and the directors' report are reviewed and approved by the Board. The efficiency of the assessment and management of risks is follow up at different levels within the Group, for example at the executive management meetings and the regional board meetings, as well as within the day-to-day work of the internal audit function. The monitoring includes both formal and informal processes, e.g. comparisons between result and budget, monthly reviews of overdue accounts receivable, etc.

Internal audit
Ferronordic Machines has established an internal audit function. The role of the internal audit function is to independently and objectively assess and improve the efficiency of Ferronordic Machines' internal control, risk management and governance processes. The head of internal audit reports functionally to the Audit Committee and administratively to the CEO. The internal audit function carries out regular reviews based on an annual internal audit plan. The internal audit plan is adopted by the Board based on the Group's risk assessment.

Stockholm, April 2016

The Board of Directors

More information on Ferronordic Machines' corporate governance work can be found in the section on Corporate Governance at www.ferronordic.com.


VOLVO


TEREX


VOLVO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK ’000	Note	2015	2014
Revenue	6	**1,468,724**	**2,334,546**
Cost of sales		(1,135,703)	(1,936,418)
Gross profit		**333,021**	**398,128**
Selling expenses	7	(80,812)	(95,869)
General and administrative expenses	7	(174,563)	(226,146)
Other income		5,218	6,585
Other expenses	8	(21,808)	(13,726)
Results from operating activities		**61,056**	**68,972**
Finance income	9	10,194	2,592
Finance costs	9	(26,425)	(36,577)
Net foreign exchange losses		(7,848)	(9,043)
Result before income tax		**36,977**	**25,944**
Income tax	10	(8,211)	(7,215)
Result for the year		**28,766**	**18,729**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation difference for foreign operations		(52,637)	(134,675)
Other comprehensive income for the year, net of income tax		**(52,637)**	**(134,675)**
Total comprehensive income for the year		**(23,871)**	**(115,946)**
Earnings per ordinary share			
Basic earnings per share (SEK)	31	(2.12)	(3.13)

The consolidated statement of comprehensive income forms part of and shall be read together with the Notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK '000	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Intangible assets	12	14,629	42,544
Property, plant and equipment	11	83,355	224,688
Deferred tax assets	13	45,032	36,192
Total non-current assets		143,016	303,424
Current assets			
Inventories	14	327,235	424,693
Trade and other receivables	15	161,152	265,412
Other assets		315	706
Prepayments		642	1,336
Cash and cash equivalents	16	175,295	177,453
Total current assets		664,639	869,600
TOTAL ASSETS		807,655	1,173,024
EQUITY AND LIABILITIES			
Equity	17		
Share capital		937	937
Additional paid in capital		594,279	594,865
Translation reserve		(228,538)	(175,901)
Retained earnings		(44,607)	(48,373)
TOTAL EQUITY		322,071	371,528
Non-current liabilities			
Deferred tax liabilities	13	49	6,567
Long-term portion of finance lease liabilities	18	3,709	21,278
Total non-current liabilities		3,758	27,845
Current liabilities			
Borrowings	18	85,624	246,370
Trade and other payables	21	384,138	491,736
Deferred income	19	4,289	7,508
Provisions	20	3,622	9,121
Short-term portion of finance lease liabilities	18	4,153	18,916
Total current liabilities		481,826	773,651
TOTAL LIABILITIES		485,584	801,496
TOTAL EQUITY AND LIABILITIES		807,655	1,173,024
Pledged Assets			
Pledged Assets	18	10,435	209,135

The consolidated statement of financial position forms part of and shall be read together with the Notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company				
SEK '000	Note	Share capital	Additional paid in capital	Retained earnings	Translation reserve	Total equity
Balance 1 January 2015		937	594,865	(48,373)	(175,901)	371,528
Total comprehensive income for the year						
Result for the year		-	-	28,766	-	28,766
Other comprehensive income						
Foreign exchange differences		-	-	-	(52,637)	(52,637)
Total comprehensive income for the year		-	-	28,766	(52,637)	(23,871)
Contribution by and distribution to owners						
Preference shares dividends	17	-	-	(25,000)	-	(25,000)
Warrant cancellation	17	-	(586)	-	-	(586)
Total contributions and distributions		-	(586)	(25,000)	-	(25,586)
Balance 31 December 2015		937	594,279	(44,607)	(228,538)	322,071

		Attributable to equity holders of the Company				
SEK '000	Note	Share capital	Additional paid in capital	Retained earnings	Translation reserve	Total equity
Balance 1 January 2014		937	595,192	(17,102)	(41,226)	537,801
Total comprehensive income for the year						
Result for the year		-	-	18,729	-	18,729
Other comprehensive income						
Foreign exchange differences		-	-	-	(134,675)	(134,675)
Total comprehensive income for the year		-	-	18,729	(134,675)	(115,946)
Contribution by and distribution to owners						
Preference shares dividends	17	-	-	(50,000)	-	(50,000)
Warrant cancellation	17	-	(327)	-	-	(327)
Total contributions and distributions		-	(327)	(50,000)	-	(50,327)
Balance 31 December 2014		937	594,865	(48,373)	(175,901)	371,528

The consolidated statement of changes in equity forms part of and shall be read together with the Notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK '000	Note	2015	2014
Cash flows from operating activities	3		Restated
Result before income tax		36,977	25,944
Adjustments for:			
Depreciation and amortisation	11, 12	67,198	102,718
Loss from write off of receivables		14,931	7,486
Profit on disposal of property, plant and equipment		(342)	-
Finance costs	9	26,425	36,577
Finance income	9	(10,194)	(2,592)
Net foreign exchange losses		7,848	9,043
Cash from operating activities before changes in working capital and provisions		142,843	179,176
Change in inventories		129,145	(146,449)
Change in trade and other receivables		47,184	(45,004)
Change in prepayments		545	(785)
Change in trade and other payables		(36,938)	34,845
Change in provisions		(4,988)	(4,549)
Change in other assets		183	(308)
Change in deferred income		(2,485)	(3,978)
Cash flows from operations before interest paid and tax paid		275,489	12,948
Income tax paid		(13,440)	(1,335)
Interest paid		(27,940)	(36,579)
Cash flows from operating activities		234,109	(24,966)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,703	-
Interest received		10,194	2,592
Acquisition of property, plant and equipment		(5,369)	(34,267)
Acquisition of intangible assets		(1,814)	(4,722)
Cash flows from investing activities		7,714	(36,397)
Cash flows from financing activities			
Proceeds from borrowings		108,522	849,306
Repayment of loans		(238,187)	(684,652)
Distributions to preference shareholders		(50,000)	(50,000)
Leasing financing received		-	41,523
Leasing financing paid		(30,264)	(42,668)
Repayment of warrants		(586)	(327)
Cash flows from financing activities		(210,515)	113,182
Net increase in cash and cash equivalents		31,308	51,819
Cash and cash equivalents at start of the year		177,453	164,075
Effect of exchange rate fluctuations on cash and cash equivalents		(33,466)	(38,441)
Cash and cash equivalents at year-end	16	175,295	177,453

The consolidated statement of cash flows forms part of and shall be read together with the Notes to the consolidated financial statements.

PARENT COMPANY INCOME STATEMENT

SEK '000	Note	2015	2014
Revenue		11,568	15,794
Gross profit		**11,568**	**15,794**
Administrative expenses	7	(15,396)	(18,349)
Results from operating activities		**(3,828)**	**(2,555)**
Interest income	9	30,323	39,323
Interest costs	9	(696)	(1)
Net foreign exchange gains/(losses)		1,466	(4,616)
Result before income tax		**27,265**	**32,151**
Income tax	10	(6,013)	(7,000)
Result for the year		**21,252**	**25,151**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK '000	Note	2015	2014
Result for the year		**21,252**	**25,151**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Translation difference, expanded net investments in foreign operations		(26,330)	(69,676)
Other comprehensive income for the year, net of tax		**(26,330)**	**(69,676)**
Total comprehensive income for the year		**(5,078)**	**(44,525)**

The income statement forms part of and shall be read together with the Notes to the consolidated financial statements.

PARENT COMPANY BALANCE SHEET

SEK '000	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	11	22	30
Intangible assets	12	1,846	6,275
Financial assets			
Holdings in group companies	28	192,949	192,162
Loans to group companies	26	165,265	199,021
Deferred tax assets	13	35,506	34,078
Total financial assets		393,720	425,261
Total non-current assets		395,588	431,566
Current assets			
Trade and other receivables	15	14,105	19,298
Prepayments		352	353
Cash and cash equivalents	16	1,477	370
Total current assets		15,934	20,021
Total assets		411,522	451,587
EQUITY AND LIABILITIES			
Equity	17		
Restricted equity			
Share capital		937	937
Unrestricted Equity			
Share Premium Reserve		604,336	604,922
Translation reserve		(96,006)	(69,676)
Retained earnings		(137,924)	(138,075)
Result for the year		21,252	25,151
Total equity		392,595	423,259
Current liabilities			
Borrowings	18	14,042	
Trade and other payables	21	4,885	28,328
Total current liabilities		18,927	28,328
TOTAL LIABILITIES		18,927	28,328
TOTAL EQUITY AND LIABILITIES		411,522	451,587
Contingent Liabilities*		142,711	68,742

Contingent liabilities* SEK 142 711K. There were no pledged assets as of 31 December 2015 and 31 December 2014
*A guarantee for credit facility issued by JSC Sberbank to Ferronordic Machines LLC (subsidiary of Ferronordic Machines AB) and for surety issued by Sberbank to Volvo.

The balance sheet forms part of and shall be read together with the Notes to the consolidated financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK '000	Note	Share capital	Share premium reserve	Retained earnings	Translation reserve	Total equity
Balance 1 January 2015		937	604,922	(112,924)	(69,676)	423,259
Total comprehensive income for the year						
Result for the year		-	-	21,252	-	21,252
Other comprehensive income						
Foreign exchange differences		-	-	-	(26,330)	(26,330)
Total comprehensive income for the year		-	-	21,252	(26,330)	(5,078)
Contribution by and distribution to owners						
Preference shares dividends	17	-	-	(25,000)	-	(25,000)
Warrant cancellation	17	-	(586)	-	-	(586)
Total contributions and distributions		-	(586)	(25,000)	-	(25,586)
Balance 31 December 2015		937	604,336	(116,672)	(96,006)	392,595

SEK '000	Note	Share capital	Share premium reserve	Retained earnings	Translation reserve	Total equity
Balance 1 January 2014		937	605,249	(88,075)	-	518,111
Total comprehensive income for the year						
Result for the year		-	-	25,151	-	25,151
Other comprehensive income						
Foreign exchange differences		-	-	-	(69,676)	(69,676)
Total comprehensive income for the year		-	-	25,151	(69,676)	(44,525)
Contribution by and distribution to owners						
Preference shares dividends	17	-	-	(50,000)	-	(50,000)
Warrant cancellation	17	-	(327)	-	-	(327)
Total contributions and distributions		-	(327)	(50,000)	-	(50,327)
Balance 31 December 2014		937	604,922	(112,924)	(69,676)	423,259

The statement of changes in equity forms part of and shall be read together with the Notes to the consolidated financial statements.

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK '000	Note	2015	2014
Cash flows from operating activities			
Result before income tax		27,265	32,151
Adjustments for:			
Depreciation and amortisation	11,12	4,437	4,434
Interest costs	9	696	1
Interest income	9	(30,323)	(39,323)
Net foreign exchange losses		(1,466)	4,616
Cash from operating activities before changes in working capital and provisions		609	1,879
Change in trade and other receivables		3,070	18,632
Change in prepayments		1	(30)
Change in trade and other payables		933	(11,763)
Cash flows from operations before income tax and interest paid		4,613	8,718
Interest paid		-	-
Cash flows from operating activities		4,613	8,718
Cash flows from investing activities			
Interest received		30,748	37,050
Acquisition of property, plant and equipment		-	(27)
Contributions to subsidiaries		(787)	(57)
Cash flows from investing activities		29,961	36,966
Cash flows from financing activities			
Loans received		17,119	
Distributions to shareholders		(50,000)	(50,000)
Repayment of warrants		(586)	(327)
Cash flows from financing activities		(33,467)	(50,327)
Net increase/(decrease) in cash and cash equivalents		1,107	(4,643)
Cash and cash equivalents at start of year		370	5,013
Effect of exchange rate fluctuations on cash and cash equivalents		-	-
Cash and cash equivalents at year-end	16	1,477	370

The statement of cash flows forms part of and shall be read together with the Notes to the consolidated financial statements.

CONTENT OF NOTES

Notes

NOTE 1 » GENERAL INFORMATION

Ferronordic Machines AB (the "parent company" or the "company") and its subsidiaries comprise the "Group". The company is a Swedish public limited liability company with registered number 556748-7953. The company's address is Hovslagargatan 5B, 111 48 Stockholm. The Group has administrative offices in Stockholm and Moscow.

The Group's principal activity is sales and service of construction equipment in Russia. The Group is the official dealer for Volvo CE and Terex Trucks but also represents, sells and services construction equipment from other manufacturers. The Group is also aftermarket dealer for Volvo and Renault Trucks and Volvo Penta in select locations.

Through its operations, the Group is exposed to the Russian economic and financial markets, which have characteristics of an emerging market. The legal and fiscal frameworks continue to develop but remain subject to varying interpretations and frequent changes. Together with other legal and fiscal impediments, this contributes to the challenges faced by entities operating in Russia. The Group's financial statements reflect management's assessment of the impact of the Russian business environment on the Group's operations and financial position. The future business environment may differ from management's assessment (for information on additional risks relating to the recent geopolitical undertainty, please see the Directors' Report).

NOTE 2 » BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Financial Standards Board (IASB) as well as the interpretations of the IFRS Interpretations Committee, as adopted by the European Union. RFR 1 on Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, has been applied. The annual accounts of the parent company are prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities, issued by the Swedish Financial Reporting Board.

BASIS OF MEASUREMENT

The financial statements of the Group are prepared on a historical cost basis.

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the various units of the Group are valued in each Group company's functional currency. For all Group companies except the parent company, the functional currency is the Russian ruble (RUB). For the parent company the functional currency is the Swedish krona (SEK). The Group and the parent company have selected the Swedish krona as presentation currency. All amounts have been rounded to the nearest thousand, except as otherwise noted.

USE OF ESTIMATES AND JUDGMENTS

The preparation of the Group's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and assumptions are reviewed on an ongoing basis. If an estimation or assumption changes, the change is recognised in the period when the change takes palce and in future periods affected.

Information about the judgments that have the most significant effect on the amounts recognised in the Group's financial statements is included in Note 4 *(useful life and residual value of property, plant and equipment),* Note 20 *(warranty provision)* and Note 22 *(allowance for trade receivables).*

Information about assumptions and estimation for which the risk of material adjustment within the next financial year are substantial is included in Note 25 *(Contingencies).*

NOTE 3 » CHANGES IN ACCOUNTING POLICIES

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 in line with common practice to present proceeds from sale of machines from the rental fleet by using the indirect method.

The table below shows the effect of the change in presentation of the lines of the consolidated statement of cash flows for the financial year 2014:

SEK '000	Before change	Change	After change
Profit on disposal of rental fleet	(6,877)	6,877	-
Change in inventories	(175,583)	29,134	(146,449)
Change in receivables	(45,005)	1	(45,004)
Proceeds from sale of rental fleet	36,012	(36,012)	-

No other changes in accouting policies have taken place during 2015.

NOTE 4 » SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently for all periods presented and have been applied consistently by all Group entities, except as described in Note 3 *(Changes in accounting policies).*

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control over the entity until the date when control ceases. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

ELIMINATION OF INTRA-GROUP TRANSACTIONS

Intra-Group balances and transactions (and unrealized income and expenses arising from intra-Group transactions) are eliminated in the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, unless there is need for impairment.

FOREIGN CURRENCY

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated to functional currency at the exchange rate on the reporting date. Foreign currency gains or losses on monetary items comprise the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated to the functional currency at the exchange rate at the date of the transaction.

Foreign currency differences arising in retranslation are recognised in profit or loss.

Foreign operations

Assets and liabilities of foreign operations are translated to Swedish krona at the exchange rates on the reporting date. Income and expenses of foreign operations are translated to Swedish krona at the exchange rate on the transaction date.

Foreign currency differences are recognised in other comprehensive income and included in the translation reserve in equity.

If the Group's control, significant influence or joint control over a foreign operation is lost, the accumulated translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests.

Foreign exchange gains and losses arising from receivables or payables to a foreign operation (which are not expected to be settled in the foreseeable future) form part of net investment in foreign operations and are recognised in other comprehensive income and presented in the translation reserve in equity.

FINANCIAL INSTRUMENTS

Non-derivative financial instruments consist of trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables.

Non-derivative financial assets

Loans, receivables and deposits are recognized when they originate. Other financial assets are recognised when the Group becomes a party to the contractual provisions of the relevant instrument.

Financial assets are derecognized when the rights to the cash flows from the assets expire, or when the rights to receive the contractual cash flows on the financialassets are transferred and substantially all risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Group has a right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into loans and receivables.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in any active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs, and thereafter at amortised cost using the effective interest method, less impairment losses. Loans and receivables include trade and other receivables.

Cash and cash equivalents
Cash and cash equivalents consist of cash balances, call deposits and highly liquid investments with maturities at initial recognition of three months or less.

Non-derivative financial liabilities
Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or expire.

Financial liabilities are initially recognised at fair value less any directly attributable transaction costs, and thereafter at amortised cost using the effective interest method. Non-derivative financial liabilities form part of the category other financial liabilities.

Other financial liabilities consist of borrowings, bank overdrafts, and trade and other payables.

SHARE CAPITAL

Ordinary shares
Ordinary shares are classified as equity. Costs that are directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preference shares
Preference shares are classified as equity since they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets, and do not require settlement in a variable number of the Group's equity instruments. Dividends on preference shares are recognised as equity distributions on approval by the general meeting.

PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement
Except for land, property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and directly attributable labour costs, other costs directly attributable to bringing the asset to a working condition for its intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Parts of an item of property, plant and equipment with different useful lives are accounted for as separate items.

Gains or losses on disposals of property, plant and equipment are determined by comparing the proceeds from the disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Subsequent costs
The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits of the item will flow to the Group and the cost can be measured reliably. The carrying amount of the replaced component is derecognised. Costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation
Depreciation of property, plant and equipment is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the useful life of each item of property, plant and equipment. This most closely reflects the expected pattern of consumption of the future economic benefits of the asset. Unless it is reasonably certain that the Group will obtain ownership of a leased asset by the end of the lease term, leased assets are depreciated either over the the lease term or the useful life, depending on which is shorter. Land is not depreciated.

The estimated useful life of certain significant items of property, plant and equipment for the current and comparative periods are as follows:

- buildings and installations 2-45 years
- machinery and equipment 2-16 years
- rental fleet 3 years
- office equipment 2-10 years
- cars 3-7 years

The residual value for all groups of property, plant and equipment amounts to zero. An exceptioin is made for equipment included in the rental fleet, for which the residual value is set at 25% of the cost of the assets after a three years rental period.

Depreciation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

INTANGIBLE ASSETS

Intangible assets
Intangible assets acquired by the Group (and which have definite useful lives) are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure
Subsequent expenditures are capitalised only if they increase the economic benefits of the specific assets to which they relate. Other expenditures, including expenditures on internally generated goodwill and brands, are recognised in profit or loss when incurred.

Amortisation
Amortisation of intangible assets is calculated over the cost of the asset less its residual value.

Except for goodwill, amortisation of intangible assets is recognised in profit or loss on a straight-line basis over the estimated useful lives of the assets from the date when the assets become available for use. This most closely reflects the expected pattern of consumption of the economic benefits of the assets.

The estimated useful lives of the Group's intangible assets are as follows:
- software and software licenses 2-5 years
- customer relations 6 years
- franchise agreement 6 years

Amortisation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

LEASES

Leased assets
Leases for which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to either the fair value or the present value of the minimum lease payments, depending on which is lower. Thereafter, the asset is accounted for in accordance with the accounting policy applicable to that relevant asset.

Leases for which the Group does not assume substantially all the risks and rewards of ownership of the assets are classified as operating leases.

Lease payments
Payments under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments under finance leases are apportioned between finance expenses and a reduction of the lease obligations. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining lease obligation.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Each unit of construction equipment kept in inventory has a specifically identified cost. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

IMPAIRMENT

Non-derivative financial assets
Financial assets which are not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is evidence that the assets are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Evidence that financial assets are impaired may include default or delinquency by a debtor, restructuring of an amount due to the Group, indications that a debtor is about to become bankrupt, adverse changes in the payment status of debtors in the Group, economic conditions that correlate with defaults, etc.

Loans and receivables
Loans and receivables are tested for impairment on an individual basis.

Impairment of a financial asset, measured at amortised cost, is calculated as the difference between the carrying amount of the asset and the present value of the asset's estimated future cash flows, discounted at the original effective interest rate. Losses are included in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. If a subsequent event causes the amount of an impairment loss to decrease, the decrease is reversed through profit or loss.

Non-financial assets
Except for inventories and deferred tax assets, the carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated.

Assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the present value and the risks specific to the asset or cash-generating unit. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds the estimated recoverable amount of the asset.

Impairment losses are recognized in profit or loss.

EMPLOYEE BENEFITS

Termination benefits
Termination benefits are recognised as an expense when it can be demonstrated that the Group is committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as expenses if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits that are payable for more than 12 months after the reporting date are discounted to present value.

Short-term benefits
Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided. Liabilities are recognised for the amounts expected to be paid under short-term cash bonus plans if the Group is obligated to pay the amounts as a result of past services provided, and the obligation can be estimated reliably.

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into defined contribution pension plans (such as the Russian State Pension Fund) without any obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as employee benefit expenses in profit or loss in the periods during which related services are rendered.

WARRANTIES

The Group provides a 12 months' warranty on new machines sold by the Group. Volvo CE and other suppliers reimburse the Group for costs incurred as a result of these warranties at agreed rates and amounts. Both the gross provision amount for the warranty and the related receivable from the supplier are recorded. Provisions for warranties are recognised when the machines that the warranties relate to are sold. Warranty provisions are based on historical data.

In addition to warranties included in the price of sold machines, the Group offers its customers extended warranties for 2-3 years. Revenue on such contracts is recognized evenly during the contract term. When extended warranties are sold to customers, the Group also purchases a corresponding extended warranty from the relevant supplier. Extended warranties purchased from suppliers are recognized as other receivables and amortised to profit and loss evenly during the contract term.

REVENUE

Goods sold
Revenue from sales of goods is measured at the fair value of the consideration received or receivable, net of returns and discounts. Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership of the goods have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount are recognised as a reduction of revenue when the sales are recognised.

The timing of the transfers of risks and rewards can vary depending on the individual shipping and delivery terms of the sales agreement. Customers generally do not have any right of return and transfers occur upon receipt by the customer.

Services
Revenue from sales of services is normally recognised when the services are completed and invoiced. Revenue from services rendered on uncompleted work is recognised in proportion to the stage of completion at the reporting date. The stage of completion is assessed by reference to surveys of work performed and estimates of time to completion.

FINANCE INCOME AND COSTS

Finance income consists of interest income. Interest income is recognised as it accrues, using the effective interest method.

Finance costs consist of interest expense on borrowings and finance leases. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Currency gains and losses are reported on a net basis, depending on the currency movements (net gain or net loss).

INCOME TAXES

Income tax consists of current and deferred tax. Current tax and deferred tax are recognised in profit or loss, except if the tax relates to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for taxable differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and the tax assets and liabilities relate to income taxes levied by the same tax authority on the same taxable entity (or on different entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously).

According to Russian tax legislation, tax losses and current tax assets of one Group company cannot be offset against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities. Tax losses and taxable profits related to different activities can therefore not be offset.

A deferred tax asset for unused tax losses, tax credits and deductible temporary differences is recognized if it is probable that taxable profits will be available in the future against which the deferred tax assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of accounting standards and interpretations have been published but have not yet become effective. IFRS 9 (Financial Instruments) , which becomes effective no earlier than 2018, could change the classification and measurement of the Group's financial assets. IFRS 15 (Revenue from Contracts with Customers), which becomes effective no earlier than 2018, will result in enhanced disclosures about revenue and have an impact on the recognition of revenue. IFRS 16 (Leases), which becomes effective no earlier than 2019, will provide that there will no longer be a distinction between operating and finance leases, and hence all leases will be reconised on the balance sheet. Other new or revised standards are not expected to have a significant effect on the Group's financial statements.

INFORMATION ABOUT THE PARENT COMPANY

Parent company accounting principles

The annual accounts of the partent company are prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities, issued by the Swedish Financial Reporting Board. RFR 2 states that the annual accounts for the legal entity should be prepared by applying all IFRS statements adopted by the EU insofar as this is possible under the Swedish Annual Accounts Act and with regard to the relationship between accounting and taxation. The stated accounting policies have been applied consistently for all periods presented.

Differences between the accounting policies applied for the Group and the parent company

For the reports of the parent company, the terms 'income statement' and 'balance sheet' are used, while for the reports of the Group, the terms 'consolidated statement of comprehensive income' and 'consolidated statement of financial position' are used. For the parent company, the income statement and balance sheet are presented according to the structure following from the Swedish Annual Accounts Act, while for the Group, the report of changes in equity and cash flow analysis are based on IAS 1 Presentation of Financial Statements and IAS 7 Consolidated cash flow statements.

The parent company recognizes holdings in subsidiaries at cost less impairment losses, if any. Expenses attributable to business combinations are included in the parent company's acquisition cost. Contingent consideration is valued according to the likelihood that the consideration will be paid. Changes to the provision/receivable result in an increase/decrease to the cost of acquisition. In the Group's financial statements, conditional consideration is reported at fair value, with changes in value reported in the statement of comprehensive income.

Because of the connection between accounting and taxation, the rules on financial instruments and hedge accounting in IAS 39 are not applied by the parent company.

In the parent company, financial assets are measured at cost less any impairment, and financial current assets are measured at the lower of cost and net realizable value. The acquisition cost for fixed-income instruments is adjusted for the accrued difference between initial cost, less transaction costs, and the sum paid on the closing date (premiums and discounts).

The parent company classifies all leases as operating leases, which means that lease expenses are recorded as operating expenses in the income statement.

Shareholders´ contributions are recognized in the parent company's balance sheet as an increase of the carrying value of the shares.

NOTE 5 » DETERMINATION OF FAIR VALUE

To measure the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** other observable inputs for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices)
- **Level 3:** other inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value can be categorised in different levels, then the fair value measurement is categorised in its entirety in the same level as the lowest level input that is significant to the entire measurement.

Changes in levels are recognized at the end of the period when the change occurred.

Fair values of loans payable and finance leases are calculated based on the present value of future cash flows from principal and interest, discounted at the market rate of interest at the reporting date (level 2).

For finance leases, the market rate of interest is determined by reference to similar lease agreements.

The Group has not disclosed the fair values of short-term receivables and payables since the carrying amounts reasonably are the same as the fair values.

NOTE 6 » SEGMENT REPORTING

The Group has one reportable segment: Equipment Distribution. This segment comprises sales and rental of new and used equipment, contracting services, as well as aftermarket support (parts and service) to customers operating in, inter alia, infrastructure, construction, mining, oil & gas, forestry and industrial operations. The operating segment is determined based on the internal reports provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive management team that makes strategic decisions.

Revenue from Equipment Distribution

Group

SEK ’000	2015	2014
Equipment sales	933,702	1,746,506
Equipment rentals	20,883	61,965
Aftermarket	502,386	524,340
Other revenue	11,753	1,735
Total revenues	1,468,724	2,334,546

The Group operates in one geographic area: Russia. In 2015 no customer represented more than 3% of the Group's total revenue.

The chief operating decision maker assesses the performance of the operating segment based on adjusted earnings before interest, tax, depreciation and amortization (EBITDA).

Reconciliation of EBITDA to Result for the year

SEK '000	2015	2014
EBITDA	128,254	171,690
Depreciation and amortisation	(67,198)	(102,718)
Net foreign exchange losses	(7,848)	(9,043)
Finance income	10,194	2,592
Finance costs	(26,425)	(36,577)
Profit before income tax	36,977	25,944
Income tax	(8,211)	(7,215)
Result for the year	28,766	18,729

NOTE 7 » SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses

Group

SEK '000	2015	2014
Personnel expenses	77,862	90,909
Other selling expenses	2,950	4,960
	80,812	95,869

General and Administrative expenses

Group

SEK '000	2015	2014
Personnel expenses	78,804	95,991
Depreciation & amortisation	43,751	57,909
Rent	28,192	31,812
Other general and administrative expenses	23,816	40,434
	174,563	226,146

Parent Company

SEK '000	2015	2014
Personnel expenses	8,801	10,906
Depreciation & amortisation	4,437	4,434
Other general and administrative expenses	2,158	3,009
	15,396	18,349

NOTE 8 » OTHER EXPENSES

Group

SEK '000	2015	2014
Bank services	1,491	4,311
Impairment loss on trade receivables	14,931	7,511
Sundry expenses	5,386	1,904
	21,808	13,726

NOTE 9 » FINANCE INCOME AND FINANCE COSTS

Group

SEK '000	2015	2014
Interest income on bank deposits	10,194	2,592
Finance income	10,194	2,592
Interest expense on finance leasing obligation	(3,776)	(11,151)
Interest expense on bank loans	(22,649)	(25,426)
Finance costs	(26,425)	(36,577)
Net finance costs	(16,231)	(33,985)

Parent Company

SEK '000	2015	2014
Interest income on loans to subsidiary	30,203	39,201
Interest income on bank deposits	120	122
Interest income	30,323	39,323
Interest expense on loans from subsidiary	(696)	-
Other	-	(1)
Interest costs	(696)	(1)
Net interest income	29,627	39,322

No interest income or interest expenses relate to financial instruments measured at fair value through profit or loss.

NOTE 10 » INCOME TAXES

The parent company is a tax resident of Sweden where the applicable tax rate for 2015 was 22% (same as last year). The other companies in the Group are tax residents of Russia where the applicable tax rate for 2015 was 20% (same as last year). Income tax is calculated separately for each Group entity by multiplying the applicable tax rate with the taxable results for the period. The applicable tax rate of the Group in 2015, calculated on a weighted-average basis, was 20.2% (compared to 22.1% in 2014).

	Group		Parent Company	
SEK '000	2015	2014	2015	2014
Current tax expense	(18,255)	(1,335)	-	-
Deferred tax benefit / (expense)	10,044	(5,880)	(6,013)	(7,000)
Total income tax expense	**(8,211)**	**(7,215)**	**(6,013)**	**(7,000)**

Reconciliation of effective tax rate:

Group

SEK '000	2015		2014	
Result for the year	28,766		18,729	
Total income tax expense	8,211		7,215	
Profit before income tax	36,977	100	25,944	100
Income tax at applicable tax rate	(7,464)	(20.2)	(5,708)	(22.1)
Non-deductible expenses	(747)	(2.0)	(1,507)	(5.8)
	(8,211)	**(22.2)**	**(7,215)**	**(27.9)**

Parent Company

SEK '000	2015		2014	
Result for the year	21,252		25,151	
Total income tax expense	6,013		7,000	
Profit before income tax	27,265	100	32,151	100
Income tax at applicable tax rate	(5,998)	(22.0)	(7,073)	(22.0)
Other items	(15)	(0.1)	73	0.2
	(6,013)	**(22.1)**	**(7,000)**	**(21.8)**

NOTE 11 » PROPERTY, PLANT AND EQUIPMENT

Group

SEK ´000	Land	Buildings and installations	Machinery and equipment	Rental fleet	Office equipment	Cars	Under construction	Total
Cost or deemed cost								
Balance 1 January 2015	11,837	35,960	29,714	161,155	7,254	51,272	23,726	320,918
Additions	-	1,530	2,646	-	102	2,427	462	7,167
Transfers from inventory	-	-	-	9,489	-	-	-	9,489
Disposals	-	(3,382)	(3,290)	-	(138)	(9,664)	-	(16,474)
Transfers to inventory	-	-	-	(159,658)	-	-	-	(159,658)
Transfers	-	8,238	768	239	-	399	(9,644)	-
Translation difference	(2,008)	(7,493)	(5,667)	(356)	(716)	(6,746)	(4,957)	(27,943)
Balance 31 December 2015	9,829	34,853	24,171	10,869	6,502	37,688	9,587	133,499
Depreciation and impairment losses								
Balance 1 January 2015	-	6,348	14,143	43,358	6,510	25,871	-	96,230
Depreciation for the period	-	3,755	4,412	23,447	489	8,042	-	40,145
Disposals	-	(2,340)	(1,840)	-	(115)	(7,979)	-	(12,274)
Transfers to inventory	-	-	-	(60,878)	-	-	-	(60,878)
Translation difference	-	(1,122)	(2,921)	(1,496)	(819)	(6,721)	-	(13,079)
Balance 31 December 2015	-	6,641	13,794	4,431	6,065	19,213	-	50,144
Carrying amounts								
1 January 2015	11,837	29,612	15,571	117,797	744	25,401	23,726	224,688
31 December 2015	9,829	28,212	10,377	6,438	437	18,475	9,587	83,355

SEK ´000	Land	Buildings and installations	Machinery and equipment	Rental fleet	Office equipment	Cars	Under construction	Total
Cost or deemed cost								
Balance 1 January 2014	16,901	47,854	32,570	150,796	11,294	62,077	27,097	348,589
Additions	348	2,062	4,829	-	376	22,590	12,039	42,244
Transfers from inventory	-	-	-	135,319	-	-	-	135,319
Disposals	-	-	-	-	-	(12,942)	(80)	(13,022)
Transfers to inventory	-	-	-	(61,974)	-	-	-	(61,974)
Transfers	-	1,603	2,452	299	46	1,111	(5,511)	-
Translation difference	(5,412)	(15,559)	(10,137)	(63,285)	(4,462)	(21,564)	(9,819)	(130,238)
Balance 31 December 2014	11,837	35,960	29,714	161,155	7,254	51,272	23,726	320,918
Depreciation and impairment losses								
Balance 1 January 2014	-	4,803	11,624	42,212	8,285	31,195	-	98,119
Depreciation for the period	-	3,651	7,625	46,698	994	9,485	-	68,453
Disposals	-	-	-	-	-	(3,810)	-	(3,810)
Transfers to inventory	-	-	-	(28,554)	-	-	-	(28,554)
Translation difference	-	(2,106)	(5,106)	(16,998)	(2,769)	(10,999)	-	(37,978)
Balance 31 December 2014	-	6,348	14,143	43,358	6,510	25,871	-	96,230
Carrying amounts								
1 January 2014	16,901	43,051	20,946	108,584	3,009	30,882	27,097	250,470
31 December 2014	11,837	29,612	15,571	117,797	744	25,401	23,726	224,688

Depreciation of SEK 23,447 thousand (SEK 44,809 thousand) and SEK 16,698 thousand (SEK 23,644 thousand) were included in cost of sales and general and administrative expenses, respectively.

Machines and cars under finance leases:

SEK '000	Rental fleet	Cars	Total
Cost or deemed cost			
Balance 1 January 2015	41,154	30,094	71,248
Additions	-	2,832	2,832
Transfers to inventory	(28,420)	-	(28,420)
Buy-out from finance lease	-	(17,891)	(17,891)
Translation difference	(1,866)	(2,391)	(4,257)
Balance 31 December 2015	10,868	12,644	23,512
Depreciation and impairment losses	**Rental fleet**	**Cars**	**Total**
Balance 1 January 2015	10,696	13,358	24,054
Depreciation for the year	6,539	3,313	9,852
Transfers to inventory	(12,015)	-	(12,015)
Buy-out from finance lease	-	(11,823)	(11,823)
Translation difference	(788)	(734)	(1,522)
Balance 31 December 2015	4,432	4,114	8,546
Carrying amounts			
1 January 2015	30,458	16,736	47,194
31 December 2015	6,436	8,530	14,966

SEK '000	Rental fleet	Cars	Total
Cost or deemed cost			
Balance 1 January 2014	53,301	57,426	110,727
Additions	-	5,006	5,006
Transfers from inventory	37,899	-	37,899
Transfers to inventory	(32,387)	-	(32,387)
Buy-out from finance lease	-	(17,567)	(17,567)
Translation difference	(17,659)	(14,771)	(32,430)
Balance 31 December 2014	41,154	30,094	71,248
Depreciation and impairment losses	**Rental fleet**	**Cars**	**Total**
Balance 1 January 2014	22,088	28,900	50,988
Depreciation for the year	13,881	5,459	19,340
Transfers to inventory	(19,855)	-	(19,855)
Buy-out from finance lease	-	(14,102)	(14,102)
Translation difference	(5,418)	(6,899)	(12,317)
Balance 31 December 2014	10,696	13,358	24,054
Carrying amounts			
1 January 2014	31,213	28,526	59,739
31 December 2014	30,458	16,736	47,194

In the consolidated statement of cash flows, cash flows relating to purchases and sales of construction equipment included in the rental fleet were classified as operating cash flows.

Parent Company

SEK '000	Office equipment 2015
Cost or deemed cost	
Balance 1 January 2015	59
Additions	-
Disposals	-
Translation difference	-
Balance 31 December 2015	59
Depreciation and impairment losses	
Balance 1 January 2015	29
Depreciation for the period	8
Disposals	-
Translation difference	-
Balance 31 December 2015	37
Carrying amounts	
Balance 31 December 2015	22

SEK '000	Office equipment 2014
Cost or deemed cost	
Balance 1 January 2014	36
Additions	23
Disposals	-
Translation difference	-
Balance 31 December 2014	59
Depreciation and impairment losses	
Balance 1 January 2014	25
Depreciation for the period	4
Disposals	-
Translation difference	-
Balance 31 December 2014	29
Carrying amounts	
31 December 2014	30

NOTE 12 » INTANGIBLE ASSETS

Group

SEK '000	Software and software licences	Customer relationship	Franchise agreement	Total
Cost				
Balance 1 January 2015	8,631	93,076	58,843	160,550
Additions – internally developed	506	-	-	506
Acquisitions – separately acquired	1,341	-	-	1,341
Disposals	(1,362)	-	-	(1,362)
Translation difference	(1,548)	(15,786)	(9,980)	(27,314)
Balance 31 December 2015	7,568	77,290	48,863	133,721
Amortisation				
Balance 1 January 2015	1,956	71,100	44,950	118,006
Amortisation for the year	1,687	15,541	9,825	27,053
Disposals	(1,405)	-	-	(1,405)
Translation difference	(537)	(14,719)	(9,306)	(24,562)
Balance 31 December 2015	1,701	71,922	45,469	119,092
Carrying amounts				
31 December 2015	5,867	5,368	3,394	14,629

SEK '000	Software and software licences	Customer relationship	Franchise agreement	Total
Cost				
Balance 1 January 2014	13,298	134,413	84,969	232,680
Additions – internally developed	2,879	-	-	2,879
Acquisitions – separately acquired	2,211	-	-	2,211
Disposals	(5,839)	-	-	(5,839)
Translation difference	(3,918)	(41,337)	(26,126)	(71,381)
Balance 31 December 2014	8,631	93,076	58,843	160,550
Amortisation				
Balance 1 January 2014	5,410	80,273	50,748	136,431
Amortisation for the year	1,265	20,218	12,782	34,265
Disposals	(3,815)	-	-	(3,815)
Translation difference	(904)	(29,391)	(18,580)	(48,875)
Balance 31 December 2014	1,956	71,100	44,950	118,006
Carrying amounts				
31 December 2014	6,675	21,976	13,893	42,544

a) Amortisation

Amortisation of SEK 27,053 thousand (SEK 34,265 thousand) were included in general and administrative expenses.

Franchise agreement and customer relationships arise from a license agreement with CJSC Volvo Vostok, valid for six years until 2016. Since the Group does not have any right to prolong the agreement, the useful lives of the licenses have been limited to six years. At 31 December 2015 the remaining amortisation period for the licenses was 5 months.

Parent Company

SEK '000	License 2015
Balance 31 December 2015	26,577
Amortisation and impairment losses	
Balance 1 January 2015	20,302
Amortisation for the period	4,429
Balance 31 December 2015	24,731
Carrying amounts	
31 December 2015	1,846

SEK '000	License 2014
Balance 31 December 2014	26,577
Amortisation and impairment losses	
Balance 1 January 2014	15,872
Amortisation for the period	4,430
Balance 31 December 2014	20,302
Carrying amounts	
31 December 2014	6,275

NOTE 13 » DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Group 31 December 2015

SEK '000	Assets	Liabilities	Net
Property, plant and equipment	10,139	-	10,139
Intangible assets		(2,877)	(2,877)
Inventories	2,979		2,979
Trade and other receivables	-	(6,358)	(6,358)
Prepayments	216	-	216
Provisions	724	-	724
Deferred income	858	-	858
Short-term portion of finance lease liabilities	385	-	385
Long-term portion of finance lease liabilities	-	(134)	(134)
Trade and other payables	3,610	(65)	3,545
Tax loss carry-forwards	35,506	-	35,506
Tax assets/ (liabilities)	54,417	(9,434)	44,983
Set off of tax	(9,385)	9,385	0
Net tax assets/(liabilities)	45,032	(49)	44,983

Parent Company 31 December 2015

SEK '000	Assets	Liabilities	Net
Tax loss carry-forwards	35,506	-	35,506
Net tax assets/(liabilities)	35,506	-	35,506

Group 31 December 2014

SEK '000	Assets	Liabilities	Net
Property, plant and equipment	7,862	-	7,862
Intangible assets	-	(8,427)	(8,427)
Inventories	-	(1,084)	(1,084)
Trade and other receivables	-	(14,340)	(14,340)
Prepayments	449	-	449
Provisions	1,824	-	1,824
Deferred income	1,502	-	1,502
Short-term portion of finance lease liabilities	1,452	-	1,452
Long-term portion of finance lease liabilities	-	(43)	(43)
Trade and other payables	6,188	-	6,188
Tax loss carry-forwards	34,242	-	34,242
Tax assets/(liabilities)	53,519	(23,894)	29,625
Set off of tax	(17,327)	17,327	-
Net tax assets/(liabilities)	**36,192**	**(6,567)**	**29,625**

Parent Company 31 December 2014

SEK '000	Assets	Liabilities	Net
Tax loss carry-forwards	34,078	-	34,078
Net tax assets/(liabilities)	**34,078**	**-**	**34,078**

(b) Changes in deferred tax in temporary differences and loss carry-forwards

Group

SEK '000	1 January 2015	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movement in exchange rates	31 December 2015
Property, plant and equipment	7,862	4,355	-	(2,078)	10,139
Intangible assets	(8,427)	4,972	-	578	(2,877)
Inventories	(1,084)	4,679	-	(616)	2,979
Trade and other receivables	(14,340)	6,697	-	1,285	(6,358)
Prepayments	449	(189)	-	(44)	216
Trade and other payables	6,188	(1,923)	-	(720)	3,545
Provisions	1,824	(954)	-	(146)	724
Deferred income	1,502	(470)	-	(174)	858
Short-term portion of finance lease liabilities	1,452	(991)	-	(76)	385
Long-term portion of finance lease liabilities	(43)	(119)	-	28	(134)
Tax loss carry-forwards	34,242	(6,013)	7,426	(149)	35,506
Net tax assets/(liabilities)	**29,625**	**10,044**	**7,426**	**(2,112)**	**44,983**

Parent Company

SEK '000	1 January 2015	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movement in exchange rates	31 December 2015
Tax loss carry-forwards	33,793	(6,013)	7,426	-	35,206
Other items	285	15	-	-	300
Net tax assets/(liabilities)	**34,078**	**(5,998)**	**7,426**	**-**	**35,506**

Foreign exchange differences of SEK 33,756 thousand (SEK 89,328 thousand) relating to loans from the parent company to Ferronordic Machines LLC were recognized in other comprehensive income (since the loans form part of net investments in foreign operations). The tax effect of the exchange differences, SEK 7,426 thousand (SEK 19,652 thousand), was also recognized in other comprehensive income.

Group

SEK '000	1 January 2014	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movement in exchange rates	31 December 2014
Property, plant and equipment	3,304	7,484	-	(2,926)	7,862
Intangible assets	(19,010)	6,360	-	4,223	(8,427)
Inventories	(1,250)	(293)	-	459	(1,084)
Trade and other receivables	(12,419)	(7,707)	-	5,786	(14,340)
Prepayments		603	-	(154)	449
Trade and other payables	8,053	340	-	(2,205)	6,188
Provisions	3,616	(913)	-	(879)	1,824
Deferred income	3,089	(856)	-	(731)	1,502
Short-term portion of finance lease liabilities	3,491	(1,296)	-	(743)	1,452
Long-term portion of finance lease liabilities	2,500	(2,382)	-	(161)	(43)
Tax loss carry-forward	21,026	(7,220)	19,652	784	34,242
Net tax assets/(liabilities)	12,400	(5,880)	19,652	3,453	29,625

Parent Company

SEK '000	1 January 2014	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movement in exchange rates	31 December 2014
Tax loss carry-forwards	21,141	(7,000)	19,652	-	33,793
Other items	(281)	566	-	-	285
Net tax assets/(liabilities)	20,860	(6,434)	19,652	-	34,078

NOTE 14 » INVENTORIES

	Group		Parent Company	
SEK '000	31 December 2015	31 December 2014	31 December 2015	31 december 2014
Raw materials and consumables	2,431	5,925	-	-
Work in progress	4,896	8,271	-	-
Goods for resale	319,908	410,497	-	-
	327,235	424,693	-	-

Inventories of SEK 1,073,776 thousand (SEK 1,852,716 thousand) were included in cost of sales.

Impairment of inventories to net realisable value of SEK 7,770 thousand (SEK 3,937 thousand) was included in cost of sales.

NOTE 15 » TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
SEK '000	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Trade receivables	136,160	214,082	-	-
Trade receivables due from subsidiaries	-	-	12,034	17,348
VAT receivable	-	7,799	116	3
Warranty claims	3,485	8,848	-	-
Prepaid income tax	1,107	5,265	-	-
Other receivables	20,400	29,418	1,955	1,947
	161,152	265,412	14,105	19,298

The Group's exposure to credit and currency risks and losses related to trade and other receivables are disclosed in Note 22 *(Financial instruments and risk management).*

NOTE 16 » CASH AND CASH EQUIVALENTS

	Group		Parent Company	
SEK '000	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Bank balances	23,651	16,042	1,443	336
Call deposits	151,644	161,411	34	34
Cash and cash equivalents	175,295	177,453	1,477	370

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 22 *(Financial instruments and risk management).*

NOTE 17 » CAPITAL AND RESERVES

(a) Share capital and additional paid-in capital

	Ordinary shares		Preference shares	
Number of shares	2015	2014	2015	2014
In issue 1 January	10,000,000	10,000,000	500,000	500,000
In issue 31 December, fully paid	10,000,000	10,000,000	500,000	500,000
Par value per share	SEK 0.089	SEK 0.089	SEK 0.089	SEK 0.089

Each ordinary share carries one voting right at the general meeting. Each preference share carries one tenth voting right at the general meeting.

(b) Translation reserve

The translation reserve comprises all foreign currency differences arising out of translation of financial information of foreign operations from functional currency to presentation currency.

(c) Warrants

Ferronordic Machines previously had a warrant program for certain executives, regional directors and other senior managers. In accordance with the resolution of the AGM on 19 May 2015, the company made an offer to the warrants holders to repurchase the warrants at a price corresponding to the price paid for them by the holders, i.e. in total SEK 0.6m. All holders accepted the offer and the warrants were repurchased during the second quarter of 2015.

(d) Dividends
Dividends on preference shares in a total amount of SEK 50,000 thousand were paid to shareholders during 2015 (same as 2014). However only SEK 25,000 thousand were recognised as distribution to owners in the consolidated statement of changes in equity since the dividend payment in April 2015 was recognized in the statement of changes in equity when the payment was approved by the AGM in May 2014 (and thus was included in the consolidated statement of changes in equity for 2014).

Having regard to the current economic situation in Russia and the effect this may have on the Group's cash position and working capital, the Board is still of the opinion that it would not be prudent to make a resolution already at the AGM in May to pay dividends on the company's preference shares when the record dates for the dividend payments do not occur until October 2016 and April 2017. Like before, the Board will instead convene an EGM closer to the payment dates if the Board finds that a dividend payment on the preference shares will be possible. The Board further proposes that no dividends be paid on ordinary shares.

NOTE 18 » BORROWINGS

a) Short-term borrowings

Group

	31 December 2015		31 December 2014	
SEK '000	Outstanding balance	Credit facility limit	Outstanding balance	Credit facility limit
Current liabilities				
Secured short term borrowings	85,624	114,165	151,945	208,038
Unsecured short term borrowings	-	-	94,425	94,425
	85,624	114,165	246,370	302,463

On 26 June 2015, Ferronordic Machines LLC signed a new RUB 500m credit agreement with Sberbank. The agreement is valid until 26 December 2016. On 31 December 2015, RUB 250m of this facility was outstanding.

The secured borrowings on 31 December 2015 were secured by a mortgage of a building with a carrying amount of SEK 10,435 thousand.

The nominal interest rate on the Group's loans and borrowings on 31 December 2015 varied between 14% and 15% (9.7% and 16.8% on 31 December 2014).

b) Finance lease liabilities
The Group did not enter into a sale and leaseback arrangements during 2015 which resulted in a finance lease. The arrangement for 2014 was as follows: Volvo CE machines with a total carrying value of SEK 29,180 thousand were sold to lessors for SEK 30,375 thousand and immediately leased back. The excess of the sales proceeds over the carrying amount, SEK 1,195 thousand, was deferred over the lease term, see note 19 *(Deferred income).*

Future minimum lease payments of machines included in the rental fleet and leasing of cars at 31 December 2015 and 31 December 2014:

Group

	2015			2014		
SEK '000	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	6,390	(2,237)	4,153	32,536	(13,620)	18,916
Between one and five years	3,902	(193)	3,709	28,734	(7,456)	21,278
	10,292	(2,430)	7,862	61,270	(21,076)	40,194

At 31 December 2015, the future minimum lease payments for car leasing, payable within one year from the reporting date and payable between one and three years from the reporting date, amounted to SEK 2,791 thousand (SEK 10,277 thousand), and SEK 1,419 thousand (SEK 3,457 thousand), respectively.

NOTE 19 » DEFERRED INCOME

	Group		Parent Company	
SEK '000	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Deferred income short-term due to lease back transaction	228	508	-	-
Deferred income short-term relating to service contracts	4,061	7,000	-	-
	4,289	7,508	-	-

NOTE 20 » PROVISIONS

Group

SEK '000	Warranties	Other	Total
Balance 1 January 2015	8,848	273	9,121
Provisions made during the year	7,689	-	7,689
Provisions used during the year	(12,349)	(108)	(12,457)
Translation difference	(703)	(28)	(731)
Balance 31 December 2015	3,485	137	3,622
Non-current	-	-	-
Current	3,485	137	3,622
	3,485	137	3,622

Group

SEK '000	Warranties	Other	Total
Balance 1 January 2014	14,655	3,411	18,066
Provisions made during the year	16,949	-	16,949
Provisions used during the year	(18,646)	(2,721)	(21,367)
Translation difference	(4,110)	(417)	(4,527)
Balance 31 December 2014	8,848	273	9,121
Non-current	-	-	-
Current	8,848	273	9,121
	8,848	273	9,121

Warranties
The Group provides one year warranties on new machines sold. Volvo CE and other suppliers of the Group also offers extended warranties, which the Group offers to its customers. The costs incurred in respect of provided warranties are reimbursed to the Group at rates and amounts agreed with the Group's suppliers. The Group records both the gross provision amount of the standard warranties and a receivable from the supplier. Provisions for standard warranties are recognised when the products that the warranties relate to are sold. Warranty provisions are based on historical data. Amounts of expected reimbursement as of 31 December 2015 and 31 December 2014, respectively, are disclosed in the Note 15 *(Trade and other receivables)*.

NOTE 21 » TRADE AND OTHER PAYABLES

	Group		Parent Company	
SEK '000	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Trade payables	314,932	365,695	289	238
Advances from customers	27,230	47,536	-	-
Other payables and accrued expenses	23,427	48,050	4,450	27,917
Other taxes payable	18,549	30,455	146	173
	384,138	491,736	4,885	28,328

Other payables on 31 December 2014 were higher than on 31 December 2015 mainly because they included dividends payable on preference shares in the amount of SEK 25,000 thousand.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 22 *(Financial instruments and risk management).*

NOTE 22 » FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial risk management

OVERVIEW

Because of its use of financial instruments, the Group is exposed to credit risk, liquidity risk and market risk.

RISK MANAGEMENT FRAMEWORK

The Board has the overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies have been established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. Through training, policies and procedures, the Group aims to develop a control environment where employees understand their roles and obligations. The Board also oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Corruption is a significant area of risk in Russia. To manage this risk, the Group has established a program to prevent bribery, fraud and other forms of corruption within the Group's operations. In this respect, the Board also retains an independent audit firm to verify that the policies and prcedures relating ot the anti-corruption program are being followed and to identify potential areas of improvement.

The Group has established an internal audit function. The function currently consists of one person, accountable to the audit committee of the Board. The internal auditor is responsible for developing and implementing control procedures in the Group, thereby reducing different operational risks. The Group believes that introducing an internal audit function will generally improve its risk management and control environment.

(b) Credit risk

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the characteristics of the individual customers. However, management also considers the demographics of the Group's customer base, including the general default risk of the industries in which the customers operate.

At 31 December 2015, the top 20 trade receivable balances comprised 56% of the total trade receivable balance.

To minimize credit risk, the Group's typically require payments in advance. New customers are analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. In addition, in some situations the Group also offers limited credit (less than 150 days) to some customers for sales and services. The Group's review includes external ratings, when available, searches in various databases, and in some cases bank references.

Trade receivables from sales of construction equipment are secured by a retention right to the equipment sold until fully paid. Except for this, the Group usually does not require collateral in respect of trade and other receivables, although sometimes bank guarantees and personal guarantees from the owners of the customers may be requested, especially during 2015 as a result of the deteriorating economic situation in Russia.

(ii) Exposure to credit risk

The maximum exposure to credit risk at the reporting date was:

Group

SEK '000	Note	2015 Carrying amount	2014 Carrying amount
Trade receivables	15	136,160	214,082
Cash and cash equivalents	16	175,295	177,453
		311,455	391,535

The exposure to credit risk for trade receivables is entirely related to operations in Russia.

IMPAIRMENT OF RECEIVABLES

Aging of trade receivables at the reporting date:

Group

	31 December 2015		31 December 2014	
SEK '000	Gross	Impairment	Gross	Impairment
Not past due	106,037	-	164,298	-
Past due 0-30 days	16,625	-	25,371	-
Past due 31-120 days	11,824	(1,244)	17,357	(2,522)
Overdue above 120 days	21,213	(18,295)	19,704	(10,126)
	155,699	(19,539)	226,730	(12,648)

Movement in the allowance for impairment in respect of trade receivables during the year:

Group

	Individual impairments	
SEK '000	2015	2014
Balance 1 January	(12,648)	(10,289)
Increase during the year	(15,091)	(8,329)
Amounts written off against trade receivables	3,204	-
Decrease due to reversal	160	818
Translation differences	4,836	5,152
Balance 31 December	**(19,539)**	**(12,648)**

c) Liquidity risk
The Group maintains sufficient cash and cash equivalents to meet its operational and financial commitments. The Group's treasury department performs continuous monitoring of cash deficit risks and continuous monitoring of repayment of its financial liabilities on time, efficiently, using a payment calendar tool. The treasury department of the Group performs annual, monthly and daily planning to control cash flow.

The following are the contractual maturities of financial liabilities, including estimated interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

31 December 2015

SEK '000	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1–2 yrs	2-3 yrs
Finance lease liabilities	7,862	10,292	3,498	2,892	3,902	-
Borrowings	85,624	91,099	60,945	30,154	-	-
Trade and other payables	338,359	338,359	338,359	-	-	-
	431,845	439,750	402,802	33,046	3,902	

31 December 2014

SEK '000	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1–2 yrs	2-3 yrs
Finance lease liabilities	40,194	61,270	18,439	14,097	20,602	8,132
Borrowings	246,370	258,617	230,010	28,607	-	-
Trade and other payables	413,745	413,745	413,745	-	-	-
	700,309	733,632	662,194	42,704	20,602	8,132

(d) Market risk

(i) Currency risk
While most sales and purchases are made in Russian rubles, the Group is exposed to currency risk on purchases and borrowings that are denominated in other currencies. These transactions primarily occur in euro, US-dollar or Swedish krona.

Interest on borrowings is denominated in the currency of the borrowing. In respect of other financial assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

EXPOSURE TO CURRENCY RISK

Group

	USD	USD	EUR	EUR	SEK	SEK
SEK '000	2015	2014	2015	2014	2015	2014
Cash and cash equivalents	-	-	5	3	322	313
Trade and other payables	(36,367)	-	(6,853)	(8,271)	(2,396)	(2,728)
Net exposure	(36,367)	-	(6,848)	(8,268)	(2,074)	(2,415)

Foreign exchange rates applied during the period:

IN RUB	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
	2015	2015	2014	2014
USD	61.1853	73.1608	38.4066	56.8194
EUR	67.9144	80.0158	50.7674	69.2119
SEK	7.2603	8.7593	5.5808	7.2736

SENSITIVITY ANALYSIS

A strengthening (weakening) of the ruble against the euro and the Swedish krona will most likely have a limited impact on profit or loss.

A strengthening (weakening) of the ruble against the the USD would at 31 December 2015 have increased (decreased) profit or loss before taxes by the amounts shown below. This analysis is based on exchange rate variances that management considered reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	Strengthening	Weakening
31 December 2015		
USD (20% movement)	7,274	(7,274)
31 December 2014		
USD (20% movement)	-	-

(ii) Interest rate risk

The Group is normally exposed to limited interest rate risk during the term of its credit facilities, since it seeks to borrow funds at fixed interest rates (see Note 18 (Borrowings)). However, as is common in Russia, most of the Group's credit agreements allow the banks to increase interest rates in case of exceptional changes in the key rate of the Russian Central Bank or other force majeure events. In 2014, many banks utilized this right. The Group seeks to limit this interest rate risk by tighter working capital management to minimize the need for debt financing.

PROFILE

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Group

SEK '000	Carrying amount 2015	Carrying amount 2014
Fixed rate instruments		
Bank deposits	151,644	161,411
Borrowings	(85,624)	(246,370)
Finance lease liabilities	(7,862)	(40,194)
	58,158	(125,153)

FAIR VALUE SENSITIVITY ANALYSIS FOR FIXED RATE INSTRUMENTS

The Group does not account for any fixed rate financial instruments as fair value through profit or loss or as available-for-sale. A change in interest rates at the reporting date would therefore not affect profit and loss or equity.

CARRYING VALUES AND FAIR VALUES

The carrying amounts of the Group's financial assets and liabilities as at 31 December 2015 approximate their fair values.

CAPITAL MANAGEMENT

The Group's debt to capital ratio at the end of the reporting period:

SEK '000	2015	2014
Total liabilities	485,584	801,496
Less: cash and cash equivalents	(175,295)	(177,453)
Net debt	310,289	624,043
Total equity	322,071	371,528
Debt to capital ratio at 31 December	0.96	1.7

The Group has no formal policy for capital management but seeks to maintain a sufficient capital base for meeting its operational and strategic needs, and to maintain the confidence of market participants. This is achieved by efficient cash management, constant monitoring of the Group's revenues and profit, and long-term investment plans, mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth.

(e) Offsetting financial assets and liabilities

The Group may enter into sales and purchase agreements with the same counterparty in the normal course of business. The related amounts receivable and payable do not always meet the criteria for offsetting in the statement of financial position. This is because the Group may not have any currently legally enforceable right to offset recognised amounts, because the right to offset may be enforceable only on the occurrence of future events. Under Russian law, an obligation can only be offset against a similar claim if it is due, has no maturity or is payable on demand.

Carrying amounts of recognised financial instruments subject to the above agreements:

SEK '000	Trade and other receivables	Trade and other payables
31 December 2015		
Gross amounts	33,119	272,299
Amounts offset in accordance with IAS 32 offsetting criteria	-	-
Net amounts presented in the statement of financial position	33,119	272,299
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria	(4,583)	(4,583)
Net amount	28,536	267,716

SEK '000	Trade and other receivables	Trade and other payables
31 December 2014		
Gross amounts	53,905	340,959
Amounts offset in accordance with IAS 32 offsetting criteria	-	-
Net amounts presented in the statement of financial position	53,905	340,959
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria	(7,092)	(7,092)
Net amount	46,813	333,867

The net amounts presented above are included in the statement of financial position and form part of trade and other receivables and trade and other payables, respectively. Other amounts included in these line items do not meet the criteria for offsetting and are not subject to the agreements described above.

NOTE 23 » OPERATING LEASES

The Group leases a number of premises and facilities under operating leases. During the year an amount of SEK 24,883 thousand (SEK 28,045 thousand) was recognised as an operating expense in profit or loss in respect of rented premises and facilities.

Lease agreements for rented premises and facilities typically run for 12 months with an option to renew the lease after the expiry date. The Group has no contingent rent arrangements or subleases. The Group had no significant non-cancellable leases as of 31 December 2015.

According to the lease agreement for one of its service stations, the Group has an option to purchase the leased asset for an amount of RUB 200 million. The purchase option becomes excercisable not earlier than September 2017.

NOTE 24 » CAPITAL COMMITMENTS

At the reporting date the Group had no significant capital commitments.

NOTE 25 » CONTINGENCIES

(a) Taxation contingencies

Significant changes have been made to the Russian taxation system in recent years as earlier legislation regulating major taxes (such as corporate income tax, transfer-pricing, VAT, corporate property tax and other taxes) gradually have been replaced. The application of the legislation is in large parts still unclear.

Russian tax authorities have historically been aggressive in their interpretation of tax laws, as well as enforcement and collection of tax. In practice the Russian tax authorities often interpret laws to the detriment of the taxpayers, who often have to resort to court to defend their positions. The Group's tax liability may therefore become greater than the amount that has been expensed to date and paid or accrued on the balance sheets.

Any additional tax liability, as well as any unforeseen changes in Russian tax laws, could have an adverse impact on the Group's business, financial position and results.

(b) Litigation

There have been no material disputes during the year.

NOTE 26 » RELATED PARTY TRANSACTIONS´

(a) Control relationships

The Group's consolidated annual and quarterly financial statements are made publicly available.

On 31 December 2015, Management and the Board controlled 40.95% of the shares and 42.76% of the voting rights in the parent company (52.64% and 55.00% in 2014).

Transactions with employees

During the year, the Group issued unsecured loans to employees in a total amount of SEK 43 thousand (SEK 54 thousand) with an interest rate of 12% p.a. The loans were repayable in cash within 12 months after the issue date. During 2015 all loans had been repaid and there was no outstanding balance as at 31 December 2015. On 31 December 2014 the outstanding balance was SEK 190 thousand and it was included in trade and other receivables. (See Note 15 *(Trade and other receivables)*).

Remuneration to executive management during 2015 and 2014 is included in personnel costs and presented in Note 29 *(Employees, board and executive management).*

(b) Transactions with other related parties

Parent Company

Revenue

	2015		2014	
SEK '000	Transaction value	Outstanding balance	Transaction value	Outstanding balance
Services provided:				
Subsidiary (i)	11,568	5,716	15,794	9,826
Interest accrued:				
Subsidiary (ii)	30,203	5,120	39,201	7,522
	41,771	10,836	54,995	17,348

Expenses

	2015		2014	
SEK '000	Transaction value	Outstanding balance	Transaction value	Outstanding balance
Interest payable:				
Subsidiary (ii)	(696)	(624)	-	-

i) License fee received from Ferronordic Machines LLC as compensation for the Volvo CE dealership business sub-license and royalties received from Ferronordic Machines LLC for a trademark license. The outstanding balance as of 31 December 2015 represents accrued royalties under the intra-group trademark license

(ii) For terms of interest accrued from Ferronordic Machines LLC see (iii) below.

Other balances

SEK '000	31 December 2015	31 December 2014
Contributions to subsidiaries	192,949	192,162
Loans to subsidiaries (iii)	165,265	199,021
	358,214	391,183

(iii) Loans granted by the parent company to Ferronordic Machines LLC are unsecured and bear interest rates of 15% p.a. The loans are in rubles in order to minimize the Group's currency risks. During the year the loans were prolonged until 31 December 2016.

NOTE 27 » EVENTS SUBSEQUENT TO THE REPORTING DATE

On 4 April 2016, the EGM resolved on dividends on the preference shares corresponding to SEK 50 per preference share, i.e. in total SEK 25m. The dividend will be paid through Euroclear Sweden AB on 28 April 2016 with record date on 25 April 2016. No dividends shall be paid on ordinary shares.

On 5 April 2016, Ferronordic Machines LLC received a claim for RUB 103m (SEK 12.2m) from OOO Orenburg-RealStroy ("ORS"), relating to service orders performed since 20 March 2013. However, RUB 5m of the RUB 103m relate to service orders older than three years and can not be subject to the claim, hence we believe the amount at risk is RUB 98m. Ferronordic Machines strongly objects the claim and believe it 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 which is 99.5% owned by Societe Generale S.A.).

NOTE 28 » INTERESTS IN GROUP COMPANIES

As of 31 December 2015 the Group consisted of the following legal entities:

			2015		2014	
Subsidiary	Corporate Identity Number	Country of incorporation	Ownership/ voting	Carrying amount	Ownership/ voting	Carrying amount
Ferronordic Machines AB	556748-7953	Sweden	Parent Company	-	Parent Company	-
Ferronordic Machines LLC		Russia	100%	192,105	100%	192,105
Ferronordic Machines Arkhangelsk LLC		Russia	100%	12,566	100%	12,566
Ferronordic Machines Kaliningrad LLC		Russia	100%	2	100%	2
Ferronordic Torgoviy Dom LLC		Russia	100%	842	100%	55
				205,515		204,728

The parent company has made contributions to its subsidiary, Torgovy Dom LLC, during 2015 in an amount of SEK 787,000.

NOTE 29 » EMPLOYEES, BOARD AND EXECUTIVE MANAGEMENT

(a) Average number of employees

	2015	of which women	2014	of which women
Parent Company – Citizenship				
Sweden	2	0%	3	33 %
Total in Parent Company	2	0%	3	33 %
Subsidiaries – Citizenship				
Russia	697	17%	752	19 %
Sweden	3	0%	3	0 %
Ukraine	1	0%	1	0 %
Germany	1	0%	1	0 %
Turkey	1	0%	1	0 %
Total in subsidiaries	703	17%	758	19 %
Total Group	705	16%	761	19 %

(b) Breakdown between men and women in management

	Group		Parent Company	
	Female representation		Female representation	
	2015	2014	2015	2014
Board	14%	14%	14%	14%
CEO and executive management	17%	22%	0%	0%

(c) Personnel costs

Salaries, other remuneration and social security expenses for the parent company and its subsidiaries (the information for the parent company also includes remuneration to the Board members):

	2015		2014	
SEK '000	Salaries and other remuneration	Social security expenses	Salaries and other remuneration	Social security expenses
Parent Company	5,489	3,079	7,119	3,383
(of which pension costs)		1,709		1,624
Subsidiaries	143,580	30,780	174,748	30,961
(of which pension costs)		20,288		24,827
Total	149,069	33,859	181,867	34,344
(of which pension costs)		21,997		26,451

The table below shows salaries and other remuneration (excluding pension costs) distributed between the parent company and its subsidiaries and between executive management and other employees. The members of the Board and executive management in the parent company, the subsidiaries and the Group in 2015 amounted to nine (ten), seven (including the Board members Lars Corneliussion and Erik Eberhardson) (ten) and 14 (19), respectively.

	2015		2014	
SEK '000	Board and executive management	Other employees	Board and executive management	Other employees
Parent Company	5,432	57	6,734	385
(of which bonuses)	1,140	-	530	-
Subsidiaries	16,932	126,648	19,878	154,870
(of which bonuses)	3,953	35,769	4,264	34,173
Total	22,364	126,705	26,612	155,255
(of which bonuses)	5,093	35,769	4,794	34,173

d) Remuneration to the Board

Total remuneration paid to the Board in 2015 amounted to SEK 2,000,000 (SEK 1,748,000).

At the annual general meeting on 19 May 2015 it was resolved that the remuneration to the Board members should be paid in an amount of SEK 2,000,000. Of this amount, SEK 600,000 should be paid to the chairman, SEK 500,000 to the vice chairman, and SEK 300,000 to each of the other Board members, except for the two Board members who are employed by the Group. No additional remuneration should be paid for work on the remuneration committee or the audit committee.

Remuneration to the Board in 2015 and 2014 (SEK '000):

Name	2015	2014
Per-Olof Eriksson (chairman)	600	475
Magnus Brännström	300	238
Lars Corneliusson	-	-
Erik Eberhardson	-	-
Marika Fredrikson	300	238
Tom Jörning (resigned September 2014)	-	163
Martin Leach	500	396
Kristian Terling (elected May 2013)	300	238
Total	2,000	1,748

(e) Remuneration to executive management

Remuneration to executive management is based on a combination of fixed and variable salaries, with the variable part based on achieved results and individual targets. Potential severance pay to the CEO shall not exceed 12 months salary while severance pay for other senior executives ranges from three to 12 months salary. The principles for remuneration to executive management are described in the corporate governance report. For information regarding long-term incentive programs, please refer to the information regarding the Group's warrant programs in Note 17 *(Capital and reserves)*.

Lars Corneliusson's total remuneration during 2015 amounted to SEK 7,123,000 including compensation for housing and schooling. The right to pension contributions amounts to 18.0% of the fixed gross salary.

During 2015, the executive management included Nadezhda Arzumanova, Anders Blomqvist, Henrik Carlborg, Lars Corneliusson, Erik Eberhardson, Onur Gucum, and Anton Varekha (until June).

During 2014, the executive management included Nadezhda Arzumanova, Anders Blomqvist, Henrik Carlborg, Lars Corneliusson, Erik Eberhardson, Olga Galashevskaya (until November), Onur Gucum, Andrey Romanov (until November) and Anton Varekha.

Name	2015	2014
Nadezhda Arzumanova	full year	full year
Anders Blomqvist	full year	full year
Henrik Carlborg	full year	full year
Lars Corneliusson	full year	full year
Erik Eberhardson	full year	full year
Onur Gucum	full year	full year
Anton Varekha	until June	full year
Andrey Romanov		until November
Olga Galashevskaya		until November

Remuneration to Lars Corneliusson and other members of executive management:

	2015			2014		
SEK '000	Lars Corneliusson	Other executive management	Total	Lars Corneliusson	Other executive management	Total
Fixed salary	3,593	8,934	12,527	4,530	12,765	17,295
Variable salary	1,939	3,154	5,093	1,801	2,994	4,794
Pension costs	647	1,245	1,892	573	1,405	1,978
Other benefits	944	1,786	2,730	254	2,455	2,709
Total	**7,123**	**15,119**	**22,242**	**7,158**	**19,619**	**26,777**

NOTE 30 » AUDITORS' FEES AND EXPENSES

	Group		Parent Company	
SEK '000	2015	2014	2015	2014
KPMG				
Audit assignments	1,494	1,937	768	620
Other assignments	100	374	-	233
Other				
Other assignments	208	1,047	-	
	1,802	3,358	768	853

NOTE 31 » EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on the result attributable to holders of ordinary shares, calculated as result for the year, less dividends on preference shares related to the period, divided by the weighted average number of ordinary shares outstanding.

The parent company has no dilutive effect on its ordinary shares.

a) Result attributable to holders of ordinary shares

SEK '000	2015	2014
Result for the year	28,766	18,729
Dividends on preference shares required for the year	(50,000)	(50,000)
Result attributable to holders of ordinary shares	(21,234)	(31,271)

b) Weighted average number of ordinary shares

Number of ordinary shares	2015	2014
Ordinary shares outstanding 1 January	10,000,000	10,000,000
Weighted average number of ordinary shares during the year	10,000,000	10,000,000

Board **signatures**

The Board of Directors and the Managing Director warrant that the annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The annual accounts and consolidated financial statements give a true and fair view of the parent company's and Group's financial positions and results. The audit report for the parent company and Group gives a true and fair overview of the development of the parent company's and Group's activities, their financial positions and results, and describes significant risks and uncertainties faced by the parent company and the companies included in the Group.

The annual accounts and consolidated financial statements were approved for release by the Board of Directors on 18 April 2016. The consolidated statement of comprehensive income and the consolidated statement of financial position and the parent company income statement and parent company balance sheet will be submitted for adoption at the Annual General Meeting on 19 May 2016.

Stockholm, 18 April 2016

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

Our audit report was submitted on 18 April 2016

KPMG AB

Mattias Lötborn
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of Ferronordic Machines AB, corp. id. 556748-7953

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Ferronordic Machines AB for the year 2015, except for the corporate governance statement on pages 35 - 42. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 30 - 83.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 35 - 42. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Ferronordic Machines AB for the year 2015. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act, and that the corporate governance statement on pages 35 - 42 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained as above is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted audit standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, 18 April 2016

KPMG AB

Mattias Lötborn

Authorized Public Accountant

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Print: E-Print AB
Photo: Ferronordic Machines
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