

20 February 2017

Ferronordic Machines AB (publ)
Year-end Report January – December 2016
INCREASED REVENUE AND SIGNS OF RECOVERY
FOURTH QUARTER 2016

- Revenue increased by 34% (20% increase in rubles) to SEK 537m (SEK 400m)
- Operating profit increased to SEK 21m (SEK 18m). Adjusted operating profit amounted to SEK 39m*
- Operating margin was 3.9% (4.5%). Adjusted operating margin was 7.3%*
- EBITDA amounted to SEK 45m (SEK 32m)
- The after-tax result amounted to SEK 16m (SEK 9m). Adjusted after-tax result was SEK 31m*
- Earnings per ordinary share amounted to SEK 0.22 (SEK -0.39)
- Cash flow from operating activities amounted to SEK 121m (SEK 73m)

JANUARY - DECEMBER 2016

- Revenue increased by 13% (21% increase in rubles) to SEK 1,658m (SEK 1,469m)
- Operating profit increased to SEK 104m (SEK 61m). Adjusted operating profit amounted to SEK 123m*
- Operating margin was 6.3% (4.2%). Adjusted operating margin was 7.4%*
- EBITDA amounted to SEK 154m (SEK 128m)
- The after-tax result amounted to SEK 84m (SEK 29m). Adjusted after-tax result was SEK 98m*
- Earnings per ordinary share amounted to SEK 3.03 (SEK -2.12)
- Cash flow from operating activities amounted to SEK 141m (SEK 234m)

SEK M	2016 Q4	2015 Q4	2016 12M	2015 12M
Revenue	537.4	400.3	1 658.5	1 468.7
EBITDA	45.4	31.5	153.6	128.3
Operating profit	21.1	17.9	104.3	61.1
After-tax result	15.9	8.6	83.6	28.8
Adjusted operating profit*	39.4	17.9	122.6	61.1
Adjusted after-tax result*	30.6	8.6	98.3	28.8

* Adjusted amounts exclude one-off expenses described under Major events.

COMMENTS BY LARS CORNELIUSSON, CEO AND PRESIDENT:

- During the quarter, we noted some recovery in the market for new construction equipment, particularly for smaller machines. Therefore, even though the market during the first nine months 2016 was slightly lower than the same period 2015, the total market in 2016 was slightly higher than in 2015. During the fourth quarter isolated, the total market grew over 30%. However, it should be noted that the market is still at historically low levels.
- During the quarter, we sold ten Terex dump trucks and our first Dressta bulldozer. In December, we also became the official distributor of Rottne machines. Our new brands create exciting opportunities to grow the business, and I think there is still potential to utilize our network further to sell other complementary products.
- The product mix was favorable during the quarter and we managed to deliver a strong result with significant improvements of both revenue and profitability. The operating cash flow was also strong.
- Looking forward, there is reason for some optimism. Most forecasts predict that the Russian economy will continue to recover, and it is reasonable to expect that the market for construction equipment will do the same. There is a high pent-up demand in the market and the underlying demand is strong. However, the recovery will depend on several factors that are difficult to predict, for example, whether the financial sector sanctions will be eased and how the oil price will develop.

Comments on the year-end report

Even though the Russian economy continued to be weak during the quarter, there were signs of improvement. After three years of negative numbers, GDP growth rates entered positive territory in the second half of 2016, and the construction activity started to grow for the first time in years. However, the lack of capital remained and resulted in several construction projects being cancelled or postponed. Despite this, we saw a clear increase in the market for new construction equipment (in particular for smaller machines). During the fourth quarter isolated, the market grew over 30% compared to the same period last year. As a result, the total market in 2016 was slightly higher than in 2015.

The oil price increased and the ruble continued to strengthen during the quarter. The oil price increased from USD 50 to USD 55 per barrel and the ruble strengthened from 7.36 to 6.78 ruble per krona and is currently trading at 6.55 ruble per krona. The ruble continues to be highly dependent on the oil price.

The Russian Central Bank kept its key rate at 10.0% during the quarter and MosPrime 3M remained stable around 10.5%.

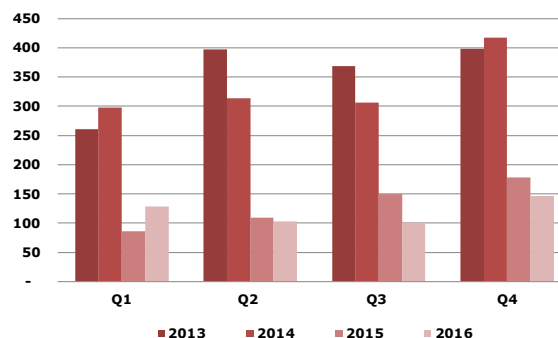
The strengthening of the ruble together with the positive result of the period led to an increase of equity during the quarter of SEK 25.3m, despite a dividend on the company's preference shares of SEK 27.5m.

Revenue

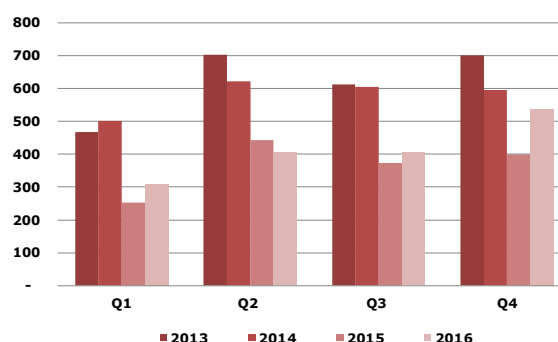
Revenue during the quarter increased by 34% to SEK 537.4m (SEK 400.3m). In rubles, the revenue increased by 20%. The revenue from equipment sales increased by 30%, while the aftermarket revenue (parts and service) increased by 33%. In rubles, the revenue from equipment sales increased by 16% while the revenue from aftermarket sales increased by 20%.

During the year, the revenue increased by 13% to SEK 1,658.5m (SEK 1,468.7m). In rubles the revenue increased by 21%. The revenue from equipment sales increased by 10% while the aftermarket revenue increased by 13%. In rubles the revenue from equipment sales increased by 18% while the revenue from aftermarket sales increased by 22%.

New units sold



Revenue, SEK m



Gross profit and result from operating activities

Thanks to the increased revenue, gross profit for the quarter improved to SEK 107.7m (SEK 83.0m), an increase of 30%. The gross margin, however, decreased to 20.0%, compared to 20.7% during the same period last year.

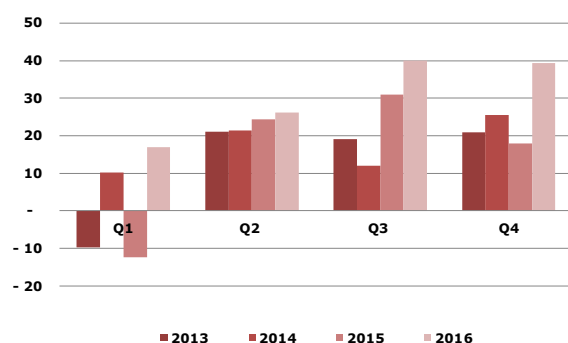
The result from operating activities for the quarter increased to SEK 21.1m (SEK 17.9m), primarily because of the improved gross profit and lower general and administrative expenses. The reduction in general and administrative expenses was primarily a result of reduced amortization of intangible assets related to licenses from Volvo (which were fully amortized in May 2016). However, the increased result from operating activities was partly offset by higher selling expenses, as well as an increase in other expenses relating to one-off expenses in the form of impairment of property, plant and equipment and intangible assets (see below under Major events). Excluding these one-off expenses, the result from operating activities amounted to SEK 39.4m.

Gross profit for the year amounted to SEK 366.1m (SEK 323.8m), an increase of 13%. The increase was primarily a result of higher revenue from new machine sales and aftermarket sales, but was partly

offset by a decrease in sales of used equipment. The gross margin was basically unchanged (22.1% compared to 22.0% during 2015).

The results from operating activities for the year increased to SEK 104.3m (SEK 61.1m). The increase was primarily a result of the improved gross profit, as well as lower general and administrative expenses (see above regarding amortization of intangible assets). The increase was partly offset by an increase in selling expenses, as well as the one-off expenses related to impairment of property, plant and equipment and intangible assets described above. Excluding these one-off expenses, the result from operating activities amounted to SEK 122.6m.

Result from operating activities, SEK m*



* Q4 2016 exclude one-off expenses described under Major events.

Result

The result before tax for the quarter increased to SEK 21.4m (SEK 11.3m). In addition to the improved result from operating activities, this was primarily a result of lower financial expenses (following the repayment of all credit facilities) and a net foreign exchange gain following the strengthening of the ruble (compared to a net foreign exchange loss in the fourth quarter 2015). The result for the quarter thus increased to SEK 15.9 (SEK 8.6m). Excluding one-off expenses, the result for the quarter was SEK 30.6m.

For the year, the result before tax increased to SEK 107.4m (SEK 37.0m). This was also a result of the improved result from operating activities, as well as lower financial expenses and a net foreign exchange gain following the strengthening of the ruble (compared to a net foreign exchange loss in 2015). Consequently, the result for the year

increased to SEK 83.6m (SEK 28.8m). Excluding one-off expenses, the result of the year amounted to SEK 98.3m.

Cash flow

Cash flow from operating activities during the fourth quarter increased to SEK 121.3m (SEK 73.3m), primarily because of the improved result, higher payables and lower receivables and lower inventories.

Cash flow from investing activities decreased to SEK -10.5m, compared to SEK 3.4m during the same period last year, primarily due to the purchases of property, plant and equipment and of intangible assets. Interest received during the fourth quarter was also lower compared to the same period last year.

Cash flow from operating activities remained strong during the year and amounted to SEK 141.5m (SEK 234.1m). The decrease was primarily a result of increased inventories, partly offset by higher result and higher payables.

Cash flow from investing activities during 2016 amounted to SEK -5.5m (SEK 7.7m). This was primarily due to higher investments in property, plant and equipment and intangible assets.

Financial position

Cash and cash equivalents at the end of 2016 amounted to SEK 198.8m, an increase of SEK 23.6m compared to the end of December 2015.

Interest-bearing liabilities at the end of the year (including financial leases) amounted to SEK 26.0m, a decrease of SEK 67.4m compared to the end of 2015. The reduction in interest-bearing liabilities is a result of the repayment of loans to reduce financing costs.

Equity at the end of the year amounted to SEK 442.4m, an increase of SEK 120.3m compared to the end of 2015. This was a result of the improved result of the year, as well as positive translation differences of SEK 89.2m, following the strengthening of the ruble. The increase was partly offset by dividends on the company's preference shares in the amount of SEK 52.5m.

Employees

The number of employees at the end of the year, converted to equivalent full-time employees, was 782 people. This represents an increase of 6 employees compared to the end of September 2016 and 97 employees compared to the end of December 2015. The new employees were mainly machine operators involved in contracting services.

Parent company

The revenue of the parent company during the quarter amounted to SEK 30.1m (SEK 3.2m). The increase is primarily related to intra-group sales of equipment from the parent company to its subsidiary, Ferronordic Machines LLC, which started in the third quarter. The gross profit during the quarter amounted to SEK 4.4m (SEK 3.2m). The administrative expenses amounted to SEK 3.0m (SEK 4.1m). The result for the quarter increased to SEK 18.9m (SEK -10.5m) mostly due to foreign exchange gains on loans to Ferronordic Machines LLC.

During the year, the revenue of the parent company amounted to SEK 53.3m (SEK 11.6m). The difference relates to the intra-group sales of equipment described above. The gross profit during the year increased to SEK 16.6m (SEK 11.6m). Administrative expenses during the year decreased to SEK 12.5m (SEK 15.4m). The result for the year increased to SEK 57.2m (SEK -5.1m), mainly because of increased net foreign exchange gains

Risks and uncertainties

As described in the 2015 annual report, Ferronordic Machines is exposed to a number of risks. Identifying, managing and pricing these risks are of fundamental importance to Ferronordic Machines' profitability. There have been no significant changes to what was stated in the 2015 annual report.

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

Extraordinary general meeting and dividends on preference shares

On 10 October 2016, an extraordinary general meeting in Ferronordic Machines AB took place in Stockholm. In accordance with the board's proposal, the meeting resolved to pay dividends on the company's preference shares in an amount of SEK 55 per preference share, corresponding to a total dividend payment of SEK 27.5m. The dividend was paid on 28 October 2016.

Annual general meeting and annual report

The annual general meeting of Ferronordic Machines AB will be held on 19 May 2017 in Stockholm. Shareholders who wish to have a matter dealt with at the general meeting shall inform the board of directors thereof in writing not later than 31 March 2017. Requests to have a matter dealt with at the general meeting can be sent by post to Ferronordic Machines AB, "AGM", Hovslagargatan 5B, 111 48 Stockholm, or by email to henrik.carlborg@ferronordic.ru.

The 2016 annual report will be made available on the Company's website no later than 21 April 2017.

Major events

Ferronordic Machines' board member Martin Leach passed away on 1 November 2016. Martin Leach was a member and vice chairman of the board since the company's foundation in 2010. During the last years, Martin Leach was also the chairman of the board's audit committee. Following the passing of Martin Leach, the board consists of six members. The board appointed Håkan Eriksson the new chairman for the audit committee. Håkan Eriksson also replaced Martin Leach as a member of the board's remuneration committee.

As expected, the customer claim of RUB 103m (SEK 13.6m) that Ferronordic Machines received in April 2016 was rejected by the court of first instance. The counterparty has accepted this and in February 2017 undertook to pay off its outstanding debt to Ferronordic Machines.

In previous years, the Group has made investments to prepare for the construction of service stations on the Group's land plots in Ekaterinburg and Petrozavodsk. The investments were included in property, plant and equipment. Due to the economic situation in Russia, the construction of the service stations have been postponed. Hence, when trying the need for impairments in December, it was

decided that the carrying value of these assets should be written down by SEK 12.6m to correspond to the assets' assessed market value. The impairment loss is a one-off expense that was recognized in other expenses in the result for the fourth quarter.

In previous years, the Group has also made investments of SEK 5.8m in the development of a CRM system. The investments were included in intangible assets. In December it was concluded that the project will not be finalized because the company started to use another system. When trying the Group's impairment needs it was thus decided that the investments relating to the planned CMR-system should be written off in their entirety. The impairment loss is a one-off expense that was recognized in other expenses in the result for the fourth quarter.

Events after the balance sheet date

On 27 January 2017, it was announced that the chairman of the board, Per-Olof Eriksson, has declined re-election at the AGM 2017. The nomination committee therefore proposes that the AGM 2017 elect Staffan Jufors as new board member and new chairman of the board. Staffan Jufors, born 1951, was the managing director of Volvo Penta 1998-2004 and the president of Volvo Trucks 2004-2011. He is currently a member of the board of Haldex AB, ÅF AB and Akelius Residential Property AB, as well as the foundation Nordens Ark. Staffan Jufors owns 70,000 ordinary shares and 1,200 preference shares in Ferronordic Machines (through companies). Staffan Jufors is independent of the company, the management and larger shareholders. Other proposals from the nomination committee will be announced in connection with the notice to the annual general meeting.

On 17 February 2017, it was announced that the board intends to convene an EGM on 22 March 2017. The board intends to propose that the meeting resolve to pay a dividend on the company's preference shares in an amount of SEK 55 per preference share, corresponding to a total dividend payment of SEK 27.5m. Notice to attend the EGM will be made in accordance with the articles of association on or about 27 February 2017.

Except as described elsewhere in this report, no events requiring disclosure in the financial statements have occurred after the balance sheet date.

Outlook

Because of the signs we have seen during the fourth quarter, we are somewhat more optimistic regarding the short-term recovery of the market. Even though we do not expect a recovery similar to the one we experienced in 2010-11 we do believe the market will continue to grow in 2017. We continue to be optimistic about the future of our business as the long-term fundamentals in the Russian construction equipment market remain strong.

Presentation of the report

A presentation of this report will be held by phone on 21 February 2017 at 9:00 a.m. CET.

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

Call-in numbers:

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

Participant code: 25109111#

Condensed consolidated statement of comprehensive income	Fourth quarter 2016 SEK '000	Reclassified Fourth quarter 2015 SEK '000	Twelve months 2016 SEK '000	Reclassified Twelve months 2015 SEK '000
Revenue	537 359	400 342	1 658 455	1 468 724
Cost of sales	(429 642)	(317 299)	(1 292 322)	(1 144 880)
Gross profit	107 717	83 043	366 133	323 844
Selling expenses	(31 634)	(19 010)	(98 836)	(82 798)
General and administrative expenses	(33 173)	(40 319)	(137 335)	(163 400)
Other income	1 246	1 316	3 575	5 218
Other expenses	(23 056)	(7 098)	(29 272)	(21 808)
Results from operating activities	21 100	17 932	104 265	61 056
Finance income	892	2 653	9 617	10 194
Finance costs	(1 267)	(4 542)	(7 891)	(26 425)
Net foreign exchange gains/(losses)	703	(4 754)	1 450	(7 848)
Result before income tax	21 428	11 289	107 441	36 977
Income tax	(5 514)	(2 715)	(23 800)	(8 211)
Result for the period	15 914	8 574	83 641	28 766
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	36 909	(29 601)	89 198	(52 637)
Other comprehensive result for the period, net of tax	36 909	(29 601)	89 198	(52 637)
Total comprehensive result for the period	52 823	(21 027)	172 839	(23 871)
Earnings per share				
Basic earnings per share (SEK)	0.22	(0.39)	3.03	(2.12)

	31 December 2016	31 December 2015
Condensed consolidated statement of financial position	SEK '000	SEK '000
ASSETS		
Non-current assets		
Intangible assets	2 077	14 629
Property, plant and equipment	116 368	83 355
Deferred tax assets	41 887	45 032
Total non-current assets	160 332	143 016
Current assets		
Inventories	467 172	327 235
Trade and other receivables	202 439	161 152
Prepayments	3 997	642
Other assets	-	315
Cash and cash equivalents	198 846	175 295
Total current assets	872 454	664 639
TOTAL ASSETS	1 032 786	807 655
EQUITY AND LIABILITIES		
Equity		
Share capital	937	937
Additional paid in capital	594 279	594 279
Translation reserve	(139 340)	(228 538)
Retained earnings	(97 107)	(73 373)
Result for the period	83 641	28 766
TOTAL EQUITY	442 410	322 071
Non-current liabilities		
Deferred tax liabilities	294	49
Long-term portion of finance lease liabilities	15 324	3 709
Total non-current liabilities	15 618	3 758
Current liabilities		
Borrowings	-	85 624
Trade and other payables	547 255	384 138
Deferred income	6 632	4 289
Provisions	10 156	3 622
Short-term portion of finance lease liabilities	10 715	4 153
Total current liabilities	574 758	481 826
TOTAL LIABILITIES	590 376	485 584
TOTAL EQUITY AND LIABILITIES	1 032 786	807 655

Condensed consolidated statement of changes in equity

SEK '000	Attributable to equity holders of the Company				Total equity
	Share capital	Additional paid in capital	Translation reserve	Retained earnings	
Balance 1 January 2016	937	594 279	(228 538)	(44 607)	322 071
Total comprehensive income for the period					
Result for the period				83 641	83 641
Other comprehensive income					
Foreign exchange differences			89 198		89 198
Total comprehensive income for the period			89 198	83 641	172 839
Contribution by and distribution to owners					
Preference shares dividends				(52 500)	(52 500)
Total contributions and distributions	-	-	-	(52 500)	(52 500)
Balance 31 December 2016	937	594 279	(139 340)	(13 466)	442 410

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

Condensed consolidated statement of cash flows	Fourth quarter 2016	Fourth quarter 2015	Twelve months 2016	Twelve months 2015
	SEK '000	SEK '000	SEK '000	SEK '000
Cash flows from operating activities				
Result before income tax	21 428	11 289	107 441	36 977
Adjustments for:				
Depreciation and amortisation	6 005	13 579	31 057	67 198
Impairment of property, plant and equipment	12 558	-	12 558	-
Impairment of intangible assets	5 765	-	5 765	-
Impairment of receivables	1 010	4 596	4 944	14 931
Gain on disposal of property, plant and equipment	(87)	483	(2 122)	(342)
Finance costs	1 267	4 542	7 891	26 425
Finance income	(892)	(2 653)	(9 617)	(10 194)
Net foreign exchange gains/losses	(703)	4 754	(1 450)	7 848
Cash flows from operating activities before changes in working capital and provisions	46 351	36 590	156 467	142 843
Change in inventories	33 072	(9 946)	(25 416)	129 145
Change in trade and other receivables	10 532	16 233	1 829	47 184
Change in prepayments	771	(11)	(2 660)	545
Change in trade and other payables	39 594	45 920	38 626	(36 938)
Change in provisions	507	917	4 608	(4 988)
Changes in other assets	663	975	434	183
Change in deferred income	148	241	756	(2 485)
Cash flows from operations before paid income tax and interest	131 638	90 919	174 644	275 489
Income tax paid	(9 097)	(13 154)	(25 052)	(13 440)
Interest paid	(1 267)	(4 503)	(8 103)	(27 940)
Net cash from/(used in) operating activities	121 274	73 262	141 489	234 109
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	382	1 444	4 251	4 703
Interest received	892	2 653	9 617	10 194
Acquisition of property, plant and equipment	(10 532)	(267)	(16 483)	(5 369)
Acquisition of intangible assets	(1 228)	(398)	(2 851)	(1 814)
Net cash from (used in) investing activities	(10 486)	3 432	(5 466)	7 714
Cash flows from financing activities				
Proceeds from borrowings	-	-	-	108 522
Repayment of loans	-	-	(87 945)	(238 187)
Dividend on preference shares	(27 500)	(25 000)	(52 500)	(50 000)
Leasing financing paid	(2 658)	(3 036)	(14 540)	(30 264)
Repurchase of warrants	-	-	-	(586)
Net cash from/(used in) financing activities	(30 158)	(28 036)	(154 985)	(210 515)
Net decrease in cash and cash equivalents	80 630	48 658	(18 962)	31 308
Cash and cash equivalents at start of the period	101 316	147 925	175 295	177 453
Effect of exchange rate fluctuations on cash and cash equivalents	16 900	(21 288)	42 513	(33 466)
Cash and cash equivalents at end of the period	198 846	175 295	198 846	175 295

Key Ratios	Note	Fourth quarter 2016	Fourth quarter 2015	Twelve months 2016	Twelve months 2015
Gross margin, %	1	20.0%	20.7%*	22.1%	22.0%*
Operating margin, %	2	3.9%	4.5%	6.3%	4.2%
Operating working capital, SEK'000	3	109 565	97 295	109 565	97 295
Net debt, SEK'000	4	(172 807)	(81 809)	(172 807)	(81 809)
Capital employed, SEK'000	5	269 603	240 262	269 603	240 262
EBITDA, SEK'000	6	45 428	31 511	153 645	128 254
Net debt/EBIDTA, times	7	(1.1)	(0.6)	(1.1)	(0.6)
EBITDA margin, %	8	8.5%	7.9%	9.3%	8.7%
Return on capital employed, %	9	44.7%	19.8%	44.7%	19.8%
Undiluted average number of ordinary shares	10	10 000 000	10 000 000	10 000 000	10 000 000
Diluted average number of ordinary shares	10	10 000 000	10 000 000	10 000 000	10 000 000
Undiluted earnings per ordinary share, SEK	11	0.22	(0.39)	3.03	(2.12)
Diluted earnings per ordinary share, SEK	11	0.22	(0.39)	3.03	(2.12)
No. of employees at close of period		782	685	782	685
Days receivables outstanding	12	29	31	37	33
Days inventory outstanding	13	98	93	131	104

* Reclassified, see Note 1

Definitions

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

Parent Company income statement	Fourth quarter	Fourth quarter	Twelve months	Twelve months
	2016	2015	2016	2015
	SEK '000	SEK '000	SEK '000	SEK '000
Revenue	30 087	3 172	53 265	11 568
Cost of sales	(25 685)	-	(36 625)	-
Gross profit	4 402	3 172	16 640	11 568
Administrative expenses	(2 960)	(4 076)	(12 482)	(15 396)
Results from operating activities	1 442	(904)	4 158	(3 828)
Finance income	7 844	7 047	27 962	30 323
Finance costs	(1 847)	(378)	(4 250)	(696)
Net foreign exchange losses	16 827	(19 295)	45 500	(32 290)
Result before income tax benefit	24 266	(13 530)	73 370	(6 491)
Income tax	(5 342)	2 989	(16 163)	1 413
Result for the period	18 924	(10 541)	57 207	(5 078)

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

Parent Company Balance Sheet	31 December	31 December
	2016	2015
	SEK '000	SEK '000
ASSETS		
Non-current assets		
Property, plant and equipment	14	22
Intangible assets	-	1 846
Financial assets		
Holdings in group companies	192 949	192 949
Loans to group companies	216 707	165 265
Deferred tax assets	19 343	35 506
Total financial assets	428 999	393 720
Total non-current assets	429 013	395 588
Current assets		
Trade and other receivables	53 016	14 105
Prepayments	246	352
Cash and cash equivalents	5 831	1 477
Total current assets	59 093	15 934
TOTAL ASSETS	488 106	411 522
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	937	937
Unrestricted equity		
Share premium reserve	604 291	604 291
Retained earnings	(265 133)	(207 555)
Result for the period	57 207	(5 078)
TOTAL EQUITY	397 302	392 595
Current liabilities		
Borrowings	45 509	14 042
Trade and other payables	45 295	4 885
Total current liabilities	90 804	18 927
TOTAL LIABILITIES	90 804	18 927
TOTAL EQUITY AND LIABILITIES	488 106	411 522

Basis of presentation and summary of significant accounting policies

1. Accounting Policies

Ferronordic Machines applies the International Financial Reporting Standards (IFRS) as adopted by the EU. This report has been prepared in accordance with IAS 34, the Swedish Annual Accounts Act and recommendation RFR 2 (only parent company), issued by the Swedish Financial Reporting Board.

Starting from 2016, RFR 2 IAS 21 p. 3 was withdrawn from RFR 2, which means that IAS 21 p. 32 should be applied to the parent company's financial statements. This means that exchange differences related to non-current intercompany loans from the parent company to Ferronordic Machines LLC, which were previously regarded as a net investment in foreign operation, shall be recognised in the income statement and not in other comprehensive income. This is treated as a change in accounting policy and therefore the comparative numbers have been recalculated. This change only applies to the parent company.

The Group has previously recognized depreciation of its own vehicles and certain other equipment used for the performance of service and sales as administrative expenses. However, this depreciation has in fact been attributable to cost of goods sold and selling expenses. A reclassification has therefore been made for the comparative periods in the consolidated statement of comprehensive income so that the depreciation of the said assets is recognized as cost of goods sold and selling expenses. As a result, for 2015, the cost of goods sold and selling expenses increased by SEK 9.2m and SEK 2.0m, respectively, while administration costs declined by SEK 11.2m. For the fourth quarter of 2015, cost of goods sold increased by SEK 1.9m and selling expenses by SEK 0.4m, while administrative expenses decreased by SEK 2.3m. The correction does not affect either the result of the periods or equity.

Except as described above, the same accounting and valuation principles were applied in the preparation of this report as in the preparation of the 2015 Annual Report. Figures in parentheses refer to same period of the previous year.

2. Determination of fair values

The basis for determination of fair value of financial assets and liabilities is disclosed in Note 5 in the Annual Report for 2015. The fair values of the Group's financial assets and liabilities approximate their respective carrying amounts.

3. Seasonal Variations

Ferronordic Machines' revenue and earnings are affected by seasonal variations in the construction industry. The first quarter is typically the weakest for sales of machines as activity in construction projects is constrained during the winter months. On the other hand, the demand in aftermarket (sales of parts and services) is usually strong since many customers use the quiet period to service their machines. This is usually followed by an increase during the second quarter as contracts start to be put out for tender and customers prepare for the more active summer period. The third quarter tends to be slower with regard to both machine sales and aftermarket. In the fourth quarter, activity usually strengthens as customers make year-end capital spending decisions.

4. Ferronordic Machines AB

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

Notes
1. Operational Segment

The Group has one reportable segment - Equipment Distribution. No changes have been made to the basis for determining the reportable segment or the calculation of the result of the segment since the last annual report.

	Fourth quarter	Fourth quarter	Twelve months	Twelve months
	2016	2015	2016	2015
Revenue	SEK '000	SEK '000	SEK '000	SEK '000
Equipment Sales	355 016	273 477	1 028 714	933 702
Aftermarket	160 016	119 988	566 010	502 386
Other income	22 327	6 877	63 731	32 636
Total revenues	537 359	400 342	1 658 455	1 468 724

Total delivery volume, units

New units	147	178	479	523
Used units	29	47	214	226
Total units	176	225	693	749

	Fourth quarter	Fourth quarter	Twelve months	Twelve months
	2016	2015	2016	2015
	SEK '000	SEK '000	SEK '000	SEK '000
EBITDA	45 428	31 511	153 645	128 254
Depreciation and amortisation	(6 005)	(13 579)	(31 057)	(67 198)
Impairment of property, plant and equipment	(12 558)	-	(12 558)	-
Impairment of intangible assets	(5 765)	-	(5 765)	-
Foreign exchange gain/(loss)	703	(4 754)	1 450	(7 848)
Finance income	892	2 653	9 617	10 194
Finance costs	(1 267)	(4 542)	(7 891)	(26 425)
Result before income tax	21 428	11 289	107 441	36 977
Income tax	(5 514)	(2 715)	(23 800)	(8 211)
Result for the period	15 914	8 574	83 641	28 766

2. Events after the balance sheet date

Information regarding events after the reporting date is set out in the front part of this report.

3. Contingencies

In June 2016, the parent company issued a surety in the amount of RUB 500m (SEK 74,850 thousand) to Sberbank. The surety constitutes security for a bank guarantee of RUB 500m issued by Sberbank as security for the payables of Ferronordic Machines LLC to ZAO Volvo Vostok. According to the surety, the parent company undertakes to compensate Sberbank for the potential obligations of Ferronordic Machines LLC towards Sberbank under the bank guarantee to ZAO Volvo Vostok.

4. Related party transactions

There have been no significant changes in the relationships or transactions with related parties for the Group or the parent company compared with the information disclosed in the 2015 Annual Report.

The Board of Directors and the Managing Director declares that the year-end report provides a true and fair overview of the Group's and the Parent Company's operations, their financial position and performance, and describes material risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, 20 February 2016

Per-Olof Eriksson
Chairman

Erik Eberhardson
Director

Håkan Eriksson
Director

Magnus Brännström
Director

Lars Corneliusson
Director

Kristian Terling
Director

Lars Corneliusson
Managing Director

This report has not been subject to review by Ferronordic Machines auditors.

About Ferronordic Machines

Ferronordic Machines is the authorized dealer of Volvo Construction Equipment and Terex Trucks in Russia. It is also the official distributor of Dressta and Rottne in Russia. Ferronordic Machines 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 began its operations in 2010 and has expanded rapidly across Russia. The company is well established in all federal districts with about 70 outlets and almost 800 employees. The vision of Ferronordic Machines is to be regarded as the leading service- and sales company in the CIS markets. The preference shares of Ferronordic Machines are listed on NASDAQ OMX First North Premier. The company has appointed Avanza Bank AB as its Certified Advisor.

Financial Calendar 2017

First Quarter Report 2017	19 May 2017
Second Quarter Report 2017	23 August 2017
Third Quarter Report 2017	28 November 2017
Year-end Report 2017	22 February 2018

For more information, please contact:

Anders Blomqvist, CFO and Head of IR, Tel: +46 8 5090 7280
or e-mail pr@ferronordic.ru

Ferronordic Machines AB (publ)

Hovslagargatan 5B
111 48 Stockholm, Sweden
Corporate ID no. 556748-7953
Phone: +46 8 5090 7280

This information is information that Ferronordic Machines AB (publ) is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication on 20 February 2017, 07:45 CET.