

23 November 2016

Ferronordic Machines AB (publ)
Interim Report January – September 2016
IMPROVED RESULT AND EXCITING PRODUCT ADDITIONS
THIRD QUARTER 2016

- Revenue increased by 9% (11% increase in rubles) to SEK 406m (SEK 373m)
- Operating profit increased to SEK 40m (SEK 31m)
- Operating margin was 9.8% (8.3%)
- EBITDA amounted to SEK 45m (SEK 45m)
- The after-tax result amounted to SEK 34m (SEK 17m)
- Earnings per ordinary share amounted to SEK 1.98 (SEK 0.47)
- Cash flow from operating activities amounted to SEK -104m (SEK 183m)

JANUARY - SEPTEMBER 2016

- Revenue increased by 5% (21% increase in rubles) to SEK 1,121m (SEK 1,068m)
- Operating profit amounted to SEK 83m (SEK 43m)
- Operating margin was 7.4% (4.0%)
- EBITDA amounted to SEK 108m (SEK 97m)
- The after-tax result amounted to SEK 68m (SEK 20m)
- Earnings per ordinary share amounted to SEK 2.81 (SEK -1.73)
- Cash flow from operating activities amounted to SEK 20m (SEK 161m)

SEK M	2016 Q3	2015 Q3	2016 9M	2015 9M
Revenue	406.2	372.9	1 121.1	1 068.4
EBITDA	45.3	45.1	108.2	96.7
Operating profit	40.0	31.1	83.2	43.1
After-tax result	33.5	17.2	67.7	20.2
Net Debt / (Cash)	(76.5)	(40.5)	(76.5)	(40.5)
Net Debt / EBITDA	(0.5)	(0.3)	(0.5)	(0.3)

COMMENTS BY LARS CORNELIUSSON, CEO AND PRESIDENT:

- Although the decrease of the market has been slowing down lately, the total market for new construction machines in Russia during the first nine months was still 7-10% lower than the same period last year. The general uncertainty in the market and lack of financing continue to depress the demand. At the same time, however, we see a pick-up in our customers' machine utilization. This has a positive effect on our aftermarket sales and should further contribute to the existing pent-up demand to renew the machine population in Russia.
- Despite of the weak market, we managed to deliver a relatively strong result for the quarter with both increased revenue and increased profitability compared to last year. We have continued to sell more of large machines, while at the same time growing sales of parts and service nicely. The earnings per ordinary share (calculated after dividends on preference shares) continue to be positive.
- At the same time we continue to develop our business by adding complementary products. As mentioned in the Q2 report, we signed an agreement with LiuGong Dressta Machinery in July under which we became the official distributor for Dressta bulldozers and dozer-based pipelayers all over Russia. In September, we also signed an agreement with Rottne Industri AB under which we will become the official distributor for Rottne forestry machines all over Russia. We are proud of these announcements, which underline the strength of our distribution network. The addition of these products, which fit perfectly into our existing offering of products from Volvo CE and Terex Trucks, is fully in line with our strategy to use the network to distribute complementary products.

Comments to the third quarter report

The Russian economy continued to be weak during the quarter. The lack of capital remains and results in several construction projects being delayed or postponed. In addition, the customers still have difficulties to find financing. As a result, the market is still at very low levels.

The oil price and the ruble were relatively stable during the quarter. The oil price remained around USD 50 per barrel throughout the quarter. The ruble strengthened from 7.58 ruble to 7.36 per krona, mainly because of the weakening of the krona. The ruble remains highly dependent on the oil price.

The Russian Central Bank cut its key rate in September from 10.5% to 10.0%. MosPrime 3M decreased from 11.0% to 10.5% during the quarter.

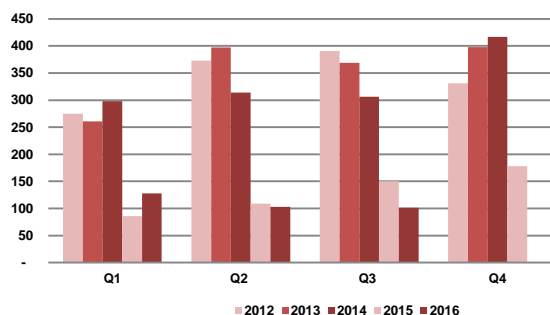
The strengthening of the ruble together with our positive result had a positive impact on our equity during the quarter. In total, equity increased by SEK 42m.

Revenue

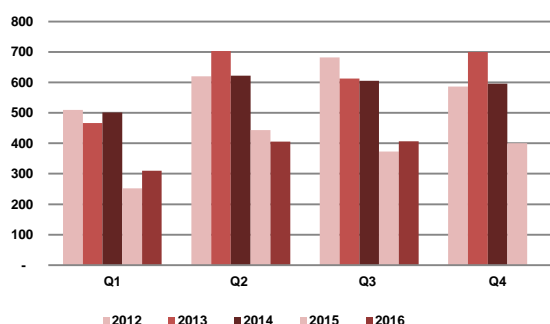
Revenue during the quarter increased by 9% to SEK 406.2m (SEK 372.9m). In rubles, the revenue increased by 11%. The revenue from equipment sales decreased by 3%, while the aftermarket revenue (parts and service) increased by 19%. In rubles, the revenue from equipment sales decreased by 1% while the revenue from aftermarket sales increased by 21%.

During the first nine months, the revenue increased by 5% to SEK 1,121.1m (SEK 1,068.4m). In rubles the revenue increased by 21%. The revenue from equipment sales increased by 2% while the aftermarket revenue increased by 6%. In rubles, however, the revenue from equipment sales increased by 19% while the revenue from aftermarket sales increased by 22%.

New units sold



Revenue, SEK m



Gross profit and results from operating activities

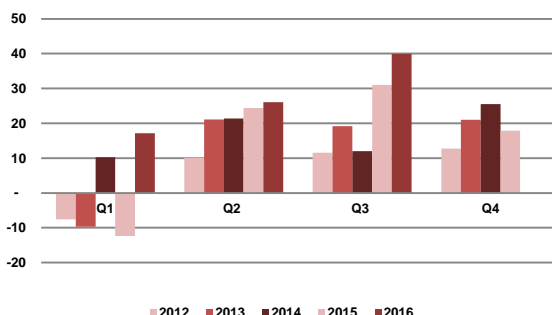
Gross profit for the quarter amounted to SEK 96.1m (SEK 93.3m), an increase of 3%. The gross margin, however, decreased to 23.7%, compared to 25.0% during the same period last year.

The results from operating activities increased to SEK 40.1m (SEK 31.1m), primarily thanks to a SEK 8.6m decrease in administrative expenses, partly offset by higher selling expenses. One reason for the reduced administrative expenses was a reduction in amortization of intangible assets related to licenses from Volvo, which were fully amortized by the end of May 2016.

Gross profit for the first nine months amounted to SEK 264.0m (SEK 248.1m), an increase of 6%. The increase primarily relates to higher sales of new machines and spare parts, partly offset by a decrease in used equipment sales. The gross margin increased to 23.5%, compared to 23.2% during the same period last year.

The results from operating activities for the first nine months increased to SEK 83.2m (SEK 43.1m). The increase was primarily a result of the higher gross profit, as well as lower selling, general and administrative expenses.

Results from operating activities, SEK m



Result

The result before income tax for the quarter increased to SEK 42.4m (SEK 20.9m), primarily as a result of the improved results from operating activities and a decrease in financial expenses following the repayment of all credit facilities. The after-tax result for the quarter increased to SEK 33.5m (SEK 17.2m).

The result before income tax for the first nine months increased to SEK 86.0m (SEK 25.7m). This was a result of the improved operating profit, a decrease in financial expenses of SEK 15.3m, and positive net foreign exchange gains and losses. As a result of the foregoing, the after-tax result for the first nine months increased to SEK 67.7m (SEK 20.2m).

Cash flow

Cash flow from operating activities during the third quarter amounted to SEK -104.3m (SEK 182.7m), primarily as a result of reduced payables and increased receivables and inventories.

Cash flow from investing activities was positive and amounted to SEK 4.7m, primarily due to proceeds from divested property, plant and equipment, as well as interest received (compared to SEK -1.0m during the same period last year, which was impacted by acquisition of property, plant and equipment).

During the first nine months, cash flow from operating activities amounted to SEK 20.2m (SEK 160.8m). The decreased cash flow was primarily a result of increased inventories and receivables, but was partly offset by the positive result.

Cash flow from investing activities during the first nine months amounted to SEK 5.0m (SEK 4.3m). This was a result of higher interest received, partly

offset by higher investments in property, plant and equipment.

Financial position

Cash and cash equivalents at the end of the quarter amounted to SEK 101.3m, a decrease of SEK 74.0m compared to the end of December 2015.

Interest-bearing liabilities at the end of the quarter (including obligations under short- and long-term financial leases) amounted to SEK 24.8m, a decrease of SEK 68.7m compared to the end of December 2015. The reduction in interest-bearing liabilities is a result of repayments of loans to reduce financing costs.

Equity at the end of the quarter amounted to SEK 417.1m, an increase of SEK 95.0m compared to the end of December 2015. The increase was a result of the increased net profit during the period, as well as positive translation differences in the amount of SEK 52.3m, following the strengthening of the ruble.

Employees

The number of employees at the end of the quarter, converted to equivalent full-time employees, was 776 people. This represents an increase of 27 employees compared to the end of June 2016 and 91 employees compared to the end of December 2015. The new employees are mainly machine operators involved in contracting services.

Parent company

The revenue of the parent company during the quarter amounted to SEK 13.4m (SEK 3.0m). The increase primarily related to group-internal 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 2.5m (SEK 3.0m). The administrative expenses amounted to SEK 2.2m (SEK 4.1m). The result for the quarter increased to SEK 4.5m (SEK 3.7m) due to lower administrative expenses.

During the first nine months, the revenue of the parent company amounted to SEK 23.2m (SEK 8.4m). The difference relates to the group-internal sales of equipment described above. The gross profit during the first nine month amounted to SEK 12.2m (SEK 8.4m). Administrative expenses during the first nine months decreased to SEK 9.5m (SEK 11.3m). The result for the first nine months

decreased to SEK 13.8m (SEK 16.7m), mainly because of lower finance income, higher finance costs and foreign exchange losses, partly compensated by the increased gross profit.

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

On 10 October 2016, an extraordinary general meeting of the shareholders in Ferronordic Machines AB was held at the company's office in Stockholm. In accordance with the board's proposal, the meeting resolved to pay 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.

Major events

The customer claim of RUB 103m (SEK 13.6m) that Ferronordic Machines LLC received in April 2016 has still not been resolved by the court of first instance. Ferronordic Machines rejects the claim. Nothing has appeared during the court proceedings that would make Ferronordic change its estimation of the outcome of the claim. Nevertheless, the amount of the claim was classified as contingent liabilities at the end of the quarter. Verdict is expected at the end of the fourth quarter.

On 14 July, Ferronordic Machines entered into an agreement with LiuGong Dressta Machinery under which Ferronordic was appointed the official distributor of Dressta-branded bulldozers and pipelayers in all of Russia. The new partnership added to Ferronordic' product offering a full range of crawler bulldozers and crawler pipelayers. Headquartered in Stalowa Wola, Poland, Dressta is a global manufacturer of dozers and pipelayers. With a heritage of cooperation and licensing agreements with International Harvester Company and Clark Equipment, Dressta has nearly 70 years of experience in designing and manufacturing bulldozers and other construction equipment. Since 2012, Dressta is owned by LiuGong Machinery Co.

As the official distributor, Ferronordic also took over the responsibility for the aftermarket support of the existing machinery population of Dressta bulldozers and pipelayers in Russia.

On 27 July 2016, Ferronordic Machines LLC signed an agreement with SMP Bank regarding a RUB 500m credit. The credit facility is valid until 27 July 2018.

On 19 September 2016, Ferronordic Machines AB entered into an agreement with Rottne Industri AB under which the company will become the official distributor of Rottne forestry equipment all over Russia. The product range includes a complete program of forwarders and harvesters. As part of the cooperation, Rottne will develop a new series of forwarders and harvesters for the Russian market, equipped with Volvo Penta engines. The appointment becomes effective in December upon the termination of Ferronordic Machines LLC's current distribution agreement with Logset Oy. Ferronordic Machines expects the sales of Rottne products to commence during the first quarter of 2017. The appointment will not affect the results of this year.

Events after the balance sheet date

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 has appointed Håkan Eriksson the new chairman for the audit committee.

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 continuously weak economic situation in Russia, we do not expect the market for new machines to show any material increase within the near future. On the other hand, the customers' machine utilization is now increasing for the first time in several quarters, which should contribute to increase the pent-up demand to renew the machine population even further. All in all, 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 24 November 2016 at 9:30 a.m. CET.

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

Call-in numbers:

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

Participant code: 93614184#

Condensed consolidated statement of comprehensive income	Third quarter	Third quarter	Nine months	Nine months
	2016	2015	2016	2015
	SEK '000	SEK '000	SEK '000	SEK '000
Revenue	406 180	372 857	1 121 096	1 068 382
Cost of sales	(310 074)	(279 527)	(857 124)	(820 330)
Gross profit	96 106	93 330	263 972	248 052
Selling expenses	(23 165)	(17 989)	(64 775)	(62 220)
General and administrative expenses	(33 182)	(41 788)	(112 146)	(131 900)
Other income	1 860	830	2 329	3 902
Other expenses	(1 656)	(3 303)	(6 215)	(14 710)
Results from operating activities	39 963	31 080	83 165	43 124
Finance income	2 626	2 058	8 725	7 541
Finance costs	(1 083)	(5 730)	(6 624)	(21 883)
Net foreign exchange gains/(losses)	851	(6 498)	747	(3 094)
Result before income tax	42 357	20 910	86 013	25 688
Income tax	(8 818)	(3 731)	(18 286)	(5 496)
Result for the period	33 539	17 179	67 727	20 192
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	8 807	(41 832)	52 289	(23 036)
Other comprehensive result for the period, net of tax	8 807	(41 832)	52 289	(23 036)
Total comprehensive result for the period	42 346	(24 653)	120 016	(2 844)
Earnings per share				
Basic earnings per share (SEK)	1.98	0.47	2.81	(1.73)

	30 September 2016	31 December 2015	30 September 2015
Condensed consolidated statement of financial position	SEK '000	SEK '000	SEK '000
ASSETS			
Non-current assets			
Intangible assets	6 714	14 629	22 136
Property, plant and equipment	111 597	83 355	123 663
Deferred tax assets	41 339	45 032	37 817
Total non-current assets	159 650	143 016	183 616
Current assets			
Inventories	455 275	327 235	334 497
Trade and other receivables	194 640	161 152	200 696
Prepayments	4 358	642	706
Other assets	628	315	1 319
Cash and cash equivalents	101 316	175 295	147 925
Total current assets	756 217	664 639	685 143
TOTAL ASSETS	915 867	807 655	868 759
EQUITY AND LIABILITIES			
Equity			
Share capital	937	937	937
Additional paid in capital	594 279	594 279	594 279
Translation reserve	(176 249)	(228 538)	(198 937)
Retained earnings	(69 607)	(73 373)	(48 373)
Result for the period	67 727	28 766	20 192
TOTAL EQUITY	417 087	322 071	368 098
Non-current liabilities			
Borrowings	-	-	31 887
Deferred tax liabilities	171	49	1 379
Long-term portion of finance lease liabilities	15 340	3 709	5 847
Total non-current liabilities	15 511	3 758	39 113
Current liabilities			
Borrowings	-	85 624	63 774
Trade and other payables	459 207	384 138	384 175
Deferred income	5 878	4 289	4 553
Provisions	8 736	3 622	3 137
Short-term portion of finance lease liabilities	9 448	4 153	5 909
Total current liabilities	483 269	481 826	461 548
TOTAL LIABILITIES	498 780	485 584	500 661
TOTAL EQUITY AND LIABILITIES	915 867	807 655	868 759

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				67 727	67 727
Other comprehensive income					
Foreign exchange differences			52 289		52 289
Total comprehensive income for the period			52 289	67 727	120 016
Contribution by and distribution to owners					
Preference shares dividends				(25 000)	(25 000)
Total contributions and distributions	-	-	-	(25 000)	(25 000)
Balance 30 September 2016	937	594 279	(176 249)	(1 880)	417 087

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				20 192	20 192
Other comprehensive income					
Foreign exchange differences			(23 036)		(23 036)
Total comprehensive income for the period			(23 036)	20 192	(2 844)
Contribution by and distribution to owners					
Repurchase of warrants		(586)			(586)
Total contributions and distributions	-	(586)	-	-	(586)
Balance 30 September 2015	937	594 279	(198 937)	(28 181)	368 098

Condensed consolidated statement of cash flows	Third quarter 2016	Third quarter 2015	Nine months 2016	Nine months 2015
	SEK '000	SEK '000	SEK '000	SEK '000
Cash flows from operating activities				
Result before income tax	42 357	20 910	86 013	25 688
Adjustments for:				
Depreciation and amortisation	5 335	14 062	25 052	53 619
Loss from write off of receivables	1 376	1 188	3 934	10 335
Profit on disposal of property, plant and equipment	(1 750)	(201)	(2 035)	(825)
Finance costs	1 083	5 730	6 624	21 883
Finance income	(2 626)	(2 058)	(8 725)	(7 541)
Net foreign exchange gains/losses	(851)	6 498	(747)	3 094
Cash flows from operating activities before changes in working capital and provisions	44 924	46 129	110 116	106 253
Change in inventories	(7 966)	7 489	(58 488)	139 091
Change in trade and other receivables	(17 726)	26 310	(8 703)	30 951
Change in prepayments	(2 990)	289	(3 431)	556
Change in trade and other payables	(117 300)	110 567	(968)	(82 858)
Change in provisions	679	(1 487)	4 101	(5 905)
Changes in other assets	(54)	(51)	(229)	(792)
Change in deferred income	55	(767)	608	(2 726)
Cash flows from operations before interest paid	(100 378)	188 479	43 006	184 570
Income tax paid	(2 852)	(107)	(15 955)	(286)
Interest paid	(1 083)	(5 717)	(6 836)	(23 437)
Net cash from/(used in) operating activities	(104 313)	182 655	20 215	160 847
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	3 801	152	3 869	3 259
Interest received	2 626	2 058	8 725	7 541
Acquisition of property, plant and equipment	(1 517)	(3 107)	(5 951)	(5 102)
Acquisition of intangible assets	(255)	(142)	(1 623)	(1 416)
Net cash from (used in) investing activities	4 655	(1 039)	5 020	4 282
Cash flows from financing activities				
Proceeds from borrowings	-	-	-	108 522
Repayment of loans	-	(44 317)	(87 945)	(238 187)
Dividend on preference shares	-	-	(25 000)	(25 000)
Leasing financing received	-	-	-	-
Leasing financing paid	(1 045)	(8 246)	(11 882)	(27 228)
Repurchase of warrants	-	-	-	(586)
Net cash from/(used in) financing activities	(1 045)	(52 563)	(124 827)	(182 479)
Net decrease in cash and cash equivalents	(100 703)	129 053	(99 592)	(17 350)
Cash and cash equivalents at start of the period	200 855	33 604	175 295	177 453
Effect of exchange rate fluctuations on cash and cash equivalents	1 164	(14 732)	25 613	(12 178)
Cash and cash equivalents at end of the period	101 316	147 925	101 316	147 925

Key Ratios	Note	Third quarter 2016	Third quarter 2015	Nine months 2016	Nine months 2015
Gross margin, %	1	23.7%	25.0%	23.5%	23.2%
Operating margin, %	2	9.8%	8.3%	7.4%	4.0%
Operating working capital, SEK'000	3	181 080	145 353	181 080	145 353
Net debt, SEK'000	4	(76 528)	(40 508)	(76 528)	(40 508)
Capital employed, SEK'000	5	340 559	327 590	340 559	327 590
EBITDA, SEK'000	6	45 298	45 142	108 217	96 743
Net debt/EBIDTA, times	7	(0.5)	(0.3)	(0.5)	(0.3)
EBITDA margin, %	8	11.2%	12.1%	9.7%	9.1%
Return on capital employed, %	9	33.7%	14.8%	33.7%	14.8%
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	1.98	0.47	2.81	(1.73)
Diluted earnings per ordinary share, SEK	11	1.98	0.47	2.81	(1.73)
No. of employees at close of period		776	672	776	672
Days receivables outstanding	12	36	41	39	43
Days inventory outstanding	13	132	108	143	110

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	Third quarter	Third quarter	Nine months	Nine months
	2016	2015	2016	2015
	SEK '000	SEK '000	SEK '000	SEK '000
Revenue	13 434	3 002	23 178	8 396
Cost of sales	(10 940)	-	(10 940)	-
Gross profit	2 494	3 002	12 238	8 396
Administrative expenses	(2 246)	(4 058)	(9 522)	(11 320)
Results from operating activities	248	(1 056)	2 716	(2 924)
Finance income	7 162	7 361	20 118	23 276
Finance costs	(1 244)	(145)	(2 403)	(318)
Net foreign exchange losses	5 236	(30 192)	28 673	(12 995)
Result before income tax benefit	11 402	(24 032)	49 104	7 039
Income tax	(2 510)	5 285	(10 821)	(1 576)
Result for the period	8 892	(18 747)	38 283	5 463

The Total Comprehensive Result for the Period is the same as the Result for the Period.

	30 September 2016	31 December 2015	30 September 2015
Parent Company Balance Sheet	SEK '000	SEK '000	SEK '000
ASSETS			
Non-current assets			
Property, plant and equipment	16	22	24
Intangible assets	-	1 846	2 953
Financial assets			
Holdings in group companies	192 949	192 949	192 162
Loans to group companies	196 651	165 265	184 639
Deferred tax assets	24 685	35 506	32 517
Total financial assets	414 285	393 720	409 318
Total non-current assets	414 301	395 588	412 295
Current assets			
Trade and other receivables	22 230	14 105	8 889
Prepayments	218	352	218
Cash and cash equivalents	15 331	1 477	14 323
Total current assets	37 779	15 934	23 430
TOTAL ASSETS	452 080	411 522	435 725
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	937	937	937
Unrestricted equity			
Share premium reserve	604 291	604 291	604 291
Retained earnings	(237 633)	(207 555)	(182 555)
Result for the period	38 283	(5 078)	5 463
TOTAL EQUITY	405 878	392 595	428 136
Current liabilities			
Borrowings	28 392	14 042	4 504
Trade and other payables	17 810	4 885	3 085
Total current liabilities	46 202	18 927	7 589
TOTAL LIABILITIES	46 202	18 927	7 589
TOTAL EQUITY AND LIABILITIES	452 080	411 522	435 725

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 are 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.

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 and infrastructure projects is constrained during the winter months), but with strong demand in aftermarket (sale of parts and services). This is usually followed by a strong increase during the second quarter as contracts start to be put out for tender, and customers start preparing for the busy summer period. The third quarter tends to be slower with regard to both machine sales and aftermarket. In the fourth quarter activity usually strengthens as customers make year-end capital spending decisions.

4. Ferronordic Machines AB

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

Notes

1. Operational Segment

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

	Third quarter	Third quarter	Nine months	Nine months
	2016	2015	2016	2015
	SEK '000	SEK '000	SEK '000	SEK '000
Revenue				
Equipment Sales	226 786	233 928	673 698	660 225
Aftermarket	156 629	131 741	405 994	382 398
Other income	22 765	7 188	41 404	25 759
Total revenues	406 180	372 857	1 121 096	1 068 382
Total delivery volume, units				
New units	101	150	332	345
Used units	56	44	185	179
Total units	157	194	517	524
	Third quarter	Third quarter	Nine months	Nine months
	2016	2015	2016	2015
	SEK '000	SEK '000	SEK '000	SEK '000
EBITDA				
EBITDA	45 298	45 142	108 217	96 743
Depreciation and amortisation	(5 335)	(14 062)	(25 052)	(53 619)
Foreign exchange gain/(loss)	851	(6 498)	747	(3 094)
Finance income	2 626	2 058	8 725	7 541
Finance costs	(1 083)	(5 730)	(6 624)	(21 883)
Result before income tax	42 357	20 910	86 013	25 688
Income tax	(8 818)	(3 731)	(18 286)	(5 496)
Result for the period	33 539	17 179	67 727	20 192

2. Events after the balance sheet date

Information regarding events after the reporting date and payment of dividends on preference shares is presented in the front part of this report.

3. Contingencies

In April Ferronordic Machines LLC received a claim from a customer in the amount of SEK 13,600 thousand (see Major Events in the management report). The Group has not made any provision for this since the Group estimates that the claim will be rejected by the court.

In June 2016, the parent company issued a surety in the amount of RUB 500m (SEK 67,923 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 nine-month interim report provides a true and fair overview of the Group's and Parent Company's operations, their financial position and performance, and describes material risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, 23 November 2016

Per-Olof Eriksson
Chairman

Erik Eberhardson
Vice Chairman

Håkan Eriksson
Director

Magnus Brännström
Director

Lars Corneliusson
Director

Kristian Terling
Director

Lars Corneliusson
Managing Director

This report has 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 Russian distributor of Dressta. In certain regions of Russia, Ferronordic Machines has also been appointed aftermarket dealer for Volvo and Renault Trucks and dealer for Volvo Penta. Ferronordic Machines began its operations in 2010 and has since then expanded rapidly across Russia. The company is well established in all federal districts with almost 70 outlets and approximately 775 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 2016

Year-end Report 2016	20 February 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

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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 23 November 2016, 17:45 CET.