

25 August 2015

Ferronordic Machines AB (publ)
Interim Report January - June 2015
SUSTAINED EARNINGS DESPITE CONTINUOUSLY WEAK MARKET
SECOND QUARTER 2015

- Revenue decreased by 29% (16% in rubles) to SEK 443m (SEK 622m)
- Operating profit increased to SEK 24m (SEK 21m)
- Operating margin was 5.5% (3.4%)
- EBITDA amounted to SEK 44m (SEK 49m)
- The after-tax result amounted to SEK 14m (SEK 14m)
- Earnings per ordinary share amounted to SEK 0.15 (SEK 0.13)
- Cash flow from operating activities amounted to SEK -51m (SEK -45m)

JANUARY - JUNE 2015

- Revenue decreased by 38% (22% decrease in rubles) to SEK 696m (SEK 1,123m)
- Operating profit amounted to SEK 12m (SEK 32m)
- Operating margin was 1.7% (2.8%)
- EBITDA amounted to SEK 52m (SEK 80m)
- The after-tax result amounted to SEK 3m (SEK 12m)
- Earnings per ordinary share amounted to SEK -2.20 (SEK -1.27)
- Cash flow from operating activities amounted to SEK -22m (SEK -52m)

SEK M	2015 Q2	2014 Q2	2015 6M	2014 6M
Revenue	443.1	622.2	695.5	1 123.3
EBITDA	44.3	48.7	51.6	79.7
Operating profit	24.4	21.4	12.0	31.6
After-tax result	14.0	13.8	3.0	12.3
Net Debt	148.2	161.4	148.2	161.4
Net Debt / EBITDA	1.0x	1.0x	1.0x	1.0x

COMMENTS BY LARS CORNELIUSSON, CEO AND PRESIDENT:

- The market for sales of new construction equipment in Russia continues to be very weak. Compared to last year the number of sold units is down by more than 70%. The main problem on the market remains the lack of liquidity, leading to postponement of projects and considerable difficulties for customers to obtain financing. In view of this I think we have managed to deliver a relatively strong result during the quarter, especially in terms of profitability. In particular we have been successful in capturing opportunities within the used machines market, growing the aftermarket business and lowering our operating expenses.
- Similar to the first quarter, the reduction in sales of new machines was partly compensated by an increased demand for used machines. Our sales of used machines were almost three times higher than in the second quarter 2014. In addition, our aftermarket sales were also strong and increased by 27% in rubles compared to the same period last year. In total, however, our revenue during the second quarter decreased by 29% compared to the same period 2014.
- The implementation of various cost saving measures that commenced during the fourth quarter of 2014 was further intensified during the quarter. While these measures have contributed to an overall reduction of our cost level, we do not expect to see the full effect of these measures until later during the year. Compared to the fourth quarter 2014 and the first quarter 2015 our operating expenses in rubles during the quarter were down 16% and 9%, respectively.
- Unfortunately we do not see any signs that the market would recover in the short term and expect the rest of 2015 to remain challenging. However, we remain optimistic about the long term prospects of the Russian construction equipment market.

Comments to the second quarter report

The overall tendency during the second quarter was similar to the first quarter. The lack of liquidity has continued to drive the market downward. Several construction projects have been postponed and customers have considerable difficulties to obtain financing. At the same time we have seen significant price increases by essentially all market players (in rubles), which has affected demand negatively as customers are less inclined and less able to purchase new machines.

During the second quarter both the oil price and the ruble were fairly stable. Both indicators strengthened during the first half of the quarter and dropped somewhat towards the end of June. However, after the end of the quarter the oil price and the ruble have lost significantly in value. At the time of this report, the ruble has dropped to 8.5 ruble per krona compared to 6.8 at the end of the quarter and the oil price has during the same time come down from USD 60 per barrel to approximately USD 44. At the same time, as inflation is now expected to reduce, the Russian Central Bank has continued to reduce the key rate, from 14.0% at the end of March to 11.0% on 31 July 2015. MosPrime 3M has at the same time decreased from 15.7% to 12.0%.

Given the weak sales of new construction equipment we have focused more efforts on the sales of used machines as well as the aftermarket. We have seen particularly strong results in our parts business with Terex Trucks contributing nicely to the performance.

The cost saving measures that commenced in the fourth quarter of 2014 were intensified during the first and second quarter of 2015. While the proper effect of these measures will only become noticeable later during the year, the initial effect of these measures was seen during the first and second quarter. Compared to the fourth quarter of 2014 our operating expenses in the second quarter were 16% in lower in ruble and 14% lower in Swedish krona.

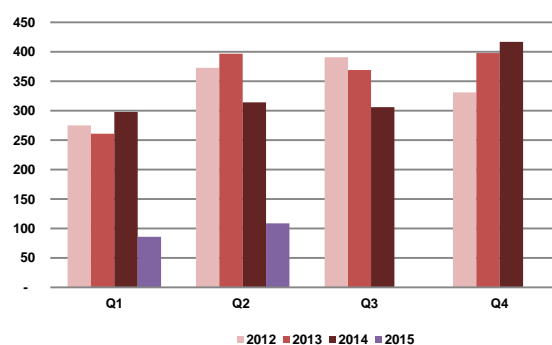
Revenue

Revenue during the second quarter decreased by 29% to SEK 443.1m (SEK 622.2m). In rubles the decrease amounted to 16%. Revenue from equipment sales decreased by 39% and aftermarket revenue (parts and service) increased by 7%. In rubles, revenue from equipment sales decreased by 28% and aftermarket revenue increased by 27%.

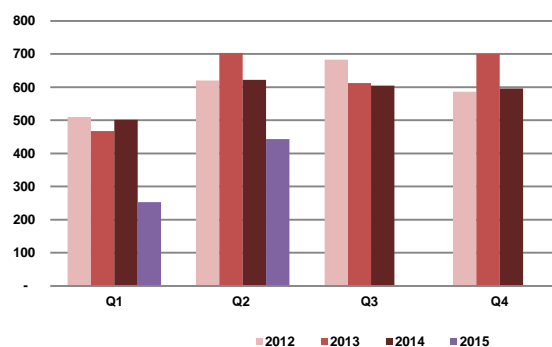
The relatively modest drop in revenue from equipment sales, compared to the total market decline of more than 70% in new units, is primarily a result of increased sales of used machines and improved price realization. The increased sales of used machines is partly a result of our ongoing efforts to reduce the rental fleet.

During the first six months of 2015 our revenue decreased by 38% to SEK 695.5m (SEK 1,123.3m). In rubles the revenue decreased by 22%. Revenue from equipment sales decreased by 49% whereas aftermarket revenue decreased by 4%. In rubles the revenue from sale of equipment decreased by 36% and the aftermarket revenue increased by 21%.

New units sold



Revenue, SEK m



Gross profit and results from operating activities

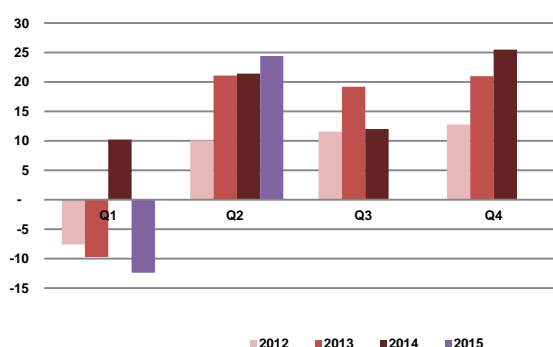
Gross profit for the second quarter amounted to SEK 101.7m (SEK 110.8m), a decrease of 8%. Gross margin increased to 22.9% compared to 17.8% during the same period last year. The increase is partly a result of improved margins on sold machines, particularly used machines, as well as the fact that the aftermarket now accounts for a higher proportion of the total revenue.

The results from operating activities increased to SEK 24.4m (SEK 21.4m), primarily as a result of lower general and administrative expenses, which have been reduced by SEK 11.6m. The reduction in operating expenses were partly offset by an increase in bad debt reserves of SEK 7.5m.

Gross profit for the first six months of 2015 amounted to SEK 154.7m (SEK 188.5m), a decrease of 18%. Gross margin increased from 16.8% during the first six months of 2014 to 22.2% during the same period this year.

Results from operating activities for the first half of the year amounted to SEK 12.0m (SEK 31.6m). The decrease is primarily a result of relatively weak results in the first quarter of 2015 and the increase in bad debt reserves of SEK 7.5m in the second quarter.

Results from operating activities, SEK m



Result

The result before income tax for the second quarter increased to SEK 18.3m (SEK 17.4m), primarily as a result of the stronger results from operating activities. The increase was less than the increase in operating result, primarily due to a SEK 2.5m foreign exchange gain during the second quarter of 2014. The after-tax result for the second quarter increased to SEK 14.0m (SEK 13.8m).

The result before income tax for the first six months of 2015 amounted to SEK 4.8m (SEK 16.2m). This was due to the relatively weak results in the first quarter of 2015, which was partly compensated by the stronger result in the second quarter. As a result of the above, the after-tax result for the first six months decreased to SEK 3.0m (SEK 12.3m).

Cash flow

Cash flow from operating activities during the second quarter amounted to SEK -51.4m (SEK -45.3m). This was primarily a result of reduced payables, partly offset by lower inventory.

Investments in property, plant and equipment were limited and proceeds from sale of property, plant and equipment (mainly carpool) amounted to SEK 3.1m. As a result, cash flow from investing activities was positive and amounted to SEK 3.1m (compared to SEK -14.0m in 2014).

During the first six months cash flow from operating activities amounted to SEK -21.8m (SEK -51.6m). The improved cash flow is primarily a result of lower payables, partly offset by lower inventory. Compared to the first half of 2014, cash flow increased by SEK 29.8m, primarily related to the decrease in inventory during the first six months of 2015 compared to an increase of inventory during the first six months of 2014.

Cash flow from investing activities during the first half of the year amounted to SEK 5.3m (SEK -21.5m). This is a result of lower investments in property, plant and equipment and software licenses, and higher proceeds from sale of property, plant and equipment and higher interest received during the period.

Financial position

Cash and cash equivalents at 30 June 2015 amounted to SEK 33.6m, a decrease of approximately SEK -143.8m compared to 31 December 2014. Interest-bearing liabilities at 30 June 2015 amounted to SEK 181.8m, a decrease of SEK 104.7m compared to 31 December 2014 (interest-bearing liabilities include debt and obligations under finance leases, both short term and long term). The reduction in cash and cash equivalents and interest-bearing liabilities is primarily a result of repayments of loans to reduce financing costs.

Equity at 30 June 2015 amounted to SEK 392.8m, an increase of SEK 21.2m compared to 31 December 2014. The increase, offset by the negative result for the period, is a result of positive translation differences in the amount of SEK 18.8m following the strengthening of the ruble.

Employees

The number of employees at the end of the quarter, converted to equivalent full-time employees, was 684 people. This represents a decrease of 90 employees compared to the end of June 2014 and 83 employees compared to the end of December 2014.

Parent company

The revenue of the parent company for the second quarter of 2015 amounted to SEK 3.1m (SEK 8.3m). The decrease primarily relates to lower royalties from Ferronordic Machines LLC under a group-internal trademark license agreement after an amendment in the third quarter of 2014.

Administrative expenses amounted to SEK 3.7m (SEK 6.5m).

The result for the period decreased to SEK 7.2m (SEK 10.5m) due to the lower revenue described above.

During the first six months the revenue of the parent company amounted to SEK 5.4m (SEK 15.3m). The difference relates to the royalties from Ferronordic Machines LLC under the intra-group trademark license agreement, which were lower in the first half of 2015 compared to the same period of 2014.

Administrative expenses during the first half of the year amounted to SEK 7.3m (SEK 10.4m), a decrease of 29.8% compared to the same period last year.

The after-tax result for the first half of the year decreased to SEK 13.0m (SEK 19.2m), mainly because of lower revenue but compensated by higher foreign exchange gains.

Risks and uncertainties

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

Annual general meeting

The annual general meeting of Ferronordic Machines AB was held on 19 May 2015. The meeting resolved in favor of all proposed matters in accordance with the proposals described in the notice to the meeting. The most important resolutions include:

- For the time being no dividends should be paid on the company's preference shares or ordinary shares. If the cash flow and general financial position allow it the Board will call for an extraordinary general meeting in October 2015 and/or April 2016 where a decision on dividends can be made.
- The board was authorized, until the next annual general meeting, to decide upon an issue of new ordinary shares and new ordinary shares of series 2. The authorization to issue ordinary shares can only be used to issue ordinary shares in connection with a listing of the company's ordinary shares on NASDAQ OMX Stockholm or another regulated market.
- The company would make an offer to the holders of the warrants 2013/2016 (issued to certain employees) to repurchase the warrants.

Major events

On 26 June 2015, Ferronordic Machines LLC signed a new RUB 500m credit agreement with Sberbank. The credit agreement is valid until 26 December 2016. At the same time Sberbank issued a new RUB 500m bank guarantee to Volvo as security for the company's payables.

On 28 April 2015 Ferronordic Machines LLC signed an amendment agreement to its credit agreement with Promsvyazbank. According to the amendment the interest for the credit was increased to 16-22%, depending on the tranche duration.

In accordance with the resolution of the annual general meeting, the warrants 2013/2016 were repurchased for a total amount of SEK 0.6m. After this the company has no outstanding warrants programs.

Events after the balance sheet date

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

Outlook

With the continuous economic uncertainty in Russia and the weak market for new machines, it is clear that 2015 is and will continue to be a difficult year. The short and medium term market development is still difficult to predict. All in all, however, we are still optimistic about the future of our business as the long-term fundamentals in the Russian construction equipment market remain strong.

	Second quarter	Second quarter	First six months	First six months
	2015	2014	2015	2014
Condensed consolidated statement of comprehensive income	SEK '000	SEK '000	SEK '000	SEK '000
Revenue	443 144	622 192	695 525	1 123 285
Cost of sales	(341 452)	(511 377)	(540 803)	(934 761)
Gross profit	101 692	110 815	154 722	188 524
Selling expenses	(21 876)	(26 861)	(44 231)	(46 322)
General and administrative expenses	(48 399)	(59 964)	(90 112)	(108 064)
Other income	1 944	745	3 072	2 342
Other expenses	(8 946)	(3 339)	(11 407)	(4 864)
Results from operating activities	24 415	21 396	12 044	31 616
Finance income	1 128	967	5 483	1 308
Finance costs	(7 302)	(7 493)	(16 153)	(15 692)
Net foreign exchange gains/losses	17	2 493	3 404	(1 063)
Result before income tax	18 258	17 363	4 778	16 169
Income tax	(4 230)	(3 557)	(1 765)	(3 820)
Result for the period	14 028	13 806	3 013	12 349
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(4 495)	35 173	18 796	(872)
Other comprehensive result for the period, net of tax	(4 495)	35 173	18 796	(872)-
Total comprehensive result for the period	9 533	48 979	21 809	11 477
Loss per share				
Basic loss per share (SEK)	0,15	0,13	(2,20)	(1,27)

	30 June 2015	31 December 2014	30 June 2014
Condensed consolidated statement of financial position	SEK '000	SEK '000	SEK '000
ASSETS			
Non-current assets			
Intangible assets	32 591	42 544	80 390
Property, plant and equipment	164 147	224 688	323 005
Deferred tax assets	30 529	36 192	20 346
Total non-current assets	227 267	303 424	423 741
Current assets			
Inventories	378 390	424 693	727 564
Trade and other receivables	262 135	265 412	372 508
Prepayments	1 133	1 336	1 647
Other assets	1 468	706	85
Cash and cash equivalents	33 604	177 453	71 821
Total current assets	676 730	869 600	1 173 625
TOTAL ASSETS	903 997	1 173 024	1 597 366
EQUITY AND LIABILITIES			
Equity			
Share capital	937	937	937
Additional paid in capital	594 279	594 865	594 865
Translation reserve	(157 105)	(175 901)	(42 098)
Retained earnings	(48 373)	(67 102)	(67 102)
Result for the period	3 013	18 729	12 349
TOTAL EQUITY	392 751	371 528	498 951
Non-current liabilities			
Borrowings	36 853	-	-
Deferred tax liabilities	4 986	6 567	12 069
Long-term portion of finance lease liabilities	11 589	21 278	41 929
Total non-current liabilities	53 428	27 845	53 998
Current liabilities			
Borrowings	122 351	246 370	149 128
Trade and other payables	313 071	491 736	822 956
Deferred income	6 104	7 508	14 617
Provisions	5 258	9 121	15 558
Short-term portion of finance lease liabilities	11 034	18 916	42 158
Total current liabilities	457 818	773 651	1 044 417
TOTAL LIABILITIES	511 246	801 496	1 098 415
TOTAL EQUITY AND LIABILITIES	903 997	1 173 024	1 597 366
Pledged Assets and Contingent Liabilities			
Pledged Assets	256 541	209 135	60 181
Contingent Liabilities	-	-	-

Condensed consolidated statement of changes in equity

SEK '000	Attributable to equity holders of the Company				Total equity
	Share capital	Additional paid in capital	Translation reserve	Retained earnings	
Balance 1 January 2015	937	594 865	(175 901)	(48 373)	371 528
Total comprehensive income for the period					
Result for the period				3 013	3 013
Other comprehensive income					
Foreign exchange differences			18 796		18 796
Total comprehensive income for the period			18 796	3 013	21 809
Contribution by and distribution to owners					
Repurchase of warrants		(586)			(586)
Total contributions and distributions	-	(586)	-	-	(586)
Balance 30 June 2015	937	594 279	(157 105)	(45 360)	392 751

SEK '000	Attributable to equity holders of the Company				Total equity
	Share capital	Additional paid in capital	Translation reserve	Retained earnings	
Balance 1 January 2014	937	595 192	(41 226)	(17 102)	537 801
Total comprehensive income for the period					
Result for the period				12 349	12 349
Other comprehensive income					
Foreign exchange differences			(872)		(872)
Total comprehensive income for the period			(872)	12 349	11 477
Contribution by and distribution to owners					
Preference shares dividends				(50 000)	(50 000)
Repurchase of warrants		(327)			(327)
Total contributions and distributions	-	(327)	-	(50 000)	(50 327)
Balance 30 June 2014	937	594 865	(42 098)	(54 753)	498 951

Condensed consolidated statement of cash flows	Second quarter	Second quarter	First six months	First six months
	2015	2014	2015	2014
	SEK '000	SEK '000	SEK '000	SEK '000
Cash flows from operating activities				
Result before income tax	18 258	17 363	4 778	16 169
Adjustments for:				
Depreciation and amortisation	19 900	27 283	39 557	48 074
Loss from write off (gain from provisions release) of receivables	7 538	2 949	9 147	4 079
Profit on disposal of property, plant and equipment	(624)	-	(624)	-
Finance costs	7 302	7 493	16 153	15 692
Finance income	(1 128)	(967)	(5 483)	(1 308)
Net foreign exchange gains/losses	(17)	(2 493)	(3 404)	1 063
Cash flows from operating activities before changes in working capital and provisions	51 229	51 628	60 124	83 769
Change in inventories	99 523	(109 295)	131 602	(209 274)
Change in trade and other receivables	(42 002)	(82 821)	4 641	(36 792)
Change in prepayments	(10)	(384)	267	(564)
Change in trade and other payables	(148 855)	100 872	(193 425)	130 715
Change in provisions	(2 205)	463	(4 418)	(2 344)
Changes in other assets	(602)	592	(741)	592
Change in deferred income	(1 231)	981	(1 959)	(771)
Cash flows from operations before interest paid	(44 153)	(37 964)	(3 909)	(34 669)
Income tax paid	-	-	(179)	(1 335)
Interest paid	(7 272)	(7 367)	(17 720)	(15 566)
Net cash from/(used in) operating activities	(51 425)	(45 331)	(21 808)	(51 570)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	3 107	-	3 107	-
Interest received	1 128	967	5 483	1 308
Acquisition of property, plant and equipment	(1 111)	(12 681)	(1 995)	(18 905)
Acquisition of intangible assets	(45)	(2 334)	(1 274)	(3 894)
Net cash from (used in) investing activities	3 079	(14 048)	5 321	(21 491)
Cash flows from financing activities				
Proceeds from borrowings	108 522	205 001	108 522	493 366
Repayment of loans	(55 857)	(238 992)	(193 870)	(507 058)
Distributions to pref shareholders	(25 000)	(25 000)	(25 000)	(25 000)
Leasing financing received	-	36 611	-	41 523
Leasing financing paid	(12 690)	(7 691)	(18 982)	(17 141)
Repurchase of warrants	(586)	(327)	(586)	(327)
Net cash from/(used in) financing activities	14 389	(30 398)	(129 916)	(14 637)
Net decrease in cash and cash equivalents	(33 957)	(89 777)	(146 403)	(87 698)
Cash and cash equivalents at start of the period	65 693	150 132	177 453	164 075
Effect of exchange rate fluctuations on cash and cash equivalents	1 868	11 466	2 554	(4 556)
Cash and cash equivalents at end of the period	33 604	71 821	33 604	71 821

Key Ratios	Note	Second quarter	Second quarter	First six months	First six months
		2015	2014	2015	2014
Gross margin, %	1	22.9%	17.8%	22.2%	16.8%
Operating margin, %	2	5.5%	3.4%	1.7%	2.8%
Operating working capital, SEK'000	3	318 693	248 674	318 693	248 674
Net debt, SEK'000	4	148 223	161 394	148 223	161 394
Capital employed, SEK'000	5	540 974	660 347	540 974	660 347
EBITDA, SEK'000	6	44 315	48 679	51 601	79 690
Net debt/EBITDA, times	7	1.0	1.0	1.0	1.0
EBITDA margin, %	8	10.0%	7.8%	7.4%	7.1%
Return on capital employed, %	9	9.4%	13.3%	9.4%	13.3%
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	0.15	0.13	(2.20)	(1.27)
Diluted earnings per ordinary share, SEK	11	0.15	0.13	(2.20)	(1.27)
No. of employees at close of period		684	774	684	774
Days receivables outstanding	12	45	46	57	51
Days inventory outstanding	13	100	128	126	140

Definitions

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

	Second quarter	Second quarter	First six months	First six months
	2015	2014	2015	2014
Parent Company income statement	SEK '000	SEK '000	SEK '000	SEK '000
Revenue	3 068	8 292	5 394	15 293
Gross profit	3 068	8 292	5 394	15 293
Administrative expenses	(3 676)	(6 455)	(7 262)	(10 396)
Results from operating activities	(608)	1 837	(1 868)	4 897
Finance income	8 721	10 265	15 915	20 325
Finance costs	(173)	(1)	(173)	(1)
Net foreign exchange losses	1 087	1 433	2 826	(480)
Result before income tax benefit	9 027	13 534	16 700	24 741
Income tax	(2 008)	(2 996)	(3 699)	(5 547)
Result for the period	7 019	10 538	13 001	19 194
Parent company statement of comprehensive income				
Result for the period	7 019	10 538	13 001	19 194
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Translation difference, expanded net investments in foreign operations	(2 167)	18 779	11 209	2 158
Other comprehensive result for the period, net of tax	(2 167)	18 779	11 209	2 158
Total comprehensive result for the period	4 852	29 317	24 210	21 352

	30 June 2015	31 December 2014	30 June 2014
Parent Company Balance Sheet	SEK '000	SEK '000	SEK '000
ASSETS			
Non-current assets			
Property, plant and equipment	26	30	8
Intangible assets	4 060	6 275	8 490
Financial assets			
Holdings in group companies	192 162	192 162	192 162
Loans to group companies	213 392	199 021	287 837
Deferred tax assets	27 232	34 078	15 132
Total financial assets	432 786	425 261	495 131
Total non-current assets	436 872	431 566	503 629
Current assets			
Trade and other receivables	14 487	19 298	32 999
Prepayments	399	353	381
Cash and cash equivalents	1 948	370	3 934
Total current assets	16 834	20 021	37 314
TOTAL ASSETS	453 706	451 587	540 943
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	937	937	937
Unrestricted equity			
Share premium reserve	604 336	604 922	604 880
Translation reserve	(58 467)	(69 676)	2 158
Retained earnings	(112 924)	(138 075)	(138 075)
Result for the period	13 001	25 151	19 194
TOTAL EQUITY	446 883	423 259	489 094
Current liabilities			
Borrowings	4 865	-	-
Trade and other payables	1 958	28 328	51 849
Total current liabilities	6 823	28 328	51 849
TOTAL LIABILITIES	6 823	28 328	51 849
TOTAL EQUITY AND LIABILITIES	453 706	451 587	540 943
Contingent Liabilities*	159 203	68 742	99 419

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

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

Basis of presentation and summary of significant accounting policies

1. Accounting Policies

Ferronordic Machines applies the International Financial Reporting Standards (IFRS) as adopted by the EU. This report has been prepared in accordance with IAS 34, the Swedish Annual Accounts Act and recommendation RFR 2, issued by the Swedish Financial Reporting Board. Except as described below, the same accounting and valuation principles were applied in the preparation of this report as in the preparation of the 2014 Annual Report. Figures in parentheses refer to same period of the previous year.

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

2. Determination of fair values

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

3. Seasonal Variations

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

4. Ferronordic Machines AB

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

Notes
1. Operational Segment

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

Revenue from Equipment Distribution:

	Second quarter 2015 SEK '000	Second quarter 2014 SEK '000	First six months 2015 SEK '000	First six months 2014 SEK '000
Revenue				
Equipment Sales	282 648	466 168	426 297	835 769
Equipment Rentals	5 763	14 758	12 718	26 099
Aftermarket	151 649	141 266	250 657	261 417
Other revenue	3 084	0	5 853	0
Total revenues	443 144	622 192	695 525	1 123 285
Total delivery volume, units				
New units	109	314	195	612
Used units	75	27	135	62
Total units	184	341	330	674

EBITDA to result for the period:

	Second quarter 2015 SEK '000	Second quarter 2014 SEK '000	First six months 2015 SEK '000	First six months 2014 SEK '000
EBITDA				
EBITDA	44 315	48 679	51 601	79 690
Depreciation and amortisation	(19 900)	(27 283)	(39 557)	(48 074)
Foreign exchange gain/(loss)	17	2 493	3 404	(1 063)
Finance income	1 128	967	5 483	1 308
Finance costs	(7 302)	(7 493)	(16 153)	(15 692)
Result before income tax	18 258	17 363	4 778	16 169
Income tax	(4 230)	(3 557)	(1 765)	(3 820)
Result for the period	14 028	13 806	3 013	12 349

2. Related party transactions

During the quarter the company has repurchased warrants from certain executives for a total amount of SEK 0.6m. There have been no other significant changes in the relationships or transactions with related parties for the Group or the parent company compared with the information disclosed in the 2014 Annual Report.

The Board of Directors and the Managing Director declares that the six-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, 25 August 2015

Per-Olof Eriksson
Chairman

Martin Leach
Vice Chairman

Erik Eberhardson
Vice Chairman

Magnus Brännström
Director

Lars Corneliusson
Director

Marika Fredriksson
Director

Kristian Terling
Director

Lars Corneliusson
Managing Director

This report has not been reviewed by the Company's independent auditors.

About Ferronordic Machines

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

Financial Calendar 2015

Interim Report July - September 2015
Year-end Report 2015

24 November 2015
22 February 2016

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Ferronordic Machines discloses the information herein pursuant to the Securities Markets Act and/or the Financial Instruments Act. The information was submitted for publication on 25 August 2015, 11:30 CET.