

22 August 2016

Ferronordic Machines AB (publ)
Interim Report January - June 2016
SOLID RESULT AND EXCITING EXPANSION OF PRODUCT PORTFOLIO
SECOND QUARTER 2016

- Revenue decreased by 9% (17% increase in rubles) to SEK 405m (SEK 443m)
- Operating profit increased to SEK 26m (SEK 24m)
- Operating margin was 6.4% (5.5%)
- EBITDA amounted to SEK 36m (SEK 44m)
- The after-tax result amounted to SEK 20m (SEK 14m)
- Earnings per ordinary share amounted to SEK 0.74 (SEK 0.15)
- Cash flow from operating activities amounted to SEK 81m (SEK -51m)

JANUARY - JUNE 2016

- Revenue increased by 3% (28% increase in rubles) to SEK 715m (SEK 696m)
- Operating profit amounted to SEK 43m (SEK 12m)
- Operating margin was 6.0% (1.7%)
- EBITDA amounted to SEK 63m (SEK 52m)
- The after-tax result amounted to SEK 34m (SEK 3m)
- Earnings per ordinary share amounted to SEK 0.92 (SEK -2.20)
- Cash flow from operating activities amounted to SEK 125m (SEK -22m)

SEK M	2016 Q2	2015 Q2	2016 6M	2015 6M
Revenue	405.3	443.1	714.9	695.5
EBITDA	36.3	44.3	62.9	51.6
Operating profit	26.1	24.4	43.2	12.0
After-tax result	19.9	14.0	34.2	3.0
Net Debt	(178.2)	148.2	(178.2)	148.2
Net Debt / EBITDA	(1.3)	1.0	(1.3)	1.0

COMMENTS BY LARS CORNELIUSSON, CEO AND PRESIDENT:

- The Russian economy remains weak. The reduction in the market for new construction equipment seems to have slowed down, but the market during the first six months was anyway 10-15% lower than during the same period last year. We do not expect any material changes in the market situation before the end of the year.
- Despite of the weak market, we have delivered a relatively strong result for the quarter, including a satisfying cash flow. Even if the revenue was lower than during the second quarter last year, we managed to compensate this primarily by lower costs, resulting in an increased operating profit. Like the last quarter we noted a positive result per ordinary share (which is calculated after dividends on preference shares). Given the difficult market situation, I am very pleased with this result.
- After the end of the quarter, we have also been appointed official distributor for Dressta bulldozers and pipelayers all over Russia. The addition of Dressta bulldozers fits perfectly into our product offering and improves our ability to offer full-package solutions to our customers. This is fully in line with our strategy to use our network to distribute complementary products. We also take over responsibility for the aftermarket of the existing machine fleet.
- Since the last report we have also refinanced our credit facilities. In total, we now have up to RUB 1,500m of committed financing available from two different banks. Thanks to our net cash position we are not in need of this financing at the moment, but it provides security for the company going forward in these troublesome times.

Comments to the second quarter report

The Russian economy continued to be weak during this quarter. The lack of capital in the market remains and results in several construction projects being delayed or postponed. In addition our customers have difficulties to find financing. This has contributed to a further drop in the market compared to the already low position last year.

We have seen a clear strengthening of the ruble and the oil price during the quarter. The oil price increased from USD 40 per barrel to USD 50 and is currently trading at around USD 51. The ruble strengthened from 8.32 to 7.58 ruble per krona during the quarter. As before, the value of the ruble is highly dependent on the oil price.

The Russian Central Bank cut its key rate in June from 11.0% to 10.5%. MosPrime 3M decreased from 11.8% to 11.0% during the quarter.

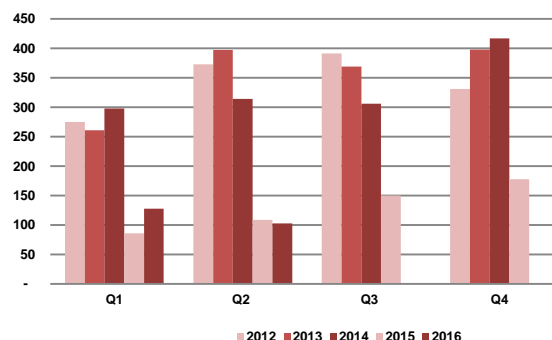
The strengthening of the ruble together with our positive result had a positive impact on our equity during the quarter. In total, equity increased by SEK 24m.

Revenue

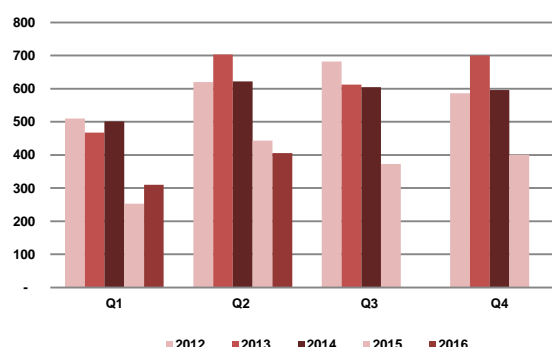
Revenue during the quarter decreased by 9% to SEK 405.3m (SEK 443.1m). In rubles, however, the revenue increased by 17%. The revenue from equipment sales decreased by 12%, while the aftermarket revenue (parts and service) decreased by 7%. In rubles, the revenue from equipment sales increased by 13% and the aftermarket revenue increased by 19%.

During the first six months the revenue increased by 3% to SEK 714.9m (SEK 695.5m). In rubles the revenue increased by 28%. The revenue from equipment sales increased by 5% while the aftermarket revenue decreased by 1%. In rubles, however, the revenue from sale of equipment increased by 31% and the aftermarket revenue increased by 23%.

New units sold



Revenue, SEK m



Gross profit and results from operating activities

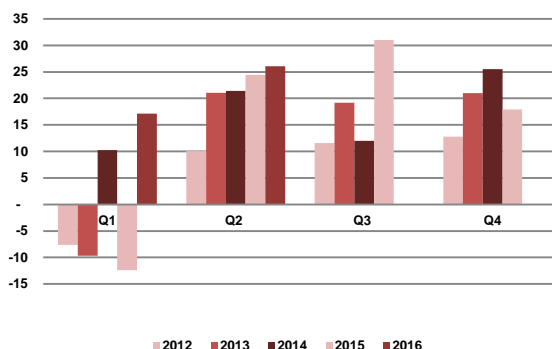
Gross profit for the quarter amounted to SEK 96.2m (SEK 101.7m), a decrease of 5%. The gross margin, however, increased to 23.7% compared to 22.9% during the same period last year. The increase in gross margin was a result of improved margins on sold new and used machines.

The results from operating activities increased to SEK 26.1m (SEK 24.4m), primarily thanks to a SEK 4.6m decrease in administrative expenses. One reason for the reduced administrative expenses was a reduction in amortization of intangible assets related to licenses from Volvo. These intangible assets were fully amortized by the end of May 2016.

Gross profit for the first six months amounted to SEK 167.9m (SEK 154.7m), an increase of 8%. The gross margin increased from 22.2% during the first six months of 2015 to 23.5% during the same period this year.

The results from operating activities for the first six months amounted to SEK 43.2m (SEK 12.0m). The increase was primarily a result of the higher gross profit, as well as the lower selling, general and administrative expenses.

Results from operating activities, SEK m



Result

The result before income tax for the quarter increased to SEK 25.2m (SEK 18.3m), 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 19.9m (SEK 14.0m).

The result before income tax for the first six months amounted to SEK 43.7m (SEK 4.8m). This was a result of the improved operating profit and a decrease in financial expenses of SEK 10.6m. As a result of the foregoing, the after-tax result for the first six months increased to SEK 34.2m (SEK 3.0m).

Cash flow

Cash flow from operating activities during the second quarter amounted to SEK 81.4m (SEK -51.4m). This was primarily a result of the positive result and increased payables, partly offset by higher inventory.

Cash flow from investing activities was positive and amounted to SEK 0.5m, primarily due to interest received (compared to SEK 3.1m in 2015 which was positively impacted by proceeds from sale of cars).

During the first six months, cash flow from operating activities amounted to SEK 124.5m (SEK -21.8m). The improved cash flow was primarily a result of the positive result and increased payables, but partly offset by higher inventory.

Cash flow from investing activities during the first six months amounted to SEK 0.4m (SEK 5.3m). 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 30 June 2016 amounted to SEK 200.9m, an increase of approximately SEK 25.6m compared to 31 December 2015. Interest-bearing liabilities at 30 June 2016 amounted to SEK 22.7m, a decrease of SEK 70.8m compared to 31 December 2015 (interest-bearing liabilities include debt and obligations under finance leases, both short term and long term). The reduction in interest-bearing liabilities is primarily a result of repayments of loans to reduce financing costs.

Equity at 30 June 2016 amounted to SEK 374.7m, an increase of SEK 52.7m compared to 31 December 2015. The increase was a result of the increased net profit during the period and positive translation differences in the amount of SEK 43.5m, following the strengthening of the ruble. The increase in equity was partly offset by the payment of dividends on preference shares during the quarter.

Employees

The number of employees at the end of the quarter, converted to equivalent full-time employees, was 749 people. This represents an increase of 65 employees compared to the end of June 2015 and 64 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 7.1m (SEK 3.1m). The increase primarily related to compensation from its subsidiary, Ferronordic Machines LLC, for sureties issued by the parent company as security for the subsidiary's credit facilities and other undertakings.

The administrative expenses amounted to SEK 3.4m (SEK 3.7m).

The result for the quarter decreased to SEK 5.7m (SEK 7.2m) due to lower finance income and foreign exchange losses related to an intra-group loan.

During the first six months the revenue of the parent company amounted to SEK 9.7m (SEK 5.4m). The difference relates to the compensation for sureties described above.

Administrative expenses during the six months were unchanged compared to the same period last year and amounted to amount to SEK 7.3m (SEK 7.3m).

The result for the first six months decreased to SEK 9.3m (SEK 13.0m), mainly because of lower finance income and foreign exchange losses, partly compensated by the increased revenue.

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.

Annual general meeting

The annual general meeting of Ferronordic Machines AB was held on 19 May 2016. The AGM resolved in favour of all matters proposed in accordance with the proposals described in the notice to the meeting. The most important resolutions included:

- For the time being, no dividends should be paid on the company's preference shares or ordinary shares. If the cash flow and financial position allow it, the Board will call for an extraordinary general meeting in October 2016 and/or April 2017 where a decision on dividends on the preference shares can be made.
- Magnus Brännström, Lars Corneliusson, Erik Eberhardson, Per-Olof Eriksson, Martin Leach and Kristian Terling were re-elected as members of the board. Håkan Eriksson was elected new member of the board. Per-Olof Eriksson was re-elected as chairman of the board.
- A new long-term incentive program for the group's executive and extended management teams was approved.

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 authorisation 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.

Major events

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

On 5 April 2016, Ferronordic Machines LLC received a claim from a customer in the amount of 103m (SEK 13,6m) relating to deficient documentation concerning sales of service and parts. The claim will be tried in the first instance in early September. Ferronordic Machines rejects the claim and assesses that it will be dismissed.

In April 2016, Ferronordic Machines LLC entered into a new agreement for financial lease with RB Leasing (a subsidiary of Rosbank, which is 99.5% owned by Société Générale S.A.). The lease amounts to RUB 250m and is valid for three years. The lease was used during the quarter to replace cars in the company's carpool.

In May 2016, Ferronordic Machines LLC signed an agreement with Sberbank regarding a new credit in the amount of RUB 1,000m. The credit is valid until 29 December 2017.

On 30 June 2016, Sberbank issued a new RUB 500m bank guarantee to Volvo as security for the group's payables to Volvo.

Events after the balance sheet date

On 14 July, Ferronordic Machines entered into an agreement with LiuGong Dressta Machinery under which Ferronordic Machines was appointed the official distributor of Dressta-branded bulldozers and pipelayers in all of Russia. The new partnership adds to Ferronordic Machines' 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 Machines will also take over 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.

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 continuously difficult economic situation in Russia and the weak market for new machines, we believe that 2016, despite the strong first half, will be difficult. All in all, however, we are still optimistic about the future of our business as the long-term fundamentals in the Russian construction equipment market remain strong.

Presentation of the report

A presentation of this report will be held by phone on 23 August 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: 76908841#

	Second quarter	Second quarter	First six months	First six months
	2016	2015	2016	2015
Condensed consolidated statement of comprehensive income	SEK '000	SEK '000	SEK '000	SEK '000
Revenue	405 328	443 144	714 916	695 525
Cost of sales	(309 088)	(341 452)	(547 050)	(540 803)
Gross profit	96 240	101 692	167 866	154 722
Selling expenses	(22 339)	(21 876)	(41 610)	(44 231)
General and administrative expenses	(43 849)	(48 399)	(78 964)	(90 112)
Other income	439	1 944	469	3 072
Other expenses	(4 420)	(8 946)	(4 559)	(11 407)
Results from operating activities	26 071	24 415	43 202	12 044
Finance income	2 616	1 128	6 099	5 483
Finance costs	(2 349)	(7 302)	(5 541)	(16 153)
Net foreign exchange gains/(losses)	(1 138)	17	(104)	3 404
Result before income tax	25 200	18 258	43 656	4 778
Income tax	(5 305)	(4 230)	(9 468)	(1 765)
Result for the period	19 895	14 028	34 188	3 013
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	29 027	(4 495)	43 482	18 796
Other comprehensive result for the period, net of tax	29 027	(4 495)	43 482	18 796
Total comprehensive result for the period	48 922	9 533	77 670	21 809
Earnings per share				
Basic earnings per share (SEK)	0.74	0.15	0.92	(2.20)

	30 June 2016	31 December 2015	30 June 2015
Condensed consolidated statement of financial position	SEK '000	SEK '000	SEK '000
ASSETS			
Non-current assets			
Intangible assets	6 735	14 629	32 591
Property, plant and equipment	110 753	83 355	164 147
Deferred tax assets	44 692	45 032	30 529
Total non-current assets	162 180	143 016	227 267
Current assets			
Inventories	434 389	327 235	378 390
Trade and other receivables	173 379	161 152	262 135
Prepayments	1 239	642	1 133
Other assets	556	315	1 468
Cash and cash equivalents	200 855	175 295	33 604
Total current assets	810 418	664 639	676 730
TOTAL ASSETS	972 598	807 655	903 997
EQUITY AND LIABILITIES			
Equity			
Share capital	937	937	937
Additional paid in capital	594 279	594 279	594 279
Translation reserve	(185 056)	(228 538)	(157 105)
Retained earnings	(69 607)	(73 373)	(48 373)
Result for the period	34 188	28 766	3 013
TOTAL EQUITY	374 741	322 071	392 751
Non-current liabilities			
Borrowings	-	-	36 853
Deferred tax liabilities	117	49	4 986
Long-term portion of finance lease liabilities	15 303	3 709	11 589
Total non-current liabilities	15 420	3 758	53 428
Current liabilities			
Borrowings	-	85 624	122 351
Trade and other payables	561 576	384 138	313 071
Deferred income	5 657	4 289	6 104
Provisions	7 831	3 622	5 258
Short-term portion of finance lease liabilities	7 373	4 153	11 034
Total current liabilities	582 437	481 826	457 818
TOTAL LIABILITIES	597 857	485 584	511 246
TOTAL EQUITY AND LIABILITIES	972 598	807 655	903 997
Pledged Assets and Contingent Liabilities			
Pledged Assets	0	10 435	256 541
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 2016	937	594 279	(228 538)	(44 607)	322 071
Total comprehensive income for the period					
Result for the period				34 188	34 188
Other comprehensive income					
Foreign exchange differences			43 482		43 482
Total comprehensive income for the period			43 482	34 188	77 670
Contribution by and distribution to owners					
Preference shares dividends				(25 000)	(25 000)
Total contributions and distributions	-	-	-	(25 000)	(25 000)
Balance 30 June 2016	937	594 279	(185 056)	(35 419)	374 741

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

Condensed consolidated statement of cash flows	Second quarter 2016	Second quarter 2015	First six months 2016	First six months 2015
	SEK '000	SEK '000	SEK '000	SEK '000
Cash flows from operating activities				
Result before income tax	25 200	18 258	43 656	4 778
Adjustments for:				
Depreciation and amortisation	10 258	19 900	19 717	39 557
Loss from write off of receivables	2 351	7 538	2 558	9 147
Profit on disposal of property, plant and equipment	(264)	(624)	(285)	(624)
Finance costs	2 349	7 302	5 541	16 153
Finance income	(2 616)	(1 128)	(6 099)	(5 483)
Net foreign exchange gains/losses	1 138	(17)	104	(3 404)
Cash flows from operating activities before changes in working capital and provisions	38 416	51 229	65 192	60 124
Change in inventories	(80 325)	99 523	(50 522)	131 602
Change in trade and other receivables	(3 520)	(42 002)	9 023	4 641
Change in prepayments	(147)	(10)	(441)	267
Change in trade and other payables	133 122	(148 855)	116 332	(193 425)
Change in provisions	3 645	(2 205)	3 422	(4 418)
Changes in other assets	(107)	(602)	(175)	(741)
Change in deferred income	(538)	(1 231)	553	(1 959)
Cash flows from operations before interest paid	90 546	(44 153)	143 384	(3 909)
Income tax paid	(6 690)	-	(13 103)	(179)
Interest paid	(2 421)	(7 272)	(5 753)	(17 720)
Net cash from/(used in) operating activities	81 435	(51 425)	124 528	(21 808)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	-	3 107	68	3 107
Interest received	2 616	1 128	6 099	5 483
Acquisition of property, plant and equipment	(1 856)	(1 111)	(4 434)	(1 995)
Acquisition of intangible assets	(300)	(45)	(1 368)	(1 274)
Net cash from (used in) investing activities	460	3 079	365	5 321
Cash flows from financing activities				
Proceeds from borrowings	-	108 522	-	108 522
Repayment of loans	(31 155)	(55 857)	(87 945)	(193 870)
Dividend on preference shares	(25 000)	(25 000)	(25 000)	(25 000)
Leasing financing received	-	-	-	-
Leasing financing paid	(8 405)	(12 690)	(10 837)	(18 982)
Repurchase of warrants	-	(586)	-	(586)
Net cash from/(used in) financing activities	(64 560)	14 389	(123 782)	(129 916)
Net decrease in cash and cash equivalents	17 335	(33 957)	1 111	(146 403)
Cash and cash equivalents at start of the period	166 645	65 693	175 295	177 453
Effect of exchange rate fluctuations on cash and cash equivalents	16 875	1 868	24 449	2 554
Cash and cash equivalents at end of the period	200 855	33 604	200 855	33 604

Key Ratios	Note	Second quarter	Second quarter	First six months	First six months
		2016	2015	2016	2015
Gross margin, %	1	23.7%	22.9%	23.5%	22.2%
Operating margin, %	2	6.4%	5.5%	6.0%	1.7%
Operating working capital, SEK'000	3	34 499	318 693	34 499	318 693
Net debt, SEK'000	4	(178 179)	148 223	(178 179)	148 223
Capital employed, SEK'000	5	196 562	540 974	196 562	540 974
EBITDA, SEK'000	6	36 329	44 315	62 919	51 601
Net debt/EBITDA, times	7	(1,3)	1.0	(1,3)	1.0
EBITDA margin, %	8	9.0%	10.0%	8.8%	7.4%
Return on capital employed, %	9	27.9%	9.4%	27.9%	9.4%
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	0.74	0.15	0.92	(2.20)
Diluted earnings per ordinary share, SEK	11	0.74	0.15	0.92	(2.20)
No. of employees at close of period		749	684	749	684
Days receivables outstanding	12	33	45	37	57
Days inventory outstanding	13	126	100	143	126

Definitions

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

	Second quarter	Second quarter	First six months	First six months
	2016	2015	2016	2015
Parent Company income statement	SEK '000	SEK '000	SEK '000	SEK '000
Revenue	7 051	3 068	9 744	5 394
Gross profit	7 051	3 068	9 744	5 394
Administrative expenses	(3 367)	(3 676)	(7 276)	(7 262)
Results from operating activities	3 684	(608)	2 468	(1 868)
Finance income	6 774	8 721	12 956	15 915
Finance costs	(771)	(173)	(1 159)	(173)
Net foreign exchange losses	(2 345)	1 087	(2 373)	2 826
Result before income tax benefit	7 342	9 027	11 892	16 700
Income tax	(1 616)	(2 008)	(2 632)	(3 699)
Result for the period	5 726	7 019	9 260	13 001
Parent company statement of comprehensive income				
Result for the period	5 726	7 019	9 260	13 001
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Translation difference, expanded net investments in foreign operations	13 316	(2 167)	20 131	11 209
Other comprehensive result for the period, net of tax	13 316	(2 167)	20 131	11 209
Total comprehensive result for the period	19 042	4 852	29 391	24 210

	30 June 2016	31 December 2015	30 June 2015
	SEK '000	SEK '000	SEK '000
Parent Company Balance Sheet			
ASSETS			
Non-current assets			
Property, plant and equipment	18	22	26
Intangible assets	-	1 846	4 060
Financial assets			
Holdings in group companies	192 949	192 949	192 162
Loans to group companies	191 076	165 265	213 392
Deferred tax assets	27 195	35 506	27 232
Total financial assets	411 220	393 720	432 786
Total non-current assets	411 238	395 588	436 872
Current assets			
Trade and other receivables	13 101	14 105	14 487
Prepayments	402	352	399
Cash and cash equivalents	4 776	1 477	1 948
Total current assets	18 279	15 934	16 834
TOTAL ASSETS	429 517	411 522	453 706
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	937	937	937
Unrestricted equity			
Share premium reserve	604 336	604 336	604 336
Translation reserve	(75 875)	(96 006)	(58 467)
Retained earnings	(141 672)	(137 924)	(112 924)
Result for the period	9 260	21 252	13 001
TOTAL EQUITY	396 986	392 595	446 883
Current liabilities			
Borrowings	27 587	14 042	4 865
Trade and other payables	4 944	4 885	1 958
Total current liabilities	32 531	18 927	6 823
TOTAL LIABILITIES	32 531	18 927	6 823
TOTAL EQUITY AND LIABILITIES	429 517	411 522	453 706
Contingent Liabilities*	65 998	142 711	159 203

No assets had been pledged either as of 30 June 2016, 31 December 2015 or 30 June 2015.

* Guarantees in favour of Sberbank for surety issued to Volvo.

Basis of presentation and summary of significant accounting policies

1. Accounting Policies

Ferronordic Machines applies the International Financial Reporting Standards (IFRS) as adopted by the EU. This report has been prepared in accordance with IAS 34, the Swedish Annual Accounts Act and recommendation RFR 2, issued by the Swedish Financial Reporting Board. Except as described below, the same accounting and valuation principles were applied in the preparation of this report as in the preparation of the 2015 Annual Report. Figures in parentheses refer to same period of the previous year.

2. Determination of fair values

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

3. Seasonal Variations

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

4. Ferronordic Machines AB

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

Notes
1. Operational Segment

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

Revenue from Equipment Distribution:

	Second quarter 2016 SEK '000	Second quarter 2015 SEK '000	First six months 2016 SEK '000	First six months 2015 SEK '000
Revenue				
Equipment Sales	248 479	282 648	446 913	426 297
Aftermarket	141 061	151 649	249 364	250 657
Other income	15 788	8 847	18 639	18 571
Total revenues	405 328	443 144	714 916	695 525
Total delivery volume, units				
New units	103	109	231	195
Used units	75	75	129	135
Total units	178	184	360	330

EBITDA to result for the period:

	Second quarter 2016 SEK '000	Second quarter 2015 SEK '000	First six months 2016 SEK '000	First six months 2015 SEK '000
EBITDA				
EBITDA	36 329	44 315	62 919	51 601
Depreciation and amortisation	(10 258)	(19 900)	(19 717)	(39 557)
Foreign exchange gain/(loss)	(1 138)	17	(104)	3 404
Finance income	2 616	1 128	6 099	5 483
Finance costs	(2 349)	(7 302)	(5 541)	(16 153)
Result before income tax	25 200	18 258	43 656	4 778
Income tax	(5 305)	(4 230)	(9 468)	(1 765)
Result for the period	19 895	14 028	34 188	3 013

2. Related party transactions

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

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, 22 August 2016

Per-Olof Eriksson
Chairman

Martin Leach
Vice Chairman

Erik Eberhardson
Vice Chairman

Magnus Brännström
Director

Lars Corneliusson
Director

Håkan Eriksson
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. 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 750 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.

www.ferronordic.com

Financial Calendar 2016

Interim Report January - September 2016
Year-end Report 2016

23 November 2016
23 February 2017

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