

20 February 2015

Ferronordic Machines AB (publ)
Year-end Report January - December 2014
SUSTAINED OPERATING RESULT DESPITE CHALLENGING MARKET
FOURTH QUARTER 2014

- Revenue decreased by 15.0% to SEK 595.7m (SEK 700.6m) (9.5% increase in rubles)
- Operating profit amounted to SEK 25.5m (SEK 20.9m)
- Operating margin increased to 4.3% (3.0%)
- EBITDA amounted to SEK 50.7m (SEK 42.2m)
- The after-tax result decreased to SEK 5.9m (SEK 9.9m)
- Earnings per ordinary share amounted to SEK -0.66 (SEK -0.26)
- Cash flow from operating activities amounted to SEK 120.4m (SEK -31.8m)

JANUARY - DECEMBER 2014

- Revenue decreased by 6.0% to SEK 2,334.5m (SEK 2,482.9m) (7.5% increase in rubles)
- Operating profit increased to SEK 69.0m (SEK 51.6m)
- Operating margin increased to 3.0% (2.1%)
- EBITDA increased to SEK 171.7m (SEK 152.9m)
- The after-tax result increased to SEK 18.7m (SEK -43.9m)
- Earnings per ordinary share amounted to SEK -3.13 (SEK -6.89)
- Cash flow from operating activities amounted to SEK -25.0m (SEK 42.0m)

SEK M	2014 Q4	2013 Q4	2014 12M	2013 12M
Revenue	595.7	700.6	2,334.5	2,482.9
EBITDA	50.7	42.2	171.7	152.9
Operating profit	25.5	20.9	69.0	51.6
After-tax result	5.9	9.9	18.7	(43.9)
Net Debt	109.1	59.9	109.1	59.9
Net Debt / EBITDA	0.6x	0.4x	0.6x	0.4x

COMMENTS BY LARS CORNELIUSSON, CEO AND PRESIDENT:

- 2014 has been an exceptionally challenging period for Ferronordic Machines and our industry, in particular the fourth quarter. The negative effects of the crisis in Ukraine and the related sanctions are becoming increasingly noticeable. The decrease in economic growth, falling oil prices, rising inflation, the falling ruble, increased interest rates, and reduced access to capital markets, have all contributed to a significant slowdown in the market of our products in Russia. The overall market for construction equipment in Russia fell by more than 25% in 2014, and by 45% in the fourth quarter. Despite this our own unit sales of new machines on the other hand dropped by less than 10%, as we continued to gain market share.
- Because of the depreciation of the ruble, our revenue in the fourth quarter decreased by 15% compared to 2013 in reporting currency. In local currency, however, our revenue increased by almost 10%. EBITDA in the fourth quarter increased by 20% in reporting currency despite the falling ruble.
- A positive event during the fourth quarter was the appointment of Ferronordic Machines as official dealer for Terex Trucks. The appointment added four models of rigid haulers to our offering and will significantly improve our penetration in the core earthmoving segment and extend our presence in light mining.
- The existing fleet of Terex Trucks will also provide additional opportunities to increase our aftermarket sales, which are becoming increasingly important as the market for new machine sales is expected to continue to decline.
- Looking into the future, it is clear that 2015 will be a challenging year. During the second half of the year we started to implement measures to adapt our costs to the changes in the market development. The implementation of these measures continues.

Comments to the year-end report

2014 has been an exceptionally challenging period for our industry in Russia, in particular during the fourth quarter, and we have seen an overall deterioration of the economic environment in which we are operating. In the fourth quarter alone the oil price dropped from USD 95 / barrel to USD 57, MosPrime 3 months increased from 10.5% to 23.8% and the ruble fell from RUB 5.4 per SEK to 7.3. Although we remain optimistic about the long-term prospects of our business in Russia it is clear that the short- and mid-term challenges ahead of us are significant.

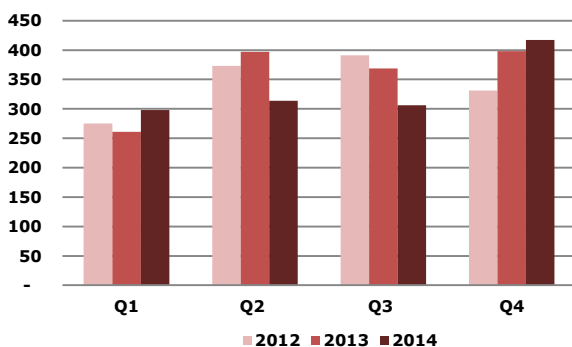
The dramatic depreciation of the ruble has not only contributed to the overall slowdown of the market but has also had a very negative impact on our equity because of negative translation differences.

However, in local currency, revenue for the full year amounted to RUB 13,062m, thus reaching the highest revenue in the history of our company. We also saw strong growth in profit as EBITDA increased 20% in reporting currency in the fourth quarter and 12% for the full year, despite the depreciation of the ruble and all other negatives on the market. In local currency the growth was 50% and 30%, respectively.

Revenue

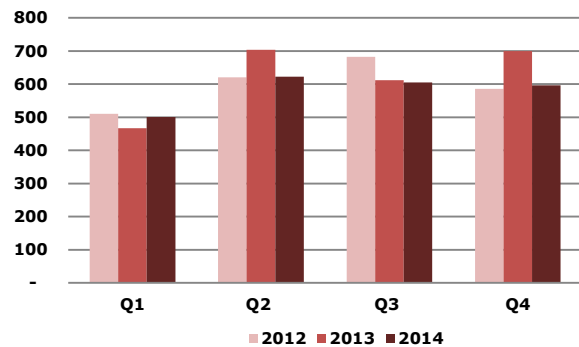
During the fourth quarter the revenue decreased by 15% to SEK 595.7m (SEK 700.6m). In rubles, however, the revenue increased by 9.5%. The revenue from the sales of equipment decreased by 17.3% whereas the revenue from the aftermarket (parts and service) decreased by 11.3%. In rubles, the sale of equipment increased by 6.6% whereas revenue from the aftermarket increased by 13.9%.

New Units sold



During the year our revenue decreased by 6.0% to SEK 2,334.5m (SEK 2,482.9m). In rubles, however, the revenue increased by 7.5%. Revenue from sales of equipment decreased by 8.3% whereas revenue from the aftermarket decreased by 1.9%. In rubles, however, the sale of equipment increased by 4.5% and the revenue from the aftermarket increased by 11.5%.

Revenue, SEK m



Gross profit and results from operating activities

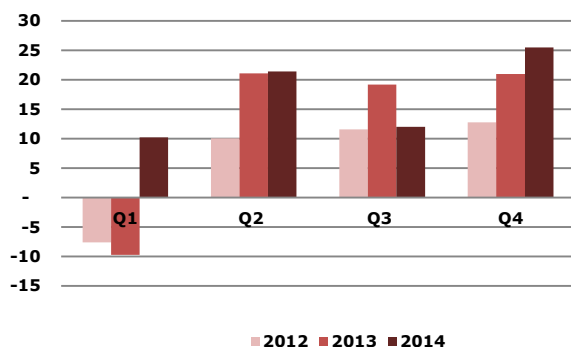
Gross profit in the fourth quarter amounted to SEK 109.4m (SEK 110.2m), a decrease of 0.7%. The gross margin increased from 15.7% to 18.4%, primarily because of higher margins on sold service hours as well as sold new and used machines.

Results from operating activities for the fourth quarter increased to SEK 25.5m (SEK 20.9m). This SEK 4.6m increase was primarily a result of a reduction in selling, general and administrative expenses of SEK 5.5m.

Gross profit for the full year amounted to SEK 398.1m (SEK 409.5m), a decrease of 2.8%. Gross margin during the year increased from 16.5% in 2013 to 17.1% in 2014.

Results from operating activities for the year amounted to SEK 69.0m (SEK 51.6m), primarily as result of a SEK 30.9m reduction in selling, general and administrative expenses.

Results from operating activities, SEK m



Results

The result before income tax for the fourth quarter was SEK 9.0m (SEK -0.2m). The strong increase was primarily a result of the improved result from operating activities, as well as reduced finance costs following the repayment of the company's bond loan in the fourth quarter of 2013.

The after-tax-result for the fourth quarter decreased to SEK 5.9m (SEK 9.9m). The after-tax result in the fourth quarter of 2013 was higher due to recognition of tax gains on the losses for the full year 2013.

The result before income tax for the full year amounted to SEK 25.9m (SEK -56.8m). The strong improvement was primarily a result of reduced selling, general and administrative costs and reduced finance costs following the repayment of the bond loan.

As a result of the above, the after-tax result for the year increased to SEK 18.7m (SEK -43.9m).

Cash flow

Cash flow from operating activities during the fourth quarter amounted to SEK 120.4m (SEK -31.8m). The improved cash flow was primarily a result of our efforts to reduce the inventory.

Cash flow from investing activities amounted to SEK -11.9m (SEK -9.8m), mainly relating to investments in property, plant and equipment and computer software licenses.

During the full year the cash flow from operating activities amounted to SEK -25.0m (SEK 42.0m). The decrease is primarily related to strong cash flow in 2013, mainly as a result of an increase in trade

payables following the introduction of new payment terms with Volvo in April 2013.

Cash flow from investing activities during the year amounted to SEK -36.4m (SEK -22.2m), also mainly relating to investments in property, plant and equipment and software licenses.

Financial position

Cash and cash equivalents at 31 December 2014 amounted to SEK 177.5m, an increase of approximately SEK 13.4m compared to 31 December 2013. Interest-bearing liabilities at 31 December 2014 amounted to SEK 286.6m, an increase of SEK 62.6m compared to 31 December 2013 (interest-bearing liabilities include debt and obligations under financial leases, both short term and long term).

Equity at 31 December 2014 amounted to SEK 371.5m, a decrease of SEK 166.3m compared to 31 December 2013. The decrease is mainly a result of accrued and paid dividends on preference shares in the amount of SEK 50m, as well as negative translation differences in the amount of SEK 134.7m. The significant amount of negative translation differences is caused by the substantial depreciation of the ruble against the Swedish krona during the year which led to a significant decrease in the net asset value in the reporting currency.

At the reporting date Ferronordic Machines LLC was in breach of two of the covenants under its RUB 500m credit facility agreement with Sberbank. The first covenant requires a minimum level of net profit of the borrower and the second one sets a limit for the borrower's total level of bank debt. As a result of the breach the loan became payable on demand instead of upon maturity in April 2016. After the reporting date the bank has issued a waiver letter in which it informs the borrower that it will not demand early repayment because of the covenant breaches.

Employees

The number of employees at the end of the quarter, converted into full-time employee equivalents, amounted to 767 (731).

Parent company

The revenue of the parent company during the fourth quarter amounted to SEK 4.0m (SEK 24.9m). The difference between the fourth quarter in 2013 and 2014 primarily relates to royalties paid to the parent company by Ferronordic Machines LLC under an intra-group trademark license agreement, which were higher in the fourth quarter of 2013 (included royalties for 2011-2013) than in the fourth quarter of 2014.

Administrative expenses during the quarter amounted to SEK 4.3m (SEK 3.9m), an increase of 11.2% compared to the same period last year.

The after-tax result for the fourth quarter decreased to SEK 4.0m (SEK 11.6m). This decrease also primarily related to the higher royalties received from Ferronordic Machines LLC in the fourth quarter of 2013 compared to the fourth quarter of 2014.

During the whole year the revenue of the parent company amounted to SEK 15.8m (SEK 28.2m). The difference between 2013 and 2014 also relates to the royalties from Ferronordic Machines LLC under the intra-group trademark license agreement, which were lower in 2014 compared to 2013.

Administrative expenses during the year amounted to SEK 18.3m (SEK 15.5m), an increase of 18.7% compared to the same period of last year.

The after-tax result for the full year increased to SEK 25.2m (SEK -26.3m), mainly because of lower finance cost following the repayment of the bond loan.

Risks and uncertainties

Ferronordic Machines is exposed to a number of risks, as described in Note 22 of the annual report 2013. Identifying, managing and pricing these risks are of fundamental importance to the company's profitability. Save for the events in Ukraine and related sanctions, as described above and in previous interim reports during 2014, there have been no significant changes to what was stated in Note 22 of the 2013 annual report.

The risks and uncertainties related to the parent company are indirectly similar to those of the Group.

Annual general meeting and annual report

The annual general meeting of Ferronordic Machines AB will be held on 19 May 2015 in Stockholm. Shareholders who wish to have a matter dealt with at the general meeting shall inform the board of directors thereof in writing not later than 31 March 2015. Requests to have a matter dealt with at the general meeting can be sent by post to Ferronordic Machines AB, "AGM", Hovslagargatan 5B, 111 48 Stockholm, or by email to henrik.carlborg@ferronordic.ru.

The 2014 annual report will be made available on the Company's website no later than 21 April 2015.

Terex Trucks

On 17 December Ferronordic Machines was appointed the official dealer of Terex Trucks throughout Russia. The appointment adds four models of rigid haulers to Ferronordic Machines' product offering, with payloads ranging from 41 to 91 tons. It also adds Terex-branded articulated haulers to our offering. As the distributor for Terex rigid and articulated haulers, Ferronordic Machines will also take over the responsibility for the aftermarket support of the existing machine population in Russia. Since 2007 Terex Trucks has sold about 200 trucks in Russia. Ferronordic Machines will work in cooperation with existing Terex partners to ensure a seamless continuation of high level support to existing customers. The addition of Terex trucks to our product range will significantly improve our penetration in the core earthmoving segment and extend our presence in light mining.

The appointment follows the acquisition by Volvo CE of Terex Equipment Ltd from Terex Corporation earlier in 2014. The acquisition included the main production facility in Motherwell, Scotland, and the two product ranges of rigid and articulated haulers. The deal allows for the continued use of the Terex brand name on the relevant machines for a transitional period.

Major events

In November Volvo CE announced that it will cease production of Volvo branded motor graders and backhoe loaders in its European and Americas operations and in the future, these product types will be designed and manufactured under the responsibility of the company's Chinese subsidiary SDLG. Sales of new backhoe loaders and motor graders represent approximately 18% of our revenue from new machine sales. Given that the target is to cease production gradually and that our supply of backhoe loaders is secured for the next 12-18 months, we expect the short-term impact of this decision to be limited. The long-term consequences of this decision will be analyzed further as part of the continuous review of our product portfolio.

Events after the balance sheet date

The interest on our credit facility from Sberbank has been increased from 9.7% to 15% starting from 1 February 2015. The loan currently outstanding under this facility amounts to RUB 500 million (SEK 68.7 million).

No other events requiring disclosure in the financial statements have occurred after the balance sheet date.

Outlook

The short and medium term market development is difficult to predict and the recent events in Ukraine create additional uncertainties and challenges. We continue to take measures to adapt our costs to the changes in market development.

All in all, however, we are optimistic about the future of our business as the long term fundamentals in the Russian construction equipment market remain strong.

Condensed consolidated statement of comprehensive income	For the three months ended	For the three months ended	For the twelve months ended	For the twelve months ended
	31 December 14	31 December 13	31 December 14	31 December 13
	SEK '000	SEK '000	SEK '000	SEK '000
Revenue	595 666	700 615	2 334 546	2 482 931
Cost of sales	(486 310)	(590 458)	(1 936 418)	(2 073 431)
Gross profit	109 356	110 157	398 128	409 500
Selling expenses	(23 939)	(26 113)	(95 869)	(105 663)
General and administrative expenses	(57 743)	(61 115)	(226 146)	(247 278)
Other income	3 155	40	6 585	1 468
Other expenses	(5 329)	(2 051)	(13 726)	(6 420)
Results from operating activities	25 500	20 918	68 972	51 607
Finance income	534	65	2 592	892
Finance costs	(11 499)	(25 990)	(36 577)	(81 353)
Net foreign exchange gains/losses	(5 521)	4 807	(9 043)	(27 979)
Result before income tax	9 014	(200)	25 944	(56 833)
Income tax	(3 090)	10 067	(7 215)	12 899
Result for the period	5 924	9 867	18 729	(43 934)
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(100 497)	-	(134 675)	-
<i>Items that will never be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating to presentation currency	-	(6 067)	-	(12 264)
Other comprehensive result for the period, net of tax	(100 497)	(6 067)	(134 675)	(12 264)
Total comprehensive result for the period	(94 573)	3 800	(115 946)	(56 198)
Loss per share				
Basic loss per share (SEK)	(0.66)	(0.26)	(3.13)	(6.89)

Condensed consolidated statement of financial position	31 December 14	31 December 13
	SEK '000	SEK '000
ASSETS		
Non-current assets		
Intangible assets	42 544	96 249
Property, plant and equipment	224 688	250 470
Deferred tax assets	36 192	22 893
Total non-current assets	303 424	369 612
Current assets		
Inventories	424 693	589 600
Trade and other receivables	265 412	338 516
Prepayments	1 336	1 047
Other current assets	706	709
Cash and cash equivalents	177 453	164 075
Total current assets	869 600	1 093 947
TOTAL ASSETS	1 173 024	1 463 559
EQUITY AND LIABILITIES		
Equity		
Share capital	937	1 027
Additional paid in capital	594 865	592 346
Translation reserve	(175 901)	(39 436)
Retained earnings	(67 102)	27 798
Result for the period	18 729	(43 934)
TOTAL EQUITY	371 528	537 801
Non-current liabilities		
Deferred tax liabilities	6 567	10 493
Long-term portion of finance lease liabilities	21 278	24 312
Total non-current liabilities	27 845	34 805
Current liabilities		
Borrowings	246 370	162 800
Trade and other payables	491 736	657 756
Deferred income	7 508	15 446
Provisions	9 121	18 066
Short-term portion of finance lease liabilities	18 916	36 885
Total current liabilities	773 651	890 953
TOTAL LIABILITIES	801 496	925 758
TOTAL EQUITY AND LIABILITIES	1 173 024	1 463 559
Pledged Assets and Contingent Liabilities		
Pledged Assets	209 135	197 098
Contingent Liabilities	-	6 321

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 at 1 January 2014	937	595 192	(41 226)	(17 102)	537 801
Total comprehensive income for the period					
Profit for the period				18 729	18 729
Other comprehensive income					
Foreign exchange differences			(134 675)		(134 675)
Total comprehensive income for the period			(134 675)	18 729	(115 946)
Contribution by and distribution to owners					
Preference shares dividends				(50 000)	(50 000)
Warrant cancellation		(327)			(327)
Total contributions and distributions		(327)		(50 000)	(50 327)
Balance at 31 December 2014	937	594 865	(175 901)	(48 373)	371 528

SEK '000	Attributable to equity holders of the Company				Total equity
	Share capital	Additional paid in capital	Translation reserve	Retained earnings	
Balance at 1 January 2013	983	103 925	(27 172)	52 798	130 534
Total comprehensive income for the period					
Loss for the period				(43 934)	(43 934)
Other comprehensive income					
Foreign exchange differences			(12 264)		(12 264)
Total comprehensive income for the period	-	-	(12 264)	(43 934)	(56 198)
Contribution by and distribution to owners					
Issue of preference shares	44	487 852			487 896
Preference shares dividends				(25 000)	(25 000)
Warrant issue		569			569
Total contributions and distributions	44	488 421	-	(25 000)	463 465
Balance at 31 December 2013	1 027	592 346	(39 436)	(16 136)	537 801

Condensed consolidated statement of cash flows	For the three months ended	For the three months ended	For the twelve months ended	For the twelve months ended
	31 December 14	31 December 13	31 December 14	31 December 13
	SEK '000	SEK '000	SEK '000	SEK '000
Cash flows from operating activities				
Result before income tax	9 014	(200)	25 944	(56 833)
Adjustments for:				
Depreciation and amortisation	25 223	21 284	102 718	101 254
Loss from write off (gain from provisions release) of receivables	376	(1 143)	7 486	2 056
Profit on disposal of rental fleet	(2 185)	(2 176)	(6 877)	(6 693)
Finance costs	11 499	25 990	36 577	81 353
Finance income	(534)	(65)	(2 592)	(892)
Net foreign exchange gains/losses	5 521	(4 807)	9 043	27 979
Other non-cash movements	-	2 459	0	2 459
Cash flows from operating activities before changes in working capital and provisions	48 914	41 342	172 299	150 683
Change in inventories	93 081	4 276	(175 583)	(209 433)
Change in trade and other receivables	(23 758)	1 795	(45 006)	(81 969)
Change in prepayments	(239)	519	(785)	743
Change in trade and other payables	3 232	(44 797)	34 845	259 297
Change in provisions	(326)	(3 630)	(4 549)	(6 046)
Changes in other assets	(13)	632	(308)	(43)
Change in deferred income	(1 779)	(251)	(3 978)	10 336
Cash flows from operations before interest paid	119 112	(114)	(23 065)	123 568
Proceeds from sale of rental fleet	12 787	3 504	36 012	26 182
Income tax paid	-	(2 746)	(1 335)	(11 037)
Interest paid	(11 502)	(32 399)	(36 579)	(96 667)
Net cash from/(used in) operating activities	120 397	(31 755)	(24 967)	42 046
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	-	(6)	-	181
Interest received	534	68	2 592	783
Acquisition of property, plant and equipment	(12 383)	(7 017)	(34 267)	(17 435)
Acquisition of intangible assets	(73)	(2 826)	(4 722)	(5 696)
Net cash used in investing activities	(11 922)	(9 781)	(36 397)	(22 167)
Cash flows from financing activities				
Proceeds from issue of warrants	-	597	-	597
Repayment of bonds	-	(280 000)	-	(280 000)
Proceeds from borrowings	245 264	156 632	849 306	281 623
Proceed from issue of preference shares	-	362 182	0	362 182
Repayment of other loans	(153 230)	(93 487)	(684 652)	(338 864)
Distributions to pref shareholders	(25 000)	-	(50 000)	-
Leasing financing received	-	9 545	41 523	9 545
Leasing financing paid	(9 543)	(10 916)	(42 668)	(42 001)
Repayment of warrants	-	-	(327)	-
Net cash from/(used in) financing activities	57 491	144 553	113 182	(6 918)
Net decrease in cash and cash equivalents	165 966	103 017	51 819	12 961
Cash and cash equivalents at start of the period	41 046	66 728	164 075	165 671
Effect of exchange rate fluctuations on cash and cash equivalents	(29 559)	(5 670)	(38 441)	(14 557)
Cash and cash equivalents at end of the period	177 453	164 075	177 453	164 075

Key Ratios	Note	For the three	For the three	For the twelve	For the twelve
		months ended	months ended	months ended	months ended
		31 December 14	31 December 13	31 December 14	31 December 13
Gross margin, %	1	18.4%	15.7%	17.1%	16.5%
Operating margin, %	2	4.3%	3.0%	3.0%	2.1%
Operating working capital, SEK'000	3	183 782	238 604	183 782	238 604
Net debt, SEK'000	4	109 111	59 922	109 111	59 922
Capital employed, SEK'000	5	480 639	597 723	480 639	597 723
EBITDA, SEK'000	6	50 723	42 202	171 690	152 861
Net debt/EBITDA, times	7	0.6	0.4	0.6	0.4
EBITDA margin, %	8	8.5%	6.0%	7.4%	6.2%
Return on capital employed, %	9	13.3%	8.2%	13.3%	8.2%
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	(0.66)	(0.26)	(3.13)	(6.89)
Diluted earnings per ordinary share, SEK	11	(0.66)	(0.26)	(3.13)	(6.89)
No. of employees at close of period		767	731	767	731
Days receivables outstanding	12	34	37	35	40
Days inventory outstanding	13	79	89	79	99

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 EBITDA 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 related to the period, 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

	For the three months ended 31 December 14	For the three months ended 31 December 13	For the twelve months ended 31 December 14	For the twelve months ended 31 December 13
Parent Company income statement	SEK '000	SEK '000	SEK '000	SEK '000
Revenue	4 001	24 894	15 794	28 215
Gross profit	4 001	24 894	15 794	28 215
Administrative expenses	(4 290)	(3 858)	(18 349)	(15 461)
Other expenses	-	(44)	-	(44)
Results from operating activities	(289)	20 992	(2 555)	12 710
Finance income	8 583	10 866	39 323	45 557
Finance costs	-	(17 985)	(1)	(58 319)
Net foreign exchange losses	(2 572)	(9 367)	(4 616)	(33 386)
Result before income tax benefit	5 722	4 506	32 151	(33 438)
Income tax	(1 711)	7 114	(7 000)	7 114
Result for the period	4 011	11 620	25 151	(26 324)
Parent company statement of comprehensive income				
Result for the period	4 011	11 620	25 151	(26 324)
Other comprehensive result				
<i>Items that are or may be reclassified to profit or loss:</i>				
Translation difference, expanded net investments in foreign operations	(53 392)	-	(69 676)	-
Other comprehensive result for the period, net of tax	(53 392)	-	(69 676)	-
Total comprehensive result for the period	(49 381)	11 620	(44 525)	(26 324)

	31 December 14 SEK '000	31 December 13 SEK '000
Parent Company Balance Sheet		
ASSETS		
Non-current assets		
Property, plant and equipment	30	11
Intangible assets	6 275	10 705
Financial assets		
Holdings in subsidiaries	192 162	192 105
Loans to subsidiaries	199 021	285 178
Deferred tax assets	34 078	20 860
Total financial assets	425 261	498 143
Total non-current assets	431 566	508 859
Current assets		
Trade and other receivables	19 298	44 007
Prepayments and accrued income	353	323
Cash and cash equivalents	370	5 013
Total current assets	20 021	49 343
Total assets	451 587	558 202
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	937	937
Unrestricted equity		
Share premium reserve	604 922	605 249
Translation reserve	(69 676)	-
Retained earnings	(138 075)	(61 751)
Result for the period	25 151	(26 324)
Total equity	423 259	518 111
Non-current liabilities		
Non-current liabilities	-	-
Total non-current liabilities	-	-
Current liabilities		
Trade and other payables	28 328	40 091
Total current liabilities	28 328	40 091
Total liabilities	28 328	40 091
Total equity and liabilities	451 587	558 202

Contingent liabilities* SEK 68 742K. There were no pledged assets as of 31 December 2014 and 31 December 2013

*A guarantee for credit facility issued by JSC Sberbank to Ferronordic Machines LLC (subsidiary of Ferronordic Machines AB).

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 2013 annual report. Figures in parentheses refer to same period of the previous year.

In 2014 the Group and the parent company have selected the Swedish krona (SEK) as the currency for presentation purposes. Previously the Group's consolidated financial statements were presented in euro. Management believes that the Swedish krona is a more appropriate presentation currency in the current environment. As per 1 January 2014 the parent company's functional currency has been changed from the Russian ruble to the Swedish krona, since the Swedish krona better reflects the primary economic environment in which the parent company operates, particularly since the krona is the currency in which most of the cash flow from financing activities are generated. From 1 January 2014 the parent company's reporting currency was also changed from euro to Swedish krona.

In connection with the change of functional currency, all items of the parent company were recalculated from euro to Swedish krona using the exchange rate as at 1 January 2014. Comparative information of the parent company was also recalculated from euro to Swedish krona at the exchange rate as at 1 January 2014. Comparative information in the consolidated financial information was recalculated from euro to Swedish krona as if the new presentation currency had always been applied.

Starting from 1 January 2014, the non-current group-internal loan from the parent company to Ferronordic Machines LLC is regarded as a net investment in foreign operation. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognised in other comprehensive income.

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 2013. The fair value of the Group's financial assets and liabilities approximates their 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 (sales of parts and service). 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 parent company, the company or Ferronordic Machines. Any mentioning of the board is a reference to the board of directors of Ferronordic Machines AB.

Notes

1. Operating 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 the Equipment Distribution segment:

	For the three months ended 31 December 14	For the three months ended 31 December 13	For the twelve months ended 31 December 14	For the twelve months ended 31 December 13
	SEK '000	SEK '000	SEK '000	SEK '000
Revenue				
Equipment Sales	460 803	557 437	1 746 506	1 903 733
Equipment Rentals	16 270	10 439	61 965	44 653
Aftermarket	117 728	132 739	524 340	534 545
Other revenue	865	-	1 735	-
Total revenues	595 666	700 615	2 334 546	2 482 931
Total delivery volume, units				
New units	417	398	1 335	1 425
Used units	44	62	158	156
Total units	461	460	1 493	1 581

EBITDA to result for the period:

	For the three months ended 31 December 14	For the three months ended 31 December 13	For the twelve months ended 31 December 14	For the twelve months ended 31 December 13
	SEK '000	SEK '000	SEK '000	SEK '000
EBITDA				
EBITDA	50 723	42 202	171 690	152 861
Depreciation and amortisation	(25 223)	(21 284)	(102 718)	(101 254)
Foreign exchange gain/(loss)	(5 521)	4 807	(9 043)	(27 979)
Finance income	534	65	2 592	892
Finance costs	(11 499)	(25 991)	(36 577)	(81 353)
Result before income tax	9 014	(200)	25 944	(56 833)
Income tax	(3 090)	10 067	(7 215)	12 899
Result for the period	5 924	9 867	18 729	(43 934)

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 2013 annual report.

The board of directors and the managing director declare that this report for the period January-December 2014 provides a true and fair overview of the Group's and the parent company's operations, their financial position and performance, and describes material risks and uncertainties facing the parent company and other companies in the Group.

Stockholm, 20 February 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 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 over 70 outlets and over 750 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

Year-end report 2014	20 February 2015
January – March report 2015	19 May 2015
April – June report 2015	25 August 2015
July – September report 2015	24 November 2015
Year-end report 2015	22 February 2016

For more information, please contact:

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

Ferronordic Machines AB (publ)

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

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 20 February 2015, 07:45 CET.