Ferronordic Machines AB

Year-end Report January – December 2012

Fourth Quarter 2012

- Sales revenue amounted to EUR 67.9m (77.6m)
- Revenue decrease of 12% Y-o-Y (16% in local currency)
- Operating profit amounted to EUR 1.5m (0.9m)
- The Operating margin was 2.2% (1.2%)
- EBITDA amounted to EUR 4.6m (2.8m)
- The after-tax result amounted to EUR -0.1m (-0.2m)
- Cash flow from operating activities amounted to EUR 14.5m (-16.3m)

January - December 2012

- Sales revenue amounted to EUR 275.8m (268.0m)
- Revenue growth of 3% Y-o-Y (0% in local currency)
- Operating profit amounted to EUR 3.1m (5.9m)
- The Operating margin was 1.1% (2.2%)
- EBITDA amounted to EUR 13.4m (12.3m)
- The after-tax result amounted to EUR -5.8m (-1.8m)
- Cash flow from operating activities amounted to EUR 16.6m (-51.1m)

*Comparative figures for last year are in brackets

Lars Corneliusson, CEO (left) and Erik Eberhardson, Executive Vice Chairman (right)

Lars Corneliusson, the CEO of Ferronordic Machines comments:

All time high revenue despite market slowdown in second half

Ferronordic Machines generated all time high revenue of EUR 275.8m in 2012, a 2.9% growth compared to 2011. Whereas new machines revenue decreased by 2.8%, the number of new machines sold increased 4.6% to 1,370 units, which is also all time high deliveries of Volvo CE machines in Russia. Revenue from parts and service grew almost 16.5%. EBITDA in 2012 was EUR 13.4m, a 9% increase compared to EUR 12.3m in 2011. We managed to increase our gross margin through a changed revenue mix and improved price realization. The higher gross profit was offset by increased operating expenses as the Company continued its expansion throughout Russia, albeit at a slower pace than in 2011. Net loss, excluding amortization of transactions related intangibles, was negative EUR 1.2m, primarily due to EUR 0.4m of unrealized FX losses and higher financial costs as a result of the Company's financial indebtedness position. Cash flow from operating activities was EUR 16.6m and cash used in investing activities was EUR 8.9m, resulting in an ending net debt position of EUR 63.9m. As a result, our bond covenant was 2.8x at the end of 2012.

In the fourth quarter, the Company experienced a 12.5% decrease in revenue compared to the same period the year before. During the quarter, 331 new units were sold, corresponding to a 18.1% decrease compared to the fourth quarter 2011. Revenue from parts and service increased 21.6% and revenue from the rental business doubled. Despite lower revenue, the Company increased its EBITDA by 64% to EUR 4.6m thanks to increased gross margin at the same time as operating expenses were kept at the same level as in the fourth quarter 2011. Net income, excluding amortization of transactions related intangibles, for the period was EUR 1.0m. Cash flow from operating activities was EUR 14.5m during Q4, primarily as a result of increased payables and a reduction in receivables. The Company spent EUR 3.1m on investing activities during the last quarter of 2012.

2012 has been a year with four fairly different quarters.

- *The first quarter showed very strong growth with the number of machines sold increasing almost 70% Y-o-Y to 294 units. The product mix however shifted somewhat towards smaller machines, e.g. backhoe loaders, resulting in a smaller increase in revenue of 37% to EUR 58 million.*
- *In the second quarter, the Company experienced for the first time a decline in revenue compared to the same period the year before. Both revenue and new units were below 2011 numbers with revenue decreasing 6% and new units 2%. The slowdown in revenue from machine sales was primarily related to a slower than expected market development, as a result of a relative slowdown in GDP growth, and the uncertainties surrounding the Russian presidential election and governmental cash disbursement to contractors. The unexpectedly low total market development started to push inventories up in the industry, including our own inventory.*
- *In the third quarter, despite a continuing weaker market, the Company experienced a 9% increase in revenue compared to the same period the year before. During the period, 391 new units were sold, a 9% increase over the third quarter 2011. During the quarter we managed to capture market opportunities in geographical areas previously operated by smaller independent dealers with low market shares, outside of traditionally stronger territories for VCE in Russia (such as North West and Central Russia).*
- *The fourth quarter was fairly weak from a revenue and unit perspective as some competitors pushed prices down following the inventory build-up in the second and third quarters. Despite this, we saw a strong improvement in our gross margin during the quarter following several price realization and efficiency measures implemented by the Company.*

There have been two positive market developments in late 2012 which hopefully will have an effect on the market in 2013. Firstly, the government announced that property tax (2% annually) will be abolished on machines starting with registrations in January 2013. Secondly, the government around Christmas time fully cleared its debts ranging from up to a year with some selected road construction companies. Given that road construction customers is our largest customer segment we hope this could have a positive effect on the Company in 2013.

In 2012, we have continued to increase our presence throughout Russia and have now established a very strong platform from which to further grow the revenue. The number of sales- and/or service locations increased from 53 to 69 and employees from 540 to 654. During the year we have established a firm foothold in Siberia and Far East, two regions traditionally weak for the Volvo CE business. We expect to see strong growth in these two regions in 2013.

As mentioned in previous reports, we have worked hard during the year in consolidating our organization and making it more efficient. These initiatives produced results mainly in the second half of the year. Furthermore, we have been more selective in opening new outlets and in recruiting new personnel. Following a build-up of a high inventory in Q2 and the beginning of Q3, as a result of the slower than expected market, we have worked hard in optimizing our inventory management and reaching an optimal inventory level and mix and believe that we are getting close. Our focus on competence development is continuing and our own training center in Moscow has been operational since mid-year 2012.

The year has also seen big changes in the oil price. Following an average USD 119 / barrel price during the first quarter, the oil price dropped significantly during the second quarter to as low as USD 88.7 / barrel on June 25. The price then increased in the last two quarters and averaged USD 110 / barrel in both the third and fourth quarter. With an oil price forecasted to continue at above 100 USD / barrel and a budget deficit as low as around 0.3% of GDP the consensus forecast for the GDP development of the Russian economy in 2013 remains one of the highest in the World at around 3.5%. There is usually a strong correlation between the oil price level, GDP growth and the spending in the construction equipment market and hence our revenue generation. We continue to monitor the oil price development closely.

Overall, we remain cautiously optimistic as we look forward into 2013, but continue to follow the key risks created by the international economic instability and the potential effects on business conditions in Russia.

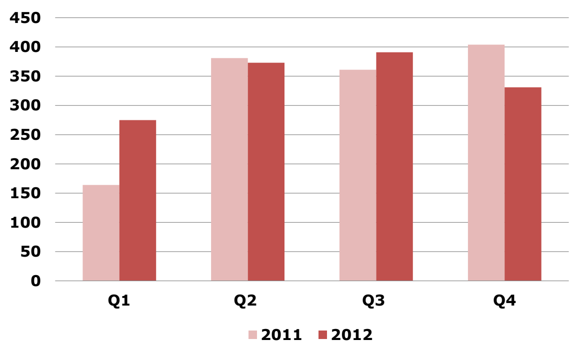
The business

Ferronordic Machines AB (the "Company") together with its subsidiaries (the "Group") has been the authorized dealer for Volvo Construction Equipment ("Volvo CE") in Russia since 1 June 2010. The business consists of distribution and sales of new Volvo construction equipment, sales of used equipment, sales of other brands' equipment, sales of parts and providing of services and technical support to customers.

Net sales

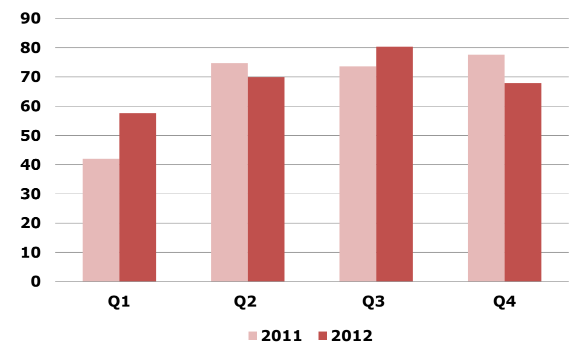
Consolidated revenue for Q4 2012 decreased by 13% from EUR 77.6m to EUR 67.9m as compared to the same period of 2011. Revenue from sales of new machines decreased by 19%. Revenue from spare parts and services increased by 22%.

New Units sold



Consolidated revenue for the twelve months 2012 increased by 3% from EUR 268.0m to EUR 275.8m compared to the same period of 2011. Revenue from sales of new machines decreased by 3% while revenue from spare parts and services increased by almost 17%.

Revenue, EUR m



Gross profit and results from operating activities

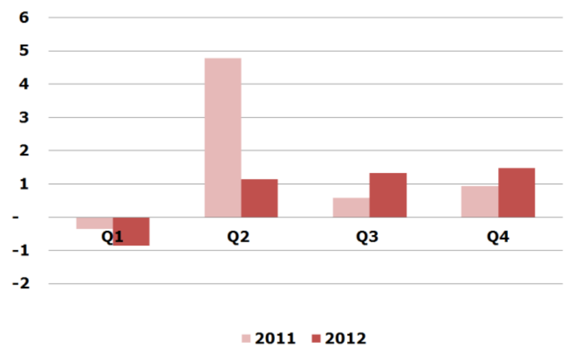
Gross profit in Q4 2012 amounted to EUR 12.1m, a 15% increase as compared to the previous year when gross profit amounted to EUR 10.5m. The gross margin increase from 13.5% to 17.8% is primarily a result of changed revenue mix and improved price realization.

Results from operating activities for Q4 2012 amounted to EUR 1.5m as compared to EUR 0.9m in Q4 2011 mainly due to EUR 1.6m increase in gross profit, which was partially offset by an increase in selling, general and administrative expenses by EUR 1.2m. SGA primarily increased as a result of growth in depreciation & amortization expenses.

Gross profit for the twelve months 2012 increased from EUR 37.4m to EUR 42.0m as compared to the previous year. The margin increased from 13.9% to 15.2%. The reasons for the increase were the same as in Q4 – increased share of spare parts and services sales as well as better price realization for machine sales.

Results from operating activities for 2012 amounted to EUR 3.1m as compared to EUR 5.9m in the same period 2011. Increase in gross profit of EUR 4.6m was offset by an increase in selling, general and administrative expenses of EUR 7.7m.

Results from operating activities, EUR m



Result before income tax

The result before income tax for Q4 2012 was EUR 0.5m better than for the same period of 2011, primarily due to:

- the improved results from operating activities of EUR 0.5m;

- a net foreign exchange gain of EUR 0.8m. The unrealized portion of foreign exchange gain in the amount of EUR 0.7m is primarily related to the appreciation of RUR, the Company's functional currency, against Swedish Krona (SEK), the currency in which Group's bonds are denominated.

The positive impact was offset by:

- a EUR 0.8m increase in net finance costs.

The result before income tax for the twelve months 2012 was EUR 5.2m lower than the same period in 2011. The decrease is primarily related to:

- the lower results from operating activities of EUR 2.8m;
- an increase in net finance costs of EUR 4.4m. The amount of average outstanding debt of the Group increased by 50% in the twelve months 2012 compared to the same period in 2011 as well as increased borrowing cost of over 2% compared to the same period in 2011, which resulted in the higher net finance costs; and
- unrealized foreign exchange losses decreased by EUR 2.1m, partially offsetting lower operating results and higher finance costs.

Loss for the period

The result for Q4 2012 in comparison to the same period of 2011 increased from EUR -0.2m to -0.1m due to the EUR 0.5m increase in results before income tax, offset by a income tax decrease.

The result for the twelve months 2012 in comparison to the same period of 2011 decreased from EUR -1.8m to -5.8m due to the EUR 5.2m decrease in results before income tax offset by a positive EUR 1.1m change in income tax.

The income tax benefit resulted from a decrease in deferred tax liability in the twelve months 2012 and recognizing tax loss carry forward in parent company.

Cash flow

Cash inflow from operating activities in Q4 2012 amounted to EUR 14.5m, compared to EUR 16.3m of cash outflow in the same period of 2011. During Q4 2012 the company increased trade payables and decreased trade receivables.

In Q4 2012 net cash used in investing activities was EUR 3.1m compared to the same period in 2011 (EUR 3.3m). In Q4 2012 investments primarily related to developing new dealer centers.

Cash inflow from operating activities in 2012 amounted to EUR 16.6m compared to EUR 51.1m of outflow in 2011.

In 2012 net cash used in investing activities was EUR 8.9m, an increase compared to the same period in 2011 (EUR 4.7m).

Financial position

Consolidated cash and cash equivalents at 31 December 2012 and 31 December 2011 were EUR 19.2m and EUR 12.4m, respectively. At 31 December 2012 and 31 December 2011 the Group had interest-bearing liabilities of EUR 83.1m and EUR 75.4m respectively (interest bearing liabilities include debt and obligations under financial leases, both short term and long term).

Total equity at 31 December 2012 was EUR 15.1m and EUR 20.0m at 31 December 2011. The decrease in equity is explained by the net loss of EUR 5.8m in 2012.

Material disputes

Litigation is described in note 25 of the 2011 Annual Report. During Q2 2012 this litigation was resolved in favor of the Group in the first instance. Contingent liability in amount of EUR 165 thousand related to this case was released in financial statements as of 30 June 2012. In Q3 2012 the claimant has given a notice of appeal. In November 2012 the litigation again was resolved in favor of the Group in the appeal instance.

The Group does not expect any outflow of financial resources related to this case. The contingent liability in respect of this case was released in financial statement as of 31 December 2012.

There have been no other material disputes during the reporting period.

Outlook

The management team continues to monitor and assess the global and Russian economic situation. Management recognizes the uncertainties in evaluating the impact of a potential recession and continuing instability in Western Europe and the US on the Russian economy and the company's market. It is difficult to estimate the short- and medium term market development; however, underlying long-term market fundamentals are strong.

Pledged assets and contingent liabilities

As disclosed in Note 3(a) the Group used its circulating inventory as collateral for its short-term loans used to finance working capital.

Parent company

Revenue for the Q4 2012 decreased by 11% from EUR 192 thousand to EUR 170 thousand for the same period 2011.

Administrative expenses for Q4 2012 decreased by 5% compared to Q4 2011 and amounted to EUR 380 thousand primarily due to the process of optimization of the company expenses.

The after tax result for Q4 2012 increased compared to the same period in 2011 from EUR 241 thousand to EUR 740 thousand which is primarily related to decrease in net unrealized exchange loss of EUR 1.0m related to non-Euro denominated liabilities.

Revenue for the year 2012 decreased by 4% from EUR 567 thousand to EUR 545 thousand for the same period 2011.

Administrative expenses for the twelve months 2012 decreased by 19% compared to the twelve months 2011 and amounted to EUR 1,528 thousand.

The after tax result for the twelve months 2012 increased compared to the same period in 2011, from a EUR 2,118 thousand loss to a EUR 1,757 thousand loss.

Noteworthy risks and uncertainties

In the Group's operations there are many types of risks. Identifying, managing and pricing these risks are of fundamental importance to the Group's profitability. Risks are normally of a technical, legal and financial nature, but political, ethical, social and environmental aspects are also part of assessing potential risks.

There have been no changes to what was stated by the Group in its Annual Report for 2011 under financial instruments and risk management (pages 50–56). Management continues to monitor any potential effects of the recent volatility in the international financial markets.

Employees

The number of employees at the end of December totaled 654 which is an increase of 114 employees since the start of the year 2012.

Events after the balance sheet date

On 30 January 2013 the Group purchased a 100% share of the company LLC "Ferronordic machines Archangelsk". The purchase price was EUR 2.2m.

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

Accounting principles

See note 1 page 12. Unless otherwise specified in the interim report all statements refer to the Group. Figures in parentheses indicate the outcome for the corresponding period in the previous year.

Condensed consolidated statement of comprehensive income	Note	For the three months ended 31 Dec 12 Unaudited EUR ’000	For the three months ended 31 Dec 11 Unaudited EUR ’000	For the twelve months ended 31 Dec 12 Unaudited EUR ’000	For the twelve months ended 31 Dec 11 Audited EUR ’000
Revenue	**1**	**67 929**	**77 622**	**275 806**	**268 017**
Cost of sales		(55 867)	(67 164)	(233 823)	(230 629)
Gross profit		**12 062**	**10 458**	**41 983**	**37 388**
Selling, general and administrative expenses		(10 268)	(9 029)	(38 204)	(30 511)
Other income		52	34	208	80
Other expenses		(374)	(530)	(912)	(1 064)
Results from operating activities		**1 472**	**933**	**3 075**	**5 893**
Finance income		49	86	247	224
Finance costs		(2 873)	(2 062)	(9 850)	(5 382)
Net foreign exchange gains/(losses)		769	(90)	(383)	(2 471)
Result before income tax		**(583)**	**(1 133)**	**(6 911)**	**(1 736)**
Income tax benefit (expense)		466	885	1 105	(29)
Result for the period		**(117)**	**(248)**	**(5 806)**	**(1 765)**
Other comprehensive income					
Exchange differences on translating to presentation currency		(149)	1 078	946	(852)
Other comprehensive income for the period, net of tax		**(149)**	**1 078**	**946**	**(852)**
Total comprehensive income for the period		**(266)**	**830**	**(4 860)**	**(2 617)**
Result attributable to:					
Owners of the Company		(117)	(248)	(5 806)	(1 765)
Non-controlling interests		-	-	-	-
Result for the period		**(117)**	**(248)**	**(5 806)**	**(1 765)**
Total comprehensive income attributable to:					
Owners of the Company		(266)	830	(4 860)	(2 617)
Non-controlling interests		-	-	-	-
Total comprehensive income for the period		**(266)**	**830**	**(4 860)**	**(2 617)**

Condensed consolidated statement of financial position	Note	31 Dec 12 Unaudited EUR '000	31 Dec 11 Audited EUR '000
ASSETS			
Non-current assets			
Intangible assets		16,483	20,256
Property, plant and equipment		27,273	18,005
Deferred tax assets		1,305	898
Total non-current assets		**45,061**	**39,159**
Current assets			
Inventories		58,675	62,624
Trade and other receivables		31,715	22,835
Prepayments		221	170
Cash and cash equivalents		19,227	12,403
Other current assets		89	-
Total current assets		**109,927**	**98,032**
TOTAL ASSETS		**154,988**	**137,191**
EQUITY AND LIABILITIES			
Equity			
Non-restricted share capital		95	95
Additional paid in capital		10,579	10,579
Retained earnings		11,011	12,776
Result for the period		(5,806)	(1,765)
Translation reserve		(730)	(1,676)
Total equity attributable to equity holders of the Company		**15,149**	**20,009**
TOTAL EQUITY		**15,149**	**20,009**
Non-current liabilities			
Loans and borrowings	2	45,628	43,517
Deferred income		396	714
Deferred tax liabilities		2,415	3,438
Long-term portion of finance lease liabilities		6,942	5,596
Total non-current liabilities		**55,381**	**53,265**
Current liabilities			
Loans and borrowings	2	27,345	23,997
Trade and other payables		50,486	33,994
Deferred income		430	440
Provisions		2,997	3,198
Short-term portion of finance lease liabilities		3,200	2,288
Total current liabilities		**84,458**	**63,917**
TOTAL LIABILITIES		**139,839**	**117,182**
TOTAL EQUITY AND LIABILITIES		**154,988**	**137,191**
Pledged Assets and Contingent Liabilities			
Pledged Assets		21,066	20,337
Contingent Liabilities		762	830

Consolidated statement of changes in equity

EUR '000			Attributable to equity holders of the Company		
	Share capital	Additional paid in capital	Retained earnings	Translation reserve	Total equity
Balance at 1 January 2012	**95**	**10,579**	**11,011**	**(1,676)**	**20,009**
Total comprehensive income for the period					
Profit/(loss) for the period	-	-	(5,806)	-	(5,806)
Other comprehensive income					
Exchange differences on translating to presentation currency	-	-	-	946	946
Total comprehensive income for the period	**-**	**-**	**(5,806)**	**946**	**(4,860)**
Balance at 31 December 2012	**95**	**10,579**	**5,205**	**(730)**	**15,149**

EUR '000			Attributable to equity holders of the Company		
	Share capital	Additional paid in capital	Retained earnings	Translation reserve	Total equity
Balance at 1 January 2011	**95**	**10,537**	**12,776**	**(824)**	**22,584**
Total comprehensive income for the period					
Profit/(loss) for the period	-	-	(1,765)	-	(1,765)
Other comprehensive income					
Exchange differences on translating to presentation currency	-	-	-	(852)	(852)
Total comprehensive income for the period	**-**	**-**	**(1,765)**	**(852)**	**(2,617)**
Contributions by and distributions to owners					
Warrant issue	-	42	-	-	42
Total contributions by and distributions to owners	**-**	**42**	**-**	**-**	**42**
Balance at 31December 2011	**95**	**10,579**	**11,011**	**(1,676)**	**20,009**

Consolidated cash flow statement	For the three months ended 31 Dec 12 Unaudited EUR '000	For the three months ended 31 Dec 11 Unaudited EUR '000	For the twelve months ended 31 Dec 12 Unaudited EUR '000	For the twelve months ended 31 Dec 11 Audited EUR '000
Cash flows from operating activities				
Result before income tax	(583)	(1,133)	(6,911)	(1,736)
Adjustments for:				
Depreciation and amortisation	3,133	1,861	10,330	6,381
Loss from write off of receivables	243	126	560	486
Loss (profit) on disposal of rental fleet	(472)	(64)	(472)	(64)
Finance costs	2,873	2,062	9,850	5,382
Finance income	(49)	(86)	(247)	(224)
Net foreign exchange losses/(gains)	(769)	90	383	2,471
Cash flows from (used in) operating activities before changes in working capital and provisions	**4,376**	**2,856**	**13,493**	**12,696**
Change in inventories	(444)	(11,282)	1,969	(45,502)
Change in trade and other receivables	1,260	1,882	(8,326)	(8,124)
Change in prepayments for current assets	18	(11)	(46)	(87)
Change in trade and other payables	7,099	(8,275)	15,437	(8,121)
Change in provisions and employee benefits	(699)	(1,064)	(318)	1,962
Changes in other assets	10	-	(89)	-
Change in deferred income	(130)	(101)	(548)	(730)
Cash flows from operations before interest paid	**11,490**	**(15,995)**	**21,572**	**(47,906)**
Proceeds from sale of rental fleet	4,426	527	4,426	527
Income tax paid	(116)	(190)	(210)	(1,210)
Interest paid	(1,284)	(627)	(9,222)	(2,484)
Net cash from/(used in) operating activities	**14,516**	**(16,285)**	**16,566**	**(51,073)**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	29	10	29	10
Interest received	23	86	113	224
Acquisition of property, plant and equipment	(2,903)	(2,869)	(8,451)	(4,910)
Acquisition of intangible assets	(223)	(557)	(584)	(740)
Closing of deposits	-	-	-	747
Net cash (used in) investing activities	**(3,074)**	**(3,330)**	**(8,893)**	**(4,669)**
Cash flows from financing activities				
Proceeds from issue of warrants	-	-	-	45
Proceeds from bonds	-	-	-	42,645
Proceeds from borrowings	24,835	21,371	88,713	67,895
Repayment of loans from investors	-	-	-	(24,880)
Repayment of other loans	(24,844)	(14,207)	(86,207)	(43,436)
Net leasing financing received (paid)	(1,922)	4,195	(3,422)	6,175
Net cash from financing activities	**(1,931)**	**11,359**	**(916)**	**48,444**
Net increase in cash and cash equivalents	**9,511**	**(8,256)**	**6,757**	**(7,298)**
Cash and cash equivalents at start of the period	**10,080**	**19,763**	**12,403**	**20,776**
Effect of exchange rate fluctuations on cash and cash equivalents	(364)	896	67	(1,075)
Cash and cash equivalents at end of the period	**19,227**	**12,403**	**19,227**	**12,403**

Key Ratios	Note	For the three months ended 31 Dec 12	For the three months ended 31 Dec 11	For the twelve months ended 31 Dec 12	For the twelve months ended 31 Dec 11
Gross margin, %	1	17,8%	13,5%	15,2%	13,9%
Operating margin, %	2	2,2%	1,2%	1,1%	2,2%
Operating working capital, EUR'000	3	36 787	47 997	36 787	47 997
Net debt, EUR'000	4	63 888	62 995	63 888	62 995
Capital employed, EUR'000	5	79 037	83 004	79 037	83 004
EBITDA, EUR'000	6	4 605	2 794	13 405	12 274
Net debt/EBIDTA, times	7	4,8	5,1	4,8	5,1
EBITDA margin, %	8	6,8%	3,6%	4,9%	4,6%
Return on capital employed, %	9	5,5%	11,0%	5,5%	11,0%
Headcount at period-end		654	540	654	540
Days receivables outstanding	10	42	26	41	31
Days inventory outstanding	11	95	84	90	98

Definitions

1. Gross profit relative to revenue
2. Results from operating activities relative to revenue
3. Current assets less current liabilities excluding financing-bearing liabilities and cash and cash equivalents
4. All the financial-bearing liabilities less cash and cash equivalents
5. Total equity and net debt
6. The results from operating activities less depreciation and amortization
7. Net debt relative to LTM EBIDTA
8. EBITDA relative to revenue
9. LTM results for the period less finance cost relative to capital employed
10. Outstanding receivables relative to average daily sales
11. Outstanding inventory relative to average daily cost of sales

Parent Company statement of comprehensive income	For the three months ended 31 Dec 12 Unaudited EUR ’000	For the three months ended 31 Dec 11 Unaudited EUR ’000	For the twelve months ended 31 Dec 12 Unaudited EUR ’000	For the twelve months ended 31 Dec 11 Audited EUR ’000
Revenue	170	192	545	567
Gross profit	**170**	**192**	**545**	**567**
Administrative expenses	(380)	(400)	(1 528)	(1 895)
Results from operating activities	**(210)**	**(208)**	**(983)**	**(1 328)**
Finance income	1 347	1 291	5 363	4 006
Finance costs	(1 477)	(1 412)	(5 953)	(4 121)
Net foreign exchange gains/(losses)	766	(194)	(498)	(1 439)
Result before income tax benefit	**426**	**(523)**	**(2 071)**	**(2 882)**
Income tax benefit	314	764	314	764
Result for the period	**740**	**241**	**(1 757)**	**(2 118)**
Total comprehensive income for the period	**740**	**241**	**(1 757)**	**(2 118)**

Parent Company Balance Sheet	31 Dec 12 Unaudited EUR ’000	31 Dec 11 Audited EUR ’000
ASSETS		
Non-current assets		
Property, plant and equipment	2	3
Intangible assets	1 708	2 208
Holdings in group Companies	15 426	15 426
Loans to group companies	35 984	34 738
Deferred tax assets	1 224	870
Total non-current assets	**54 344**	**53 245**
Current assets		
Trade and other receivables	2 770	2 503
Prepayments	66	53
Cash and cash equivalents	193	845
Total current assets	**3 029**	**3 401**
TOTAL ASSETS	**57 373**	**56 646**
EQUITY AND LIABILITIES		
Equity		
Non-restricted share capital	100	100
Share Premium Reserve	12 344	12 344
Retained earnings	(2 417)	(299)
Result for the period	(1 758)	(2 118)
Total equity attributable to equity holders of the Company	**8 269**	**10 027**
TOTAL EQUITY	**8 269**	**10 027**
Non-current liabilities		
Loans and borrowings	45 628	43 517
Total non-current liabilities	**45 628**	**43 517**
Current liabilities		
Trade and other payables	3 476	3 102
Total current liabilities	**3 476**	**3 102**
TOTAL LIABILITIES	**49 104**	**46 619**
TOTAL EQUITY AND LIABILITIES	**57 373**	**56 646**

Basis of presentation and summary of significant accounting policies

Functional and presentation currency

Items included in the various units of the Group and the Parent Company are valued in the currency in which each company primarily operates (functional currency). For all companies in the Consolidated Group the functional currency is the national currency of the Russian Federation the Russian Ruble ("RUB"). The Group and Parent have selected the Euro ("EUR") as the currency for presentation purposes.
The Parent Company functional currency is the Euro for purposes of compliance with Swedish reporting requirements.
All financial information presented in EUR has been rounded to the nearest thousand, unless otherwise stated.

Accounting policies

The consolidated financial statements for the year 2012, and financial statements for 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, the Annual Accounts Act and the Swedish Financial Reporting Board RFR 1, Supplementary Accounting Rules for Groups.
This quarterly report has been prepared in accordance with IAS 34.
The Group uses the same accounting policies as described in the Annual Report for 2011. None of the new or revised standards, interpretations and improvements that have been adopted by the EU and that must be applied from 1 January 2012 has had an effect on the Group.
The Parent Company's financial statements are prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and RFR 2, Accounting for legal entities, and according to the same principles that were applied to the Annual Report for 2011.

Effects of changes in accounting estimates

Significant estimates and assumptions are described in Note 3 in the Annual Report for 2011.
There have been no changes in the significant estimates and assumptions that could have a material impact on this report.

Seasonality

The Company's interim period revenues and earnings historically follow a weather related pattern of seasonality. Typically, the first quarter is the weakest quarter as construction and infrastructure activity is constrained in the winter months, but with a strong performance in after sales customer support (parts and service) activities. This is followed by a strong increase in the second quarter as construction and other contracts begin to be put out for bid and companies begin to prepare for summer activity. The third quarter generally tends to be slower from an equipment sales standpoint, and the same tendency in customer support (parts and service) activities. Fourth quarter activity generally strengthens as companies make year-end capital spending decisions.

1. Operational Segments

Operating segments are reported in accordance with IFRS 8 and IAS34.

Management has determined the operating segments based on reports reviewed by the chief operating decision maker. The Company has one reportable segment, Equipment Distribution. This business sells and rents new and used equipment and provides after-sale product support (parts and service) to customers that operate in infrastructure, construction, mining, oil and gas exploration, forestry and industrial markets.

A breakdown of revenue from the Equipment Distribution segment is as follows:

Revenue	**For the three months ended 31 Dec 12 Unaudited EUR '000**	**For the three months ended 31 Dec 11 Unaudited EUR '000**	**For the twelve months ended 31 Dec 12 Unaudited EUR '000**	**For the twelve months ended 31 Dec 11 Audited EUR '000**
Equipment Sales	51 866	64 990	211 114	215 782
Equipment Rentals	1 772	864	6 325	2 040
Product Support	14 292	11 758	58 366	50 091
Other revenue	-	10	-	104
Total revenues	**67 929**	**77 622**	**275 806**	**268 017**

Total delivery volume, units				
New units	331	404	1,370	1,310
Used units	19	25	75	75
Total units	**350**	**429**	**1 445**	**1 385**

The chief operating decision maker assesses the performance of the operating segment based on adjusted earnings before interest, tax, depreciation and amortization (EBITDA). Other information provided to chief operating decision maker is measured in a manner consistent with that in the consolidated accounts for the fourth quarter 2012.

A reconciliation of EBITDA to profit for the period is as follows:

EBITDA	**For the three months ended 31 Dec 12 Unaudited EUR '000**	**For the three months ended 31 Dec 11 Unaudited EUR '000**	**For the twelve months ended 31 Dec 12 Unaudited EUR '000**	**For the twelve months ended 31 Dec 11 Audited EUR '000**
EBITDA	4 605	2 794	13 405	12 274
Depreciation and amortisation	(3 133)	(1 861)	(10 330)	(6 381)
Foreign exchange loss	769	(90)	(383)	(2 471)
Finance income	49	86	247	224
Finance costs	(2 873)	(2 062)	(9 850)	(5 382)
Profit before income tax	(583)	(1 133)	(6 911)	(1 736)
Income tax benefit/(expense)	466	885	1 105	(29)
Profit for the period	**(117)**	**(248)**	**(5 806)**	**(1 765)**

2. Loans and borrowings

(a) Short-term borrowings

Short-term borrowings as of 31 December 2012 consisted of the following:

	Outstanding balance as of 31 December 2012 EUR'000	Credit facility limit EUR'000
Secured short term borrowings	17,402	17,402
Unsecured short term borrowings	9,943	12,429
Total	**27,345**	**29,831**

During Q4 2012 the Group entered into a new short-term loan agreement with a credit facility limit of EUR 27.6m. A part of this facility, up to EUR 17.5m, is secured by circulating inventory with net book value of EUR 21.1m and a part above EUR 17.5m is unsecured. The outstanding amount of the secured part of short-term loan as of 31 December 2012 was EUR 17.4m. The average interest rate of these loans was 11.45% p.a. and maturity dates for these loans vary between 51 and 162 days after the reporting date. The facility availability period equals to 15 months after the reporting date.

The outstanding amount of unsecured short term loans as of 31 December 2012 was EUR 9,943 thousands. The average interest rate of these loans was 11.45% p.a. In addition to the abovementioned loan facility the Group has unused unsecured overdraft facilities in an amount of EUR 2.5m.

(b) Long-term borrowings

The Group issued bonds on 28 June 2011 with gross proceeds of SEK (Swedish crowns) 400 million (EUR 43,730 thousand). These bonds are transferable, unconditional, unsecured and unsubordinated debt instrument. The coupon rate for the bonds outstanding as of 31 December 2012 was 12% p.a., with interest payable on an annual basis. Each bond has a nominal amount of SEK one million or full multiples thereof. The redemption date of the bonds is 28 June 2014.

The bond agreement contains a number of covenants including general, information and financial undertakings.
The fees for the bonds issuance were EUR 1.3 million and are recognized against the bond payable amount.
The bonds have initially been recognized at fair value, net of transaction costs incurred. The bonds are subsequently stated at amortized cost; the difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the bonds' period of the bond using the effective interest method.

3. Related party transactions

The Group's related parties and the extent of transactions with related parties are described in note 26 of the 2011 Annual Report.

Parent company

During Q4 2012 and the whole year 2012, the parent company received EUR 125 thousand (EUR 125 thousand) and EUR 500 thousand (EUR 500 thousand) respectively from Ferronordic Machines LLC for the Volvo business sub-license. The parent company also incurred EUR 1.3m (EUR 1.3m) and EUR 5.4m (EUR 4.0m) in interest income from subsidiary in Q4 2012 and the whole of 2012 respectively. During the twelve months of 2012 an interest payment in the amount of EUR 5.6m was received by the parent company from Ferronordic Machines LLC.

4. Events after the balance sheet date.

On 30 January 2013 the Group purchased a 100% share of the company LLC "Ferronordic machines Archangelsk". The purchase price was EUR 2.2 m.
No other events requiring disclosure in the financial statements have occurred after the balance sheet date.

Annual meeting

The Annual Shareholders' meeting will be held on May 20, 2013 in Stockholm. The invitation to the Meeting will be published no later than April 19, 2013.

Financial reports during 2013

Ferronordic Machines' interim reports as well as the Year-end Report are available for downloading on Ferronordic Machines' website, www.ferronordic.ru and can also be ordered from Ferronordic Machines, Investor Relations. The Annual report for 2012 will be available on the Company's website and headquarters after April 19, 2013. The Group's reports during 2013 will be published on the following dates:

May 2013	Three Month Report
August 2013	Six Month Report
November 2013	Nine Month Report
February 2014	Year-end Report

The Year-end Report has been submitted following approval by the Board of Directors after contact with the Group's auditors.

Stockholm, February 21 2013

Per-Olof Eriksson
Chairman

Anders Blomqvist
Group CFO

This Year-end Report has not been subject to a review by the Company's auditors.

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