FERRONORDIC machines

Ferronordic Machines AB (publ)
Interim Report January – September 2013

CONTINUED MARGIN IMPROVEMENT

THIRD QUARTER 2013*

- Sales revenue amounted to EUR 70.5m (80.3m)
- Revenue decrease of 12.2% Y-o-Y (4.7% in local currency)
- Operating profit amounted to EUR 2.2m (1.3m)
- The Operating margin was 3.2% (1.7%)
- EBITDA amounted to EUR 5.4m (3.9m)
- Unrealized FX losses amounted to EUR -2.1m (-0.2m)
- The after-tax result amounted to EUR -2.0m (-1.3m)
- Cash flow from operating activities amounted to EUR -16.0m (4.1m)

JANUARY - SEPTEMBER 2013*

- Sales revenue amounted to EUR 207.6m (207.9m)
- Revenue at same level as previous year (increase of 4.6% in local currency)
- Operating profit amounted to EUR 3.5m (1.6m)
- The Operating margin was 1.7% (0.8%)
- EBITDA amounted to EUR 12.9m (8.8m)
- Unrealized FX losses amounted to EUR -3.8m (-0.8m)
- The after-tax result amounted to EUR -6.3m (-5.3m)
- Cash flow from operating activities amounted to EUR 9.0m (3.5m)

* Comparative figures for previous year are in brackets.

SIGNIFICANT EVENTS DURING THE THIRD QUARTER

- Improved gross margin and EBITDA despite flat market for construction equipment in Russia
- All seven regions significantly contributing to the business performance
- Decrease of financial indebtedness compared to the same period in 2012

EUR M	2013 Q3	2012 Q3	2013 9M	2012 9M	2012 Oct – 2013 Sept
Revenue	70.5	80.3	207.6	207.9	275.6
EBITDA	5.4	3.9	12.9	8.8	17.5
Operating Profit	2.2	1.3	3.5	1.6	5.0
Net Debt	56.5	75.7	56.5	75.7	56.5
Net debt / EBITDA*	2.6x	4.2x	2.6x	4.2x	2.6x

*Calculation based on Bond Terms and Conditions.

FERRONORDIC MACHINE'S CEO LARS CORNELIUSSON COMMENTS:

"The market for new construction equipment in Russia was close to flat in Q3 2013 compared to the same period in 2012. The Company, however, managed to increase EBITDA from EUR 3.9m to EUR 5.4m and gross margin from 14.2% to 16.9% compared to the same period in 2012.
In October we successfully raised SEK 500m through a preference share issuance. We are very pleased with the strong demand in our preference share, both from new investors as well as from existing bondholders. This signals a substantial interest and confidence in our business and a comfort in the way Ferronordic Machines has performed in Russia since the start of operations in 2010. With the capital from the preference share issue and with new investors on board, we will continue to execute our growth strategy."

Continued margin improvement

The market for new construction equipment in Russia was close to flat in Q3 2013 compared to the same period in 2012. The Company, however, managed to increase EBITDA from EUR 3.9m to EUR 5.4m and gross margin from 14.2% to 16.9% compared to the same period in 2012.

Lars Corneliusson, the CEO of Ferronordic Machines

In Q3 2013 revenue amounted to EUR 70.5m, a 12.2% decrease compared to the same period in 2012 (4.7% in ruble terms). We are pleased by the strong performance in service revenue which was up by 40% compared to the same period in 2012. Parts sales, however, only increased by 2% compared to Q3 2012 (10% in local currency) partly due to high sales of spare parts under warranty campaigns in 2012.

In the Q3 2013, despite lower revenue, gross profit increased from EUR 11.4m to EUR 11.9m. EBITDA in Q3 2013 was EUR 5.4m, a 38% increase compared to the same period of 2012 when EBITDA amounted to EUR 3.9m. Our net debt position by the end of the third quarter of 2013 amounted to EUR 56.5m and our net debt/EBITDA ratio was 3.2x.

Unrealized FX losses again negatively affected net results for the period. In the third quarter of 2013 unrealized FX losses amounted to EUR 2.1m. Excluding the effect of unrealized FX losses, the Company's net results increased by EUR 1.3m in Q3 2013 compared to the same period 2012.

In the first nine month of the year, Ferronordic Machines generated revenue of EUR 207.6m, which was at a similar level as the same period of 2012 when revenue amounted to EUR 207.9m. However, in local currency revenue increased by 4.6%. Revenue from parts and services increased from EUR 44.1m to EUR 46.8m. Revenue from service isolated increased by 43% while revenue from parts sales increased by 2%.

Due to more efficient pricing structure of machines and parts we managed to increase our gross profit margin to 16.8% as compared to 14.4% in the same period of 2012. In money terms gross profit increased significantly from EUR 29.9m to EUR 34.9m. EBITDA in the first nine months of 2013 was EUR 12.9m, a 46% increase compared to the same period of 2012 when EBITDA amounted to EUR 8.8m. Unrealized FX losses negatively affected the net result by EUR 3.8m.

At the end of September 2013 we operated 75 sales and/or service locations as compared to 63 locations at the end of September 2012. We continued to establish a firm foothold in Siberia and Far East, two regions which have traditionally been weak for the Volvo CE business. We expect to see further growth in these two regions in 2013 and 2014. At the end of the third quarter of 2013 we had 710 employees as compared to 621 employees at the end of the same period in 2012 –service personnel comprise the majority of the increase.

In October we successfully raised SEK 500m through a preference share issuance. We are very pleased with the strong demand in our preference share, both from new investors as well as from existing bondholders. This signals a substantial interest and confidence in our business and a comfort in the way Ferronordic Machines has performed in Russia since the start of operations in 2010. With the capital from the preference share issue and with new investors on board, we will continue to execute our growth strategy.

We are encouraged by our profitability in the third quarter of 2013 and are cautiously optimistic about the prospect for 2014.

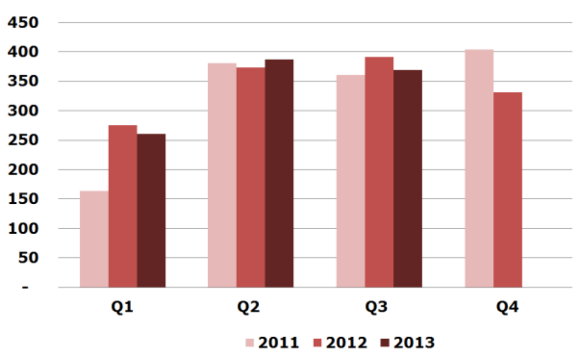
The business

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.

Net sales

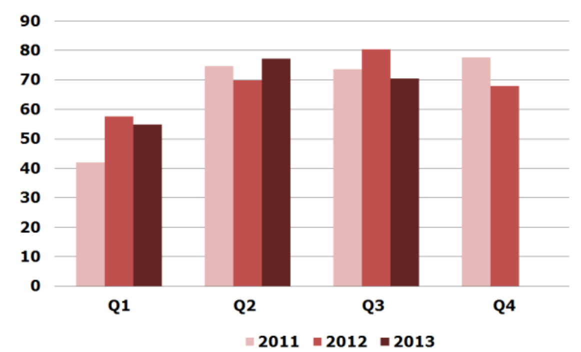
Consolidated revenue for Q3 2013 decreased by 12% from EUR 80.3m to EUR 70.5m as compared to the same period of 2012. Revenue from sales of new machines decreased by 19%, which was partially offset by an increase in revenue from spare parts and services by 7%.

New Units sold



Consolidated revenue for the first nine months remained almost unchanged at EUR 207.6m as compared to 207.9m in the same period in 2012. Revenue from sales of new machines decreased by 3%, which was offset by an increase in revenue from spare parts and services by 6%.

Revenue, EUR m



Gross profit and results from operating activities

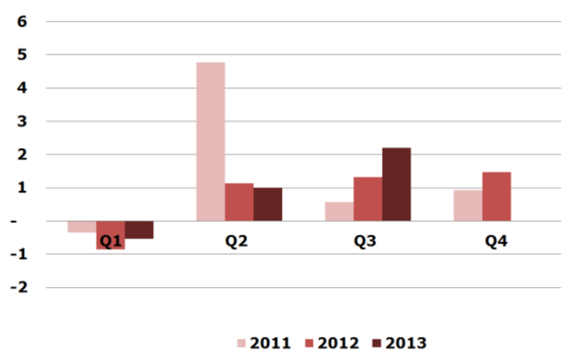
Gross profit in Q3 2013 amounted to EUR 11.9m, a 4.5% increase as compared to the same period in 2012 when gross profit amounted to EUR 11.4m. The gross profit margin increase from 14.2% to 16.8% is primarily a result of a better price realization on machines due to customer and regional mix and increased gross margin on spare parts sales as a result of a restructuring of the parts price list.

Results from operating activities for Q3 2013 amounted to EUR 2.2m as compared to EUR 1.3m in Q3 2012 mainly due to the EUR 0.5m increase in gross profit and decrease in selling, general and administrative expenses and other expenses by EUR 0.3m.

Gross profit during the first nine months 2013 increased from EUR 29.9m to EUR 34.9m. This 16.6% increase was primarily related to a significant improvement in gross margin from 14.4% to 16.8%.

Results from operating activities for the first nine months 2013 amounted to EUR 3.5m as compared to EUR 1.6m in the same period 2012 mainly due to the EUR 5.0m increase in gross profit, which was partially offset by an increase in selling, general and administrative expenses of EUR 3.1m.

Results from operating activities, EUR m



Result before income tax

The result before income tax for Q3 2013 was EUR 0.4m lower than for the same period of 2012, primarily due to:

- an increase in net unrealized foreign exchange loss of EUR 2.0m as compared to the previous year. The foreign exchange losses and gains are primarily related to the depreciation or appreciation of RUR, the Company's functional currency, against Swedish Krona (SEK), the currency in which Group’s bonds are denominated.

- the increase in foreign exchange loss was partly offset by the improved result from operating activities of EUR 0.9m and lower net finance costs of EUR 0.7m.

The result before income tax for the first nine months in 2013 was EUR 0.7m lower than the same period in 2012. The decrease is primarily related to:

- an increase in net unrealized foreign exchange loss of EUR 3.0m as compared to the previous year;
- the increase in foreign exchange loss was partly offset by the improved result from operating activities of EUR 1.9m and lower finance costs of EUR 0.5m.

Loss for the period

The result for Q3 2013 in comparison to the same period of 2012 decreased from EUR -1.3m to EUR -2.0m due to the EUR 0.4m decrease in results before income tax and 0.3m increase in income tax.

The result for the first nine months 2013 in comparison to the same period of 2012 decreased from EUR -5.3m to EUR -6.3m due to the EUR 0.7m decrease in results before income tax and 0.3m decrease in income tax benefit.

Cash flow

Cash inflow from operating activities in Q3 2013 amounted to EUR -16.0m compared to EUR 4.1m in the same period of 2012. This was primarily a result of increase in inventory of EUR 15.5m during the quarter.

In Q3 2013 net cash used in investing activities was EUR -0.3m (EUR -2.6m in Q3 2012).

Cash flow from operating activities in the first nine months 2013 amounted to EUR 9.0m compared to EUR 3.5m in the same period of 2012.

In the first nine months 2013 net cash used in investing activities was EUR -1.4m, a decrease compared to the same period in 2012 (EUR -7.3m).

Financial position

Consolidated cash and cash equivalents at 30 September 2013 and 31 December 2012 were EUR 7.7m and EUR 19.2m, respectively. At 30 September 2013 and 31 December 2012 the Group had interest-bearing liabilities of EUR 64.2m and EUR 83.1m respectively (interest bearing liabilities include debt and obligations under financial leases, both short term and long term).

Total equity at 30 September 2013 was EUR 8.2m and EUR 15.1m at 31 December 2012. The decrease in equity is explained by the net loss incurred during the first nine months 2013.

Material disputes

Litigation is described in note 25 of the 2012 Annual Report.

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 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 2(a) the Group used its circulating inventory as collateral for its short-term loans used to finance working capital.

Parent company

Revenue for Q3 2013 was on the same level as in the same period of 2012, or EUR 125 thousand.

Administrative expenses for Q3 2013 increased by 16% compared to Q3 2012 and amounted to EUR 461 thousand.

The after tax result for Q3 2013 changed compared to the same period in 2012 from a EUR 932 thousand loss to EUR 1,651 thousand loss which is primarily related to the net unrealized exchange loss of EUR 1,127 thousand related to non-Euro denominated liabilities as compared to EUR 569 thousand loss incurred in Q3 2012.

Revenue for nine months 2013 was on the same level as in the same period of 2012, or EUR 375 thousand.

Administrative expenses for nine months 2013 increased by 14% compared to the same period 2012 and amounted to EUR 1,309 thousand.

The after tax result for nine months 2013 decreased compared to the same period in 2012 from EUR 2,498 thousand loss to EUR 4,282 thousand loss which is primarily related to net unrealized exchange loss of EUR 2,710 thousand as compared to EUR 1,265 thousand loss incurred in the first nine months 2012.

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. The risks in the parent company are indirectly the same as those in its subsidiaries given intercompany cash flow.

There have been no changes to what was stated by the Group in its Annual Report for 2012 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 September amounted to 710 which is an increase of 56 employees since the end of December 2012.

Warrants

In accordance with the decision at the extraordinary general meeting on 24 May 2013, the Company has offered selected members of the management team the opportunity to acquire newly issued warrants in the Company. On June 28 the Company signed warrant agreements for 1,866 warrants (same number of underlying shares). Each warrant grants the warrant holder a right, subject to the fulfillment of certain financial milestones, to subscribe for new shares in Ferronordic Machines AB against payment of the exercise price. The fair market value of the warrants has been assessed by an independent appraiser. The warrants were purchased at fair market value.

In July and August the Company signed warrant agreements for 516 warrants (same number of underlying shares) and bought back 103 warrants in September from a person who left the company. The warrants again were purchased at fair market value.

Net proceeds from the warrants issue in the amount of EUR 63 thousand were included in additional paid in capital.

Events after the balance sheet date

At an extraordinary general meeting on 9 October 2013, the shareholders of the Company resolved on a preference share issue to raise up to SEK 500 million and a share split. The issue was successful and the Company issued SEK 500 million of preference shares which were settled on 25 October 2013.

Subscription price per preference share was fixed at SEK 1,000 and with a minimum subscription amount of 1,000 preference shares. Annual preference dividend is SEK 100, paid semi-annually, corresponding to an annual effective yield of 10.25%.

Current bondholders under the 2011/2014 bond loan were offered to use their bonds as payment for preference shares. If a bondholder wished to accept this offer, one bond would be exchanged into 1,020 preference shares. 30% of the outstanding bonds were used as payment for the preference shares.

On 9th October 2013 the share capital of Ferronordic Machines AB was restructured in the form of a share split in proportion of 100/1 (from 100,000 shares with par value of EUR 1.00 each to 10,000,000 shares with par value of EUR 0.01 each). Earnings per share in Condensed consolidated statement of profit and loss and other comprehensive income for current and prior periods was recalculated based on this new number of shares.

On 22 October 2013 the Company notified all remaining bond holders that all outstanding bonds would be redeemed early by the Company in accordance with Condition 9 of the Terms and Conditions. The Redemption Date is 22 November 2013.

Accounting principles

See page 14. 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 30 Sept 13 Reviewed EUR '000	For the three months ended 30 Sept 12 Reviewed EUR '000	For the nine months ended 30 Sept 13 Reviewed EUR '000	For the nine months ended 30 Sept 12 Reviewed EUR '000
Revenue	**1**	**70 536**	**80 342**	**207 629**	**207 877**
Cost of sales		(58 603)	(68 918)	(172 754)	(177 956)
Gross profit		**11 933**	**11 424**	**34 875**	**29 921**
Selling, general and administrative expenses		(9 596)	(9 839)	(30 986)	(27 936)
Other income		19	88	167	156
Other expenses		(130)	(346)	(511)	(537)
Results from operating activities		**2 226**	**1 327**	**3 545**	**1 604**
Finance income		-	79	97	198
Finance costs		(1 956)	(2 730)	(6 459)	(6 977)
Net foreign exchange losses		(2 136)	(156)	(3 819)	(792)
Result before income tax		**(1 866)**	**(1 480)**	**(6 636)**	**(5 967)**
Income tax benefit (expense)		(182)	155	338	638
Result for the period		**(2 048)**	**(1 325)**	**(6 298)**	**(5 329)**
Other comprehensive income					
Items that are or may be reclassified to profit /loss:					
Exchange differences on translating to presentation currency		507	420	(721)	736
Other comprehensive income for the period, net of tax		**507**	**420**	**(721)**	**736**
Total comprehensive income for the period		**(1 541)**	**(905)**	**(7 019)**	**(4 593)**
Earnings per share					
Basic loss per share (EUR)		-0,20	-0,13	-0,63	-0,53

The condensed consolidated statement of profit and loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial report set out on pages 14 to 16

Condensed consolidated statement of financial position	Note	30 Sept 13 Reviewed EUR ’000	31 Dec 12 Audited EUR ’000
ASSETS			
Non-current assets			
Intangible assets		11 954	16 483
Property, plant and equipment		25 045	27 273
Deferred tax assets		1 350	1 305
Total non-current assets		**38 349**	**45 061**
Current assets			
Inventories		72 647	58 675
Trade and other receivables		38 089	31 715
Prepayments		180	221
Cash and cash equivalents		7 691	19 227
Other current assets		157	89
Total current assets		**118 764**	**109 927**
TOTAL ASSETS		**157 113**	**154 988**
EQUITY AND LIABILITIES			
Equity			
Non-restricted share capital		95	95
Additional paid in capital		10 642	10 579
Retained earnings		5 205	11 011
Result for the period		(6 298)	(5 806)
Translation reserve		(1 451)	(730)
TOTAL EQUITY		**8 193**	**15 149**
Non-current liabilities			
Loans and borrowings	2	-	45 628
Deferred income		59	396
Deferred tax liabilities		984	2 415
Long-term portion of finance lease liabilities		3 257	6 942
Total non-current liabilities		**4 300**	**55 381**
Current liabilities			
Loans and borrowings	2	57 128	27 345
Trade and other payables		79 429	50 486
Deferred income		1 762	430
Provisions		2 507	2 997
Short-term portion of finance lease liabilities		3 794	3 200
Total current liabilities		**144 620**	**84 458**
TOTAL LIABILITIES		**148 920**	**139 839**
TOTAL EQUITY AND LIABILITIES		**157 113**	**154 988**
Pledged Assets and Contingent Liabilities			
Pledged Assets		13 868	21 066
Contingent Liabilities		780	762

The condensed consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial report set out on pages 14 to 16

Condensed 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 2013	**95**	**10 579**	**5 205**	**(730)**	**15 149**
Total comprehensive income for the period					
Loss for the period	-	-	(6 298)	-	(6 298)
Other comprehensive income					
Exchange differences on translating to presentation currency	-	-	-	(721)	(721)
Total comprehensive income for the period	**-**	**-**	**(6 298)**	**(721)**	**(7 019)**
Contribution by and distribution to owners					
Warrant issue	-	63	-	-	63
Balance at 30 Sept 2013	**95**	**10 642**	**(1 093)**	**(1 451)**	**8 193**

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					
Loss for the period	-	-	(5 329)	-	(5 329)
Other comprehensive income					
Exchange differences on translating to presentation currency	-	-	-	736	736
Total comprehensive income for the period	**-**	**-**	**(5 329)**	**736**	**(4 593)**
Balance at 30 Sept 2012	**95**	**10 579**	**5 682**	**(940)**	**15 416**

The condensed consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial report set out on pages 14 to 16

Condensed consolidated statement of cash flows	For the three months ended 30 Sept 13 Reviewed EUR ’000	For the three months ended 30 Sept 12 Reviewed EUR ’000	For the nine months ended 30 Sept13 Reviewed EUR ’000	For the nine months ended 30 Sept 12 Reviewed EUR ’000
Cash flows from operating activities				
Result before income tax	(1 866)	(1 480)	(6 636)	(5 967)
Adjustments for:				
Depreciation and amortisation	3 153	2 574	9 322	7 197
Loss from write off of receivables	65	233	375	317
Loss (profit) on disposal of rental fleet	14	(514)	(528)	(517)
Finance costs	1 956	2 730	6 459	6 977
Finance income	-	(78)	(97)	(198)
Net foreign exchange losses	2 136	156	3 819	792
Cash flows from operating activities before changes in working capital and provisions	**5 458**	**3 621**	**12 714**	**8 601**
Change in inventories	(15 549)	10 660	(24 816)	175
Change in trade and other receivables	(1 376)	(6 459)	(9 708)	(8 799)
Change in prepayments	74	(23)	25	(64)
Change in trade and other payables	(2 537)	(4 953)	35 719	8 338
Change in provisions and employee benefits	(1 094)	264	(267)	381
Changes in other assets	(2)	(3)	(79)	(99)
Change in deferred income	274	(144)	1 238	(394)
Cash flows from operations before interest paid	**(14 752)**	**2 963**	**14 826**	**8 139**
Proceeds from sale of rental fleet	-	2 445	2 649	3 429
Income tax paid	(842)	-	(958)	(94)
Interest paid	(374)	(1 263)	(7 506)	(7 938)
Net cash from/(used in) operating activities	**(15 968)**	**4 145**	**9 011**	**3 536**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	-	-	22	-
Interest received	-	36	84	90
Acquisition of property, plant and equipment	(302)	(2 592)	(1 216)	(7 033)
Acquisition of intangible assets	(35)	(84)	(337)	(361)
Net cash used in investing activities	**(337)**	**(2 640)**	**(1 447)**	**(7 304)**
Cash flows from financing activities				
Proceeds from borrowings	14 406	2 311	14 405	63 878
Repayment of other loans	(1 815)	(2 319)	(28 811)	(61 363)
Leasing financing received	-	-	-	1 477
Leasing financing paid	(795)	(1 615)	(3 626)	(2 977)
Net cash from/(used in) financing activities	**11 796**	**(1 622)**	**(18 032)**	**1 015**
Net decrease in cash and cash equivalents	**(4 509)**	**(117)**	**(10 468)**	**(2 753)**
Cash and cash equivalents at start of the period	**12 444**	**9 742**	**19 227**	**12 403**
Effect of exchange rate fluctuations on cash and cash equivalents	(244)	455	(1 068)	430
Cash and cash equivalents at end of the period	**7 691**	**10 080**	**7 691**	**10 080**

The condensed consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial report set out on pages 14 to 16

Key Ratios	Note	For the three months ended 30 Sept 13	For the three months ended 30 Sept 12	For the nine months ended 30 Sept 13	For the nine months ended 30 Sept 12
Gross margin, %	1	16,9%	14,2%	16,8%	14,4%
Operating margin, %	2	3,2%	1,7%	1,7%	0,8%
Operating working capital, EUR'000	3	27 375	48 009	27 375	48 009
Net debt, EUR'000	4	56 488	75 720	56 488	75 720
Capital employed, EUR'000	5	64 681	91 136	64 681	91 136
EBITDA, EUR'000	6	5 379	3 901	12 867	8 801
Net debt/EBIDTA, times	7	3,2	6,5	3,2	6,5
EBITDA margin, %	8	7,6%	4,9%	6,2%	4,2%
Return on capital employed, %	9	6,6%	5,7%	6,6%	5,7%
Headcount at period-end		710	621	710	621
Days receivables outstanding	10	41	31	42	36
Days inventory outstanding	11	112	80	114	93

Definitions

1. Gross profit relative to revenue
2. Results from operating activities relative to revenue
3. Current assets less current liabilities excluding interest-bearing liabilities and cash and cash equivalents
4. All the interest-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 and net foreign exchange gains/(losses) relative to average capital employed
10. Outstanding receivables relative to average daily sales
11. Outstanding inventory relative to average daily cost of sales

Parent Company income statement	For the three months ended 30 Sept 13 Reviewed EUR ’000	For the three months ended 30 Sept 12 Reviewed EUR ’000	For the nine months ended 30 Sept 13 Reviewed EUR ’000	For the nine months ended 30 Sept 12 Reviewed EUR ’000
Revenue	125	125	375	375
Gross profit	**125**	**125**	**375**	**375**
Administrative expenses	(461)	(398)	(1 309)	(1 149)
Results from operating activities	**(336)**	**(273)**	**(934)**	**(774)**
Finance income	1 249	1 358	3 915	4 017
Finance costs	(1 437)	(1 448)	(4 553)	(4 476)
Net foreign exchange gains/(losses)	(1 127)	(569)	(2 710)	(1 265)
Result before income tax benefit	**(1 651)**	**(932)**	**(4 282)**	**(2 498)**
Income tax benefit	-	-	-	-
Result for the period*	**(1 651)**	**(932)**	**(4 282)**	**(2 498)**

* “Result for the period” corresponds to Total comprehensive income for the period.

Parent Company Balance Sheet	**30 Sept 13 Reviewed EUR '000**	**30 Sept 12 Unaudited EUR '000**	**31 Dec 12 Audited EUR '000**
ASSETS			
Non-current assets			
Property, plant and equipment	1	2	2
Intangible assets	1 333	1 833	1 708
Financial assets			
Holdings in group companies	15 422	15 426	15 426
Loans to group companies	33 164	36 209	35 984
Deferred tax assets	1 208	922	1 224
Total financial assets	49 794	52 557	52 634
Total non-current assets	**51 128**	**54 392**	**54 344**
Current assets			
Trade and other receivables	48	21	66
Prepayments and accrued income	1 358	95	2 770
Cash and cash equivalents	81	187	193
Total current assets	**1 487**	**303**	**3 029**
Total assets	**52 615**	**54 695**	**57 373**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	100	100	100
Unrestricted equity			
Share premium reserve	12 407	12 344	12 344
Retained earnings	(4 175)	(2 417)	(2 417)
Result for the period	(4 282)	(2 498)	(1 758)
Total equity	**4 050**	**7 529**	**8 269**
Non-current liabilities			
Loans and borrowings	-	46 521	45 628
Total non-current liabilities	**-**	**46 521**	**45 628**
Current liabilities			
Loans and borrowings	45 673	-	-
Trade and other payables	2 892	645	3 476
Total current liabilities	**48 565**	**645**	**3 476**
Total liabilities	**48 565**	**47 166**	**49 104**
Total equity and liabilities	**52 615**	**54 695**	**57 373**

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

For the Group, this Interim report was prepared in accordance with IAS 34 Interim Financial Reporting and applicable regulations in the Swedish Annual Accounts Act, and for the Parent Company in accordance with Sweden’s Annual Accounts Act, chapter 9 Interim report.
Except for the adoption of the new standards and interpretations effective as of 1 January 2013, the accounting policies applied by the Group in this interim report are consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2012.
Adoption of amendments to IAS 1 *Presentation of Financial Statements* which are effective as of 1 January 2013 did not have impact on financial position and performance of the Group and had insignificant impact on presentation of this interim report.
Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim report of the Group.

Determination of fair values

Basis for determination of fair value of financial assets and liabilities is disclosed in Note 4 in the Annual Report for 2012. Fair value of Group’s financial assets and liabilities approximates their carrying amounts.

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. Operating 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 Group 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:

	For the three months ended 30 Sept 13	For the three months ended 30 Sept 12	For the nine months ended 30 Sept 13	For the nine months ended 30 Sept 12
	Reviewed	Reviewed	Reviewed	Reviewed
Revenue	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Equipment Sales	52 519	63 587	156 828	159 249
Equipment Rentals	1 932	1 696	3 979	4 554
Product Support	16 085	15 059	46 822	44 074
Total revenues	**70 536**	**80 342**	**207 629**	**207 877**
Total delivery volume, units				
New units	369	391	1 027	1 039
Used units	37	26	94	56
Total units	**406**	**417**	**1 121**	**1 095**

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 third quarter 2013.

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

	For the three months ended 30 Sept 13	For the three months ended 30 Sept 12	For the nine months ended 30 Sept 13	For the nine months ended 30 Sept 12
	Reviewed	Reviewed	Reviewed	Reviewed
EBITDA	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
EBITDA	5 379	3 901	12 867	8 801
Depreciation and amortisation	(3 153)	(2 574)	(9 322)	(7 197)
Foreign exchange loss	(2 136)	(156)	(3 819)	(792)
Finance income	-	79	97	198
Finance costs	(1 956)	(2 730)	(6 459)	(6 977)
Loss before income tax	**(1 866)**	**(1 480)**	**(6 636)**	**(5 967)**
Income tax benefit/(expense)	(182)	155	338	638
Loss for the period	**(2 048)**	**(1 325)**	**(6 298)**	**(5 329)**

2. Loans and borrowings

Short-term borrowing represented short-term loan agreements and short-term portion of long-term debt.

(a) Short-term loan agreements

Short-term borrowings as of 30 September 2013 consisted of the following:

	Outstanding balance as of 30 September 2013	Credit facility limit
	EUR'000	EUR'000
Secured short term borrowings	11,455	11,455
Unsecured short term borrowings	-	4,582
Total	**11,455**	**16,037**

During Q3 2013 the Group splitted a credit facility limit of EUR 25.2m into short term credit facility limit of EUR 13.7m and bank guarantee (in behalf of Volvo Vostok) of EUR 11.5m. A part of this new facility up to EUR 11.5m (RUR 500 mln) is secured by circulating inventory with net book value of EUR 13.9m and a part above EUR 11.5m (RUR 500 mln) is unsecured. The outstanding amount of secured part of facility as of September 30, 2013 amounted to EUR 11.5m. The average interest rate of these loans was 11.39% p.a. and maturity dates for these loans vary between 42 and 162 days after the reporting date. The facility availability period equals to 6 months after the reporting date. Bank guarantee is secured by the secondary pledge of the same circulating inventory with net book value of EUR 13.9m.

In addition to an unsecured short term loan facility the Group has unused unsecured overdraft facilities in an amount of EUR 2.3m (RUR 100 mln).

(b) Short-term portion of long-term debt

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 30 September 2013 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 long term debt in amount of EUR 45.2m was reclassified to short-term debt in June 2013.

On 22 October 2013 the Company notified all remaining bond holders that all outstanding bonds would be redeemed early by the Company in accordance with Condition 9 of the Terms and Conditions. The Redemption Date is 22 November 2013.

3. Related party transactions

The Group's related parties and the extent of transactions with related parties are described in note 26 of the 2012 Annual Report. The related party transactions are consistent with those reported in 2012 Annual Report.

Parent company

During Q3 2013 and the first nine months of 2013, the parent company received EUR 125 thousand (Q3 2012: EUR 125 thousand) and EUR 375 thousand (9 months 2012: EUR 375 thousand) respectively from Ferronordic Machines LLC for the Volvo business sub-license. The parent company also incurred EUR 1.2m (Q3 2012: EUR 1.4m) and EUR 3.9m (9 months 2012: EUR 4.0 million) in interest income from Ferronordic Machines LLC in Q3 2013 and the first nine months of 2013 respectively. During the Q3 2013 no interest payment was received by the parent company from Ferronordic Machines LLC.

Financial reports 2013 and 2014

Ferronordic Machines' interim reports and 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 Group's 2013 and 2014 reports will be published on the following dates:

February 2014	Year-end Report
May 2014	Three Month Report
August 2014	Six Month Report
November 2014	Nine Month Report
February 2015	Year-end Report

Stockholm, 12 November 2013

Per-Olof Eriksson	Anders Blomqvist
Chairman	*Group CFO*

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