Ferronordic Machines AB (publ)
Interim Report January – June 2013
5 August 2013

INCREASED REVENUE DESPITE A FLAT MARKET

SECOND QUARTER 2013

- Sales revenue amounted to EUR 82.1m (69.9m)*
- Revenue growth of 17.4% Y-o-Y (21.3% in local currency)
- Operating profit amounted to EUR 1.9m (1.1m)
- The Operating margin was 2.3% (1.6%)
- EBITDA amounted to EUR 4.9m (3.4m)
- The after-tax result amounted to EUR -0.8m (-3.6m)
- Cash flow from operating activities amounted to EUR 2.6m (-10.1m)

JANUARY - JUNE 2013

- Sales revenue amounted to EUR 137.1m (127.5m)*
- Revenue growth of 7.5% Y-o-Y (10.5% in local currency)
- Operating profit amounted to EUR 1.3m (0.3m)
- The Operating margin was 1.0% (0.2%)
- EBITDA amounted to EUR 7.5m (4.9m)
- The after-tax result amounted to EUR -4.2m (-4.0m)
- Cash flow from operating activities amounted to EUR 25.0m (-0.6m)

* Comparative figures for last year are in brackets.

SIGNIFICANT EVENTS DURING THE SECOND QUARTER

- Strong revenue growth despite flat market for construction equipment in Russia
- All seven regions significantly contributing to the growing business
- Continuous decrease of financial indebtedness

EUR M	2013 Q2	2012 Q2	2013 1H	2012 1H	2012 July – 2013 June
Revenue	82.1	69.9	137.1	127.5	285.4
EBITDA	4.9	3.4	7.5	4.9	16.0
Operating Profit	1.9	1.1	1.3	0.3	4.1
Net Debt	40.6	70.2	40.6	70.2	40.6
Net debt / EBITDA*	2.5x	4.5x	2.5x	4.5x	2.5x

*Calculation based on Bond Terms and Conditions.

FERRONORDIC MACHINE’S CEO LARS CORNELIUSSON COMMENTS:

”In Q2 2013 revenue reached EUR 82.1m, a 17.4% increase compared to the same period in 2012 (21.3% in ruble terms). The increase was primarily driven by higher sales of new equipment of 15.3% (or EUR 8.0m) and sales of used equipment (EUR 4.0m in Q2 2013 compared to EUR 0.5m in Q2 2012). In Q2 2013 we achieved a more favorable product mix where our sales of larger machines such as articulated haulers and excavators increased faster than sales of the smaller units. Revenue from parts and services increased from EUR 14.7m to EUR 16.4m. Revenue from services isolated rose by 46% while revenue from parts sales rose by 7%. We have also been able to lower our net debt position by an additional EUR 4.0m to EUR 40.6m during Q2. This is to compare with EUR 70.2m at the end of Q2 last year.”

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

Lars Corneliusson, the CEO of Ferronordic Machines comments:

Increased revenue despite a flat market

The market for new construction equipment in Russia was close to flat in Q2 2013 compared to the same period in 2012. The Company, however, managed to grow revenue by 17% and hence gained some market share. Thanks to operational leverage we managed to increase our EBITDA by 41% compared to Q2 2012. We are encouraged by the operational performance in the second quarter and hope to continue the growth in both revenue and profit.

In Q2 2013 revenue reached EUR 82.1m, a 17.4% increase compared to the same period in 2012 (21.3% in ruble terms). The increase was primarily driven by higher sales of new equipment of 15.3% (or EUR 8.0m) and sales of used equipment (EUR 4.0m in Q2 2013 compared to EUR 0.5m in Q2 2012). In Q2 2013 we achieved a more favorable product mix where our sales of larger machines such as articulated haulers and excavators increased faster than sales of the smaller units. Revenue from parts and services increased from EUR 14.7m to EUR 16.4m. Revenue from services isolated rose by 46% while revenue from parts sales rose by 7%.

In the second quarter our gross profit margin was 15.3% which was slightly higher than the 14.7% generated in Q2 2012. In money terms gross profit increased from EUR 10.2m to EUR 12.5m primarily due to increase in sales volumes. EBITDA in Q2 2013 was EUR 4.9m, a 41% increase compared to the same period of 2012 when EBITDA amounted to EUR 3.4m. Cash flow from operating activities was positive at EUR 2.6m. Our net debt position by the end of the second quarter of 2013 amounted to EUR 40.6m and our net debt/EBITDA was 2.5x.

Unrealized FX losses negatively affected net results for the period. In the second quarter of 2013 unrealized FX losses amounted to EUR 0.5m. Excluding the effect of unrealized FX losses, the Company's net results increased by EUR 0.6m in Q2 2013 compared to the same period 2012.

In the first half of the year, Ferronordic Machines generated revenue of EUR 137.1m, a 7.5% increase compared to the same period of 2012 when revenue amounted to EUR 127.5m (10.5% in ruble terms). Revenue from new machines increased by 6.0% from EUR 92.7m in 2012 to EUR 98.3m in 2013. Revenue from parts and services increased from EUR 29.0m to EUR 30.7m. Revenue from services isolated rose by over 40% while revenue from parts sales increased by 2%.

In the first half of 2013 we managed to increase our gross profit margin to 16.7% as compared to 14.4% in the same period of 2012. In money terms gross profit increased from EUR 18.4m to EUR 22.9m. This is a result of better price realization on machines due to product and regional mix and increased gross margin on spare parts sales as a result of a restructuring of the parts pricing structure. EBITDA in the first half of 2013 was EUR 7.5m, a 53% increase compared to the same period of 2012 when EBITDA amounted to EUR 4.9m. Unrealized FX losses affected the net results negatively by EUR 1.7m.

At the end of June 2013 we operated 71 sales- and/or service locations as compared to 62 locations at the same time 2012. We continued to establish a firm foothold in Siberia and Far East, two regions which were traditionally weak for the Volvo CE business. We expect to see further growth in these two regions in 2013.

At the end of the second quarter of 2013 we had 705 employees as compared to 615 employees in the end of the same period in 2012 – sales and service personnel comprise the majority of the increase.

We are encouraged by our second quarter results and especially the results in June. There are however still uncertainties in the market which can negatively affect our results. Overall, we remain cautiously optimistic as we look forward into 2013 and 2014.

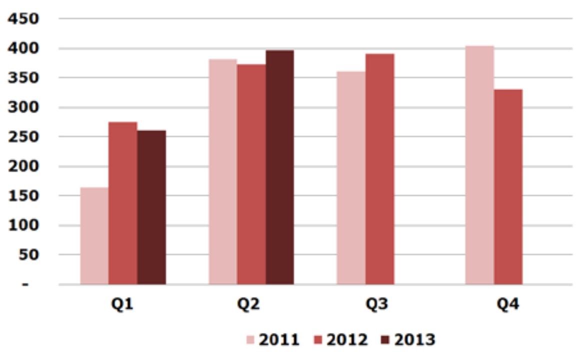
The business

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 to customers.

Net sales

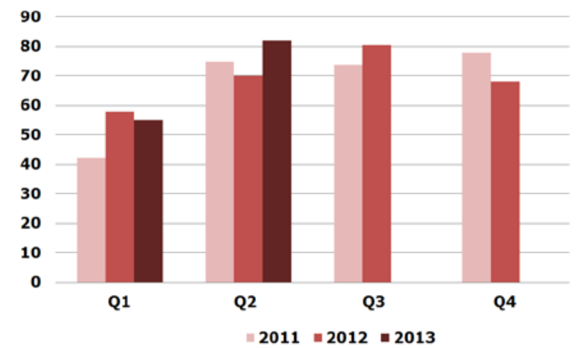
Consolidated revenue for Q2 2013 increased by 17% from EUR 69.9m to EUR 82.1m as compared to the same period of 2012. Revenue from sales of new machines increased by 15% and from spare parts and services it increased by 11%.

New Units sold



Consolidated revenue for the first half 2013 increased by 8% from EUR 127.5m in 2012 to EUR 137.1m in 2013. Revenue from sales of new machines increased by 6% and from spare parts and services it increased also by 6%.

Revenue, EUR m



Gross profit and results from operating activities

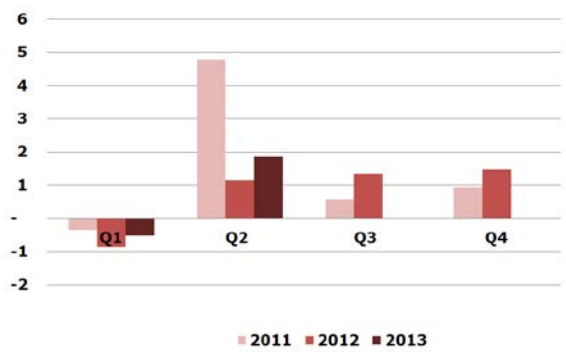
Gross profit in Q2 2013 amounted to EUR 12.5m, a 22% increase as compared to the same period of the previous year when gross profit amounted to EUR 10.2m. The gross margin increase from 14.7% to 15.3% is primarily a result of a better price realization on machines due to customer and regional mix and increased gross margin on spare parts sales as a result of a restructuring of the parts price list.

Results from operating activities for Q2 2013 amounted to EUR 1.9m as compared to EUR 1.1m in Q2 2012 mainly due to EUR 2.3m increase in gross profit, which was partially offset by an increase in selling, general and administrative expenses by EUR 1.6m. SGA primarily increased as a result of growth in the number of employees.

Gross profit for the first half 2013 increased from EUR 18.4m to EUR 22.9m. This 25% increase was related to the 8% revenue growth but also a significant improvement in gross margin from 14.4% to 16.7%.

Results from operating activities for the six months 2013 amounted to EUR 1.3m as compared to EUR 0.3m in the same period 2012 mainly due to the EUR 4.6m increase in gross profit, which was partially offset by an increase in selling, general and administrative expenses by EUR 3.4m.

Results from operating activities, EUR m



Result before income tax

The result before income tax for Q2 2013 was EUR 2.9m higher than for the same period of 2012, primarily due to:

- the better results from operating activities of 0.7m; and

- a lower net unrealized foreign exchange loss of EUR 0.5m compared to a foreign exchange loss of EUR 2.7m the second quarter of 2012. 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;
- finance costs remained almost unchanged.

The result before income tax for the six months 2013 was EUR 0.3m lower than the same period in 2012. The decrease is primarily related to:

- an increase in net unrealized foreign exchange loss of EUR 1.1m as compared to the previous year;
- the increase in forex loss was offset by the better results from operating activities of EUR 1.0m;
- finance costs increased by EUR 0.3m.

Loss for the period

The result for Q2 2013 in comparison to the same period of 2012 increased from EUR -3.6m to -0.8m due to the EUR 2.9m increase in results before income tax.

The result for the six months 2013 in comparison to the same period of 2012 decreased from EUR -4.0m to EUR -4.2m due to the EUR 0.3m decrease in results before income tax.

Cash flow

Cash inflow from operating activities in Q2 2013 amounted to EUR 2.6m compared to EUR -10.1m in the same period of 2012. This was primarily a result of better payment conditions and consequent trade payables increase of EUR 16.3m during the quarter. Trade receivables increased by EUR 14.7m while inventory increased by just EUR 0.6m.

In Q2 2013 net cash used in investing activities was EUR 0.5m (EUR 4.3m in Q2 2012).

Cash flow from operating activities in the first six months 2013 amounted to EUR 25.0m compared to EUR -0.6m in the same period of 2012.

In the first six months 2013 net cash used in investing activities was EUR -1.1m, an increase compared to the same period in 2012 (EUR -4.7m).

Financial position

Consolidated cash and cash equivalents at 30 June 2013 and 31 December 2012 were EUR 12.4m and EUR 19.2m, respectively. At 30 June 2013 and 31 December 2012 the Group had interest-bearing liabilities of EUR 53.0m 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 June 2013 was EUR 9.7m and EUR 15.1m at 31 December 2012. The decrease in equity is explained by the net loss incurred during the first six 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 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 2(a) the Group used its circulating inventory as collateral for its short-term loans used to finance working capital.

Parent company

Revenue for Q2 2013 was on the same level as in the same period of 2012, or EUR 125 thousand.

Administrative expenses for Q2 2013 increased by 37% compared to Q2 2012 and amounted to EUR 473 thousand.

The after tax result for Q2 2013 increased compared to the same period in 2012 from EUR 3,007 thousand loss to EUR 964 thousand loss which is primarily related to net unrealized exchange loss of EUR 361 thousand related to non-Euro denominated liabilities as compared to EUR 2,520 thousand loss incurred in Q2 2012.

Revenue for six months 2013 was on the same level as in the same period of 2012, or EUR 250 thousand.

Administrative expenses for six months 2013 increased by 13% compared to the same period 2012 and amounted to EUR 848 thousand.

The after tax result for six months 2013 decreased compared to the same period in 2012 from EUR 1,565 thousand loss to EUR 2,631 thousand loss which is primarily related to net unrealized exchange loss of EUR 1,583 thousand as compared to EUR 695 thousand loss incurred in the first six 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.

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 June amounted to 705 which is an increase of 51 employees since the end of December 2012.

Warrants

In accordance with the Shareholders' decision on 24 May 2013, the Group has offered selected members of the management team the option 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, under certain conditions, 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.

Warrants in the amount of EUR 54 thousand were included in additional paid in capital.

In July the Company signed warrant agreements for 413 warrants (same number of underlying shares). The warrants again were purchased at fair market value. The Company will receive EUR 12 thousand within 30 days.

Additional warrants will be offered to selected members of the management team in August.

Events after the balance sheet date

In July, the Company sold its subsidiary Ferronordic Machines Ltd for 1 EUR. Net assets of that company were negative in the amount of EUR 7,571 at the date of disposal. There were no material transactions in Ferronordic Machines Ltd since its foundation.

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 June 13 Unaudited EUR '000	For the three months ended 30 June 12 Unaudited EUR '000	For the six months ended 30 June 13 Unaudited EUR '000	For the six months ended 30 June 12 Unaudited EUR '000
Revenue	**1**	**82 118**	**69 941**	**137 094**	**127 535**
Cost of sales		(69 570)	(59 692)	(114 150)	(109 177)
Gross profit		**12 548**	**10 249**	**22 944**	**18 358**
Selling, general and administrative expenses		(10 739)	(9 108)	(21 390)	(17 958)
Other income		112	57	148	68
Other expenses		(70)	(63)	(381)	(192)
Results from operating activities		**1 851**	**1 135**	**1 321**	**276**
Finance income		11	56	97	119
Finance costs		(2 054)	(2 146)	(4 503)	(4 247)
Net foreign exchange gains/(losses)		(481)	(2 657)	(1 682)	(636)
Result before income tax		**(673)**	**(3 612)**	**(4 767)**	**(4 488)**
Income tax benefit (expense)		(115)	59	519	484
Result for the period		**(788)**	**(3 553)**	**(4 248)**	**(4 004)**
Other comprehensive income					
Exchange differences on translating to presentation currency		(1 446)	(1 295)	(1 228)	316
Other comprehensive income for the period, net of tax		**(1 446)**	**(1 295)**	**(1 228)**	**316**
Total comprehensive income for the period		**(2 234)**	**(4 848)**	**(5 475)**	**(3 688)**
Result attributable to:					
Owners of the Company		(788)	(3 553)	(4 248)	(4 004)
Non-controlling interests		-	-	-	-
Result for the period		**(788)**	**(3 553)**	**(4 248)**	**(4 004)**
Total comprehensive income attributable to:					
Owners of the Company		(2 234)	(4 848)	(5 475)	(3 688)
Non-controlling interests		-	-	-	-
Total comprehensive income for the period		**(2 234)**	**(4 848)**	**(5 475)**	**(3 688)**
Earnings per share					
Basic loss per share (EUR)		-7,88	-35,53	-42,48	-40,04

Condensed consolidated statement of financial position	Note	30 June 13 Unaudited EUR ’000	31 Dec 12 Audited EUR ’000	30 June 12 Unaudited EUR ’000
ASSETS				
Non-current assets				
Intangible assets		13 373	16 483	18 411
Property, plant and equipment		24 920	27 273	24 141
Deferred tax assets		1 308	1 305	982
Total non-current assets		**39 601**	**45 061**	**43 534**
Current assets				
Inventories		61 062	58 675	69 230
Trade and other receivables		37 125	31 715	25 282
Prepayments		256	221	211
Cash and cash equivalents		12 443	19 227	9 742
Other current assets		157	89	92
Total current assets		**111 043**	**109 927**	**104 557**
TOTAL ASSETS		**150 644**	**154 988**	**148 091**
EQUITY AND LIABILITIES				
Equity				
Non-restricted share capital		95	95	95
Additional paid in capital		10 633	10 579	10 579
Retained earnings		5 205	11 011	11 011
Result for the period		(4 248)	(5 806)	(4 004)
Translation reserve		(1 958)	(730)	(1 360)
Total equity attributable to equity holders of the Company		**9 727**	**15 149**	**16 321**
TOTAL EQUITY		**9 727**	**15 149**	**16 321**
Non-current liabilities				
Loans and borrowings	2	-	45 628	44 705
Deferred income		146	396	634
Deferred tax liabilities		1 310	2 415	3 068
Long-term portion of finance lease liabilities		4 237	6 942	5 979
Total non-current liabilities		**5 693**	**55 381**	**54 386**
Current liabilities				
Loans and borrowings	2	45 183	27 345	26 621
Trade and other payables		81 410	50 486	44 277
Deferred income		1 428	430	531
Provisions		3 611	2 997	3 337
Short-term portion of finance lease liabilities		3 592	3 200	2 618
Total current liabilities		**135 224**	**84 458**	**77 384**
TOTAL LIABILITIES		**140 917**	**139 839**	**131 770**
TOTAL EQUITY AND LIABILITIES		**150 644**	**154 988**	**148 091**
Pledged Assets and Contingent Liabilities				
Pledged Assets		-	21 066	20 508
Contingent Liabilities		845	762	904

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					
Profit/(loss) for the period	-	-	(4 248)	-	(4 248)
Other comprehensive income					
Exchange differences on translating to presentation currency	-	-	-	(1 228)	(1 228)
Total comprehensive income for the period	**-**	**-**	**(4 248)**	**(1 228)**	**(5 475)**
Contribution by and distribution to owners					
Warrant issue	-	54	-	-	54
Balance at 30 June 2013	**95**	**10 633**	**957**	**(1 958)**	**9 727**

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	-	-	(4 004)		(4 004)
Other comprehensive income					
Exchange differences on translating to presentation currency	-	-	-	316	316
Total comprehensive income for the period	**-**	**-**	**(4 004)**	**316**	**(3 688)**
Balance at 30 June 2012	**95**	**10 579**	**7 007**	**(1 360)**	**16 321**

Consolidated cash flow statement	For the three months ended 30 June 13 Unaudited EUR ’000	For the three months ended 30 June 12 Unaudited EUR ’000	For the six months ended 30 June 13 Unaudited EUR ’000	For the six months ended 30 June 12 Unaudited EUR ’000
Cash flows from operating activities				
Result before income tax	(673)	(3 612)	(4 767)	(4 488)
Adjustments for:				
Depreciation and amortisation	3 001	2 308	6 169	4 623
Loss from write off of receivables	42	45	310	84
Loss (profit) on disposal of rental fleet	(476)	15	(542)	(3)
Finance costs	2 054	2 146	4 503	4 247
Finance income	(11)	(56)	(97)	(119)
Net foreign exchange losses/(gains)	481	2 657	1 682	636
Cash flows from (used in) operating activities before changes in working capital and provisions	**4 418**	**3 503**	**7 258**	**4 980**
Change in inventories	(627)	(20 754)	(9 267)	(10 485)
Change in trade and other receivables	(14 742)	(1 200)	(8 332)	(2 340)
Change in prepayments for current assets	(27)	152	(49)	(41)
Change in trade and other payables	16 293	14 381	38 256	13 291
Change in provisions and employee benefits	729	(12)	827	117
Changes in other assets	(57)	(96)	(77)	(96)
Change in deferred income	312	(129)	964	(250)
Cash flows from operations before interest paid	**6 299**	**(4 155)**	**29 580**	**5 176**
Proceeds from sale of rental fleet	2 574	104	2 705	984
Income tax paid	(18)	-	(116)	(94)
Interest paid	(6 228)	(6 045)	(7 132)	(6 675)
Net cash from/(used in) operating activities	**2 627**	**(10 096)**	**25 037**	**(609)**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	-	-	22	-
Interest received	12	56	84	54
Acquisition of property, plant and equipment	(484)	(4 167)	(914)	(4 441)
Acquisition of intangible assets	(3)	(183)	(302)	(277)
Closing of deposits	-	-	-	-
Net cash (used in) investing activities	**(475)**	**(4 294)**	**(1 111)**	**(4 664)**
Cash flows from financing activities				
Proceeds from borrowings	-	43 816	-	61 567
Repayment of other loans	(4 605)	(33 684)	(26 999)	(59 044)
Net leasing financing received (paid)	(2 001)	407	(2 833)	114
Net cash from financing activities	**(6 606)**	**10 539**	**(29 831)**	**2 637**
Net increase in cash and cash equivalents	**(4 454)**	**(3 851)**	**(5 905)**	**(2 636)**
Cash and cash equivalents at start of the period	**17 961**	**14 423**	**19 227**	**12 403**
Effect of exchange rate fluctuations on cash and cash equivalents	(1 064)	(830)	(879)	(25)
Cash and cash equivalents at end of the period	**12 443**	**9 742**	**12 443**	**9 742**

Key Ratios	Note	For the three months ended 30 Jun 13	For the three months ended 30 Jun 12	For the six months ended 30 Jun 13	For the six months ended 30 Jun 12
Gross margin, %	1	15,3%	14,7%	16,7%	14,4%
Operating margin, %	2	2,3%	1,6%	1,0%	0,2%
Operating working capital, EUR'000	3	12 151	46 670	12 151	46 670
Net debt, EUR'000	4	40 569	70 182	40 569	70 182
Capital employed, EUR'000	5	50 296	86 503	50 296	86 503
EBITDA, EUR'000	6	4 852	3 443	7 490	4 899
Net debt/EBIDTA, times	7	2,5	7,1	2,5	7,1
EBITDA margin, %	8	5,9%	4,9%	5,5%	3,8%
Return on capital employed, %	9	6,4%	3,4%	6,4%	3,4%
Headcount at period-end		705	615	705	615
Days receivables outstanding	10	34	28	41	30
Days inventory outstanding	11	79	104	96	114

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 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 statement of comprehensive income	For the three months ended 30 June 13 Unaudited EUR ’000	For the three months ended 30 June 12 Unaudited EUR ’000	For the six months ended 30 June 13 Unaudited EUR ’000	For the six months ended 30 June 12 Unaudited EUR ’000
Revenue	125	125	250	250
Gross profit	**125**	**125**	**250**	**250**
Administrative expenses	(473)	(345)	(848)	(751)
Results from operating activities	**(348)**	**(220)**	**(598)**	**(501)**
Finance income	1 316	1 289	2 666	2 659
Finance costs	(1 571)	(1 556)	(3 116)	(3 028)
Net foreign exchange gains/(losses)	(361)	(2 520)	(1 583)	(695)
Result before income tax benefit	**(964)**	**(3 007)**	**(2 631)**	**(1 565)**
Income tax benefit	-	-	-	-
Result for the period	**(964)**	**(3 007)**	**(2 631)**	**(1 565)**
Total comprehensive income for the period	**(964)**	**(3 007)**	**(2 631)**	**(1 565)**

Parent Company Balance Sheet	30 June 13 Unaudited EUR '000	31 Dec 12 Audited EUR '000
ASSETS		
Non-current assets		
Property, plant and equipment	2	2
Intangible assets	1 458	1 708
Holdings in group Companies	15 426	15 426
Loans to group companies	33 887	35 984
Deferred tax assets	1 197	1 224
Total non-current assets	**51 970**	**54 344**
Current assets		
Trade and other receivables	112	2 771
Prepayments	75	66
Cash and cash equivalents	229	193
Total current assets	**416**	**3 030**
Total assets	**52 386**	**57 374**
EQUITY AND LIABILITIES		
Equity		
Non-restricted share capital	100	100
Share Premium Reserve	12 398	12 344
Retained earnings	(4 175)	(2 417)
Result for the period	(2 631)	(1 757)
Total equity attributable to equity holders of the Company	**5 692**	**8 270**
Total equity	**5 692**	**8 270**
Non-current liabilities		
Loans and borrowings	-	45 628
Total non-current liabilities	**-**	**45 628**
Current liabilities		
Loans and borrowings	45 183	-
Trade and other payables	1 511	3 476
Total current liabilities	**46 694**	**3 476**
Total liabilities	**46 694**	**49 104**
Total equity and liabilities	**52 386**	**57 374**

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 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 2012. 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 2013 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 2012.

Effects of changes in accounting estimates

Significant estimates and assumptions are described in Note 3 in the Annual Report for 2012.
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 30 June 13 Unaudited EUR '000	For the three months ended 30 June 12 Unaudited EUR '000	For the six months ended 30 June 13 Unaudited EUR '000	For the six months ended 30 June 12 Unaudited EUR '000
Equipment Sales	64 883	53 526	104 309	95 662
Equipment Rentals	853	1 675	2 047	2 858
Product Support	16 382	14 739	30 737	29 015
Total revenues	**82 118**	**69 941**	**137 094**	**127 535**
Total delivery volume, units				
New units	397	373	658	648
Used units	37	11	57	30
Total units	**434**	**384**	**715**	**678**

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 second quarter 2013.

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

EBITDA	For the three months ended 30 June 13 Unaudited EUR '000	For the three months ended 30 June 12 Unaudited EUR '000	For the six months ended 30 June 13 Unaudited EUR '000	For the six months ended 30 June 12 Unaudited EUR '000
EBITDA	4 852	3 443	7 490	4 899
Depreciation and amortisation	(3 001)	(2 308)	(6 169)	(4 623)
Foreign exchange loss	(481)	(2 657)	(1 682)	(636)
Finance income	11	56	97	119
Finance costs	(2 054)	(2 146)	(4 503)	(4 247)
Profit before income tax	**(673)**	**(3 612)**	**(4 767)**	**(4 488)**
Income tax benefit/(expense)	(115)	59	520	484
Profit for the period	**(788)**	**(3 553)**	**(4 247)**	**(4 004)**

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 June 2013 consisted of the following:

	Outstanding balance as of 30 June 2013 EUR'000	Credit facility limit EUR'000
Secured short term borrowings	-	16,387
Unsecured short term borrowings	-	11,705
Total	**-**	**28,091**

During Q1 2013 the Group entered into a new short-term loan agreement with a credit facility limit of EUR 25.8m. A part of this facility up to EUR 16.4m is secured by circulating inventory with net book value of EUR 19.8m and the part above EUR 16.4m is unsecured. There was no outstanding amount of secured part of short term loan as of 30 June 2013. The facility availability period equals to 9 months after the reporting date.

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

(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 June 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.

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 2012 Annual Report.

Parent company

During Q2 2013 and the first half of 2013, the parent company received EUR 125 thousand (EUR 125 thousand) and EUR 250 thousand (EUR 250 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 2.7m (EUR 2.7 million) in interest income from Ferronordic Machines LLC in Q2 2013 and the first half of 2013 respectively. During the Q2 2013 an interest payment in the amount of EUR 5.7m was received by the parent company from Ferronordic Machines LLC.

4. Warrants.

In accordance with the Shareholders' decision on 24 May 2013, the Group has offered selected members of the management team the option 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, under certain conditions, 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.

Warrants in amount of EUR 54 thousand was included in additional paid in capital.

On July the Company signed warrant agreements for 413 warrants (same number of underlying shares). The warrants again were purchased at fair market value. The company will receive EUR 12 thousand within 30 days.

Additional warrants will be offered to selected members of the management team in August.

5. Events after the balance sheet date.

In July, the Company sold its subsidiary Ferronordic Machines Ltd for 1 EUR. Net assets of that company were negative in the amount of EUR 7,571 at the date of disposal. There were no material transactions in Ferronordic Machines Ltd since its foundation.

Financial reports 2013

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 reports will be published on the following dates:

November 2013	Nine Month Report
February 2013	Year-end Report

Stockholm, 5 August 2013

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