FERRONORDIC
MACHINES

Ferronordic Machines AB

Year-end Report January - December 2011

Fourth Quarter 2011

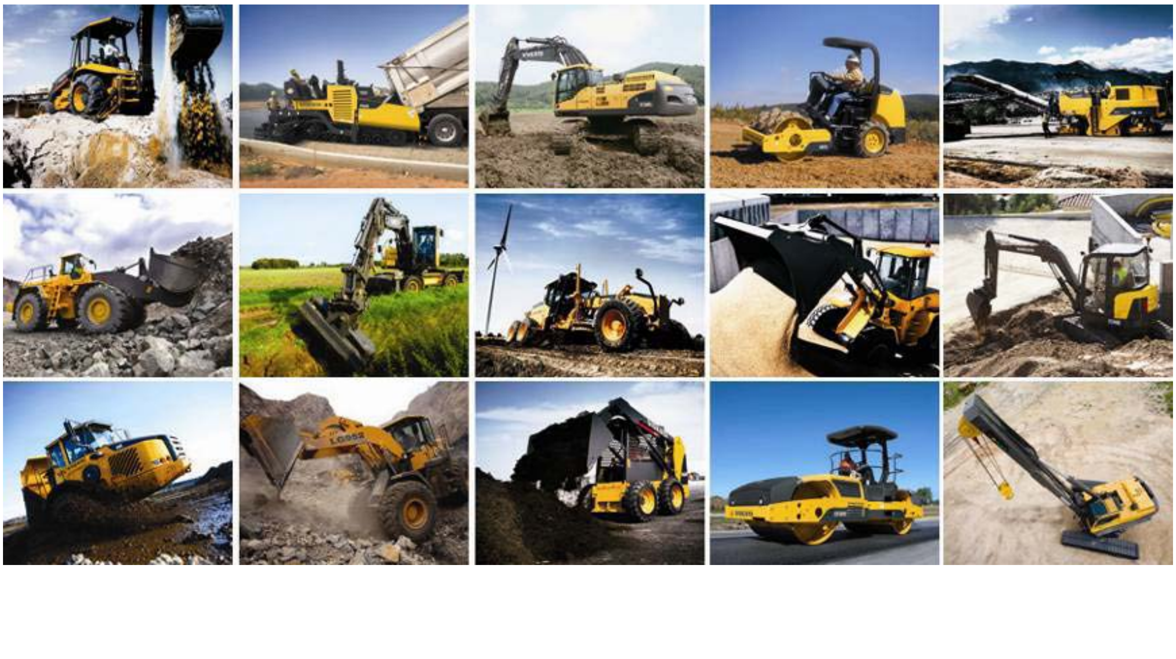
- Sales revenues amounted to EUR 77.6m (40.3m).
- Operating profit amounted to EUR 0.8m (-2.1m).
- The Operating margin was 1.0% (-5.3%).
- EBITDA for the fourth quarter was EUR 2.8m (-1.0m).
- The after-tax result amounted to EUR -0.2m (-2.5m).
- Excluding the amortization of acquisition related intangible assets, the after tax result was EUR 0.8m (-1.4m).
- Cash flow used in operating activities amounted to EUR -16.3m (-6.1m).

January – December 2011

- Sales revenues amounted to EUR 268.0m (73.9m).
- Operating profit amounted to EUR 3.4m (-5.7m)*.
- The Operating margin was 1.3% (-7.6%)*.
- EBITDA for the twelve months amounted to EUR 12.3m (-1.4m)*.
- The after-tax result amounted to EUR -1.8m (-5.8m)*.
- Excluding the amortization of acquisition related intangible assets and negative goodwill, the after tax result was EUR 2.7m (-3.2m).
- Cash flow from (used in) operating activities amounted to EUR -51.1m (6.2m).

*2010 numbers exclude the effect of negative goodwill of 18.6m related to the takeover from Volvo in June 2010.

(Compared with the same period of the previous year)



Erik Eberhardson (right) and Lars Corneliusson, Managing Partners

Erik Eberhardson, the CEO of Ferronordic Machines comments:

Expansion delivered all-time high for Volvo CE in Russia

Ferronordic Machines delivered exceptionally strong growth in 2011, increasing number of sales- or service locations from 12 to 53, employees from 326 to 540 and providing sales of more than 1,300 VCE machines in Russia which is all time high for Volvo CE in the country. Revenue for the year was EUR 268 million compared to EUR 74 during the 7 months we operated in 2010.
Profitability for the full year was higher than in 2010, however somewhat lower than during the first half of 2010. EBITDA for the full year was EUR 12.3 million, representing a 4.6% margin. The main reason for lower profitability in the second half is the slower than expected market growth which lead to higher inventory levels, high pre-delivery (rebuild) costs and higher relative selling expenses. Other reasons were product and customer mix, shorter payment terms to Volvo and unrealized F/X losses. Further, some cumulative costs associated with sales were recorded in the second half of the year. The consensus forecast for the GDP development of the Russian economy in 2012 remains one of the highest in the World, driven by the continued demand for natural resources and metals from other emerging markets, but the financial instability in the Eurozone has still slowed down the strong growth of the Russian construction equipment market. For purposes of speed and cash preservation, the main strategy for network development is based on rented locations with select capital investments in real estate.
The somewhat slower than expected market development during autumn however led to higher than forecasted inventory levels and put increased pressure on working capital as well as prices, adversely affecting the overall profitability of the business. This was addressed in a close dialogue with Volvo CE on pricing and inventory management as well as through efforts to advance our efficiency and capacity in machine sales, aftermarket service and parts sales. The level of inventory was significantly reduced in December, thanks to very strong sales. In addition to inventory management, price management and cost control, the implementation of the company's strategy to increase profitability by growing parts and service revenues through continued expansion of the dealer network remain key focus areas for management. In addition, investments in improvements of processes and IT systems as well as training programs for personnel in sales, aftermarket and management in all areas of our business will allow us to achieve additional efficiencies.
Overall, we remain cautiously optimistic as we look forward into 2012, 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") was created to acquire and operate, as its principal activity, the Volvo Construction Equipment ("Volvo CE") distribution business in Russia and became the exclusive Volvo CE dealer in Russia on 1 June 2010. Operation of the Volvo CE business consists of distribution, sales of new Volvo construction equipment, sales of used equipment, sales of other brand equipment, sales of parts and providing of services and technical support to customers.

Net sales

Consolidated revenue for Q4 of 2011 as compared to the same period of 2010 grew by 92% (from EUR 40.3m to 77.6m) mainly as a result of a 88% increase in new units sales: in Q4 2011 the Company sold 404 new machines for EUR 62m (80% of total sales revenue) as compared to 215 units in Q4 2010 for EUR 36m (89% of total sales revenue).

For the full year 2011 consolidated revenue rose by 263% (from EUR 73.9m to 268.0m) mainly as a result of only seven months of operations in 2010 and, consequently, more than three times increase in sales of new machines (from 401 to 1310 units, or 227%). Average price for new machines rose by 19% (from EUR 133 thousand to EUR 159 thousand) as a result of strong market demand for heavy machines (Articulated haulers and Excavators) and related upside in price. Sales of new machines accounted 77% in 2011 and 76% in 2010. Other sales consisted mainly of sales of spare parts, which rose from EUR 13.5m (18.2% of total revenue) to 44.5m (16.6% of total revenue), sales of services, attachments and used machines.

Results from operating activities

The results from operating activities for Q4 of 2011 rose by EUR 2.9m as compared to the respective period of 2010 (from EUR -2.1m to 0.8m) as a result of an increase in gross profit by EUR 6.6m or 169% (from EUR 3.9m to 10.5m), that was caused by an increase in sales by 92% and increase in gross profit margin from 9.6% to 13.4%, while administrative expenses rose by mere 61%.

For the full year 2011 the results from operating activities increased by EUR 9.1m (from EUR -5.7m* to 3.4m) as a result of the same factors: increase in gross profit by EUR 28.8m or 337% (from EUR 8.5m to 37.4m), that was caused by increase in sales by 262% and increase in gross profit margin from 11.6% to 13.9%, while administrative expenses rose by lower rate.

Operating loss before income tax

The operating loss before income tax for Q4 of 2011 as compared to the same period of 2010 decreased by 57% (from EUR -2.6m to -1.1m) as the result of EUR 3m increase in results from operating activities, which was partially offset by increase in finance costs by EUR 1.5.

For the full year 2011 the operating loss before income tax decreased by 75% (from EUR -6.8m* to -1.8m) due to 160% rise of results from operating activities and 330% rise of finance costs. Finance costs grew because of the increase in the Group's overall indebtedness as well as the increased borrowing cost of over 2% during the year (mainly due to the repayment of the shareholders' loan bearing 10% and the new bond at 12%). Also, the cost of borrowing in Russia has increased over the year.

Loss for the year

Loss for Q4 of 2011 in comparison to the same period of 2010 decreased from EUR -2.5m to -0.2m due to EUR 1.5m decrease of operating loss before tax and EUR 0.8m increase of income tax benefit. Increased income tax benefit resulted from tax loss carry-forwards.

For the full year 2011, the loss for the period decreased by from EUR -5.8m* to -1.8m due to EUR 5.0m* decrease of operating loss and EUR 1.0m decrease of income tax benefit, resulted from recognition of tax loss carry-forwards.

- **2010 year to date numbers exclude the effect of negative goodwill of 18.6m related to the takeover from Volvo in June 2010.*

Cash flow

Cash flow used in operating activities in Q4 2011 amounted to EUR -16.3 m, as compared to EUR -6.1m used in operating activity in the same period of 2010. Increase in cash outflow is explained by an overall increase in trading activity and corresponding increase in inventory level, as well as lesser days of trade credit the Croup had in Q4 of 2011 from its suppliers.

For the full year 2011 cash flows used in operating activities amounted to EUR -51.1m, while in 2010 cash inflow from operating activities was EUR 6.1m. The Group used funds for increased inventory level which corresponds with overall increase in trade activity (EUR 29.1m increase), with the balance attributable to change in accounts payable and accounts receivable.

Following expansion of its operation the Group increased the amount of net cash used in investing activity from EUR 1.9m in Q4 2010 up to EUR 3.3m in the respective period of 2011. For the full 2011 year net cash used in investing activity amounted to EUR 4.7m, slightly increased compared to 2010 (excluding cash used for business acquisition).

The Group funded its cash used in operating and investing activity in Q4 2011 (EUR 19.6m) by increase in short term borrowing in the amount of EUR 7.2m, using leasing financing in the amount of EUR 4.2m and using available cash on accounts for the balance. In the Q4 2010 the Group also used cash available on accounts to finance its need in operating and investing activity.

Net proceed from the bond issue and increase in short term borrowing, after the repayment of the Shareholder Loan, amounted to EUR 48.4m in 2011 and was used to finance the Group's operating and investing needs. In 2010 the Group raised in financing activities EUR 24.8m in a loan from shareholders, which was fully repaid using proceed from the bonds in 2011.

Financial position

Consolidated cash and cash equivalents at 31 December 2011 and 31 December 2010 were EUR 12.4m and EUR 20.8m, respectively. At 31 December 2011 and December 31, 2010, the Group had interest-bearing liabilities of EUR 75.4m and EUR 26.3m, respectively.

In the end of June 2011, the Group has paid back in full, to the Investors, the loan in the amount of EUR 24.9 m that had been received via an Investor Loan Facility Agreement in May 2010.

Total equity at 31 December 2011 was EUR 20.0m and at 31 December 2010 was EUR 22.6m.

Material disputes

There have been no material disputes during the period in the Group.

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. Based upon the current analyses, the Group believes it can achieve the goals and objectives set forth in its short range and long range business plans.

Fixed income instruments ("the Bonds")

The Company issued bonds on 28 June 2011, with net proceeds amounting to EUR 42.4m (net of transaction costs of EUR 1.3m) on 28 June 2011. The Group has undertaken to apply for listing of the Bonds on the Corporate Bond List of NASDAQ OMX Stockholm. Nominal amount of the Bonds is SEK 400.0 million. The maturity date of the bonds is 28 June 2014.

For more details please review footnote 4 to condensed consolidated Year-end Report.

Warrants

In accordance with the Shareholders' decision of 7 June 2011, the Group has offered members of the Board of the Directors the option to acquire newly issued warrants in the Company. 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 independent appraiser. The warrants were subscribed at market value.

Pledged assets and contingent liabilities

During 2011 the Group repaid a loan from Investors in full (for details please refer to Note 4(b)), thus releasing assets pledged under this loan.

As disclosed in Note 4(a) the Group used its circulating inventory as collateral for its short-term loans used to finance working capital.

Parent company

On 28 June 2011, the Parent company issued bonds amounting to EUR 43.7m. In addition, the Parent company repaid the existing Investor Loan Facility in the amount of EUR 24.9m on 29 June 2011. The parent company had two employees.

Revenue for the fourth quarter and twelve months January to December 2011 was EUR 192 thousand (125 thousand) and 567 thousand (292 thousand), respectively.

Administrative and selling expenses for the fourth quarter and twelve months January to December 2011 was EUR 400 thousand (513 thousand) and 1895 thousand (1,069 thousand), respectively.

The after tax income (loss) for the fourth quarter and twelve months January to December 2011 was EUR 241 thousand (90 thousand) and -2,118 thousand (-294 thousand), respectively.

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 2010 under financial instruments and risk management (pages 48 – 54). 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 540 which is an increase of 214 since the start of the year.

Merger

A merger plan for the Company and Ferronordic Machines Russia AB was established on 8 July 2011. The merger was completed on 1 December 2011. See footnote 5 to the condensed consolidated financial statements.

Events after the balance sheet date

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

Accounting principles

See note 1 page 11. 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 2011 Unaudited EUR '000	For the three months ended 31 Dec 2010 Unaudited EUR '000	For the twelve months ended 31 Dec 2011 Unaudited EUR '000	For the twelve months ended 31 Dec 2010 Audited EUR '000
Revenue	2	77,622	40,342	268,017	73,943
Cost of sales		(67,164)	(36,457)	(230,629)	(65,397)
Gross profit		**10,458**	**3,885**	**37,388**	**8,546**
Administrative and selling expenses		(9,029)	(5,611)	(30,511)	(12,409)
Negative goodwill		-	-	-	18,609
Other income		34	66	80	66
Other expenses		(620)	(484)	(3,535)	(1,828)
Results from operating activities		**843**	**(2,144)**	**3,422**	**12,984**
Finance income		86	124	224	294
Finance costs		(2,062)	(620)	(5,382)	(1,492)
Net finance costs		**(1,976)**	**(496)**	**(5,158)**	**(1,198)**
Profit before income tax benefit (expense)		**(1,133)**	**(2,640)**	**(1,736)**	**11,786**
Income tax benefit (expense)		885	151	(29)	990
Profit for the period		**(248)**	**(2,489)**	**(1,765)**	**12,776**
Other comprehensive income					
Exchange differences on translating to presentation currency		1,078	872	(852)	(824)
Other comprehensive income for the period, net of income tax benefit		**1,078**	**(1,617)**	**(2,617)**	**11,952**
Total comprehensive income for the period		**830**	**(1,617)**	**(2,617)**	**11,952**
Profit attributable to:					
Owners of the Company		(248)	(2,489)	(1,765)	12,776
Non-controlling interests		-	- -	- -	-
Profit for the period		**(248)**	**(2,489)**	**(1,765)**	**12,776**
Total comprehensive income attributable to:					
Owners of the Company		830	(1,617)	(2,617)	11,952
Non-controlling interests		-	- -	- -	-
Total comprehensive income for the period		**830**	**(1,617)**	**(2,617)**	**11,952**

Condensed consolidated statement of financial position	Note	31 December 2011 Unaudited EUR '000	31 December 2010 Audited EUR '000
ASSETS			
Non-current assets			
Intangible assets		20 256	24 877
Property, plant and equipment		18 005	4 116
Deferred tax assets		898	-
Total non-current assets		39 159	28 993
Current assets			
Inventories		62 624	28 921
Other investments		-	744
Trade and other receivables		22 835	15 374
Prepayments		170	87
Other assets		-	4
Cash and cash equivalents		12 403	20 776
Total current assets		98 032	65 906
TOTAL ASSETS		137 191	94 899
EQUITY AND LIABILITIES			
Equity			
Non-restricted share capital		95	95
Additional paid in capital		10 579	10 537
Retained earnings		12 776	12 776
Profit for the period		(1 765)	-
Translation reserve		(1 676)	(824)
Total equity attributable to equity holders of the Company		20 009	22 584
TOTAL EQUITY		20 009	22 584
Non-current liabilities			
Loans and borrowings	4	43 517	24 766
Deferred income		714	172
Deferred tax liabilities		3 438	3 333
Long-term portion of finance lease liabilities		5 596	1 258
Total non-current liabilities		53 265	29 529
Current liabilities			
Loans and borrowings	4	23 997	-
Trade and other payables		33 994	40 818
Deferred income		440	688
Provisions		3 198	998
Short-term portion of finance lease liabilities		2 288	282
Total current liabilities		63 917	42 786
TOTAL LIABILITIES		117 182	72 315
TOTAL EQUITY AND LIABILITIES		137 191	94 899
Pledged Assets and Contingent Liabilities			
Pledged Assets		20 337	20 800
Contingent Liabilities		665	613

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 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 other comprehensive income	**-**		**-**	**(852)**	**(852)**
Total comprehensive income for the year	**-**		**(1 765)**	**(852)**	**(2 617)**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Warrant issue	-	42	-	-	42
Total contributions by and distributions to owners	-	42	-	-	42
Balance at 31 December 2011	**95**	**10 579**	**11 011**	**(1 676)**	**20 009**

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 2010	-	-	-	-	-
Total comprehensive income for the year					
Profit for the period	-	-	12 776	-	12 776
Other comprehensive income					
Exchange differences on translating to presentation currency	-	-	-	(824)	(824)
Total other comprehensive income	**-**	**-**	**-**	**(824)**	**(824)**
Total comprehensive income for the period	**-**	**-**	**12 776**	**(824)**	**11 952**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Share capital contribution	95	-	-	-	95
Additional capital paid	-	10 537	-	-	10 537
Total contributions by and distributions to owners	95	10 537	-	-	10 632
Balance at 31 December 2010	**95**	**10 537**	**12 776**	**(824)**	**22 584**

Consolidated cash flow statement	For the three months ended 31 Dec 2011 Unaudited EUR '000	For the three months ended 31 Dec 2010 Unaudited EUR '000	For the twelve months ended 31 Dec 2011 Unaudited EUR '000	For the twelve months ended 31 Dec 2010 Audited EUR '000
Cash flows from operating activities				
Profit before income tax benefit(expense)	(1,133)	(2,640)	(1,736)	11,786
Adjustments for:				
Depreciation and amortisation	1,861	1,240	6,381	2,907
Negative goodwill	-	-	-	(18,609)
Loss from write off of receivables	126	-	486	-
Loss on disposal of property, plant and equipment	21	26	21	26
Finance costs	2,062	620	5,382	1,504
Finance income	(86)	(124)	(224)	(294)
Net foreign exchange losses/(gains)	90	(1,202)	2,471	182
Cash flows from (used in) operating activities before changes in working capital and provisions	**2,941**	**(2,080)**	**12,781**	**(2,498)**
Change in inventories	(10,840)	(4,935)	(45,060)	(15,964)
Change in trade and other receivables	1,882	(12,780)	(8,124)	(14,831)
Change in prepayments for current assets	(11)	6,740	(87)	(87)
Change in trade and other payables	(8,275)	13,183	(8,121)	39,731
Change in provisions and employee benefits	(1,064)	(5,262)	1,962	704
Change in deferred income	(101)	(346)	(730)	604
Cash flows from operations before interest paid	**(15,468)**	**(5,480)**	**(47,379)**	**7,659**
Income tax paid	(190)	-	(1,210)	-
Interest paid	(627)	(620)	(2,484)	(1,504)
Net cash from/(used in) operating activities	**(16,285)**	**(6,100)**	**(51,073)**	**6,155**
Cash flows from investing activities				
Acquisition of business	-	-	-	(18,986)
Proceeds from sale of property, plant and equipment	10	212	10	212
Interest received	86	135	224	294
Acquisition of property, plant and equipment	(2,869)	(1,599)	(4,910)	(2,487)
Acquisition of intangible assets	(557)	(2)	(740)	(184)
Closing of deposits	-	(667)	747	(746)
Net cash (used in) investing activities	**(3,330)**	**(1,921)**	**(4,669)**	**(21,897)**
Cash flows from financing activities				
Proceeds from issue of share capital	-	-	-	95
Proceeds from issue of warrants	-	-	45	-
Proceeds from bonds	-	-	42,645	-
Proceeds from short-term borrowings	21,371	-	67,895	24,844
Repayment of loan from Investors	-	-	(24,880)	-
Repayment of short-term loans	(14,207)	-	(43,436)	-
Contributions of shareholders	-	-	-	10,267
Net leasing financing received	4,195	1,544	6,175	1,544
Net cash from financing activities	**11,359**	**1,544**	**48,444**	**36,750**
Net increase in cash and cash equivalents	**(8,256)**	**(6,477)**	**(7,298)**	**21,008**
Cash and cash equivalents at start of the period	19,763	27,513	20,776	-
Effect of exchange rate fluctuations on cash and cash equivalents	896	(260)	(1,075)	(232)
Cash and cash equivalents at end of the period	**12,403**	**20,776**	**12,403**	**20,776**

Parent Company statement of comprehensive income	For the three months ended 31 Dec 2011 Unaudited EUR '000	For the three months ended 31 Dec 2010 Unaudited EUR '000	For the twelve months ended 31 Dec 2011 Unaudited EUR '000	For the twelve months ended 31 Dec 2010 Audited EUR '000
Revenue	192	125	567	292
Gross profit	192	125	567	292
Administrative expenses	(400)	(513)	(1 895)	(1 069)
Other income/(expenses)	(194)	46	(1 439)	27
Results from operating activities	(402)	(342)	(2 767)	(750)
Finance income	1 291	780	4 006	1 855
Finance costs	(1 412)	(633)	(4 121)	(1 504)
Net finance costs	(121)	147	(115)	351
Loss before income tax benefit	(523)	(195)	(2 882)	(399)
Income tax benefit	764	105	764	105
Loss for the period	241	(90)	(2 118)	(294)
Total comprehensive losses for the period	241	(90)	(2 118)	(294)

Parent Company Balance Sheet	31 December 2011 Unaudited EUR '000	31 December 2010 Audited EUR '000
ASSETS		
Non-current assets		
Property, plant and equipment	3	2
Intangible assets	2 208	2 708
Holdings in group Companies	15 426	12 451
Loans to group companies	34 738	-
Deferred tax assets	870	105
Total non-current assets	**53 245**	**15 266**
Current assets		
Current loan to group companies	-	20 800
Trade and other receivables	16	8
Prepayments	53	7
Other assets	2 487	4
Cash and cash equivalents	845	993
Total current assets	**3 401**	**21 812**
Total assets	**56 646**	**37 078**
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital (100,000 shares)	100	100
Unrestricted Equity		
Share Premium Reserve	12 344	12 302
Retained earnings	(299)	(294)
Loss for the period	(2 118)	-
Total equity attributable to equity holders of the Company	**10 027**	**12 108**
Total equity	**10 027**	**12 108**
Non-current liabilities		
Loans and borrowings	43 517	24 787
Total non-current liabilities	**43 517**	**24 787**
Current liabilities		
Trade and other payables	3 102	183
Total current liabilities	**3 102**	**183**
Total liabilities	**46 619**	**24 970**
Total equity and liabilities	**56 646**	**37 078**
Pledged Assets and Contingent Liabilities		
Pledged Assets	-	20 800

In relation to the Investor Loan Facility the parent company pledged as collateral: (1) the shares in its subsidiary Ferronordic Machines Russia AB and (2) an intergroup loan amounting to EUR 20.8m to Ferronordic Machines LLC payable to Ferronordic Machines AB. With the repayment of the Investor Loan Facility (see note 4 below), the pledged assets have been released.

1. 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 the all companies in the Consolidated Group the functional currency is the national currency of the Russian Federation the Russian Rouble (“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 accounts for the fourth quarter of 2011 and twelve months January to December 2011, as for the annual accounts for 2010, 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 2010 except for warrants (see note 3). 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 2011 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 2010.

Effects of changes in accounting estimates

Significant estimates and assumptions are described in Note 3 in the Annual Report for 2010.
There have not been changes in the significant estimates and assumptions that could have a material impact on the Year-end 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 yearend capital spending decisions.

2. 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:

	For the three months ended 31 Dec 2011 Unaudited	**For the three months ended 31 Dec 2010 Unaudited**	**For the twelve months ended 31 Dec 2011 Unaudited**	**For the twelve months ended 31 Dec 2010 Audited**
	EUR ’m	EUR ’m	EUR ’m	EUR ’m
Sales of goods	75,2	39,1	260,5	72,0
Revenue from services provided	2,4	1,2	7,5	1,9
Total revenues	77,6	40,3	268,0	73,9

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 and twelve months January to December 2011.

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

	For the three months ended 31 Dec 2011 Unaudited	For the three months ended 31 Dec 2010 Unaudited	For the twelve months ended 31 Dec 2011 Unaudited	For the twelve months ended 31 Dec 2010 Audited
	EUR 'm	EUR 'm	EUR 'm	EUR 'm
EBITDA	2.8	(1.0)	12.3	(1.4)
Depreciation and amortisation	(1.9)	(1.3)	(6.4)	(2.8)
Foreign exchange loss	(0.1)	0.2	(2.5)	(1.4)
Negative goodwill	0	0	0	18.6
Finance income	0.1	0.1	0.2	0.3
Finance costs	(2.1)	(0.6)	(5.4)	(1.5)
Profit before income tax	(1.1)	(2.6)	(1.7)	11.8
Income tax benefit/(expense)	0.9	0.2	(0.0)	1.0
Profit for the period	(0.2)	(2.5)	(1.8)	12.8

3. Warrants

In accordance with the Shareholders' decision as of 07 June 2011, the Group has offered members of the Board of Directors the option to acquire newly issued warrants in the Company. 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 external appraiser. The warrants were subscribed at market value. The market value was EUR 42 thousand.

4. Loans and borrowings

(a) Short-term borrowings

Short term borrowings as at 31 December 2011 consisted of the following:

	Outstanding balance as of 31 December 2011	Credit facility limit
	EUR'000	EUR'000
Secured short term borrowings	16,798	16,798
Unsecured short term borrowings	7,199	11,998
Total	23,997	28,796

During 2011 the Group has entered into several short term loan facility agreements. The outstanding amount of secured short term loans as of 31 December 2011 amounted to EUR 16,798 thousands. The interest rates for these loans range from 8.7% to 10.9% p.a. and maturity dates vary between 2 and 5 months after the reporting date. Facility availability period is over 12 months after the reporting date. These loans are secured by circulating inventory with carrying amount of EUR 20,337 thousands as 31 December 2011.
The outstanding amount of unsecured short term loans (including overdraft) as of 31 December 2011 amounted to EUR 7,199 thousands. The average interest rate of these loans was 10.8% p.a.

The loan agreements established certain financial covenants which should be maintained by the Group. As of 31 December 2011 the Group complied with all the covenants set forth in the loan agreements.

(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 2011 was set at 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 proceeds from the issuance was applied by the Company towards repayment of the o loan from Investors in full and general corporate purposes primary toward financing Group's operating activity. As of 28 June 2011, the loan from Investors was fully repaid in amount of EUR 24.9 million.
The bonds agreement contains the 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.

5. Merger

A merger plan for the Company and Ferronordic Machines Russia AB was established on 8 July 2011. The merger was completed on 1 December 2011.The negative effect of the merger amounted EUR 5 thousand, which was included in the retained earnings of the Parent Company.

6. Related party transactions

The Group's related parties and the extent of transactions with related parties are described in note 26 of the 2010 Annual Report. IAS 24, related party disclosures, has been amended and is effective for financial years beginning from and including January 2011. The changes have no impact on the Group however.

Transactions with owners

The Group had outstanding at 31 December 2010 a loan from the Group's investors of EUR 24.9m with an outstanding balance of EUR 24.8m (the Investor Loan Facility). The loan was fully repaid on 28 June 2011.

Transactions with key management personnel

In June 2011, the Group offered members of the Board of Directors the option to acquire warrants in the Company. See note 3.

Parent company

During the year, the parent company received EUR 500 thousand (EUR 292 thousand) from Ferronordic Machines LLC for the Volvo business sub-license. The parent company also received EUR 4.0 million (EUR 1.9 million) in interest income from subsidiaries and incurred EUR 1.3 million (EUR 1.5 million) in interest expense on the Investors Loan Facility.

7. Events after the balance sheet date.

No 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 28, 2012 in Stockholm. The invitation to the Meeting will be published on April 27, 2012.

Financial reports during 2012

Ferronordic Machine's interim reports as well as the Year-end Report are available for downloading on Ferronordic Machine's website, www.ferronordic.ru and can also be ordered from Ferronordic Machines, Investor Relations. The Annual report for 2011 will be available on the Company's website and headquarters after April 27, 2012.
The Group's reports during 2012 will be published on the following dates:

- May 2012 Three Month Report
- August 2012 Six Month Report
- November 2012 Nine Month Report

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

Moscow, February 28 2012

Per-Olof Eriksson
Chairman

Anders Blomqvist
Group CFO

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

For further information please contact:

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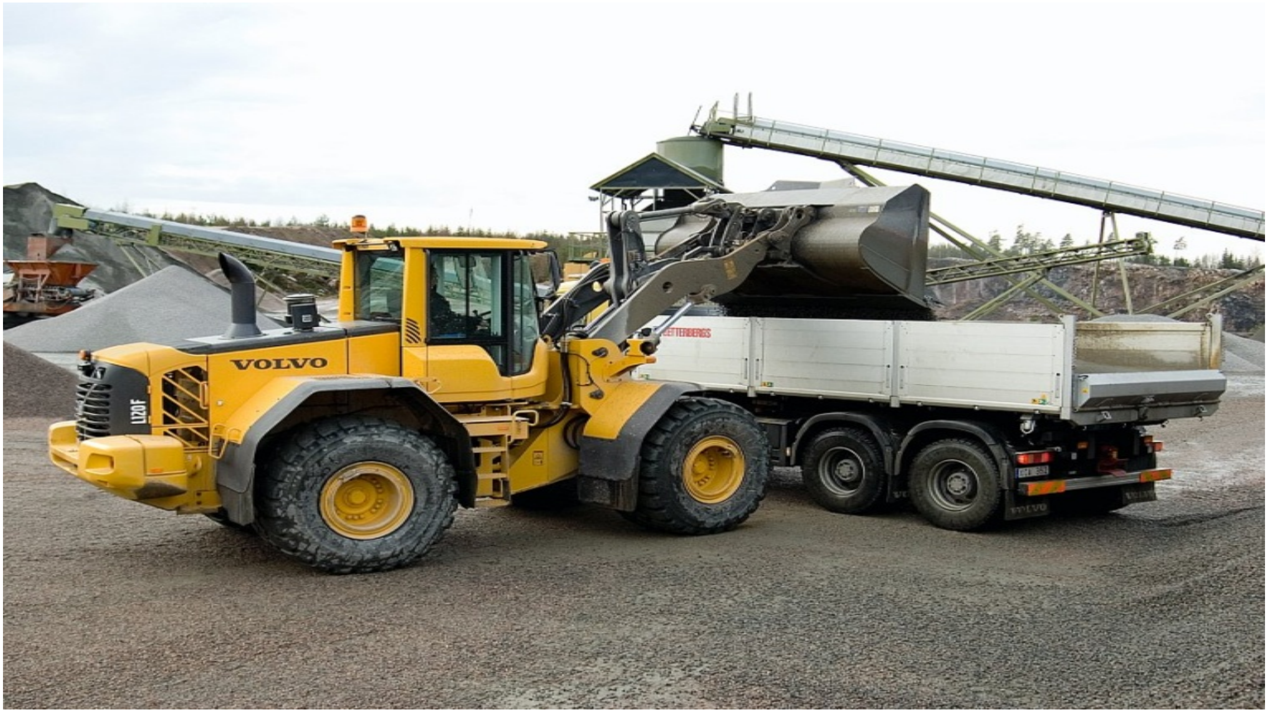

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