Ferronordic Machines AB

Interim Report January - September 2012

Third Quarter 2012

- Sales revenue amounted to EUR 80.3m (73.6m)*
- Revenue growth of 9% Y-o-Y (6% in local currency)
- Operating profit amounted to EUR 1.3m (0.6m)
- The Operating margin was 1.7% (0.8%)
- EBITDA amounted to EUR 3.9m (2.3m)
- The after-tax result amounted to EUR -1.7m (-2.8m)
- Cash flow from operating activities amounted to EUR 2.5m (-24.4m)

January - September 2012

- Sales revenue amounted to EUR 207.9m (190.4m)
- Revenue growth of 9% Y-o-Y (7% in local currency)
- Operating profit amounted to EUR 1.6m (5.0m)
- The Operating margin was 0.8% (2.6%)
- EBITDA amounted to EUR 8.8m (9.5m)
- The after-tax result amounted to EUR -5.7m (-1.5m)
- Cash flow from operating activities amounted to EUR 2.1m (-29.9m)

*Comparative figures for last year are in brackets

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

Lars Corneliusson, the CEO of Ferronordic Machines comments:

Improved Q3 results despite uncertain market

With revenues amounting to EUR 208m, Ferronordic Machines achieved a 9% revenue growth during the first nine months of 2012 compared to the same period 2011. The number of new machines sold increased by 15% to 1,039 units. The growth in revenue was slower than the unit growth due to a shift towards smaller machines in the product mix. Revenue from parts and service grew 15% and revenue from the rental business more than tripled. EBITDA for the first nine months 2012 was EUR 8.8m, a decrease with EUR 0.7m compared to the same period in 2011. The lower earnings were primarily related to increased selling, general and administrative expenses as the business and organization expanded throughout Russia. Net income, excluding amortization of transactions related intangibles, for the first nine months was negative EUR 2.1m, primarily due to EUR 1.2m of unrealized FX losses and higher financial costs as a result of the Company's higher financial indebtedness. Cash flow from operating activities was 2,1m and cash used in investing activities was EUR 5.8m, resulting in an ending net debt position of EUR 75.7m.

In the third quarter, the Company experienced a 9% increase in revenue compared to the same period the year before. During the period, 391 new units were sold, a 9% increase over the third quarter 2011. Revenue from parts and service increased 9% and revenue from the rental business doubled. The Company achieved an EBITDA of 3.9m, a 70% increase compared to the same period in 2011. Net income, excluding amortization of transactions related intangibles, for the period was negative EUR 0.5m, primarily due to the same reasons as during the first nine months. The Company's net debt position increased EUR 5.5m during the three months ending September 2012.

I am very pleased that the strategy of growing our presence throughout Russia is now showing positive effects on our ability to capture market opportunities in geographical areas previously operated by smaller independent dealers with low market shares, outside of traditionally stronger territories for VCE in Russia (mainly North West Russia. We now have a widespread footprint of sales and service points in all seven federal regions of Russia. The two regions which have been historically weakest for VCE sales, Far East and Siberia, are expected to show strong revenue growth over the next few years. During the first nine months, approximately 40% of our revenue was generated in regions where we did not have our own outlets at the time of the takeover from VCE in 2010 (Urals, Volga, South, Far East and Siberia). In 2010, the corresponding number for VCE products was around 15%. We are in a good position to continue to rebalance our sales as the regions show different patterns of market development.

As mentioned in our Q2 report, the market growth expected in mid-June did not materialize and we still do not see any major changes in the overall market sentiment. Also as discussed in the Q2 report, the uncertainty created by the Euro crisis has had an impact on the Russian market and clearly negatively affected the short-term spending decisions among our customers. In addition, there is a clear over-stocking in the market today which of course could have an impact on the pricing and hence our profitability in the short-term. However, in summary, despite numerous uncertainties, we see that the market has stabilized somewhat.

Following a significant drop in the oil price during Q2 when the price reached a low of USD 88.5 / barrel on June 22, it has now recovered and was at USD 111 / barrel at the end of September. There is usually a strong correlation between the oil price level and the spending in the construction equipment market and hence our revenue generation. We continue to monitor the oil price development closely.

During the quarter we have worked hard in consolidating our organization and making it more efficient in order to even better serve our large customer base. We have been more selective in opening new outlets, and in recruiting new personnel and we were in September at similar levels as at the end of June, 621 employees (615 in June) and 63 outlets (one more than in June). Our focus on competence development is continuing and I am happy to announce that our training center in Moscow is now fully operational. I would also like to mention that we have been able to recruit a new, highly competent individual, Onur Gucum, as Commercial Director. Onur has a long and broad experience in the construction equipment market, having worked for both VCE and a competitor for a number of years. Onur has since his start in July already made a significant contribution to our Company.

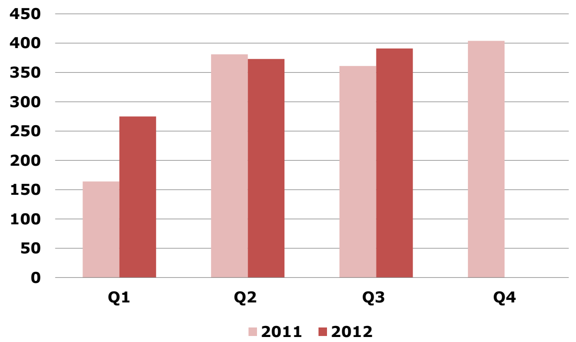
It is currently difficult to estimate the short- and medium term market development. Underlying long-term market fundamentals are strong, but uncertainty is high, thus leading to higher variances in short-term profitability and working capital.

The business

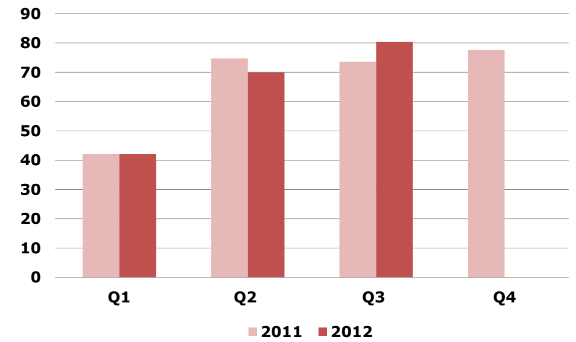
Ferronordic Machines AB (the "Company") together with its subsidiaries (the "Group") has been the authorized dealer for Volvo Construction Equipment ("Volvo CE") in Russia since 1 June 2010. The business consists of distribution and sales of new Volvo construction equipment, sales of used equipment,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

Net sales

Consolidated revenue for Q3 2012 increased by 9% from EUR 73.6m to EUR 80.3m as compared to the same period of 2011. Revenue from sales of new machines increased by 4%. Revenue from spare parts and services increased by 9%.



Consolidated revenue for the nine months 2012 increased by 9% from EUR 190.4m to EUR 207.9m compared to the nine months 2011. Revenue from sales of new machines increased by 4% and from spare parts and services by 15%.



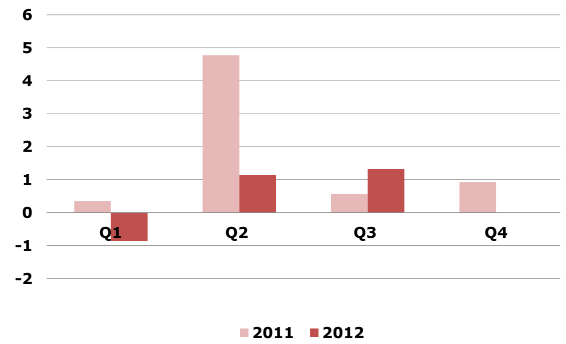
Gross profit and results from operating activities

Gross profit in Q3 2012 amounted to EUR 11.4m, a 32% increase as compared to the previous year when the gross profit amounted to EUR 8.6m. Gross profit increased primarily as a result of increase in revenue and changed revenue mix.

Results from operating activities for Q3 2012 amounted to EUR 1.3m as compared to EUR 0.6m in Q3 2011 mainly due to the EUR 2.8m increase in gross profit which was partially offset by an increase in selling, general and administrative expenses of EUR 2.2m as a result of increased personnel costs and depreciation & amortization expenses. Personnel costs are rising with the opening of new service centers.

Gross profit for the nine months 2012 increased from EUR 26.9m to EUR 29.9m as compared to the previous year. This 11% increase was related to the 9% revenue growth but also a slight improvement in gross margin from 14.1% to 14.4%.

Results from operating activities for the nine months 2012 amounted to EUR 1.6m as compared to EUR 5.0m in the same period 2011 due to a EUR 6.4m increase in selling, general and administrative expenses, partially offset by the EUR 3.0m increase in gross profit.



Result before income tax

The result before income tax for Q3 2012 was EUR 1.3m better than the same period of 2011, primarily due to:

- the better results from operating activities of EUR 0.7m; and
- a decrease in unrealized foreign exchange loss by EUR 1.7m as compared to the same period in 2011. The unrealized foreign exchange loss in the amount of EUR 0.5m is primarily related to the appreciation of the Swedish Krona

(SEK), the currency in which Group's bonds are denominated, versus the Group's functional currency (RUB).

These positive effect were offset by an increase in net finance costs of EUR 1.1m.

The result before income tax for the nine months 2012 was EUR 5.7m lower than the same period in 2011. The decrease is primarily related to:

- the lower results from operating activities of EUR 3.4m;
- an increase in net finance costs of EUR 3.7m. The Group had double the amount of average outstanding debt in the nine months 2012 compared to the same period in 2011 as well as an increased borrowing cost of over 2% compared to the same period in 2011, which resulted in the higher net finance costs; and
- a decrease in unrealized foreign exchange loss of EUR 1.2m.

Loss for the period

The result for Q3 2012 in comparison to the same period of 2011 increased from EUR -2.8m to EUR -1.6m due to the EUR 1.3m increase in results before income tax.

The result for the nine months 2012 in comparison to the same period of 2011 decreased from EUR -1.5m to EUR -5.7m due to the EUR 5.7m decrease in results before income tax offset by a positive EUR 1.6m change in income tax.

The income tax benefit resulted from a decrease in deferred tax liability in the nine months 2012.

Cash flow

Cash flow from operating activities in Q3 2012 amounted to EUR 2.5m, compared to EUR -24.4m in the same period of 2011. The increase in cash flow in Q3 2012 is primarily explained by an improved working capital situation.

In Q3 2012 net cash used in investing activities was EUR 1.0m, significantly less than in the same period in 2011 (EUR 3.4m). In Q3 2012 investments primarily related to developing new dealer centers.

Cash flow from operating activities in the nine months 2012 amounted to EUR 2.1m compared to EUR -29.9m in the same period of 2011.

In the nine months 2012 net cash used in investing activities was EUR 5.8m, an increase compared to the same period in 2011 (EUR 4.2m).

Financial position

Consolidated cash and cash equivalents at 30 September 2012 and 31 December 2011 were EUR 10.1m and EUR 12.4m, respectively. At 30 September 2012 and 31 December 2011, the Group had interest-bearing liabilities of EUR 85.8m and EUR 75.4m respectively (interest bearing liabilities include debt and obligations under financial leases, both short term and long term).

Total equity at 30 September 2012 was EUR 15.4m and EUR 20.0m at 31 December 2011. The decrease in equity is explained by the net loss of EUR 5.7m in nine months of 2012.

Material disputes

Litigation is described in note 25 of the 2011 Annual Report. During Q2 2012 this litigation was resolved in favor of the Group in the first instance. Contingent liability in amount of EUR 165 thousand related to this case was released in financial statements as of 30 June 2012. In Q3 2012 the claimant has given a notice of appeal. If defense against the prosecution will be unsuccessful maximum damages will not exceed EUR 141 thousand. At this time, the outcome of the litigation and the amount of damages that may be set forth by a court cannot be predicted with any certainty, except for the fact that it will not exceed the maximum amount. There have been no other material disputes during the reporting period.

Outlook

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

Pledged assets and contingent liabilities

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

Parent company

Revenue for the Q3 2012 and for the Q3 2011 was the same, EUR 125 thousand.

Administrative expenses for Q3 2012 decreased by 34% compared to Q3 2011 and amounted to EUR 398 thousand primarily due to decrease in remuneration of key management personnel in Q3 2012 comparing to the same period in 2011.

The after tax result for Q3 2012 increased compared to the same period in 2011 from a EUR 1,800 thousand loss to a EUR 932 thousand loss which is primarily related to decrease in net unrealized exchange loss of EUR 0.6m related to non-Euro denominated liabilities.

Revenue for the nine year 2012 and for the comparable period in 2011 was the same, EUR 375 thousand.

Administrative expenses for the nine months 2012 decreased by 23% compared to the nine months 2011 and amounted to EUR 1,149 thousand.

The after tax result for the nine months 2012 decreased compared to the same period in 2011, from a EUR 2,358 thousand loss to a EUR 2,498 thousand loss.

Noteworthy risks and uncertainties

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

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

Employees

The number of employees at the end of September totaled 621 which is an increase of 81 employees since the start of the year 2012.

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

Condensed consolidated statement of comprehensive income	Note	For the three months ended 30 Sept 12 Unaudited EUR '000	For the three months ended 30 Sept 11 Unaudited EUR '000	For the nine months ended 30 Sept 12 Unaudited EUR '000	For the nine months ended 30 Sept 11 Reviewed EUR '000	Full year 2011 Audited EUR '000	October 11 - September 12 Unaudited EUR '000
Revenue	2	**80,342**	**73,601**	**207,877**	**190,395**	**268,017**	**285,499**
Cost of sales		(68,918)	(64,964)	(177,956)	(163,465)	(230,629)	(245,120)
Gross profit		**11,424**	**8,637**	**29,921**	**26,930**	**37,388**	**40,379**
Selling, general and administrative expenses		(9,839)	(7,622)	(27,936)	(21,482)	(30,511)	(36,965)
Other income		88	6	156	46	80	190
Other expenses		(346)	(448)	(537)	(534)	(1,064)	(1,067)
Results from operating activities		**1,327**	**573**	**1,604**	**4,960**	**5,893**	**2,537**
Finance income		79	79	198	138	224	284
Finance costs		(2,730)	(1,589)	(6,977)	(3,320)	(5,382)	(9,039)
Net foreign exchange gains/(losses)		(515)	(2,219)	(1,151)	(2,381)	(2,471)	(1,241)
Result before income tax		**(1,839)**	**(3,156)**	**(6,326)**	**(603)**	**(1,736)**	**(7,459)**
Income tax benefit (expense)		155	332	638	(915)	(29)	1,524
Result for the period		**(1,684)**	**(2,824)**	**(5,688)**	**(1,518)**	**(1,765)**	**(5,935)**
Other comprehensive income							
Exchange differences on translating to presentation currency		779	(1,867)	1,095	(1,930)	(852)	2,173
Other comprehensive income for the period, net of tax		**779**	**(1,867)**	**1,095**	**(1,930)**	**(852)**	**2,173**
Total comprehensive income for the period		**(905)**	**(4,691)**	**(4,593)**	**(3,448)**	**(2,617)**	**(3,762)**
Result attributable to:							
Owners of the Company		(1,684)	(2,824)	(5,688)	(1,518)	(1,765)	(5,935)
Non-controlling interests		-	-	-	-	-	-
Result for the period		**(1,684)**	**(2,824)**	**(5,688)**	**(1,518)**	**(1,765)**	**(5,935)**
Total comprehensive income attributable to:							
Owners of the Company		(905)	(4,691)	(4,593)	(3,448)	(2,617)	(3,762)
Non-controlling interests		-	-	-	-	-	-
Total comprehensive income for the period		**(905)**	**(4,691)**	**(4,593)**	**(3,448)**	**(2,617)**	**(3,762)**

Condensed consolidated statement of financial position	Note	30 Sept 12 Unaudited EUR '000	31 Dec 11 Audited EUR '000
ASSETS			
Non-current assets			
Intangible assets		17,792	20,256
Property, plant and equipment		27,599	18,005
Deferred tax assets		946	898
Total non-current assets		**46,337**	**39,159**
Current assets			
Inventories		61,343	62,624
Trade and other receivables		32,836	22,835
Prepayments		240	170
Cash and cash equivalents		10,080	12,403
Other current assets		99	-
Total current assets		**104,598**	**98,032**
TOTAL ASSETS		**150,935**	**137,191**
EQUITY AND LIABILITIES			
Equity			
Non-restricted share capital		95	95
Additional paid in capital		10,579	10,579
Retained earnings		11,011	12,776
Result for the period		(5,688)	(1,765)
Translation reserve		(581)	(1,676)
Total equity attributable to equity holders of the Company		**15,416**	**20,009**
TOTAL EQUITY		**15,416**	**20,009**
Non-current liabilities			
Loans and borrowings	3	46,521	43,517
Deferred income		545	714
Deferred tax liabilities		2,665	3,438
Long-term portion of finance lease liabilities		8,402	5,596
Total non-current liabilities		**58,133**	**53,265**
Current liabilities			
Loans and borrowings	3	27,515	23,997
Trade and other payables		42,306	33,994
Deferred income		491	440
Provisions		3,712	3,198
Short-term portion of finance lease liabilities		3,362	2,288
Total current liabilities		**77,386**	**63,917**
TOTAL LIABILITIES		**135,519**	**117,182**
TOTAL EQUITY AND LIABILITIES		**150,935**	**137,191**
Pledged Assets and Contingent Liabilities			
Pledged Assets		21,198	20,337
Contingent Liabilities		873	830

Consolidated statement of changes in equity

EUR '000	**Attributable to equity holders of the Company**				
	Share capital	**Additional paid in capital**	**Retained earnings**	**Translation reserve**	**Total equity**
Balance at 1 January 2012	**95**	**10,579**	**11,011**	**(1,676)**	**20,009**
Total comprehensive income for the period					
Profit/(loss) for the period	-	-	(5,688)	-	(5,688)
Other comprehensive income	-	-	-	1,095	1,095
Total comprehensive income for the period	**-**	**-**	**(5,688)**	**1,095**	**(4,593)**
Balance at 30 September 2012	**95**	**10,579**	**5,323**	**(581)**	**15,416**

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	-	-	(1,518)	-	(1,518)
Other comprehensive income					
Exchange differences on translating to presentation currency	-	-	-	(1,930)	(1,930)
Total comprehensive income for the period	**-**	**-**	**(1,518)**	**(1,930)**	**(3,448)**
Contributions by and distributions to owners					
Warrant issue	-	42	-	-	42
Total contributions by and distributions to owners	**-**	**42**	**-**	**-**	**42**
Balance at 30 September 2011	**95**	**10,579**	**11,258**	**(2,754)**	**19,178**

Consolidated cash flow statement	For the three months ended 30 Sept 12 Unaudited EUR '000	For the three months ended 30 Sept 11 Unaudited EUR '000	For the nine months ended 30 Sept 12 Unaudited EUR '000	For the nine months ended 30 Sept 11 Reviewed EUR '000
Cash flows from operating activities				
Result before income tax	(1,839)	(3,156)	(6,326)	(603)
Adjustments for:				
Depreciation and amortisation	2,574	1,717	7,197	4,519
Loss from write off of receivables	233	76	317	359
Loss (profit) on disposal of property, plant and equipment	-	(34)	-	(98)
Finance costs	2,730	1,589	6,977	3,320
Finance income	(79)	(79)	(198)	(138)
Net foreign exchange losses/(gains)	515	2,070	1,151	2,034
Cash flows from (used in) operating activities before changes in working capital and provisions	**4,134**	**2,183**	**9,118**	**9,393**
Change in inventories	11,773	(10,108)	2,413	(29,387)
Change in trade and other receivables	(7,246)	(976)	(9,586)	(10,006)
Change in prepayments for current assets	(23)	(62)	(64)	(76)
Change in trade and other payables	(4,953)	(17,730)	8,338	153
Change in provisions and employee benefits	264	3,626	381	3,026
Changes in other assets	(3)	-	(99)	-
Change in deferred income	(168)	206	(418)	(316)
Change in tax liabilities	-	(384)	-	-
Cash flows from operations before interest paid	**3,778**	**(22,861)**	**10,083**	**(27,213)**
Income tax paid	-	(1,020)	(94)	(1,020)
Interest paid	(1,263)	(126)	(7,938)	(1,627)
Net cash from/(used in) operating activities	**2,515**	**(24,391)**	**2,051**	**(29,860)**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	-	94	-	336
Interest received	36	79	90	138
Acquisition of property, plant and equipment	(963)	(3,523)	(5,548)	(5,238)
Acquisition of intangible assets	(84)	(64)	(361)	(182)
Closing of deposits	-	-	-	747
Net cash (used in) investing activities	**(1,011)**	**(3,414)**	**(5,819)**	**(4,199)**
Cash flows from financing activities				
Proceeds from issue of warrants	-	29	-	45
Proceeds from bonds	-	-	-	42,645
Proceeds from borrowings	2,312	34,074	63,878	46,524
Repayment of loans from investors	-	-	-	(24,880)
Repayment of other loans	(2,319)	(21,759)	(61,363)	(29,229)
Net leasing financing received (paid)	(1,614)	(212)	(1,500)	(438)
Net cash from financing activities	**(1,621)**	**12,132**	**1,015**	**34,667**
Net increase in cash and cash equivalents	**(117)**	**(15,673)**	**(2,753)**	**608**
Cash and cash equivalents at start of the period	**9,742**	**36,848**	**12,403**	**20,776**
Effect of exchange rate fluctuations on cash and cash equivalents	455	(1,413)	430	(1,622)
Cash and cash equivalents at end of the period	**10,080**	**19,762**	**10,080**	**19,762**

Key Ratios	Note	For the three nonths ended 30 Sept 12	For the three months ended 30 Sept 11	For the nine nonths ended 30 Sept 12	For the nine nonths ended 30 Sept 11	Full year 2011	Latest 12 months
Gross margin, %	1	14.2%	11.7%	14.4%	14.1%	13.9%	14.1%
Operating margin, %	2	1.7%	0.8%	0.8%	2.6%	2.2%	0.9%
Operating working capital, EUR'000	3	48,009	34,517	48,009	34,517	47,997	48,009
Net debt, EUR'000	4	75,720	41,567	75,720	41,567	62,995	75,720
Capital employed, EUR'000	5	91,136	60,745	91,136	60,745	83,004	91,136
EBITDA, EUR'000	6	3,901	2,289	8,801	9,598	12,394	11,596
Net debt/EBIDTA, times	7	6.5	4.8	6.5	4.8	5.1	6.5
EBITDA margin, %	8	4.9%	3.1%	4.2%	5.0%	4.6%	4.1%
Return on capital employed, %	9	5.7%	3.5%	5.7%	3.5%	11.0%	5.7%
Headcount at period-end		621	480	621	480	540	621
Days receivables outstanding	10	37	29	43	33	31	41
Days inventory outstanding	11	80	75	93	90	98	90

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 unrealized FX gains/losses relative to capital employed
10. Outstanding trade 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 Sept 12 Unaudited**	**For the three months ended 30 Sept 11 Unaudited**	**For the nine months ended 30 Sept 12 Unaudited**	**For the nine months ended 30 Sept 11 Reviewed**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**
Revenue	125	125	375	375
Gross profit	**125**	**125**	**375**	**375**
Administrative expenses	(398)	(603)	(1,149)	(1,495)
Results from operating activities	**(273)**	**(478)**	**(774)**	**(1,120)**
Finance income	1,358	1,153	4,017	2,715
Finance costs	(1,448)	(1,324)	(4,476)	(2,708)
Net foreign exchange gains/(losses)	(569)	(1,151)	(1,265)	(1,245)
Result before income tax benefit	**(932)**	**(1,800)**	**(2,498)**	**(2,358)**
Income tax benefit	-	-	-	-
Result for the period	**(932)**	**(1,800)**	**(2,498)**	**(2,358)**
Total comprehensive income for the period	**(932)**	**(1,800)**	**(2,498)**	**(2,358)**

Parent Company Balance Sheet	30 Sept 12 Unaudited EUR ’000	31 Dec 2011 Audited EUR ’000
ASSETS		
Non-current assets		
Property, plant and equipment	2	3
Intangible assets	1,833	2,208
Holdings in group Companies	15,426	15,426
Loans to group companies	36,209	34,738
Deferred tax assets	922	870
Total non-current assets	**54,392**	**53,245**
Current assets		
Trade and other receivables	21	2,503
Prepayments	95	53
Cash and cash equivalents	187	845
Total current assets	**303**	**3,401**
Total assets	**54,695**	**56,646**
EQUITY AND LIABILITIES		
Equity		
Non-restricted share capital	100	100
Share Premium Reserve	12,344	12,344
Retained earnings	(2,417)	(299)
Result for the period	(2,498)	(2,118)
Total equity attributable to equity holders of the Company	**7,529**	**10,027**
Total equity	**7,529**	**10,027**
Non-current liabilities		
Loans and borrowings	46,521	43,517
Total non-current liabilities	**46,521**	**43,517**
Current liabilities		
Trade and other payables	645	3,102
Total current liabilities	**645**	**3,102**
Total liabilities	**47,166**	**46,619**
Total equity and liabilities	**54,695**	**56,646**

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 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 2011. None of the new or revised standards, interpretations and improvements that have been adopted by the EU and that must be applied from 1 January 2012 has had an effect on the Group.
The Parent Company's financial statements are prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and RFR 2, Accounting for legal entities, and according to the same principles that were applied to the Annual Report for 2011.

Effects of changes in accounting estimates

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

Seasonality

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

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 the 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 Sept 12 Unaudited EUR '000	For the three months ended 30 Sept 11 Unaudited EUR '000	For the nine months ended 30 Sept 12 Unaudited EUR '000	For the nine months ended 30 Sept 11 Reviewed EUR '000	Full year 2011 Audited EUR '000	October 11 - September 12 Unaudited EUR '000
Equipment Sales	63,587	58,998	159,249	150,792	215,782	224,239
Equipment Rentals	1,696	773	4,554	1,176	2,040	5,417
Product Support	15,060	13,789	44,074	38,334	50,091	55,832
Other revenue	-	42	-	93	104	10
Total revenues	**80,342**	**73,601**	**207,877**	**190,395**	**268,017**	**285,499**

Total delivery volume, units						
New units	391	361	1,039	906	1,310	1,443
Used units	26	15	56	50	75	81
Total units	**417**	**376**	**1,095**	**956**	**1,385**	**1,524**

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 2012.

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

EBITDA	For the three months ended 30 Sept 12 Unaudited EUR '000	For the three months ended 30 Sept 11 Unaudited EUR '000	For the nine months ended 30 Sept 12 Unaudited EUR '000	For the nine months ended 30 Sept 11 Reviewed EUR '000	Full year 2011 Audited EUR '000	October 11- September 12 Unaudited EUR ’000
EBITDA	3,901	2,290	8,801	9,479	12,274	11,596
Depreciation and amortisation	(2,574)	(1,717)	(7,197)	(4,519)	(6,381)	(9,059)
Foreign exchange loss	(515)	(2,219)	(1,151)	(2,381)	(2,471)	(1,241)
Finance income	79	79	198	138	224	284
Finance costs	(2,730)	(1,589)	(6,977)	(3,320)	(5,382)	(9,039)
Profit before income tax	(1,839)	(3,156)	(6,326)	(603)	(1,736)	(7,459)
Income tax benefit/(expense)	155	332	638	(915)	(29)	1,524
Profit for the period	**(1,684)**	**(2,824)**	**(5,688)**	**(1,518)**	**(1,765)**	**(5,935)**

3. Loans and borrowings

(a) Short-term borrowings

Short term borrowings as of 30 September 2012 consisted of the following:

	Outstanding balance as of 30 September 2012	Credit facility limit
	EUR'000	EUR'000
Secured short term borrowings	17,509	27,515
Unsecured short term borrowings	10,005	12,507
Total	**27,515**	**40,021**

During Q3 2012 the Group used the short term loan facility agreements that existed on 31 December 2011. The outstanding amount of secured short term loans as of 30 September 2012 amounted to EUR 17,509 thousands. The average interest rate of these loans was 10.8% p.a. and maturity dates for these loans vary between 31 and 82 days after the reporting date. Facilities availability periods vary between 1 and 8 months after the reporting date. These loans are secured by circulating inventory with carrying amount of EUR 21,198 thousands as 30 September 2012.

The outstanding amount of unsecured short term loans (including overdraft) as of 30 September 2012 amounted to EUR 10,005 thousands. The average interest rate of these loans was 10.8% p.a.

(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 30 September 2012 was 12% p.a., with interest payable on an annual basis. Each bond has a nominal amount of SEK one million or full multiples thereof. The redemption date of the bonds is 28 June 2014.

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

4. Related party transactions

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

Parent company

During Q3 2012 and nine months of 2012, the parent company received EUR 125 thousand (EUR 125 thousand) and EUR 375 thousand (EUR 375 thousand) respectively from Ferronordic Machines LLC for the Volvo business sub-license. The parent company also incurred EUR 1.4 million (EUR 1.2 million) and EUR 4.0 million (EUR 2.7 million) in interest income from subsidiary in Q3 2012 and nine months of 2012 respectively. During the nine months of 2012 an interest payment in the amount of EUR 5.5m was received by the parent company from Ferronordic Machines LLC.

5. Events after the balance sheet date.

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

Financial reports during 2012

Ferronordic Machines' interim reports as well as the year-end reports are available for downloading on Ferronordic Machines' website, www.ferronordic.ru and can also be ordered from Ferronordic Machines, Investor Relations. The Group's remaining reports for 2012 will be published on the following dates:

February 2013	Year-end Report January-December 2012

Stockholm, 9 November 2012

Per-Olof Eriksson	Anders Blomqvist
Chairman	*Group CFO*

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