Ferronordic Machines AB (publ)
Year-end Report January – December 2013

ALL-TIME HIGH REVENUE AND MARGIN EXPANSION

FOURTH QUARTER 2013*

- Revenue amounted to EUR 79.0m (67.9m)
- Revenue increase of 16.3% Y-o-Y (27.7% in rubles)
- Operating profit amounted to EUR 2.4m (1.5m)
- Operating margin was 3.0% (2.2%)
- EBITDA amounted to EUR 4.8m (4.6m)
- Foreign exchange gains amounted to EUR 0.5m (0.4m)
- The after-tax result amounted to EUR 1.1m (-0.5m)
- Earnings per ordinary share amounted to EUR -0.17 (EUR -0.05)
- Cash flow from operating activities amounted to EUR -3.9m (13.0m)

JANUARY - DECEMBER 2013*

- Revenue amounted to EUR 286.6m (275.8m)
- Revenue increase of 3.9% Y-o-Y (10.4% in rubles)
- Operating profit amounted to EUR 5.9m (3.1m)
- Operating margin was 2.1% (1.1%)
- EBITDA amounted to EUR 17.6m (13.4m)
- Foreign exchange losses amounted to EUR -3.3m (-0.4m)
- The after-tax result amounted to EUR -5.2m (-5.8m)
- Earnings per ordinary share amounted to EUR -0.80 (EUR -0.58)
- Cash flow from operating activities amounted to EUR 5.2m (16.6m)

* Comparative figures for previous year are in brackets.

KEY HIGHLIGHTS DURING THE FOURTH QUARTER

- Strong revenue growth despite flat market for construction equipment in Russia
- Significant market share gains in key product groups
- Decrease of financial indebtedness following successful issuance of preference shares

EUR M	2013 Q4	2012 Q4	2013 12M	2012 12M
Revenue	79.0	67.9	286.6	275.8
EBITDA	4.8	4.6	17.6	13.4
Operating Profit	2.4	1.5	5.9	3.1
Net Debt	6.7	63.9	6.7	63.9
Net debt / EBITDA	0.4x	4.8x	0.4x	4.8x

FERRONORDIC MACHINES' CEO, LARS CORNELIUSSON, COMMENTS:
"During 2013 Ferronordic Machines generated all-time high revenue of EUR 286.6m. Compared to 2012 this represents a 4% revenue increase in reporting currency and a 10% revenue increase in ruble terms. The total market for construction equipment in Russia has been flat for three consecutive years. Despite this, the total number of machines delivered (including machines added to the rental fleet) also reached an all-time high for the 3rd year in a row, exceeding 1,500 units.
We are particularly pleased with the performance of some product groups during the year. We increased our market share for crawler excavators significantly during the year, and in the fourth quarter isolated we had a market share of approximately 12%, which is twice as high as the market share we had in 2012. We are also pleased with our market share increases for articulated haulers and pavers."

All-time high revenue and margin expansion


Lars Corneliusson, the CEO of Ferronordic Machines

During 2013 Ferronordic Machines generated all-time high revenue of EUR 286.6m. Compared to 2012 this represents a 4% revenue increase in reporting currency and a 10% revenue increase in ruble terms. The total market for construction equipment in Russia has been flat for three consecutive years. Despite this, the total number of machines delivered (including machines added to the rental fleet) also reached an all-time high for the 3rd year in a row, exceeding 1,500 units.

Revenue from new machine sales amounted to EUR 201.7m, which was at the same level as the previous year (6% increase in rubles). Revenue from parts and service grew 6%. Service revenue isolated increased by 43%. This in combination with a more efficient pricing structure of machines and parts generated an increase of our gross profit margin by 1.3 percentage points during the year, from 15.2% to 16.5%.

EBITDA for 2013 was EUR 17.6m, an increase of 31% compared to an EBITDA of EUR 13.4m in 2012. We had total one-off expenses in 2013 of approximately EUR 2.4m related to the preference share issue, bond redemption, severance payments, etc. EUR 1.2m of these one-off expenses are related to the bond redemption and thus recorded as financial costs. Excluding these expenses, EBITDA was EUR 18.8m, which is 40% higher than EBITDA for 2012. The result before income tax, excluding one-off expenses, amortization of transaction related intangibles and FX losses, amounted to EUR 3.3m. Cash flow from operating activities was EUR 5.2m and cash used in investing activities was EUR -2.5m. This together with the issuance of the preference shares resulted in a net debt position at the end of the year of EUR 6.7m.

The revenue in Q4 2013 amounted to EUR 79.0m, an increase of 16% compared to the same period in 2012 (28% increase in rubles). December was the strongest month in Ferronordic's history. We are especially pleased with the strong performance in service revenue, which was up by 36% compared to the same period in 2012. Parts sales, however, only increased by 1% compared to Q4 2012 (9% in rubles), partly due to high sales of spare parts under warranty campaigns in 2012.

Gross profit for Q4 2013 increased from EUR 12.1m to EUR 12.4m. EBITDA in Q4 2013 was EUR 4.9m (excluding one-off expenses of EUR 0.1m), which is EUR 0.3m higher than same period of 2012. The result before income tax, excluding one-off expenses, amortization of transaction related intangibles and FX losses, amounted to EUR 0.7m, compared to almost breakeven last year.

We are particularly pleased with the performance of some product groups during the year. We increased our market share for crawler excavators significantly during the year and in the fourth quarter isolated we had a market share of approximately 12%, which is twice as high as the market share we had in 2012.We are also pleased with our market share increases for articulated haulers and pavers.

In 2013, in addition to the continued growth of the Volvo CE network, we opened three service stations incorporating both Volvo CE and Volvo Trucks business in the same facilities.

During the fourth quarter we successfully raised SEK 500m in equity through a preference share issuance. The preference shares started trading on Nasdaq OMX First North Premier on December 3. We are very pleased with the strong demand in our preference share, both from new investors as well as from then existing bondholders. This signals a substantial interest and confidence in our business and a comfort in the way Ferronordic Machines has performed in Russia since the start of operations in 2010. With the capital from the preference share issue and with new investors on board, we will continue to execute our growth strategy.

During the fourth quarter, we also redeemed the remaining part of our bond loan, which significantly strengthened our balance sheet. The bonds were redeemed at 102% and we had one-off financial expenses related to the redemption of more than EUR 1.2m.

We also have seen a significant depreciation of the ruble during the year. This has negatively affected our growth in the reporting currency. The euro appreciated 12% during the year and the Swedish krona 8% against the ruble. The depreciation of the ruble has continued in 2014 and the euro strengthened 5% and the Swedish krona 7% in January 2014. Despite the turbulence surrounding the ruble and other emerging market currencies in the beginning of the year, most forecasts predict a higher economic growth rate for 2014 than was the result in 2013, and an increase in infrastructure spending. The deprecation of the ruble also have positive effects for the export industry such as oil & gas, and the mining sector, which are important customer segments for Ferronordic.

The oil price remained at high levels during most of the year, except for just a few days when the price fell below USD 100 per barrel. The average and closing price was close to USD 110 per barrel. The oil price is expected to remain above USD 100 per barrel during 2014. 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.

We have built a strong organization all over Russia with over 70 sales and/or service outlets and over 730 employees. We have an organization that is well prepared to capture the long-term growth potential which exists in the Russian market. We are looking forward to some important product launches in 2014, as well as increased production in the new Volvo excavator factory in Kaluga.

Overall, we remain cautiously optimistic as we look forward into 2014. It is however difficult to estimate the short- and medium term market development but underlying long-term market fundamentals are strong.

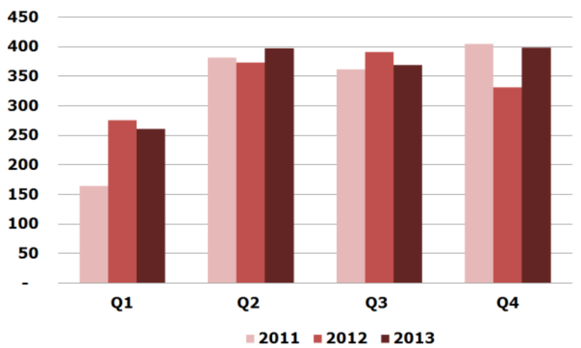
The business

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

Net sales

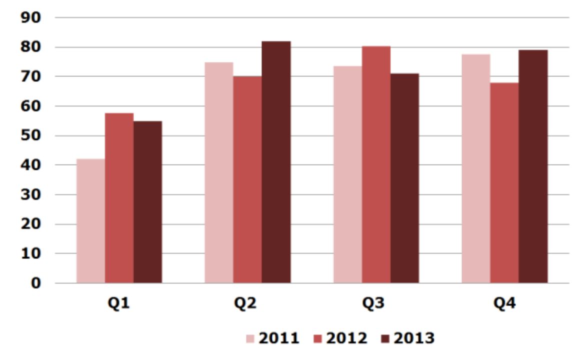
Consolidated revenue in Q4 2013 increased by 16% from EUR 67.9m to EUR 79.0m as compared to the same period of 2012 (28% in ruble). Revenue from sales of new machines increased by 10%. Revenue from spare parts and services increased by 5%.

New units sold



Consolidated revenue for 2013 increased by 4% to EUR 286.6m as compared to 275.8m in 2012. Revenue from sales of new machines remained unchanged but increased 6% in ruble. Revenue from spare parts and services increased by 6%.

Revenue, EUR m



Gross profit and results from operating activities

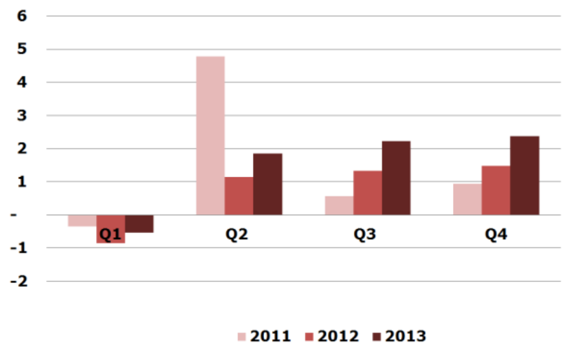
Gross profit in Q4 2013 amounted to EUR 12.4m, a 3.1% increase compared to the same period in 2012 when gross profit amounted to EUR 12.1m.

Results from operating activities in Q4 2013 amounted to EUR 2.4m, as compared to EUR 1.5m in Q4 2012. The increase mainly results from a EUR 0.4m increase in gross profit and a decrease in selling, general and administrative expenses and other expenses by EUR 0.4m.

Gross profit in 2013 increased from EUR 42.0m in 2012 to EUR 47.3m. This 12.7% increase is primarily a result of an improvement in gross margin from 15.2% to 16.5%.

Results from operating activities in 2013 amounted to EUR 5.9m, as compared to EUR 3.1m in 2012. This is mainly because of the EUR 5.3m increase in gross profit, partially offset by an increase in selling, general and administrative expenses of EUR 2.6m.

Results from operating activities, EUR m



Result before income tax

The result before income tax in Q4 2013 was EUR 0.9m higher than in the same period of 2012. This was primarily a result of the increased gross profit and the lower selling, general and administrative expenses.

The result before income tax in 2013 was EUR 0.2m higher than in the same period in 2012. The increase is primarily a result of improved results from operating activities which was offset by EUR 3.3m foreign exchange losses incurred due to a depreciation of the Russian ruble.

Profit for the period

The result in Q4 2013 compared to the same period of 2012 increased from EUR -0.5m to EUR 1.1m thanks to a EUR 0.9m increase in results before income tax and a EUR 0.6m positive income tax effect.

The result in 2013 compared to 2012 increased from EUR -5.8m to EUR -5.2m thanks to improved results from operating activities, offset by the EUR 3.3m foreign exchange loss.

Cash flow

Cash flow from operating activities in Q4 2013 amounted to EUR -3.9m compared to EUR 13.0m in the same period of 2012. This was primarily a result of a decrease in trade payables of EUR -5.0m.

In Q4 2013 net cash used in investing activities was EUR -1.1m (EUR -1.6m in Q4 2012).

Cash flow from operating activities in 2013 amounted to EUR 5.2m compared to EUR 16.6m in the same period of 2012 due to higher inventory and receivable levels, which were partly offset by increased payables.

In 2013 net cash used in investing activities was EUR -2.5m, a decrease compared to the same period in 2012 (EUR -8.9m).

Financial position

Consolidated cash and cash equivalents at 31 December 2013 and 31 December 2012 were EUR 18.4m and EUR 19.2m, respectively. At 31 December 2013 and 31 December 2012 the Group had interest-bearing liabilities of EUR 25.1m and EUR 83.1m, respectively (interest bearing liabilities include debt and obligations under financial leases, both short term and long term).

Total equity at 31 December 2013 was EUR 60.2m and EUR 15.1m at 31 December 2012. The change in equity is primarily related to the SEK 500m preference share issuance in Q4 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. 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 short-term loans used to finance working capital.

Parent company

Revenue in Q4 2013 compared to Q4 2012 increased from EUR 170 thousand to EUR 2,810 thousand. The increase relates to an intercompany trademark license fee paid by Ferronordic Machines LLC of EUR 2.7m.

Administrative expenses in Q4 2013 increased by 15% compared to Q4 2012 and amounted to EUR 436 thousand.

The result after tax in Q4 2013 changed compared to Q4 2012 from EUR 740 thousand to EUR 1,312 thousand. The growth in revenue was offset by a foreign exchange loss of EUR 1.1m and increased financial costs of EUR 2.0m, partly related to the redemption of bonds in Q4.

Revenue in 2013 compared to 2012 increased from EUR 545 thousand to EUR 3,185 Thousand. The increase relates to the intercompany trademark license fee of EUR 2.7m

Administrative expenses in 2013 increased by 14% compared to 2012 and amounted to EUR 1,745 thousand.

The result after tax in 2013 decreased compared to 2012 from a loss of EUR 1,757 thousand to a loss of EUR 2,970 thousand. This primarily relates to a foreign exchange loss of EUR 3,767 thousand (as compared to a foreign exchange loss of EUR 498 thousand incurred in 2012.

Noteworthy risks and uncertainties

In the Group's operations there are many types of risks. Identifying, managing and pricing these risks are of fundamental importance to the Group's profitability. Risks are normally of a technical, legal and financial nature, but political, ethical, social and environmental aspects are also part of assessing potential risks. The risks in the parent company are indirectly the same as those in its subsidiaries given intercompany cash flow.

There have been no changes to what was stated in the 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 December amounted to 731. This is an increase of 77 employees since the end of December 2012.

Warrants

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

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

Net proceeds from the warrants issue in the amount of EUR 66 thousand were included in additional paid in capital.

Share split

On 9 October 2013 the extraordinary general meeting of shareholders resolved to increase the number of shares in the Company from 100,000 shares to 10,000,000 through a share split. Thus, each then existing share with a quotient value of EUR 1 was split into 100 shares with a quotient value of EUR 0.01. The warrants issued by the Company have been adjusted to reflect the share split (in accordance with the terms and conditions).

Annual General Meeting and Annual Report

The Board has decided that the Annual General Meeting will be held on 20 May 2014. The 2013 annual report will be made available on the Company's website no later than 18 April 2014.

Proposed dividend to shareholders

The Board's proposal to the Annual General Meeting will be that no dividends are paid on ordinary shares and that a dividend of SEK 100 is paid for each preference share.

Events after the balance sheet date

Ferronordic Machines LLC has agreed on a EUR 20m (RUB 900m) revolving credit facility with Promsvyazbank, a leading Russian bank. The credit facility is made for two years.

Accounting principles

See page 13. 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 13 Unaudited EUR '000**	**For the three months ended 31 Dec 12 Unaudited EUR '000**	**For the twelve months ended 31 Dec 13 Unaudited EUR '000**	**For the twelve months ended 31 Dec 12 Audited EUR '000**
Revenue	**1**	**78 994**	**67 929**	**286 623**	**275 806**
Cost of sales		(66 560)	(55 867)	(239 314)	(233 823)
Gross profit		**12 434**	**12 062**	**47 309**	**41 983**
Selling, general and administrative expenses		(9 844)	(10 268)	(40 830)	(38 204)
Other income		6	52	172	208
Other expenses		(229)	(374)	(740)	(912)
Results from operating activities		**2 367**	**1 472**	**5 911**	**3 075**
Finance income		9	49	104	247
Finance costs		(2 912)	(2 873)	(9 370)	(9 850)
Net foreign exchange gains/(losses)		500	409	(3 318)	(383)
Result before income tax		**(36)**	**(943)**	**(6 673)**	**(6 911)**
Income tax benefit (expense)		1 107	467	1 445	1 105
Result for the period		**1 071**	**(476)**	**(5 228)**	**(5 806)**
Other comprehensive income					
Items that will never be reclassified subsequently to profit or loss:					
Exchange differences on translating to presentation currency		(2 149)	210	(2 870)	946
Other comprehensive income for the period, net of tax		**(2 149)**	**210**	**(2 870)**	**946**
Total comprehensive income for the period		**(1 078)**	**(266)**	**(8 098)**	**(4 860)**
Earnings per share	**3**				
Basic earnings per share (EUR)		-0,17	-0,05	-0,80	-0,58

The condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial report set out on pages 13 to 16.

Condensed Consolidated Statement of Financial Position	Note	31 Dec 13 Unaudited EUR '000	31 Dec 12 Audited EUR '000
ASSETS			
Non-current assets			
Intangible assets		10 780	16 483
Property, plant and equipment		28 054	27 273
Deferred tax assets		2 564	1 305
Total non-current assets		**41 398**	**45 061**
Current assets			
Inventories		66 038	58 675
Trade and other receivables		37 916	31 715
Prepayments		117	221
Other current assets		79	89
Cash and cash equivalents		18 376	19 227
Total current assets		**122 526**	**109 927**
TOTAL ASSETS		**163 924**	**154 988**
EQUITY AND LIABILITIES			
Equity			
Non-restricted share capital		100	95
Additional paid in capital		66 554	10 579
Retained earnings		2 410	11 011
Result for the period		(5 228)	(5 806)
Translation reserve		(3 600)	(730)
TOTAL EQUITY		**60 236**	**15 149**
Non-current liabilities			
Loans and borrowings	2	-	45 628
Deferred income		-	396
Deferred tax liabilities		1 176	2 415
Long-term portion of finance lease liabilities		2 723	6 942
Total non-current liabilities		**3 899**	**55 381**
Current liabilities			
Loans and borrowings	2	18 233	27 345
Trade and other payables		73 672	50 486
Deferred income		1 730	430
Provisions		2 023	2 997
Short-term portion of finance lease liabilities		4 131	3 200
Total current liabilities		**99 789**	**84 458**
TOTAL LIABILITIES		**103 687**	**139 839**
TOTAL EQUITY AND LIABILITIES		**163 924**	**154 988**
Pledged Assets and Contingent Liabilities			
Pledged Assets		22 076	21 066
Contingent Liabilities		773	762

The condensed consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial report set out on pages 13 to 16.

Condensed Consolidated Statement of Changes in Equity

EUR '000	Attributable to equity holders of the Company				
	Share capital	**Additional paid in capital**	**Retained earnings**	**Translation reserve**	**Total equity**
Balance at 1 January 2013	**95**	**10 579**	**5 205**	**(730)**	**15 149**
Total comprehensive income for the period					
Loss for the period	-	-	(5 228)	-	(5 228)
Other comprehensive income					
Exchange differences on translating to presentation currency	-	-	-	(2 870)	(2 870)
Total comprehensive income for the period	**-**	**-**	**(5 228)**	**(2 870)**	**(8 098)**
Contribution by and distribution to owners					
Issue of preference shares	5	55 909	-	-	55 914
Preference shares dividends	-	-	(2 795)	-	(2 795)
Warrant issue	-	66	-	-	66
Total contributions and distributions	**5**	**55 975**	**(2 795)**	**-**	**53 185**
Balance at 31 Dec 2013	**100**	**66 554**	**(2 818)**	**(3 600)**	**60 236**

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

The condensed consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial report set out on pages 13 to 16.

Condensed Consolidated Statement of Cash Flows	For the three months ended 31 Dec 13 Unaudited EUR '000	For the three months ended 31 Dec 12 Unaudited EUR '000	For the twelve months ended 31 Dec 13 Unaudited EUR '000	For the twelve months ended 31 Dec 12 Audited EUR '000
Cash flows from operating activities				
Result before income tax	(36)	(943)	(6 673)	(6 911)
Adjustments for:				
Depreciation and amortization	2 384	3 133	11 706	10 330
Loss from write off of receivables	(126)	243	249	560
Loss (profit) on disposal of rental fleet	(243)	45	(771)	(472)
Finance costs	2 912	2 873	9 370	9 850
Finance income	(9)	(49)	(104)	(247)
Net foreign exchange losses	(500)	(409)	3 318	383
Other non-cash movements	272	-	272	-
Cash flows from operating activities before changes in working capital and provisions	**4 654**	**4 893**	**17 367**	**13 493**
Change in inventories	206	1 794	(24 610)	1 969
Change in trade and other receivables	76	473	(9 632)	(8 326)
Change in prepayments	59	18	84	(46)
Change in trade and other payables	(4 954)	7 099	30 765	15 437
Change in provisions and employee benefits	(417)	(699)	(684)	(318)
Changes in other assets	74	10	(5)	(89)
Change in deferred income	(23)	(154)	1 215	(548)
Cash flows from operations before interest paid	**(325)**	**13 434**	**14 500**	**21 572**
Proceeds from sale of rental fleet	401	997	3 050	4 426
Income tax paid	(318)	(116)	(1 276)	(210)
Interest paid	(3 619)	(1 284)	(11 125)	(9 222)
Net cash from/(used in) operating activities	**(3 861)**	**13 031**	**5 149**	**16 566**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	-	29	22	29
Interest received	7	23	91	113
Acquisition of property, plant and equipment	(782)	(1 418)	(1 998)	(8 451)
Acquisition of intangible assets	(312)	(223)	(649)	(584)
Net cash used in investing activities	**(1 087)**	**(1 589)**	**(2 534)**	**(8 893)**
Cash flows from financing activities				
Proceeds from issue of warrants	66	-	66	-
Repayment of bonds	(31 350)	-	(31 350)	-
Proceeds from borrowings	17 561	24 835	31 967	88 713
Proceeds from preference shares issue	40 899	-	40 899	-
Repayment of other loans	(10 335)	(24 844)	(39 146)	(86 207)
Leasing financing received	1 055	-	1 055	1 478
Leasing financing paid	(1 229)	(1 922)	(4 855)	(4 900)
Net cash from/(used in) financing activities	**16 667**	**(1 931)**	**(1 364)**	**(916)**
Net decrease in cash and cash equivalents	**11 719**	**9 511**	**1 251**	**6 757**
Cash and cash equivalents at start of the period	**7 691**	**10 080**	**19 227**	**12 403**
Effect of exchange rate fluctuations on cash and cash equivalents	(1 034)	(364)	(2 102)	67
Cash and cash equivalents at end of the period	**18 376**	**19 227**	**18 376**	**19 227**

Key Ratios	Note	For the three months ended 31 Dec 13	For the three months ended 31 Dec 12	For the twelve months ended 31 Dec 13	For the twelve months ended 31 Dec 12
Gross margin, %	1	15,7%	17,8%	16,5%	15,2%
Operating margin, %	2	3,0%	2,2%	2,1%	1,1%
Operating working capital, EUR'000	3	26 725	36 787	26 725	36 787
Net debt, EUR'000	4	6 712	63 888	6 712	63 888
Capital employed, EUR'000	5	66 948	79 037	66 948	79 037
EBITDA, EUR'000	6	4 751	4 605	17 617	13 405
Net debt/EBIDTA, times	7	0,4	4,8	0,4	4,8
EBITDA margin, %	8	6,0%	6,8%	6,1%	4,9%
Return on capital employed, %	9	8,2%	5,5%	8,2%	5,5%
Headcount at period-end		731	654	731	654
Days receivables outstanding	10	37	42	40	41
Days inventory outstanding	11	89	95	99	90

Definitions

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

Parent Company Income Statement	For the three months ended 31 Dec 13 Unaudited EUR '000	For the three months ended 31 Dec 12 Unaudited EUR '000	For the twelve months ended 31 Dec 13 Unaudited EUR '000	For the twelve months ended 31 Dec 12 Audited EUR '000
Revenue	2 810	170	3 185	545
Gross profit	**2 810**	**170**	**3 185**	**545**
Administrative expenses	(436)	(380)	(1 745)	(1 528)
Other expenses	(5)	-	(5)	-
Results from operating activities	**2 369**	**(210)**	**1 435**	**(983)**
Finance income	1 227	1 347	5 142	5 363
Finance costs	(2 030)	(1 477)	(6 583)	(5 953)
Net foreign exchange gains/(losses)	(1 057)	766	(3 767)	(498)
Result before income tax benefit	**509**	**426**	**(3 773)**	**(2 071)**
Income tax benefit	803	314	803	314
Result for the period*	**1 312**	**740**	**(2 970)**	**(1 757)**

* "Result for the period" corresponds to Total comprehensive income for the period.

Parent Company Balance Sheet	31 Dec 13 Unaudited EUR ’000	31 Dec 12 Audited EUR ’000
ASSETS		
Non-current assets		
Property, plant and equipment	1	2
Intangible assets	1 208	1 708
Financial assets		
Holdings in group Companies	21 685	15 426
Loans to group companies	32 190	35 984
Deferred tax assets	2 355	1 224
Total financial assets	56 230	52 634
Total non-current assets	**57 439**	**54 344**
Current assets		
Trade and other receivables	3 478	2 770
Prepayments and accrued income	1 526	66
Cash and cash equivalents	566	193
Total current assets	**5 570**	**3 029**
Total assets	**63 009**	**57 373**
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	105	100
Non-restricted equity		
Share premium reserve	68 319	12 344
Retained earnings	(6 970)	(2 417)
Result for the period	(2 970)	(1 758)
Total equity	**58 484**	**8 269**
Non-current liabilities		
Loans and borrowings	-	45 628
Total non-current liabilities	**-**	**45 628**
Current liabilities		
Loans and borrowings	-	-
Trade and other payables	4 525	3 476
Total current liabilities	**4 525**	**3 476**
Total liabilities	**4 525**	**49 104**
Total equity and liabilities	**63 009**	**57 373**

Basis of presentation and summary of significant accounting policies

Functional and presentation currency

Items included in the various units of the Group and the Company are valued in the currency in which each company primarily operates (functional currency). For all companies in the 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. Starting from 1 January 2014 the Company will change presentation currency to Swedish krona ("SEK").
The Company presentation currency is the euro for purposes of compliance with Swedish reporting requirements.
All financial information presented in EUR has been rounded to the nearest thousand, unless otherwise stated.

Accounting policies

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

Determination of fair values

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

Seasonality

The Company's interim period revenues and earnings historically follow a weather related pattern of seasonality. Typically, the first quarter is the weakest quarter as construction and infrastructure activity is constrained during the winter months, but with a strong performance in customer support (parts and service). This is typically 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). In the fourth quarter activity generally strengthens as companies make year-end capital spending decisions.

1. Operating Segments

Operating segments are reported in accordance with IFRS 8 and IAS 34.

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

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

	For the three months ended 31 Dec 13	For the three months ended 31 Dec 12	For the twelve months ended 31 Dec 13	For the twelve months ended 31 Dec 12
	Unaudited	Unaudited	Unaudited	Audited
Revenue	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Equipment Sales	62 794	51 866	219 622	211 114
Equipment Rentals	1 190	1 772	5 169	6 325
Product Support	15 010	14 292	61 832	58 366
Total revenues	**78 994**	**67 929**	**286 623**	**275 806**
Total delivery volume, units				
New units	398	331	1 425	1 370
Used units	62	19	156	75
Total units	**460**	**350**	**1 581**	**1 445**

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 2013.

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

	For the three months ended 31 Dec 13	For the three months ended 31 Dec 12	For the twelve months ended 31 Dec 13	For the twelve months ended 31 Dec 12
	Unaudited	Unaudited	Unaudited	Audited
EBITDA	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
EBITDA	**4 751**	**4 605**	**17 617**	**13 405**
Depreciation and amortization	(2 384)	(3 133)	(11 706)	(10 330)
Foreign exchange loss	500	409	(3 318)	(383)
Finance income	9	49	104	247
Finance costs	(2 912)	(2 873)	(9 370)	(9 850)
Result before income tax	**(36)**	**(943)**	**(6 673)**	**(6 911)**
Income tax benefit/(expense)	1 107	467	1 445	1 105
Result for the period	**1 071**	**(476)**	**(5 228)**	**(5 806)**

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 31 December 2013 consisted of the following:

	Outstanding balance as of 31 December 2013	Credit facility limit
	EUR'000	EUR'000
Secured short term borrowings	18,233	20,013
Unsecured short term borrowings	-	6,671
Total	**18,233**	**26,685**

During Q4 2013 the Group increased a credit facility limit by EUR 11.1m to EUR 24.5m (RUR 1100m) in addition to a bank guarantee in the amount of EUR 11.1m (RUR 500m) (in favor of ZAO Volvo Vostok. One part of this new facility, up to EUR 20.0m (RUR 900 m), is secured by circulating inventory with a net book value of EUR 24.2m, and the other part, in excess of EUR 20.0m (RUR 900 m), is unsecured. The outstanding amount of the secured part of the facility, as of 31 December 2013, amounted to EUR 18.2m (RUR 820 m). The average interest rate of these loans was 11.45% p.a. The maturity dates for these loans vary between 48 and 70 days after the reporting date. The facility availability period is equal to 3 months after the reporting date. The bank guarantee is secured by a secondary pledge of the same circulating inventory with net book value of EUR 13.5m.

In addition to the facility described above the Group has an undrawn overdraft facility in an amount of EUR 2.2m (RUR 100 m).

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

In June 2011 the Company issued bonds in a total amount of SEK 400 million (EUR 43,730 thousand). These bonds were redeemed during Q4, 2013.

3. Earnings per share

The calculation of basic earnings per share is based on the result attributable to ordinary shareholders, calculated as the result for the period less dividends declared on the preference shares divided by the weighted average number of ordinary shares outstanding.

On 9 October 2013 it was resolved to increase the number of ordinary shares in the Company from 100,000 to 10,000,000 through a share split. Earnings per share presented in the Condensed Consolidated Statement of Comprehensive Income for current and prior periods have been recalculated based on this new number of ordinary shares.

The Company had no dilutive effect on its ordinary shares during the period.

Result attributable to ordinary shareholders

EUR '000	For the three months ended 31 Dec 13	For the three months ended 31 Dec 12	For the twelve months ended 31 Dec 13	For the twelve months ended 31 Dec 12
Result for the period	1 071	(476)	(5 228)	(5 806)
Dividends on preference shares	(2 795)	-	(2 795)	-
Result attributable to ordinary shareholders	**(1 724)**	**(476)**	**(8 022)**	**(5 806)**

b) Weighted average number of shares

Number of shares	For the three months ended 31 Dec 13	For the three months ended 31 Dec 12	For the twelve months ended 31 Dec 13	For the twelve months ended 31 Dec 12
Ordinary shares outstanding 1 January	100 000	100 000	100 000	100 000
Effect of share split in October 2013	9 900 000	9 900 000	9 900 000	9 900 000
Weighted average number of shares for the period	**10 000 000**	**10 000 000**	**10 000 000**	**10 000 000**

4. Related party transactions

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

Parent company

During Q4 2013 and the twelve months of 2013, the Company received EUR 125 thousand (Q4 2012: EUR 125 thousand) and EUR 500 thousand (12 months 2012: EUR 500 thousand) respectively from Ferronordic Machines LLC for the Volvo business sub-license. The Company also incurred EUR 1.2m (Q4 2012: EUR 1.3m) and EUR 5.1m (12 months 2012: EUR 5.4 million) in interest income from Ferronordic Machines LLC in Q4 2013 and the twelve months of 2013, respectively. During Q2 2013 an interest payment in the amount of EUR 0.2m was received by the Company from Ferronordic Machines LLC.

In Q4 2013 Ferronordic Machines AB incurred EUR 2.7m of revenue from Ferronordic Machines LLC as compensation for a trademark license granted by the Company to Ferronordic Machines LLC.

Financial reports 2014

Ferronordic Machines' interim reports and year-end report are available for downloading on Ferronordic Machines' website, www.ferronordic.ru, and can also be ordered from Ferronordic Machines, Investor Relations. The Group's 2014 reports will be published on the following dates:

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

This report has not been reviewed by the Company's auditors.

Stockholm, 24 February 2014

Per-Olof Eriksson
Chairman

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