7 August 2014

Ferronordic Machines AB (publ)
Interim Report January - June 2014

STRONG RESULT DESPITE POLITICAL UNREST

SECOND QUARTER 2014

- Revenue decreased by 11.5% to SEK 622.2m (SEK 703.4m) (2.2% decrease in rubles)
- Operating profit increased to SEK 21.4m (SEK 21.1m)
- Operating margin was 3.4% (3.0%)
- EBITDA increased to SEK 48.7m (SEK 46.8m)
- The after-tax result increased to SEK 13.8m (SEK -7.5m)
- Earnings per ordinary share amounted to SEK 0.13 (SEK -0.75)
- Cash flow from operating activities amounted to SEK -45.3m (SEK 22.5m)

JANUARY - JUNE 2014

- Revenue decreased by 4.0% to SEK 1,123.3m (SEK 1,170.3m) (7.7% increase in rubles)
- Operating profit increased to SEK 31.6m (SEK 11.4m)
- Operating margin was 2.8% (1.0%)
- EBITDA increased to SEK 79.7m (SEK 64.0m)
- The after-tax result increased to SEK 12.3m (SEK -42.1m)
- Earnings per ordinary share amounted to SEK -1.27 (SEK -4.21)
- Cash flow from operating activities amounted to SEK -51.6m (SEK 212.8m)

SEK M	2014 Q2	2013 Q2	2014 H1	2013 H1
Revenue	622.2	703.4	1,123.3	1,170.3
EBITDA	48.7	46.8	79.7	64.0
Operating profit	21.4	21.1	31.6	11.4
After-tax result	13.8	(7.5)	12.3	(42.1)
Net Debt	161.4	355.3	161.4	355.3
Net Debt / EBITDA	1.0x	2.5x	1.0x	2.5x

COMMENTS BY LARS CORNELIUSSON, CEO AND PRESIDENT:

- The challenging geopolitical situation relating to the turmoil in Ukraine has continued throughout the second quarter and has contributed to a significant slowdown in the overall market for our products in Russia. Despite all of this we still managed to deliver a relatively strong result during the quarter. Compared to the second quarter of 2013, which was very strong, our revenue was down 12% in SEK and only 2% in local currency. Our gross margin was 1.8%-points higher at 17.8%. The improved margin combined with lower selling and general and administrative expenses resulted in a 4% increase in EBITDA to SEK 49m. Net income for the period increased significantly to SEK 14m.
- The overall market during the first five months, based on import statistics, dropped by c. 20% compared to last year. At the same time we only experienced a 7% drop in sales of new units in the first six months. This once again shows that we continue to gain market share, especially in our key product areas. In view of the turbulent political situation and the uncertain market environment, we are pleased to have been able to maintain almost the same revenue as in the second quarter of 2013, while at the same time increasing our profitability. We take this as a sign that our significant investments in our extensive network and competence development of our personnel continue to bear fruit.
- Going forward, notwithstanding our relatively strong performance throughout the turmoil so far, it is clear that the difficult political and economic situation in Russia most probably will create challenges for our business in the short term. Despite this, however, we are confident that the long term fundamentals in the Russian construction equipment market remain strong.

Comments to the interim report

The Ukrainian crisis and the related financial and economic uncertainty that characterized the first quarter continued and escalated throughout the second quarter. At the time of this report there is still no sign of de-escalation of the conflict in Eastern Ukraine, and relations between Russia and Western countries continue to be weak. The situation puts pressure on the Russian economy, and GDP estimates for 2014 have generally been significantly reduced. The new sanctions that have been introduced against Russia and certain Russian individuals and companies in July will increase this pressure further.

So far the sanctions have not had any direct material adverse effect on our activities or financial position. However, additional sanctions are continuously being discussed, and it cannot be excluded that such sanctions could have a material adverse impact on our business or financial position.

Neither do we exclude that Russia, directly or indirectly, could implement sanctions or restrictions of its own. An example of this is the government decree introduced in July with restrictions on purchases of foreign equipment for state and municipal needs. Our current assessment is that this decree will have limited impact on our business, given the weak competition in domestic construction equipment. However, similar and more extensive restrictions could have a material adverse effect on our ability to sell Volvo CE equipment or otherwise operate in Russia.

The market during the first five months based on import statistics dropped approximately 20% while our sales of new units during the first six months only dropped 7%. This shows again that we are continuing to gain market share, especially in our key product areas.

Despite the political unrest, the ruble strengthened significantly during the second quarter. At the end of the quarter the ruble was at the same level as at the end of 2013 and only 3% weaker than a year ago.

We have also seen a strong oil price during the quarter, normally between 108-110 USD/barrel. The price has been above USD 100 during all of 2014 and reached USD 115 in June.

The stability of the Russian construction equipment market will very much depend on whether the Russian government chooses to focus its spending on planned and much needed infrastructure investments. Such investments could boost economic growth and function as a counterweight against the negative influences depicted above. There are many advocates for such a strategy in the Russian government, but the chosen way forward remains unclear.

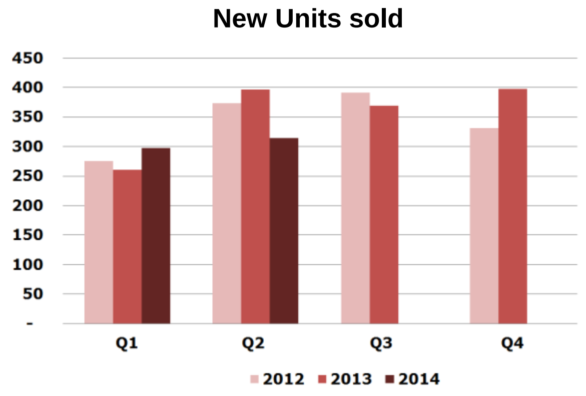
In view of the turbulent political situation and the uncertain market environment, we are pleased to have been able to maintain almost the same revenue as in the second quarter of 2013, which was a very strong quarter, and to increase our profitability. We take this as a sign that our significant investments in our extensive network and training and competence development of our personnel continue to bear fruit.

Positive news during the quarter was the official opening of our new service station outside Krasnodar in southern Russia. The new station, comprising over 3,000 m², enables us to provide full technical support for Volvo Group's entire product range in Russia, including Volvo CE, Volvo Trucks, Renault Trucks and Volvo Penta. The new station is of strategic importance to Ferronordic Machines since we, for the first time, will provide a full range of services to Volvo Group’s products in the South and the North Caucasian Federal Districts. With this initiative we further develop our business in the South region from an already strong position.

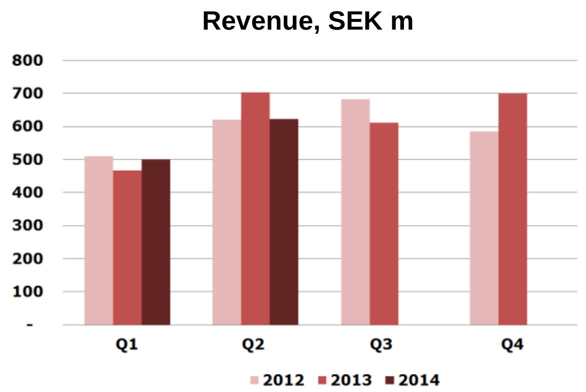
The annual general meeting of Ferronordic Machines AB was held on 20 May in Stockholm. At the meeting it was resolved to make another dividend payment on our preference shares for 2013 amounting to SEK 100 per preference share, i.e. in total SEK 50m.

Revenue

During the second quarter of 2014 revenue decreased by 11.5% to SEK 622.2m (SEK 703.4m). In rubles the decrease amounted to 2.2%. Revenue from sale of equipment decreased by 16.1% and revenue from the aftermarket (parts and service) increased slightly. In rubles, sale of equipment decreased by 7.2% and revenue from the aftermarket increased by 11.0%.



During the first half of 2014 revenue decreased by 4.0% to SEK 1,123.3m (SEK 1,170.3m). In rubles, however, revenue increased by 7.7%. Revenue from sale of equipment decreased by 6.2% and revenue from the aftermarket (parts and service) declined slightly. In rubles, sale of equipment increased by 5.0% and revenue from the aftermarket increased by 11.9%.



Gross profit and results from operating activities

Gross profit in the second quarter amounted to SEK 110.8m (SEK 112.7m), a decrease of 1.7%.

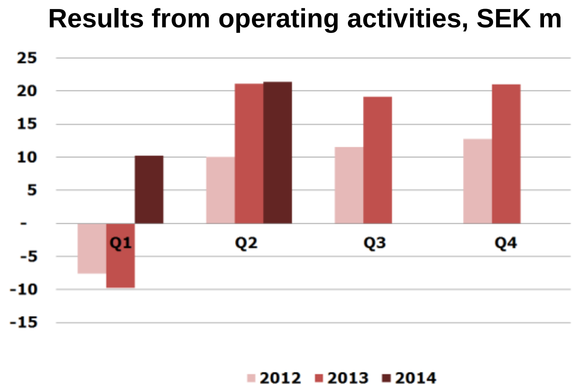
The gross margin increased from 16.0% to 17.8%, primarily due to higher margins on new and used machines sales.

Results from operating activities for the second quarter amounted to SEK 21.4m (SEK 21.1m). This SEK 0.3m increase was primarily a result of a SEK 5.2m decrease in selling and general and administrative expenses offset by the decrease in gross profit and increase in other expenses.

Gross profit in the first six months amounted to SEK 188.5m (SEK 195.8m), a decrease of 3.7%.

Gross margin remained almost unchanged at 16.8% in first six months of 2014 compared to 16.7% in the first six months of 2013.

Results from operating activities for the first six months amounted to SEK 31.6m (SEK 11.4m). This SEK 20.2m increase was primarily a result of a SEK 28.1m decrease in selling and general and administrative expenses, partly offset by the decrease in gross profit.



Results

The result before income tax for the second quarter was SEK 17.4m (SEK -6.5m). The strong increase was primarily a result of reduced financial costs and foreign exchange losses, both resulting from the repayment of the company's bond loan in the fourth quarter 2013.

As a result of the above, the after-tax-result increased to SEK 13.8m (SEK -7.5m).

The result before income tax for the first six months was SEK 16.2m (SEK -46.5m). The strong increase was a result of the improved result from operating activities, and reduced financial costs and foreign exchange losses, both resulting from the repayment of the company's bond loan in the fourth quarter 2013.

As a result of the above, the after-tax-result for the first six months increased to SEK 12.3m (SEK -42.1m).

Cash flow

In the second quarter of 2014 the Group's cash flow from operating activities amounted to SEK -45.3m (SEK 22.5m). This was primarily a result of higher inventory and receivables, which was partly offset by higher payables.

Cash flow from investing activities amounted to SEK -14.0m (SEK -4.1m), mainly relating to investments in property, plant and equipment and computer software licenses.

In the first six months of 2014 the Group's cash flow from operating activities amounted to SEK -51.6m (SEK 212.8m). This was also primarily a result of higher inventory and receivables, which was partly offset by higher payables.

Cash flow from investing activities during the first six months amounted to SEK -21.5m (SEK -9.5m), also mainly relating to investments in property, plant and equipment and computer software licenses.

Financial position

The Group's cash and cash equivalents at 30 June 2014 amounted to SEK 71.8m, a decrease of approximately SEK 92.3m compared to year-end 2013. Interest-bearing liabilities at 30 June 2014 amounted to SEK 233.2m, an increase of SEK 9.2m compared to year-end 2013 (interest-bearing liabilities include debt and obligations under financial leases, both short term and long term).

As per 30 June 2014 Ferronordic Machines LLC had a loan, signed in April 2014, of SEK 99m (RUB 500m) outstanding to OAO Sberbank under a revolving credit facility. At the reporting date Ferronordic Machines LLC was technically in breach of one of the covenants under the facility agreement. As a result, the loan became payable on demand instead of upon maturity in April 2016. After the reporting date, Sberbank has waived its right to demand early repayment of the loan due to this breach. The breach was primarily a result of intra-group charges paid by Ferronordic Machines LLC to the parent company. Ferronordic Machines LLC is currently in discussion with Sberbank to exclude these charges from the covenant calculation going forward. If Sberbank would have demanded early repayment of the loan, Ferronordic Machines LLC had other credit facilities available to replace the Sberbank facility.

Equity at 30 June 2014 amounted to SEK 499.0m, a decrease of SEK 38.8m compared to year-end 2013. The decrease is mainly a result of accrued dividend payments in the amount of SEK 50m in the second quarter.

Employees

The number of employees at the end of the quarter, converted into full-time employee equivalents, amounted to 774 people. This represents an increase of 69 employees since the end of June 2013.

Parent company

In the second quarter the revenue of the parent company amounted to SEK 8.3m (SEK 1.1m). The increased revenue primarily relates to compensation paid by Ferronordic Machines LLC under an intra-group trademark license agreement which did not exist in the second quarter of last year. Administrative expenses amounted to SEK 6.5m (SEK 4.2m), an increase of 54% compared to the same period last year.

The after-tax result for the second quarter increased to SEK 10.5m (SEK -8.6m). This is primarily a result of increased revenue and lower finance costs following the redemption of the bond.

In the first half of 2014, the revenue of the parent company amounted to SEK 15.3m (SEK 2.2m). The increased revenue primarily relates to compensation paid by Ferronordic Machines LLC under an intra-group trademark license agreement which did not exist in the first half of last year. Administrative expenses amounted to SEK 10.4m (SEK 7.5m), an increase of 38% compared to the same period last year.

The after-tax result for the first six months increased to SEK 19.2m (SEK -23.3m). This is primarily a result of increased revenue and lower finance costs following the redemption of the bond.

Risks and uncertainties

Ferronordic Machines is exposed to a number of risks, as described in Note 22 of the Annual Report 2013. Identifying, managing and pricing these risks are of fundamental importance to Ferronordic Machines' profitability. Save for the events in Ukraine and related sanctions, as described above and below, there have been no significant changes to what was stated in Note 22 of the 2013 Annual Report.

The beginning of 2014 has seen deterioration in relations between Russia and various members of the international community. Political instability and popular unrest in Ukraine have escalated tensions between Russia and Ukraine and resulted in Russia annexing the Crimean peninsula. As a result the European Council and the U.S. government have issued sanctions against Russia and certain Russian individuals and companies. Whilst these sanctions have not yet had any material adverse impact on the Group's operations, their effect on Russia in general and on the Group's business, financial position and results in particular is still difficult to predict. Additionally, continued and increased tensions between Russia and other countries may have significant political consequences, which are difficult to predict and may limit the Group's ability to conduct its business and may have an adverse effect on the Group's business, financial condition and results. Management continues to monitor potential effects carefully of the recent developments in Ukraine.

The risks and uncertainties related to the parent company are indirectly similar to those of the Group.

Annual general meeting

The annual general meeting of Ferronordic Machines AB (publ) was held on 20 May 2014. The meeting resolved in favor of all proposed matters in accordance with the proposals described in the notice to the meeting. The most important resolutions include:

- A dividend of SEK 100 per preference share will be paid, divided into two payments of SEK 50 each. No dividends will be paid for ordinary shares.

- The board was authorized, until the next annual general meeting, to decide upon an issue of new ordinary shares and new ordinary shares of series 2. The authorization to issue ordinary shares can only be used to issue ordinary shares in connection with a listing of the company's ordinary shares on NASDAQ OMX Stockholm or another regulated market.

- The company would make an offer to the holders of the warrants 2011/2016 (issued to certain board members) to repurchase warrants for a price corresponding to the price paid by the holders.

Major events

In April Ferronordic Machines LLC agreed on a SEK 99m (RUB 500m) revolving credit facility with OAO Sberbank, a Russian bank. The facility is valid for two years and is secured by a guarantee provided by Ferronordic Machines AB.

At the board meeting on 20 May the board concluded that the financial conditions for the 2013/2016 management warrants had been met. As a result the warrants can be used to subscribe for new ordinary shares from the earliest of (i) 1 May 2016 or (ii) the day falling 18 months after the day when ordinary shares in the company started to trade on a European stock exchange or another regulated market. The number of outstanding warrants under this program amounts to 2,279. Each warrant entitles its holders to subscribe for 100 new ordinary shares in Ferronordic Machines AB.

In June Ferronordic Machines LLC rolled-over and signed a SEK 219m (RUB 1,100m) revolving credit facility with OAO Bank of Moscow, a Russian bank. The facility is valid for one year and is secured to 82% by circulating inventory while the remaining part is unsecured.

In June Ferronordic Machines LLC also entered into a SEK 199m (RUB 1,000m) bank guarantee agreement with the OAO Bank of Moscow. The bank guarantee was issued in behalf of Volvo Vostok OJSC. The facility is valid for one year and is secured by circulating inventory.

In June 2014, in accordance with the AGM resolution, all warrants 2011/2016 issued to certain board members were repurchased. The total purchase price was EUR 36,926. Following the repurchase, no warrants 2011/2016 are outstanding.

Events after the balance sheet date

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

Outlook

All in all we are optimistic about the future of our business as the long term fundamentals in the Russian construction equipment market remain strong.

The short and medium term market development, however, is difficult to predict and the recent events in Ukraine create additional uncertainties and challenges. We continue to monitor the situation carefully and will adopt to possible changes in the overall market development.

Condensed consolidated statement of comprehensive income	For the three months ended 30 June 14 SEK '000	For the three months ended 30 June 13 SEK '000	For the six months ended 30 June 14 SEK '000	For the six months ended 30 June 13 SEK '000
Revenue	**622 192**	**703 370**	**1 123 285**	**1 170 328**
Cost of sales	(511 377)	(590 675)	(934 761)	(974 512)
Gross profit	**110 815**	**112 695**	**188 524**	**195 816**
Selling expenses	(26 861)	(28 173)	(46 322)	(53 315)
General and administrative expenses	(59 964)	(63 813)	(108 064)	(129 139)
Other income	745	957	2 342	1 263
Other expenses	(3 339)	(596)	(4 864)	(3 238)
Results from operating activities	**21 396**	**21 070**	**31 616**	**11 387**
Finance income	967	94	1 308	824
Finance costs	(7 493)	(17 592)	(15 692)	(38 393)
Net foreign exchange gains/(losses)	2 493	(10 093)	(1 063)	(20 294)
Result before income tax	**17 363**	**(6 521)**	**16 169**	**(46 476)**
Income tax	(3 557)	(985)	(3 820)	4 409
Result for the period	**13 806**	**(7 506)**	**12 349**	**(42 067)**
Other comprehensive result				
Items that are or may be reclassified to profit or loss:				
Foreign currency translation differences for foreign operations	35 173	-	(872)	-
Items that will never be reclassified subsequently to profit or loss:				
Exchange differences on translating to presentation currency	-	(1 988)	-	(3 758)
Other comprehensive result for the period, net of tax	**35 173**	**(1 988)**	**(872)**	**(3 758)**
Total comprehensive result for the period	**48 979**	**(9 494)**	**11 477**	**(45 825)**
Earnings/(loss) per share				
Basic loss per share (SEK)	0.13	(0.75)	(1.27)	(4.21)

Condensed consolidated statement of financial position	30 June 14 SEK '000	31 Dec 13 SEK '000	30 June 13 SEK '000
ASSETS			
Non-current assets			
Intangible assets	80 390	96 249	117 115
Property, plant and equipment	323 005	250 470	218 243
Deferred tax assets	20 346	22 893	11 451
Total non-current assets	**423 741**	**369 612**	**346 809**
Current assets			
Inventories	727 564	589 600	534 762
Trade and other receivables	372 508	338 516	325 131
Prepayments	1 647	1 047	2 239
Other current assets	85	709	1 374
Cash and cash equivalents	71 821	164 075	108 975
Total current assets	**1 173 625**	**1 093 947**	**972 481**
TOTAL ASSETS	**1 597 366**	**1 463 559**	**1 319 290**
EQUITY AND LIABILITIES			
Equity			
Share capital	937	1 027	983
Additional paid in capital	594 865	592 346	104 398
Translation reserve	(42 098)	(39 436)	(30 930)
Retained earnings	(67 102)	27 798	52 798
Result for the period	12 349	(43 934)	(42 067)
TOTAL EQUITY	**498 951**	**537 801**	**85 182**
Non-current liabilities			
Deferred income	-	-	1 278
Deferred tax liabilities	12 069	10 493	11 469
Long-term portion of finance lease liabilities	41 929	24 312	37 110
Total non-current liabilities	**53 998**	**34 805**	**49 857**
Current liabilities			
Borrowings	149 128	162 800	395 703
Trade and other payables	822 956	657 756	712 962
Deferred income	14 617	15 446	12 503
Provisions	15 558	18 066	31 627
Short-term portion of finance lease liabilities	42 158	36 885	31 456
Total current liabilities	**1 044 417**	**890 953**	**1 184 251**
TOTAL LIABILITIES	**1 098 415**	**925 758**	**1 234 108**
TOTAL EQUITY AND LIABILITIES	**1 597 366**	**1 463 559**	**1 319 290**
Pledged Assets and Contingent Liabilities			
Pledged Assets	60 181	197 098	-
Contingent Liabilities	-	6 321	7 400

Condensed consolidated statement of changes in equity

SEK ’000			Attributable to equity holders of the Company		
	Share capital	**Additional paid in capital**	**Translation reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2014	**937**	**595 192**	**(41 226)**	**(17 102)**	**537 801**
Total comprehensive result for the period					
Profit for the period				12 349	12 349
Other comprehensive result					
Foreign exchange differences			(872)		(872)
Total comprehensive result for the period			**(872)**	**12 349**	**11 477**
Contribution by and distribution to owners					
Preference shares dividends				(50 000)	(50 000)
Repayment of warrants		(327)			(327)
Total contributions and distributions		**(327)**		**(50 000)**	**(50 327)**
Balance at 30 June 2014	**937**	**594 865**	**(42 098)**	**(54 753)**	**498 951**

SEK ’000			Attributable to equity holders of the Company		
	Share capital	**Additional paid in capital**	**Translation reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2013	**983**	**103 925**	**(27 172)**	**52 798**	**130 534**
Total comprehensive result for the period					
Loss for the period				(42 067)	(42 067)
Other comprehensive result					
Foreign exchange differences			(3 758)		(3 758)
Total comprehensive result for the period			**(3 758)**	**(42 067)**	**(45 825)**
Contribution by and distribution to owners					
Warrant issue		**473**			473
Balance at 30 June 2013	**983**	**104 398**	**(30 930)**	**10 731**	**85 182**

Condensed consolidated statement of cash flows	For the three months ended 30 June 14 SEK '000	For the three months ended 30 June 13 SEK '000	For the six months ended 30 June 14 SEK '000	For the six months ended 30 June 13 SEK '000
Cash flows from operating activities				
Result before income tax	17 363	(6 521)	16 169	(46 476)
Adjustments for:				
Depreciation and amortisation	27 283	25 705	48 074	52 614
Loss from write off of receivables	2 949	357	4 079	2 633
Profit on disposal of rental fleet	(240)	(4 077)	(3 733)	(4 638)
Finance costs	7 493	17 592	15 692	38 393
Finance income	(967)	(94)	(1 308)	(824)
Net foreign exchange losses/(gains)	(2 493)	10 093	1 063	20 294
Cash flows from operating activities before changes in working capital and provisions	**51 388**	**43 055**	**80 036**	**61 996**
Change in inventories	(111 825)	(10 593)	(223 419)	(78 801)
Change in trade and other receivables	(84 575)	(126 271)	(36 269)	(71 825)
Change in prepayments	(384)	(231)	(564)	(418)
Change in trade and other payables	100 872	139 556	130 715	326 106
Change in provisions	463	6 244	(2 344)	7 076
Changes in other assets	592	(488)	592	(658)
Change in deferred income	981	2 672	(771)	8 210
Cash flows from operations before interest paid	**(42 488)**	**53 944**	**(52 024)**	**251 686**
Proceeds from sale of rental fleet	4 524	22 047	17 355	23 160
Income tax paid	-	(154)	(1 335)	(986)
Interest paid	(7 367)	(53 345)	(15 566)	(61 023)
Net cash from/(used in) operating activities	**(45 331)**	**22 492**	**(51 570)**	**212 837**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	-	-	-	187
Interest received	967	103	1 308	715
Acquisition of property, plant and equipment	(12 681)	(4 137)	(18 905)	(7 798)
Acquisition of intangible assets	(2 334)	(26)	(3 894)	(2 566)
Net cash used in investing activities	**(14 048)**	**(4 060)**	**(21 491)**	**(9 462)**
Cash flows from financing activities				
Proceeds from borrowings	205 001	-	493 366	-
Repayment of other loans	(238 992)	(39 444)	(507 058)	(229 647)
Dividend to holders of preference shares	(25 000)	-	(25 000)	-
Leasing financing received	36 611	-	41 523	-
Leasing financing paid	(7 691)	(17 137)	(17 141)	(24 195)
Repurchase of warrants	(327)	-	(327)	-
Net cash from/(used in) financing activities	**(30 398)**	**(56 581)**	**(14 637)**	**(253 842)**
Net decrease in cash and cash equivalents	**(89 777)**	**(38 149)**	**(87 698)**	**(50 467)**
Cash and cash equivalents at start of the period	**150 132**	**149 761**	**164 075**	**165 671**
Effect of exchange rate fluctuations on cash and cash equivalents	11 466	(2 637)	(4 556)	(6 229)
Cash and cash equivalents at end of the period	**71 821**	**108 975**	**71 821**	**108 975**

Key Ratios	Note	For the three months ended 30 June 14	For the three months ended 30 June 13	For the six months ended 30 June 14	For the six months ended 30 June 13
Gross margin, %	1	17.8%	16.0%	16.8%	16.7%
Operating margin, %	2	3.4%	3.0%	2.8%	1.0%
Operating working capital, SEK'000	3	248 674	106 414	248 674	106 414
Net debt, SEK'000	4	161 394	355 294	161 394	355 294
Capital employed, SEK'000	5	660 347	440 476	660 347	440 476
EBITDA, SEK'000	6	48 679	46 775	79 690	64 001
Net debt/EBITDA, times	7	1.0	2.5	1.0	2.5
EBITDA margin, %	8	7.8%	6.7%	7.1%	5.5%
Return on capital employed, %	9	13.3%	6.4%	13.3%	6.4%
Undiluted average number of ordinary shares	10	10 000 000	10 000 000	10 000 000	10 000 000
Diluted average number of ordinary shares	10	10 000 000	10 000 000	10 000 000	10 000 000
Undiluted earnings per ordinary share, SEK	11	0.13	(0.75)	(1.27)	(4.21)
Diluted earnings per ordinary share, SEK	11	0.13	(0.75)	(1.27)	(4.21)
No. of employees at close of period		774	705	774	705
Days receivables outstanding	12	46	35	51	41
Days inventory outstanding	13	128	81	140	96

Definitions

1. Gross profit in relation to revenue
2. Results from operating activities in relation 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 in relation to EBIDTA during last twelve months
8. EBITDA in relation to revenue
9. Result for last twelve months less finance cost and net foreign exchange gains/(losses) in relation to average capital employed
10. Weighted average number of ordinary shares, recalculated based on the number of shares after share split in October 2013
11. Result for the period less dividends declared on preference shares related to the period, divided by average number of ordinary shares
12. Outstanding receivables in relation to average daily sales
13. Outstanding inventory in relation to average daily cost of sales

Parent Company income statement	For the three months ended 30 June 14 SEK '000	For the three months ended 30 June 13 SEK '000	For the six months ended 30 June 14 SEK '000	For the six months ended 30 June 13 SEK '000
Revenue	8 292	1 107	15 293	2 214
Gross profit	**8 292**	**1 107**	**15 293**	**2 214**
Administrative expenses	(6 455)	(4 186)	(10 396)	(7 511)
Results from operating activities	**1 837**	**(3 079)**	**4 897**	**(5 297)**
Finance income	10 265	11 654	20 325	23 618
Finance costs	(1)	(13 922)	(1)	(27 608)
Net foreign exchange gains/(losses)	1 433	(3 206)	(480)	(14 031)
Result before income tax benefit	**13 534**	**(8 553)**	**24 741**	**(23 318)**
Income tax expense	(2 996)	-	(5 547)	-
Result for the period	**10 538**	**(8 553)**	**19 194**	**(23 318)**

Parent company statement of comprehensive income				
Result for the period	**10 538**	**(8 553)**	**19 194**	**(23 318)**
Other comprehensive result				
Items that are or may be reclassified to profit or loss:				
Translation difference, expanded net investments in foreign operations	18 779	-	2 158	-
Other comprehensiveresult for the period, net of tax	**18 779**	**-**	**2 158**	**-**
Total comprehensive result for the period	**29 317**	**(8 553)**	**21 352**	**(23 318)**

Parent Company Balance Sheet	**30 June 14 SEK '000**	**31 Dec 13 SEK '000**	**30 June 13 SEK '000**
ASSETS			
Non-current assets			
Property, plant and equipment	8	11	14
Intangible assets	8 490	10 705	12 920
Financial assets			
Holdings in subsidiaries	192 162	192 105	136 657
Loans to subsidiaries	287 837	285 178	300 212
Deferred tax assets	15 132	20 860	10 600
Total financial assets	495 131	498 143	447 469
Total non-current assets	**503 629**	**508 859**	**460 403**
Current assets			
Trade and other receivables	32 999	44 007	994
Prepayments and accrued income	381	323	662
Cash and cash equivalents	3 934	5 013	2 031
Total current assets	**37 314**	**49 343**	**3 687**
Total assets	**540 943**	**558 202**	**464 090**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	937	937	893
Unrestricted equity			
Share premium reserve	604 880	605 249	109 836
Translation reserve	2 158	-	-
Retained earnings	(138 075)	(61 751)	(36 986)
Result for the period	19 194	(26 324)	(23 318)
Total equity	**489 094**	**518 111**	**50 425**
Non-current liabilities			
Borrowings	-	-	-
Total non-current liabilities	**-**	**-**	**-**
Current liabilities			
Borrowings	-	-	400 285
Trade and other payables	51 849	40 091	13 380
Total current liabilities	**51 849**	**40 091**	**413 665**
Total liabilities	**51 849**	**40 091**	**413 665**
Total equity and liabilities	**540 943**	**558 202**	**464 090**
Contingent liabilities*	99 419	-	-

There were no pledged assets as of 30 June 2014, 31 December 2013 and 30 June 2013.

*A guarantee for credit facility issued by JSC Sberbank to Ferronordic Machines LLC (subsidiary of Ferronordic Machines AB).

Basis of presentation and summary of significant accounting policies

1. Accounting Policies

Ferronordic Machines applies the International Financial Reporting Standards (IFRS) as adopted by the EU. This report has been prepared in accordance with IAS 34, the Swedish Annual Accounts Act and recommendation RFR 2, issued by the Swedish Financial Reporting Board. Except as described below, the same accounting and valuation principles were applied in the preparation of this report as in the preparation of the 2013 Annual Report. Figures in parentheses refer to same period of the previous year.

In 2014 the Group and the parent company have selected the Swedish krona (SEK) as the currency for presentation purposes. Previously the Group's consolidated financial statements were presented in euro. Management believes that the Swedish krona is a more appropriate presentation currency in the current environment. As per 1 January 2014 the parent company's functional currency has been changed from the Russian ruble to the Swedish krona, since the Swedish krona better reflects the primary economic environment in which the parent company operates, particularly since the krona is the currency in which most of the cash flow from financing activities are generated. From 1 January 2014 the parent company's reporting currency was also changed from euro to Swedish krona.

In connection with the change of functional currency, all items of the parent company were recalculated from euro to Swedish krona using the exchange rate as at 1 January 2014. Comparative information of the parent company was also recalculated from euro to Swedish krona at the exchange rate as at 1 January 2014. Comparative information in the consolidated financial information was recalculated from euro to Swedish krona as if the new presentation currency had always been applied.

Starting from 1 January 2014, the non-current group-internal loan from the parent company to Ferronordic Machines LLC is regarded as a net investment in foreign operation. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognised in the other comprehensive income.

2. Determination of fair values

The basis for determination of fair value of financial assets and liabilities is disclosed in Note 5 in the Annual Report for 2013. The fair value of the Group's financial assets and liabilities approximates their carrying amounts.

3. Seasonal Variations

Ferronordic Machines' revenue and earnings are affected by seasonal variations in the construction industry. The first quarter is typically the weakest for sales of machines (as activity in construction and infrastructure projects is constrained during the winter months), but with strong demand in aftermarket (sale of parts and services). This is usually followed by a strong increase during the second quarter as contracts start to be put out for tender, and customers start preparing for the busy summer period. The third quarter tends to be slower with regard to both machine sales and aftermarket. In the fourth quarter activity usually strengthens as customers make year-end capital spending decisions.

4. Ferronordic Machines AB

Ferronordic Machines AB and its subsidiaries are sometimes referred to as the Group or Ferronordic Machines. Ferronordic Machines AB is also sometimes referred to as the company or Ferronordic Machines. Any mentioning of the Board is a reference to the Board of Directors of Ferronordic Machines AB.

Notes

1. Operating Segment

The Group has one reportable segment, Equipment Distribution. No changes have been made to the basis for determining the reportable segment or the calculation of the result of the segment since the last annual report.

Revenue from the Equipment Distribution segment:

Revenue	For the three months ended 30 June 14 SEK '000	For the three months ended 30 June 13 SEK '000	For the six months ended 30 June 14 SEK '000	For the six months ended 30 June 13 SEK '000
Equipment Sales	466 168	555 746	835 769	890 629
Equipment Rentals	14 758	7 306	26 099	17 451
Aftermarket	141 266	140 318	261 417	262 248
Total revenues	**622 192**	**703 370**	**1 123 285**	**1 170 328**
Total delivery volume, units				
New units	314	397	612	658
Used units	27	37	62	57
Total units	**341**	**434**	**674**	**715**

EBITDA to result for the period:

EBITDA	For the three months ended 30 June 14 SEK '000	For the three months ended 30 June 13 SEK '000	For the six months ended 30 June 14 SEK '000	For the six months ended 30 June 13 SEK '000
EBITDA	48 679	46 775	79 690	64 001
Depreciation and amortisation	(27 283)	(25 705)	(48 074)	(52 614)
Foreign exchange gain/(loss)	2 493	(10 093)	(1 063)	(20 294)
Finance income	967	94	1 308	824
Finance costs	(7 493)	(17 592)	(15 692)	(38 393)
Result before income tax	**17 363**	**(6 521)**	**16 169**	**(46 476)**
Income tax	(3 557)	(985)	(3 820)	4 409
Result for the period	**13 806**	**(7 506)**	**12 349**	**(42 067)**

2. Related party transactions

Besides the repurchase of all the 2011/2016 warrants in June 2014, there have been no significant changes in the relationships or transactions with related parties for the Group or the parent company compared with the information disclosed in the 2013 Annual Report.

The Board of Directors and the Managing Director declares that the six-month interim report provides a true and fair overview of the Group's and Parent Company's operations, their financial position and performance, and describes material risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, 7 August 2014

Per-Olof Eriksson Chairman	Martin Leach Vice Chairman	Erik Eberhardson Vice Chairman
Magnus Brännström Director	Lars Corneliusson Director	Marika Fredriksson Director
Tom Jörning Director	Kristian Terling Director	Lars Corneliusson Managing Director

This report has been subject to a review by the Company's independent auditors.

About Ferronordic Machines

Ferronordic Machines is the authorized dealer of Volvo Construction Equipment in Russia. The company began its operations in June 2010 and has expanded rapidly across Russia and is today well established in all federal districts with over 70 outlets and over 750 employees. In addition to distributing and providing aftermarket support to Volvo Construction Equipment machines, the company has also been appointed aftermarket dealer for Volvo Trucks as well as dealer for Volvo Penta in certain parts of Russia. The company has also signed up some other high quality brands such as LogSet and several attachment manufacturers. The vision of Ferronordic Machines is to be regarded as the leading service- and sales company in the CIS markets.

Financial Calendar 2014

Interim report January-September	November 2014
Year-end report 2014	February 2015

For more information, please contact:

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Ferronordic Machines discloses the information herein pursuant to the Securities Markets Act and/or the Financial Instruments Act. The information was submitted for publication on 7 August 2014, 17:45 CET.

Review report

To the Board of Directors of Ferronordic Machines AB (publ)

Corp. id. 556748-7953

Introduction

We have reviewed the interim report of Ferronordic Machines AB (publ) as of 30 June 2014 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the Standard on review engagements SÖG 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 7 August 2014

KPMG AB

Mattias Lötborn
Authorized Public Accountant