Ferronordic Machines AB (publ)
Interim Report January – March 2013
16 May 2013

IMPROVED MARGINS DESPITE MARKET SLOWDOWN

FIRST QUARTER 2013

- Sales revenue amounted to EUR 55.0m (57.6m)*
- Revenue decrease of 4.5% Y-o-Y (2.7% in local currency)
- Operating loss amounted to EUR -0.5m (-0.9m)
- The Operating margin was -1.0% (-1.5%)
- EBITDA amounted to EUR 2.6m (1.5m)
- The after-tax result amounted to EUR -3.5m (-0.5m)
- Cash flow from operating activities amounted to EUR 22.4m (9.5m)

* Comparative figures for last year are in brackets.

SIGNIFICANT EVENTS DURING THE FIRST QUARTER

- Market for construction equipment in Russia down 10% compared to Q1 2012
- Regions Siberia and Far East, recently established, growing share of revenues
- Improvement in overall gross profit margin
- Unstable oil price, albeit still on a high level
- Downgrading of Russia's GDP forecast for 2013, although still at relatively high level

EUR M	2013 Jan-Mar	2012 Jan-Mar	2012 Apr – 2013 Mar
Revenue	55.0	57.6	273.2
EBITDA	2.6	1.5	14.5
Operating Profit	(0.5)	(0.9)	3.4
Net Debt	44.6	56.1	44.6
Net debt / EBITDA*	2.7x	3.0x	2.7x

*Calculation based on Bond Terms and Conditions.

FERRONORDIC MACHINE'S CEO LARS CORNELIUSSON COMMENTS:

"We managed to increase our gross profit margin to 18.9% in the first quarter of 2013 as compared to 14.1% in the same period of 2012. In money terms gross profit increased from EUR 8.1m to EUR 10.4m. This is a result of better price realization on machines due to customer and regional mix and increased gross margin on spare parts sales as a result of a restructuring of the parts price list. EBITDA in the first quarter of 2013 was EUR 2.6m, an 81% increase compared to the same period of 2012 when EBITDA amounted to EUR 1.5m. We have also been able to lower our net debt position significantly to EUR 44.6m compared to EUR 63.9m at the end of 2012."

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

Lars Corneliusson, the CEO of Ferronordic Machines comments:

Improved margins despite market slowdown

The market for new construction equipment in Russia decreased by around to 10% in the first quarter compared to the same period in 2012. This should however be put in light of the fact that the market in Q1 2012 was up 60% compared to Q1 2011. The subsequent quarters in 2012 saw more stable development trends compared to 2011. The first quarter is traditionally the weakest in terms of overall market and shows the biggest swings in numbers year-on-year.

Ferronordic Machines generated revenue of EUR 55.0m in the first quarter of 2013, a 4.5% decrease compared to the same period of 2012 when revenue amounted to EUR 57.6m (-2.7% in ruble terms). Revenue from new machines decreased by 6.0% from EUR 40.2m in 2012 to EUR 37.8m in 2013. Number of new units sold decreased from 275 units in the first quarter of 2012 to 261 units, or 5.5%. The product mix was almost unchanged: backhoe loader represented 43% of unit sales in both periods, while sale of excavators increased from 24% in 2012 to 31% in 2013 reaching 81 units. Revenue from parts and services remained unchanged at EUR 14.3m. Revenue from services isolated rose by EUR 0.5m or over 40% while revenue from parts sales decreased by the same amount. Parts revenue decreased slightly as a result of high first quarter 2012 revenue due to sales to sub dealers and one-off revenues.

In the first quarter of 2013 we managed to increase our gross profit margin to 18.9% as compared to 14.1% in the same period of 2012. In money terms gross profit increased from EUR 8.1m to EUR 10.4m. This is a result of better price realization on machines due to customer and regional mix and increased gross margin on spare parts sales as a result of a restructuring of the parts price list. EBITDA in the first quarter of 2013 was EUR 2.6m, an 81% increase compared to the same period of 2012 when EBITDA amounted to EUR 1.5m. Cash flow from operating activities of EUR 22.4m was supported by a reduction in trade receivables and increased payables and by the end of the first quarter of 2013 our short term debt amounted to EUR 5.0m (EUR 27.3m as at the end of 2012). Our net debt position by the end of the first quarter of 2013 amounted to EUR 44.6m and our net debt/EBITDA was 2.7x based on the calculation method in the bond terms and conditions.

Unrealized FX losses significantly affected net results for the period. In the first quarter of 2013 unrealized FX losses amounted to EUR 1.2m while in the same period of 2012 the Company incurred an unrealized FX gain of EUR 2.0m. Primarily as a result of this our net loss for the period amounted to EUR 3.5m as compared to a net loss of EUR 0.5m in previous year.

Ferronordic Machines, alongside its cooperation with VCE, has during the quarter further increased its commitment to Volvo Trucks aftermarket operations. During the first quarter three authorized service centers were put into operation servicing both Volvo CE machines and Volvo Trucks. These centers are located in the Moscow Region, Noviy Urengoy (Yamalo-Nenetskiy Autonomous Destrict) and Khabarovsk (Far East region). We expect significant synergies by combining the Volvo branded services and expect greater customer satisfaction, cost efficiency and profitability of these centers. Ferronordic Machines is already operating a joint VCE and Volvo Trucks facility in Arkhangelsk since more than a year.

At the end of March 2013 we operated 69 sales- and/or service locations as compared to 56 locations at the same time 2012. We continued to establish a firm foothold in Siberia and Far East, two regions which were traditionally weak for the Volvo CE business. During the quarter, Siberia & Far East accounted for 21% of our total revenues, compared to only 8% in Q1 2012. We expect to see further growth in these two regions in 2013.

At the end of the first quarter of 2013 we had 690 employees as compared to 563 employees in the end of the same period in 2012 – sales and service personnel comprise 95% of the increase.

Despite recent downgrades of the forecast for Russia's GDP growth for 2013, the oil price remains at a high level and the government continues infrastructural spending like Sochi Olympics, preparations for the World Football Championship, development of roads and natural resources projects. We remain cautiously optimistic as we look forward into 2013, but continue to follow the key risks created by the international economic instability and the potential effects on business conditions in Russia.

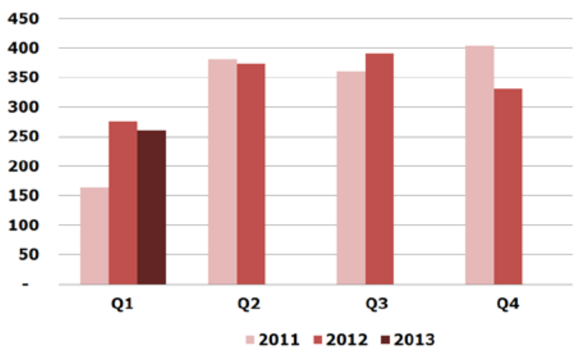
The business

Ferronordic Machines AB (the "Company") together with its subsidiaries (the "Group") 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.

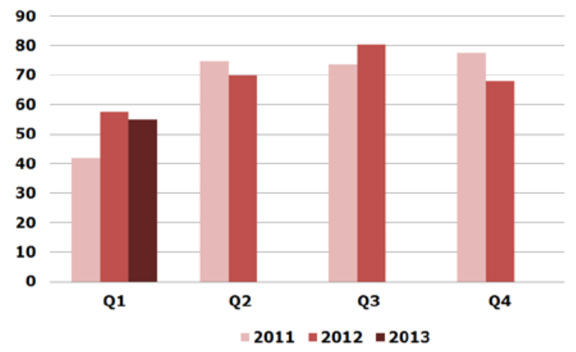
Net sales

Consolidated revenue for Q1 2013 decreased by 4.5% from EUR 57.6m to EUR 55.0m as compared to the same period of 2012. Revenue from sales of new machines decreased by 6%. Revenue from spare parts and services remained unchanged.

New Units sold



Revenue, EUR m

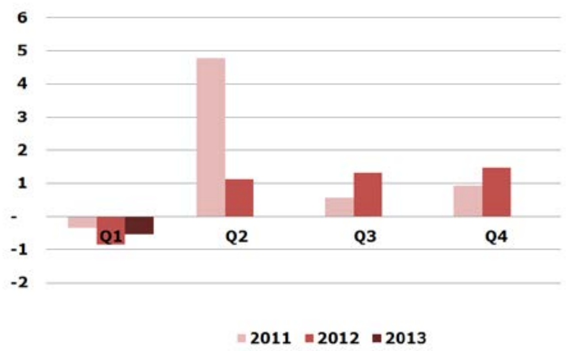


Gross profit and results from operating activities

Gross profit in Q1 2013 amounted to EUR 10.4m, a 28% increase as compared to the same period of the previous year when the gross profit amounted to EUR 8.1m. The gross margin increase from 14.1% to 18.9% is primarily a result of a better price realization on machines due to customer and regional mix and increased gross margin on spare parts sales as a result of a restructuring of the parts price list.

Results from operating activities for Q1 2013 amounted to EUR -0.5m as compared to EUR -0.9m in Q1 2012 mainly due to EUR 1.6m increase in gross profit, which was partially offset by an increase in selling, general and administrative expenses by EUR 1.1m. SGA primarily increased as a result of growth in the number of employees.

Results from operating activities, EUR m



Result before income tax

The result before income tax for Q1 2013 was EUR 3.2m lower than for the same period of 2012, primarily due to:

- a net unrealized foreign exchange loss of EUR 1.2m compared to a foreign exchange gain of EUR 2.0m the first quarter of 2012. The foreign exchange losses and gains are primarily related to the depreciation or appreciation of RUR, the Company's functional currency, against Swedish Krona (SEK), the currency in which Group's bonds are denominated. Total effect of unrealized foreign exchange losses on Q1 2013 results as compared to the same period of 2012 amounted to EUR 3.2m;

- increased financed costs by EUR 0.3m as result of increased average borrowing cost and the amount of finance lease obligations;

- the effect of increased unrealized foreign exchange losses and increased financed costs was partially offset by better than in prior year results from operating activities.

Loss for the period

The result for Q1 2013 in comparison to the same period of 2012 decreased from EUR -0.5m to -3.5m due to the EUR -3.2m decrease in results before income tax, partially offset by income tax benefit increase.

The income tax benefit resulted from a decrease in deferred tax liability in Q1 2013.

Cash flow

Cash inflow from operating activities in Q1 2013 amounted to EUR 22.4m compared to EUR 9.5m in the same period of 2012. This was primarily a result of increased payable conditions and trade payables increased EUR 22.0m during the quarter. In addition, trade receivables decreased by EUR 6.4m while inventory increased by EUR 8.6m.

In Q1 2013 net cash used in investing activities was EUR 0.6m (EUR 0.4m in Q1 2012). In Q1 2013 investments primarily related to purchases of fixed assets for dealer centers and purchases of IT licenses.

Cash inflow from operating activities was used for repayment of short term debts.

Financial position

Consolidated cash and cash equivalents at 31 March 2013 and 31 December 2012 were EUR 18.0m and EUR 19.2m, respectively. At 31 March 2013 and 31 December 2012 the Group had interest-bearing liabilities of EUR 62.6m and EUR 83.5m respectively (interest bearing liabilities include debt and obligations under financial leases, both short term and long term).

Total equity at 31 March 2013 was EUR 11.9m and EUR 15.1m at 31 December 2012. The decrease in equity is explained by the net loss incurred for Q1 2013.

Material disputes

Litigation is described in note 25 of the 2012 Annual Report.

There have been no other material disputes during the reporting period.

Outlook

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

Pledged assets and contingent liabilities

As disclosed in Note 2(a) the Group used its circulating inventory as collateral for its short-term loans used to finance working capital.

Parent company

Revenue for Q1 2013 was on the same level as in the same period of 2012, or EUR 125 thousand.

Administrative expenses for Q1 2013 decreased by 8% compared to Q1 2012 and amounted to EUR 375 thousand.

The after tax result for Q1 2013 decreased compared to the same period in 2012 from EUR 1,441 thousand profit to EUR 1,667 thousand loss which is primarily related to net unrealized exchange loss of EUR 1,222 thousand related to non-Euro denominated liabilities as compared to EUR 1,824 thousand gain incurred in Q1 2012.

Noteworthy risks and uncertainties

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

There have been no changes to what was stated by the Group in its Annual Report for 2012 under financial instruments and risk management (pages 50–56). Management continues to monitor any potential effects of the recent volatility in the international financial markets.

Employees

The number of employees at the end of March totaled 690 which is an increase of 142 employees since the end of March 2012.

Major events

On 30 January 2013 the Group closed purchase of 100% share of the company LLC "Ferronordic machines Archangelsk". This company owns a real estate used by the Group as a dealership centers. The purchase price was EUR 2.2m.

Events after the balance sheet date

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

Accounting principles

See page 14. Unless otherwise specified in the interim report all statements refer to the Group. Figures in parentheses indicate the outcome for the corresponding period in the previous year.

Condensed consolidated statement of comprehensive income	Note	For the three months ended 31 Mar 13 Unaudited EUR '000	For the three months ended 31 Mar 12 Unaudited EUR '000	April 12 - March 13 Unaudited EUR '000	Full year 2012 Audited EUR '000
Revenue	**1**	**54 976**	**57 594**	**273 188**	**275 806**
Cost of sales		(44 580)	(49 485)	(228 918)	(233 823)
Gross profit		**10 396**	**8 109**	**44 270**	**41 983**
Selling, general and administrative expenses		(10 651)	(8 850)	(40 005)	(38 204)
Other income		36	10	234	208
Other expenses		(311)	(128)	(1 095)	(912)
Results from operating activities		**(530)**	**(859)**	**3 404**	**3 075**
Finance income		86	63	269	247
Finance costs		(2 449)	(2 101)	(10 198)	(9 850)
Net foreign exchange gains/(losses)		(1 201)	2 021	(3 605)	(383)
Result before income tax		**(4 094)**	**(876)**	**(10 130)**	**(6 911)**
Income tax benefit (expense)		635	424	1 316	1 105
Result for the period		**(3 459)**	**(452)**	**(8 814)**	**(5 806)**
Other comprehensive income					
Exchange differences on translating to presentation currency		218	1 611	(447)	946
Other comprehensive income for the period, net of tax		**218**	**1 611**	**(447)**	**946**
Total comprehensive income for the period		**(3 241)**	**1 159**	**(9 261)**	**(4 860)**
Result attributable to:					
Owners of the Company		(3 459)	(452)	(8 814)	(5 806)
Non-controlling interests		-	-	-	-
Result for the period		**(3 459)**	**(452)**	**(8 814)**	**(5 806)**
Total comprehensive income attributable to:					
Owners of the Company		(3 241)	1 159	(9 260)	(4 860)
Non-controlling interests		-	-	-	-
Total comprehensive income for the period		**(3 241)**	**1 159**	**(9 260)**	**(4 860)**
Earnings per share					
Basic loss per share (EUR)		(34.59)	(4.52)	(88.13)	(58.06)

Condensed consolidated statement of financial position	Note	31 Mar 13 Unaudited EUR ’000	31 Dec 12 Audited EUR ’000	31 Mar 12 Unaudited EUR ’000
ASSETS				
Non-current assets				
Intangible assets		15 640	16 483	20 381
Property, plant and equipment		27 828	27 273	20 466
Deferred tax assets		1 345	1 305	1 109
Total non-current assets		**44 813**	**45 061**	**41 956**
Current assets				
Inventories		66 964	58 675	53 911
Trade and other receivables		25 718	31 715	25 497
Prepayments		246	221	374
Cash and cash equivalents		17 961	19 227	14 423
Other current assets		110	89	-
Total current assets		**110 999**	**109 927**	**94 205**
TOTAL ASSETS		**155 812**	**154 988**	**136 161**
EQUITY AND LIABILITIES				
Equity				
Non-restricted share capital		95	95	95
Additional paid in capital		10 579	10 579	10 579
Retained earnings		5 205	11 011	11 011
Result for the period		(3 459)	(5 806)	(452)
Translation reserve		(512)	(730)	(65)
Total equity attributable to equity holders of the Company		**11 908**	**15 149**	**21 168**
TOTAL EQUITY		**11 908**	**15 149**	**21 168**
Non-current liabilities				
Loans and borrowings	2	47 310	45 628	44 146
Deferred income		289	396	722
Deferred tax liabilities		2 023	2 415	3 429
Long-term portion of finance lease liabilities		5 732	6 942	5 977
Total non-current liabilities		**55 354**	**55 381**	**54 274**
Current liabilities				
Loans and borrowings	2	5 025	27 345	17 871
Trade and other payables		74 707	50 486	36 281
Deferred income		1 205	430	493
Provisions		3 128	2 997	3 532
Short-term portion of finance lease liabilities		4 485	3 200	2 542
Total current liabilities		**88 550**	**84 458**	**60 719**
TOTAL LIABILITIES		**143 904**	**139 839**	**114 993**
TOTAL EQUITY AND LIABILITIES		**155 812**	**154 988**	**136 161**
Pledged Assets and Contingent Liabilities				
Pledged Assets		6 083	21 066	10 818
Contingent Liabilities		761	762	943

Consolidated statement of changes in equity

EUR '000	Attributable to equity holders of the Company				
	Share capital	**Additional paid in capital**	**Retained earnings**	**Translation reserve**	**Total equity**
Balance at 1 January 2013	**95**	**10 579**	**5 205**	**(730)**	**15 149**
Total comprehensive income for the period					
Profit/(loss) for the period	-	-	(3 459)	-	(3 459)
Other comprehensive income					
Exchange differences on translating to presentation currency	-	-	-	218	218
Total comprehensive income for the period	**-**	**-**	**(3 459)**	**218**	**(3 241)**
Balance at 31 March 2013	**95**	**10 579**	**1 746**	**(512)**	**11 908**

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	-	-	(452)	-	(452)
Other comprehensive income					
Exchange differences on translating to presentation currency	-	-	-	1 611	1 611
Total comprehensive income for the period	**-**	**-**	**(452)**	**1 611**	**1 159**
Balance at 31 March 2012	**95**	**10 579**	**10 559**	**(65)**	**21 168**

Consolidated cash flow statement	For the three months ended 31 Mar 13 Unaudited EUR '000	For the three months ended 31 Mar 12 Unaudited EUR '000
Cash flows from operating activities		
Result before income tax	(4 094)	(876)
Adjustments for:		
Depreciation and amortisation	3 168	2 315
Loss from write off of receivables	268	39
Loss (profit) on disposal of rental fleet	(66)	(18)
Finance costs	2 449	2 101
Finance income	(86)	(63)
Net foreign exchange losses/(gains)	1 201	(2 021)
Cash flows from (used in) operating activities before changes in working capital and provisions	**2 840**	**1 477**
Change in inventories	(8 640)	10 269
Change in trade and other receivables	6 410	(1 140)
Change in prepayments for current assets	(22)	(193)
Change in trade and other payables	21 963	(1 090)
Change in provisions and employee benefits	98	129
Changes in other assets	(20)	-
Change in deferred income	652	(121)
Cash flows from operations before interest paid	**23 281**	**9 331**
Proceeds from sale of rental fleet	131	880
Income tax paid	(98)	(93)
Interest paid	(904)	(630)
Net cash from/(used in) operating activities	**22 410**	**9 488**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	22	-
Interest received	72	63
Acquisition of property, plant and equipment	(431)	(339)
Acquisition of intangible assets	(299)	(94)
Closing of deposits	-	-
Net cash (used in) investing activities	**(636)**	**(370)**
Cash flows from financing activities		
Proceeds from borrowings	-	17 752
Repayment of other loans	(22 393)	(25 360)
Net leasing financing received (paid)	(831)	(293)
Net cash from financing activities	**(23 224)**	**(7 901)**
Net increase in cash and cash equivalents	**(1 450)**	**1 217**
Cash and cash equivalents at start of the period	**19 227**	**12 403**
Effect of exchange rate fluctuations on cash and cash equivalents	184	803
Cash and cash equivalents at end of the period	**17 961**	**14 423**

Key Ratios	Note	For the three months ended 31 Mar 13	For the three months ended 31 Mar 12	April 12 - March 13	Full year 2012
Gross margin, %	1	18,9%	14,1%	16,2%	15,2%
Operating margin, %	2	-1,0%	-1,5%	1,2%	1,1%
Operating working capital, EUR'000	3	13 998	39 476	13 998	36 787
Net debt, EUR'000	4	44 591	56 113	44 591	63 888
Capital employed, EUR'000	5	56 499	77 281	56 499	79 037
EBITDA, EUR'000	6	2 638	1 456	14 587	13 405
Net debt/EBIDTA, times	7	3,1	4,6	3,1	4,8
EBITDA margin, %	8	4,8%	2,5%	5,3%	4,9%
Return on capital employed, %	9	7,5%	8,8%	7,5%	5,5%
Headcount at period-end		690	563	690	654
Days receivables outstanding	10	36	34	29	35
Days inventory outstanding	11	135	98	105	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 net foreign exchange gains/(losses) relative to average capital employed
10. Outstanding receivables relative to average daily sales
11. Outstanding inventory relative to average daily cost of sales

Parent Company statement of comprehensive income	For the three months ended 31 Mar 13 Unaudited EUR '000	For the three months ended 31 Mar 12 Unaudited EUR '000	April 12 - March 13 Unaudited EUR '000	Full year 2012 Audited EUR '000
Revenue	125	125	545	545
Gross profit	**125**	**125**	**545**	**545**
Administrative expenses	(375)	(406)	(1 498)	(1 528)
Results from operating activities	**(250)**	**(281)**	**(953)**	**(983)**
Finance income	1 350	1 370	5 343	5 363
Finance costs	(1 545)	(1 472)	(6 026)	(5 953)
Net foreign exchange gains/(losses)	(1 222)	1 823	(3 544)	(498)
Result before income tax benefit	**(1 667)**	**1 440**	**(5 180)**	**(2 071)**
Income tax benefit	-	-	314	314
Result for the period	**(1 667)**	**1 440**	**(4 866)**	**(1 757)**
Total comprehensive income for the period	**(1 667)**	**1 440**	**(4 866)**	**(1 757)**

Parent Company Balance Sheet	31 Mar 13 Unaudited EUR '000	31 Dec 12 Audited EUR '000	31 Mar 12 Unaudited EUR '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	2	3
Intangible assets	1 583	1 708	2 083
Holdings in group Companies	15 426	15 426	15 427
Loans to group companies	36 370	35 984	28 021
Deferred tax assets	1 257	1 224	880
Total non-current assets	**54 642**	**54 344**	**46 414**
Current assets			
Trade and other receivables	4 131	2 771	4 155
Prepayments	99	66	62
Cash and cash equivalents	184	193	9 389
Total current assets	**4 414**	**3 030**	**13 606**
Total assets	**59 056**	**57 374**	**60 020**
EQUITY AND LIABILITIES			
Equity			
Non-restricted share capital	100	100	100
Share Premium Reserve	12 344	12 344	12 344
Retained earnings	(4 175)	(2 417)	(2 417)
Result for the period	(1 667)	(1 757)	1 440
Total equity attributable to equity holders of the Company	**6 602**	**8 270**	**11 467**
Total equity	**6 602**	**8 270**	**11 467**
Non-current liabilities			
Loans and borrowings	47 310	45 628	44 146
Total non-current liabilities	**47 310**	**45 628**	**44 146**
Current liabilities			
Trade and other payables	5 144	3 476	4 407
Total current liabilities	**5 144**	**3 476**	**4 407**
Total liabilities	**52 454**	**49 104**	**48 553**
Total equity and liabilities	**59 056**	**57 374**	**60 020**

Basis of presentation and summary of significant accounting policies

Functional and presentation currency

Items included in the various units of the Group and the Parent Company are valued in the currency in which each company primarily operates (functional currency). For all companies in the Consolidated Group the functional currency is the national currency of the Russian Federation the Russian Ruble (“RUB”). The Group and Parent have selected the Euro (“EUR”) as the currency for presentation purposes.
The Parent Company functional currency is the Euro for purposes of compliance with Swedish reporting requirements.
All financial information presented in EUR has been rounded to the nearest thousand, unless otherwise stated.

Accounting policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, the Annual Accounts Act and the Swedish Financial Reporting Board RFR 1, Supplementary Accounting Rules for Groups.
This quarterly report has been prepared in accordance with IAS 34.
The Group uses the same accounting policies as described in the Annual Report for 2012. None of the new or revised standards, interpretations and improvements that have been adopted by the EU and that must be applied from 1 January 2013 has had an effect on the Group.
The Parent Company's financial statements are prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and RFR 2, Accounting for legal entities, and according to the same principles that were applied to the Annual Report for 2012.

Effects of changes in accounting estimates

Significant estimates and assumptions are described in Note 3 in the Annual Report for 2012.
There have been no changes in the significant estimates and assumptions that could have a material impact on this report.

Seasonality

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

1. Operational Segments

Operating segments are reported in accordance with IFRS 8 and IAS34.

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

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

Revenue	**For the three months ended 31 Mar 13 Unaudited EUR '000**	**For the three months ended 31 Mar 12 Unaudited EUR '000**	**April 12 - March 13 Unaudited EUR '000**	**Full year 2012 Audited EUR '000**
Equipment Sales	39 426	42 136	208 405	211 114
Equipment Rentals	1 194	1 183	6 337	6 325
Product Support	14 355	14 276	58 445	58 366
Total revenues	**54 976**	**57 594**	**273 187**	**275 806**
Total delivery volume, units				
New units	261	275	1 356	1 370
Used units	20	19	76	75
Total units	**281**	**294**	**1 432**	**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 first quarter 2013.

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

EBITDA	**For the three months ended 31 Mar 13 Unaudited EUR '000**	**For the three months ended 31 Mar 12 Unaudited EUR '000**	**April 12 - March 13 Unaudited EUR '000**	**For the twelve months ended 31 Dec 12 Audited EUR '000**
EBITDA	2 638	1 456	14 587	13 405
Depreciation and amortisation	(3 168)	(2 315)	(11 183)	(10 330)
Foreign exchange loss	(1 201)	2 021	(3 605)	(383)
Finance income	86	63	270	247
Finance costs	(2 449)	(2 101)	(10 198)	(9 850)
Profit before income tax	**(4 094)**	**(876)**	**(10 129)**	**(6 911)**
Income tax benefit/(expense)	635	424	1 316	1 105
Profit for the period	**(3 459)**	**(452)**	**(8 813)**	**(5 806)**

2. Loans and borrowings

(a) Short-term borrowings

Short-term borrowings as of 31 March 2013 consisted of the following:

	Outstanding balance as of 31 March 2013	Credit facility limit
	EUR'000	EUR'000
Secured short term borrowings	5,025	17,587
Unsecured short term borrowings	-	12,562
Total	**5,025**	**30,149**

During Q1 2013 the Group entered into a new short-term loan agreement with a credit facility limit of EUR 27.6m. A part of this facility up to EUR 17.6m is secured by circulating inventory with net book value of EUR 21.1m and a part above EUR 17.6m is unsecured. The outstanding amount of the secured part of short-term loan as of 31 March 2013 was EUR 5.0m. The average interest rate of these loans was 11.45% p.a. and maturity dates for these loans vary between 65 and 72 days after the reporting date. The facility availability period equals to 12 months after the reporting date.

In addition to the abovementioned loan facility the Group has unused unsecured overdraft facilities in an amount of EUR 2.5m.

(b) Long-term borrowings

The Group issued bonds on 28 June 2011 with gross proceeds of SEK (Swedish crowns) 400 million (EUR 43,730 thousand). These bonds are transferable, unconditional, unsecured and unsubordinated debt instrument. The coupon rate for the bonds outstanding as of 31 March 2013 was 12% p.a., with interest payable on an annual basis. Each bond has a nominal amount of SEK one million or full multiples thereof. The redemption date of the bonds is 28 June 2014.

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

3. Related party transactions

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

Parent company

During Q1 2013, the parent company received EUR 125 thousand (EUR 125 thousand) respectively from Ferronordic Machines LLC for the Volvo business sub-license. The parent company also incurred EUR 1.4m (EUR 1.4m) in interest income from Ferronordic Machines LLC in Q1 2013. During the Q1 2013 an interest payment in the amount of EUR 0.3m was received by the parent company from Ferronordic Machines LLC.

4. Events after the balance sheet date.

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

Annual meeting

The Annual Shareholders' meeting will be held on May 20, 2013 in Stockholm. The invitation to the meeting was published on April 19, 2013.

Financial reports 2013

Ferronordic Machines' interim reports and year-end report are available for downloading on Ferronordic Machines' website, www.ferronordic.ru and can also be ordered from Ferronordic Machines, Investor Relations. The Group's 2013 reports will be published on the following dates:

May 2013	Three Month Report
August 2013	Six Month Report
November 2013	Nine Month Report
February 2013	Year-end Report

Stockholm, 16 May 2013

Per-Olof Eriksson
Chairman

Anders Blomqvist
Group CFO

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