17 November 2014

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

SUSTAINED REVENUE DESPITE FALLING MARKET

THIRD QUARTER 2014

- Revenue increased by 0.6% to SEK 615.6m (SEK 612.0m) (4.9% increase in rubles)
- Operating profit amounted to SEK 11.9m (SEK 19.3m)
- Operating margin was 1.9% (3.2%)
- EBITDA amounted to SEK 41.3m (SEK 46.7m)
- The after-tax result increased to SEK 0.5m (SEK -11.7m)
- Earnings per ordinary share amounted to SEK -1.20 (SEK -1.17)
- Cash flow from operating activities amounted to SEK -93.8m (SEK -139.0m)

JANUARY - SEPTEMBER 2014

- Revenue decreased by 2.4% to SEK 1,738.9m (SEK 1,782.3m) (6.7% increase in rubles)
- Operating profit increased to SEK 43.5m (SEK 30.7m)
- Operating margin was 2.5% (1.7%)
- EBITDA increased to SEK 121.0m (SEK 110.7m)
- The after-tax result increased to SEK 12.8m (SEK -53.8m)
- Earnings per ordinary share amounted to SEK -2.47 (SEK -5.38)
- Cash flow from operating activities amounted to SEK -145.4m (SEK 73.8m)

SEK M	2014 Q3	2013 Q3	2014 9M	2013 9M
Revenue	615.6	612.0	1 738.9	1 782.3
EBITDA	41.3	46.7	121.0	110.7
Operating profit	11.9	19.3	43.5	30.7
After-tax result	0.5	(11.7)	12.8	(53.8)
Net Debt	244.7	490.1	244.7	490.1
Net Debt / EBITDA	1.5x	3.2x	1.5x	3.2x

COMMENTS BY LARS CORNELIUSSON, CEO AND PRESIDENT:

- The negative effects of the crisis in eastern Ukraine have continued to hamper the Russian economy during the quarter. Additional sanctions have been implemented and the relations between Russia and the West remain weak. The decrease in economic growth, a lower oil price, increased inflation, a weaker ruble and higher interest rates have contributed to a significant slowdown in the overall market for our products in Russia.
- Despite this we still managed to sustain revenue during the quarter. Compared to the third quarter of 2013, our revenue increased by 0.6% in SEK and 4.9% in local currency. Our gross margin was 0.6 percentage points lower at 16.3% which was the main reason for the lower EBITDA of SEK 41.3m, SEK 5.4m less than the third quarter of 2013. Net income for the period increased significantly from a loss of 11.7m to a profit of SEK 0.5m due to lower finance costs and lower foreign exchange losses.
- The overall market for construction equipment during the first eight months, based on import statistics, dropped by approximately 23% compared to last year. This should be compared with our own sales of new units, which during the first nine months dropped by 11%. This confirms that we continue to gain market share.
- The difficult political and economic situation in Russia will continue to create challenges for our business in the short term. However, we are confident that the long term fundamentals in the Russian construction equipment market remain strong.

Comments to the interim report

Although the crisis in eastern Ukrainian has de-escalated during the quarter, relations between Russia and the West continue to be weak. Further Western sanctions have been implemented, putting additional pressure on the Russian economy, and contributing to higher interest rates, depreciation of the ruble and increased inflation.

The western sanctions still have not had any direct material adverse effect on our activities or financial position. For example, the sanctions have not prevented us from continuing to do business with our existing customers. Nevertheless, the indirect effects of the sanctions are becoming visible. For example, financing for our customers is becoming both more expensive and more difficult to obtain, contributing to a decreasing market. At the same time, increased interest rates contribute to higher finance costs for our own borrowings.

In the wake of the Ukrainian crisis and western sanctions we have also seen signs of increased protectionism in Russia. A government decree was introduced in July with restrictions for state and municipal entities to buy non-Russian equipment. We still believe that this decree will have limited impact on our business, but do not exclude that similar and more extensive protectionist laws/decrees may be introduced in the future, which could have a material adverse effect on our sales.

During the quarter we also saw a dramatic decline in the oil price. Having reached the yearly high of approximately 115 USD/barrel in June, the price at the end of September had decreased to 95 USD/barrel. Since September the oil price has continued to decline and on 12 November amounted to 81 USD/barrel.

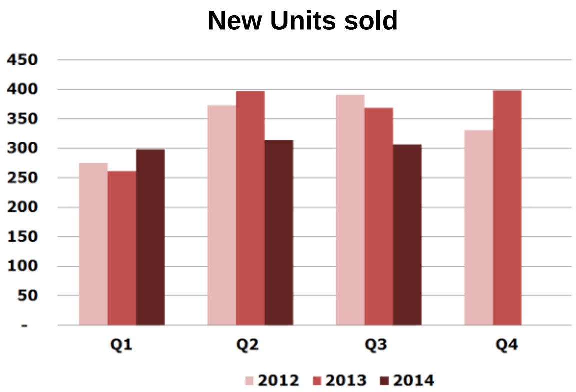
As a result of the falling oil price, western sanctions and other factors we also saw a significant depreciation of the ruble during the third quarter (8% against the SEK and EUR, and 16% against the USD). The depreciation has continued at accelerated speed into the fourth quarter.

An additional factor impacting our business and our customers' ability to raise financing is the prevailing interest rate, in particular MosPrime. Since the start of the year, MosPrime3M has increased by 5.2 percentage points and is currently at 12.04%. A continuing increase of the interest level is likely to decrease our customers' willingness and ability to raise new financing further.

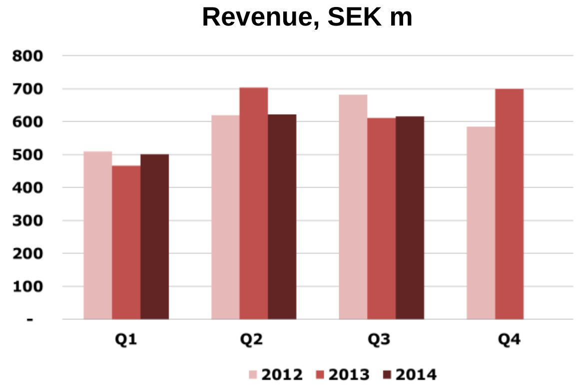
The development of the Russian construction equipment market will very much depend on whether or not the Russian government will focus its spending on planned and much needed infrastructure investments. Such investments could boost economic growth and function as a counterweight against the negative influences depicted above. There are many advocates for such a strategy in the Russian government, but the chosen way forward remains unclear.

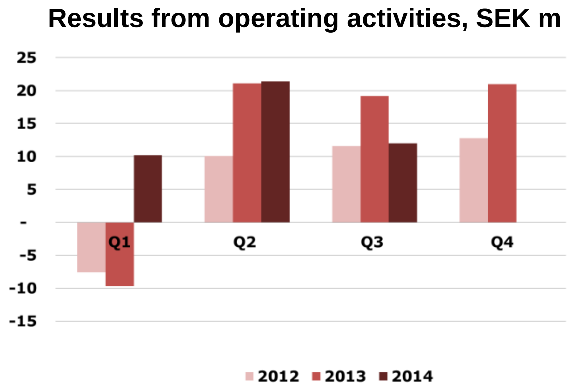
Revenue

During the third quarter the revenue increased by 0.6% to SEK 615.6m (SEK 612.0m). In rubles, however, the revenue increased by 4.9%. The revenue from the sales of equipment decreased by 1.3% whereas the revenue from the aftermarket (parts and service) increased by 4.0%. In rubles, the sale of equipment was flat whereas the revenue from the aftermarket increased by 8.6%.



During the first nine months of 2014 the revenue decreased by 2.4% to SEK 1,738.9m (SEK 1,782.3m). In rubles, however, the revenue increased by 6.7%. Revenue from sales of equipment decreased by 4.5% whereas the revenue from the aftermarket increased by 1.2%. In rubles, the sale of equipment increased by 4.5% and the revenue from the aftermarket increased by 10.7%.





Gross profit and results from operating activities

Gross profit in the third quarter amounted to SEK 100.2m (SEK 103.5m), a decrease of 3.2%.

The gross margin decreased from 16.9% to 16.3%. This was primarily due to lower margins on sold new and used machines.

Results from operating activities for the third quarter amounted to SEK 11.9m (SEK 19.3m). This SEK 7.4m decrease was primarily a result of a SEK 3.3m decrease in gross profit and an increase in selling and general and administrative expenses.

Gross profit for the first nine months amounted to SEK 288.8m (SEK 299.3m), a decrease of 3.5%.

Gross margin during the first nine months remained almost unchanged at 16.6%, compared to 16.8% for the same period of 2013.

Results from operating activities for the first nine months amounted to SEK 43.5m (SEK 30.7m). This SEK 12.8m increase was primarily a result of a SEK 25.4m decrease in selling and general and administrative expenses, partly offset by the decrease in gross profit.

Results

The result before income tax for the third quarter was SEK 0.8m (SEK -10.2m). The strong increase was primarily a result of reduced financial costs and lower foreign exchange losses, both as a result of the repayment of the company's bond loan in the fourth quarter 2013.

The after-tax-result increased to SEK 0.5m (SEK -11.7m).

The result before income tax for the first nine months was SEK 16.9m (SEK -56.6m). The strong growth was a result of the improved result from operating activities, and the reduced financial costs and lower foreign exchange losses.

As a result of the above, the after-tax result for the first nine months increased to SEK 12.8m (SEK -53.8m).

Cash flow

Cash flow from operating activities during the third quarter amounted to SEK -93.8m (SEK -139.0m). The negative cash flow was primarily related to higher inventory in local currency as well as a decrease in payables.

Cash flow from investing activities amounted to SEK -3.0m (SEK -2.9m), mainly relating to investments in property, plant and equipment and computer software licenses.

During the first nine months the cash flow from operating activities amounted to SEK -145.4m (SEK 73.8m). The weakened cash flow is a result of an increase in inventory, larger rental fleet and unfavorable currency movements.

Cash flow from investing activities during the first nine months amounted to SEK -24.5m (SEK -12.4m), also mainly relating to investments in property, plant and equipment and computer software licenses.

Financial position

The cash and cash equivalents at 30 September 2014 amounted to SEK 41.0m, a decrease of approximately SEK 123.0m compared to 31 December 2013. Interest-bearing liabilities at 30 September 2014 amounted to SEK 285.8m, an increase of SEK 61.8m compared to 31 December 2013 (interest-bearing liabilities include debt and obligations under financial leases, both short term and long term).

At the reporting date Ferronordic Machines LLC was technically in breach of one of the covenants under its RUB 500m credit facility agreement with Sberbank. As a result the loan became payable on demand instead of upon maturity in April 2016. 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 discussions with Sberbank to exclude these charges from the covenant calculation going forward. As of this date there is no indication that Sberbank would have any intention to terminate the credit facility, and if Sberbank would do so Ferronordic Machines LLC has other credit facilities and cash available to replace the Sberbank facility.

Equity at 30 September 2014 amounted to SEK 466.1m, a decrease of SEK 71.7m compared to 31 December 2013. The decrease is mainly a result of accrued dividends in the amount of SEK 50m, as well as negative translation differences in the amount of SEK 34.2m.

Employees

The number of employees at the end of the quarter, converted into full-time employee equivalents, amounted to 789. This represents an increase of 79 employees since 30 September 2013.

Parent company

The revenue of the parent company during the third quarter amounted to SEK 4.2m (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 third quarter of 2013.

During the third quarter the parent company made an amendment to the trademark license agreement with its subsidiary Ferronordic Machines LLC, which led to a recalculation of trademark license fees charged during the first six months of 2014 and a corresponding decrease in revenue in the amount of SEK 7.7m.

Administrative expenses during the quarter amounted to SEK 3.7m (SEK 4.1m), a decrease of 9.8% compared to the same period last year.

The after-tax result for the third quarter increased to SEK 1.9m (SEK -14.6m). This was primarily a result of lower finance costs following the repayment of the bond loan during the third quarter 2013.

During the first nine months the revenue of the parent company amounted to SEK 11.8m (SEK 3.3m). The increased revenue primarily relates to compensation paid by Ferronordic Machines LLC under an intra-group trademark license agreement which did not exist last year.

Administrative expenses during the first nine months amounted to SEK 14.1m (SEK 11.6m), an increase of 21.6% compared to the same period of last year.

The after-tax result for the first nine months increased to SEK 21.1m (SEK -37.9m). This was primarily a result of increased revenue and lower finance costs following the repayment of the bond loan during the fourth quarter 2013.

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 the company's profitability. Save for the events in Ukraine and related sanctions, as described above and in previous interim reports during 2014, there have been no significant changes to what was stated in Note 22 of the 2013 annual report.

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 will be held on 19 May 2015 in Stockholm. Shareholders who wish to have a matter dealt with at the general meeting shall inform the board of directors thereof in writing not later than 31 March 2015. Requests to have a matter dealt with at the general meeting can be sent by post to Ferronordic Machines AB, “AGM”, Hovslagargatan 5B, 111 48 Stockholm, or by email to henrik.carlborg@ferronordic.ru.

Major events

Due to the current uncertain situation in Russia and Ukraine the board of directors decided on 30 September not to list the ordinary shares of Ferronordic Machines AB on NASDAQ OMX Stockholm during 2014. Ferronordic Machines will continue to investigate a potential listing in 2015 and is well prepared if and when the situation stabilizes. Since a listing of the ordinary shares did not take place before 25 October 2014, the implied discount obtained when preference shares are used to subscribe for new ordinary shares in connection with a potential future listing of the ordinary shares on NASDAQ OMX Stockholm started to increase by approximately one percentage point per month during the 15 months following 25 October 2014. Also the redemption premium which the company shall pay if the preference shares are redeemed in cash started to increase by one percentage point per month during the 15 months following 25 October 2014. The percentages indicated above are based on the subscription price when the preference shares were issued. The decision of the board does not affect the payment or amount of the dividend on the company’s preference shares.

At the board meeting on 30 September Tom Jörning resigned from the board of directors due to new obligations within the Volvo Group. According to the articles of association the board of directors shall consist of 3-10 directors. After the resignation of Tom Jörning the board of directors will consist of seven directors. Election of a potential additional board member will be made at the next general meeting.

Events after the balance sheet date

On 29 October the second dividend payment on the company’s preference shares was made in an amount of SEK 50 per preference share, amounting to a total dividend payment of SEK 25m.

On 31 October the Russian Central Bank announced that it will limit market interventions to protect the ruble to USD 350m per day. This decision is generally seen as a decisive step towards a free float of the ruble that is expected to come into full effect in the beginning of 2015. The ruble has fallen sharply on this news. On 12 November the ruble rate was 6.28 to the SEK, representing a depreciation of 13% during the last month and 27% during the last twelve months.

On 13 November, the Volvo Group announced that it has decided to discontinue development and production of its current product line of Volvo-branded backhoe loaders and motor graders in Europe and Americas and transfer these operations to its Chinese company SDLG. The target is to ramp down the production of these products by the end of 2015. Sales of new backhoe loaders and motor graders represent approximately 18% of Ferronordic Machines’ revenue from new machine sales. Given that the target is to ramp down production gradually we expect the short-term impact of this decision to be limited. The long-term consequences will be assessed as part of the company’s continuous review of its product portfolio.

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

Outlook

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

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

Condensed consolidated statement of comprehensive income	For the three months ended 30 September 14 SEK '000	For the three months ended 30 September 13 SEK '000	For the nine months ended 30 September 14 SEK '000	For the nine months ended 30 September 13 SEK '000
Revenue	**615 595**	**611 988**	**1 738 880**	**1 782 316**
Cost of sales	(515 347)	(508 461)	(1 450 108)	(1 482 973)
Gross profit	**100 248**	**103 527**	**288 772**	**299 343**
Selling expenses	(25 608)	(26 235)	(71 930)	(79 550)
General and administrative expenses	(60 339)	(57 024)	(168 403)	(186 163)
Other income	1 088	164	3 430	1 427
Other expenses	(3 533)	(1 131)	(8 397)	(4 369)
Results from operating activities	**11 856**	**19 301**	**43 472**	**30 688**
Finance income	750	3	2 058	827
Finance costs	(9 386)	(16 969)	(25 078)	(55 362)
Net foreign exchange gains/(losses)	(2 459)	(12 492)	(3 522)	(32 786)
Result before income tax	**761**	**(10 157)**	**16 930**	**(56 633)**
Income tax	(305)	(1 577)	(4 125)	2 832
Result for the period	**456**	**(11 734)**	**12 805**	**(53 801)**
Other comprehensive result				
Items that are or may be reclassified to profit or loss:				
Foreign currency translation differences for foreign operations	(33 306)	-	(34 178)	-
Items that will never be reclassified subsequently to profit or loss:				
Exchange differences on translating to presentation currency	-	(2 439)	-	(6 197)
Other comprehensive result for the period, net of tax	**(33 306)**	**(2 439)**	**(34 178)**	**(6 197)**
Total comprehensive result for the period	**(32 850)**	**(14 173)**	**(21 373)**	**(59 998)**
Earnings/(loss) per share				
Basic loss per share (SEK)	(1.20)	(1.17)	(2.47)	(5.38)

Condensed consolidated statement of financial position	30 September 14 SEK '000	31 December 13 SEK '000	30 September 13 SEK '000
ASSETS			
Non-current assets			
Intangible assets	65 854	96 249	103 709
Property, plant and equipment	316 659	250 470	217 281
Deferred tax assets	23 692	22 893	11 710
Total non-current assets	**406 205**	**369 612**	**332 700**
Current assets			
Inventories	680 922	589 600	630 263
Trade and other receivables	326 690	338 516	330 448
Prepayments	1 507	1 047	1 564
Other current assets	929	709	1 361
Cash and cash equivalents	41 046	164 075	66 728
Total current assets	**1 051 094**	**1 093 947**	**1 030 364**
TOTAL ASSETS	**1 457 299**	**1 463 559**	**1 363 064**
EQUITY AND LIABILITIES			
Equity			
Share capital	937	1 027	983
Additional paid in capital	594 865	592 346	104 472
Translation reserve	(75 404)	(39 436)	(33 369)
Retained earnings	(67 102)	27 798	52 798
Result for the period	12 805	(43 934)	(53 801)
TOTAL EQUITY	**466 101**	**537 801**	**71 083**
Non-current liabilities			
Deferred income	-	-	511
Deferred tax liabilities	10 364	10 493	8 534
Long-term portion of finance lease liabilities	32 642	24 312	28 256
Total non-current liabilities	**43 006**	**34 805**	**37 301**
Current liabilities			
Borrowings	220 711	162 800	495 627
Trade and other payables	670 320	657 756	689 102
Deferred income	12 150	15 446	15 291
Provisions	12 588	18 066	21 753
Short-term portion of finance lease liabilities	32 423	36 885	32 907
Total current liabilities	**948 192**	**890 953**	**1 254 680**
TOTAL LIABILITIES	**991 198**	**925 758**	**1 291 981**
TOTAL EQUITY AND LIABILITIES	**1 457 299**	**1 463 559**	**1 363 064**
Pledged Assets and Contingent Liabilities			
Pledged Assets	60 181	197 098	120 315
Contingent Liabilities	-	6 321	5 899

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				12 805	12 805
Other comprehensive result					
Foreign exchange differences			(34 178)		(34 178)
Total comprehensive result for the period			**(34 178)**	**12 805**	**(21 373)**
Contribution by and distribution to owners					
Dividends on preference shares				(50 000)	(50 000)
Repurchase of warrants		(327)			(327)
Total contributions and distributions		**(327)**		**(50 000)**	**(50 327)**
Balance at 30 September 2014	**937**	**594 865**	**(75 404)**	**(54 297)**	**466 101**

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				(53 801)	(53 801)
Other comprehensive result					
Foreign exchange differences			(6 197)		(6 197)
Total comprehensive result for the period			**(6 197)**	**(53 801)**	**(59 998)**
Contribution by and distribution to owners					
Warrant issue		547			**547**
Balance at 30 September 2013	**983**	**104 472**	**(33 369)**	**(1 003)**	**71 083**

Condensed consolidated statement of cash flows	For the three months ended 30 September 14 SEK '000	For the three months ended 30 September 13 SEK '000	For the nine months ended 30 September 14 SEK '000	For the nine months ended 30 September 13 SEK '000
Cash flows from operating activities				
Result before income tax	761	(10 157)	16 930	(56 633)
Adjustments for:				
Depreciation and amortisation	29 421	27 356	77 495	79 970
Loss from write off of receivables	3 031	566	7 110	3 199
Profit on disposal of rental fleet	(959)	121	(4 692)	(4 517)
Finance costs	9 386	16 970	25 078	55 364
Finance income	(750)	-	(2 058)	(824)
Net foreign exchange losses/(gains)	2 459	12 492	3 522	32 786
Cash flows from operating activities before changes in working capital and provisions	**43 349**	**47 348**	**123 385**	**109 345**
Change in inventories	(45 245)	(134 908)	(268 664)	(213 709)
Change in trade and other receivables	15 021	(11 939)	(21 248)	(83 764)
Change in prepayments	18	642	(546)	224
Change in trade and other payables	(99 102)	(22 012)	31 613	304 094
Change in provisions	(1 879)	(9 492)	(4 223)	(2 416)
Changes in other assets	(887)	(17)	(295)	(675)
Change in deferred income	(1 428)	2 377	(2 199)	10 587
Cash flows from operations before interest paid	**(90 153)**	**(128 001)**	**(142 177)**	**123 686**
Proceeds from sale of rental fleet	5 869	(481)	23 224	22 678
Income tax paid	-	(7 305)	(1 335)	(8 291)
Interest paid	(9 510)	(3 245)	(25 076)	(64 268)
Net cash from/(used in) operating activities	**(93 794)**	**(139 032)**	**(145 364)**	**73 805**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	-	-	-	187
Interest received	750	-	2 058	715
Acquisition of property, plant and equipment	(2 979)	(2 620)	(21 884)	(10 418)
Acquisition of intangible assets	(755)	(304)	(4 649)	(2 870)
Net cash used in investing activities	**(2 984)**	**(2 924)**	**(24 475)**	**(12 386)**
Cash flows from financing activities				
Proceeds from borrowings	110 676	124 991	604 042	124 991
Repayment of other loans	(24 364)	(15 730)	(531 422)	(245 377)
Dividends on preference shares	-	-	(25 000)	-
Leasing financing received	-	-	41 523	-
Leasing financing paid	(15 984)	(6 890)	(33 125)	(31 085)
Repurchase of warrants	-	-	(327)	-
Net cash from/(used in) financing activities	**70 328**	**102 371**	**55 691**	**(151 471)**
Net decrease in cash and cash equivalents	**(26 450)**	**(39 585)**	**(114 148)**	**(90 052)**
Cash and cash equivalents at start of the period	**71 821**	**108 975**	**164 075**	**165 671**
Effect of exchange rate fluctuations on cash and cash equivalents	(4 325)	(2 662)	(8 881)	(8 891)
Cash and cash equivalents at end of the period	**41 046**	**66 728**	**41 046**	**66 728**

Key Ratios	Note	For the three months ended 30 September 14	For the three months ended 30 September 13	For the nine months ended 30 September 14	For the nine months ended 30 September 13
Gross margin, %	1	16.3%	16.9%	16.6%	16.8%
Operating margin, %	2	1.9%	3.2%	2.5%	1.7%
Operating working capital, SEK'000	3	314 990	237 490	314 990	237 490
Net debt, SEK'000	4	244 730	490 062	244 730	490 062
Capital employed, SEK'000	5	710 831	561 145	710 831	561 145
EBITDA, SEK'000	6	41 277	46 657	120 967	110 658
Net debt/EBITDA, times	7	1.5	3.2	1.5	3.2
EBITDA margin, %	8	6.7%	7.6%	7.0%	6.2%
Return on capital employed, %	9	10.5%	6.6%	10.5%	6.6%
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	(1.20)	(1.17)	(2.47)	(5.38)
Diluted earnings per ordinary share, SEK	11	(1.20)	(1.17)	(2.47)	(5.38)
No. of employees at close of period		789	710	789	710
Days receivables outstanding	12	40	41	43	42
Days inventory outstanding	13	119	112	127	115

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 September 14 SEK ’000	For the three months ended 30 September 13 SEK ’000	For the nine months ended 30 September 14 SEK ’000	For the nine months ended 30 September 13 SEK ’000
Revenue	4 229	1 107	11 793	3 321
Adjustment of revenue for 6 months ended 30 June 2014	(7 729)	-	-	-
Gross profit	**(3 500)**	**1 107**	**11 793**	**3 321**
Administrative expenses	(3 663)	(4 092)	(14 059)	(11 603)
Results from operating activities	**(7 163)**	**(2 985)**	**(2 266)**	**(8 282)**
Finance income	10 415	11 073	30 740	34 691
Finance costs	-	(12 726)	(1)	(40 334)
Net foreign exchange gains/(losses)	(1 564)	(9 988)	(2 044)	(24 019)
Result before income tax benefit	**1 688**	**(14 626)**	**26 429**	**(37 944)**
Income tax expense	258	-	(5 289)	-
Result for the period	**1 946**	**(14 626)**	**21 140**	**(37 944)**

Parent company statement of comprehensive income				
Result for the period	**1 946**	**(14 626)**	**21 140**	**(37 944)**
Other comprehensive result				
Items that are or may be reclassified to profit or loss:				
Translation difference, expanded net investments in foreign operations	(18 442)	-	(16 284)	-
Other comprehensive result for the period, net of tax	**(18 442)**	**-**	**(16 284)**	**-**
Total comprehensive result for the period	**(16 496)**	**(14 626)**	**4 856**	**(37 944)**

Parent company balance sheet	30 September 14 SEK ’000	31 December 13 SEK ’000	30 September 13 SEK ’000
ASSETS			
Non-current assets			
Property, plant and equipment	33	11	13
Intangible assets	7 383	10 705	11 812
Financial assets			
Holdings in subsidiaries	192 162	192 105	136 623
Loans to subsidiaries	266 251	285 178	293 804
Deferred tax assets	20 174	20 860	10 700
Total financial assets	478 587	498 143	441 127
Total non-current assets	**486 003**	**508 859**	**452 952**
Current assets			
Trade and other receivables	36 477	44 007	424
Prepayments and accrued income	278	323	12 033
Cash and cash equivalents	1 917	5 013	713
Total current assets	**38 672**	**49 343**	**13 170**
Total assets	**524 675**	**558 202**	**466 122**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	937	937	893
Unrestricted equity			
Share premium reserve	604 880	605 249	109 915
Translation reserve	(16 284)	-	-
Retained earnings	(138 075)	(61 751)	(36 987)
Result for the period	21 140	(26 324)	(37 944)
Total equity	**472 598**	**518 111**	**35 877**
Non-current liabilities			
Borrowings	-	-	-
Total non-current liabilities	-	-	-
Current liabilities			
Borrowings	-	-	404 625
Trade and other payables	52 077	40 091	25 620
Total current liabilities	**52 077**	**40 091**	**430 245**
Total liabilities	**52 077**	**40 091**	**430 245**
Total equity and liabilities	**524 675**	**558 202**	**466 122**
Contingent liabilities*	99 419	-	-

There were no pledged assets as of 30 September 2014, 31 December 2013 and 30 September 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 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 (sales of parts and service). 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 parent company, 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 September 14 SEK '000	For the three months ended 30 September 13 SEK '000	For the nine months ended 30 September 14 SEK '000	For the nine months ended 30 September 13 SEK '000
Equipment Sales	449 934	455 667	1 285 703	1 346 296
Equipment Rentals	19 596	16 763	45 695	34 214
Aftermarket	145 195	139 558	406 612	401 806
Other	870	-	870	-
Total revenues	**615 595**	**611 988**	**1 738 880**	**1 782 316**
Total delivery volume, units				
New units	306	369	918	1 027
Used units	52	37	114	94
Total units	**358**	**406**	**1 032**	**1 121**

EBITDA to result for the period:

EBITDA	For the three months ended 30 September 14 SEK '000	For the three months ended 30 September 13 SEK '000	For the nine months ended 30 September 14 SEK '000	For the nine months ended 30 September 13 SEK '000
EBITDA	41 277	46 657	120 967	110 658
Depreciation and amortisation	(29 421)	(27 356)	(77 495)	(79 970)
Foreign exchange gain/(loss)	(2 459)	(12 492)	(3 522)	(32 786)
Finance income	750	3	2 058	827
Finance costs	(9 386)	(16 969)	(25 078)	(55 362)
Result before income tax	**761**	**(10 157)**	**16 930**	**(56 633)**
Income tax	(305)	(1 577)	(4 125)	2 832
Result for the period	**456**	**(11 734)**	**12 805**	**(53 801)**

2. Related party transactions

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 declare that the interim report for the period January-September 2014 provides a true and fair overview of the Group's and the 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, 17 November 2014

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

This report has not been reviewed by the company's 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 and Renault 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. The preference shares of Ferronordic Machines are listed on NASDAQ OMX First North Premier. The company has appointed Avanza Bank AB as its Certified Advisor.

Financial Calendar 2014

Year-end report 2014	20 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 17 November 2014, 07:45 CET.