

**Press Release**  
**Stockholm, Sweden – August 5, 2013**

**Interim Report January – June 2013**

**INCREASED REVENUE DESPITE A FLAT MARKET**

**SECOND QUARTER 2013**

- Sales revenue amounted to EUR 82.1m (69.9m)\*
- Revenue growth of 17.4% Y-o-Y (21.3% in local currency)
- Operating profit amounted to EUR 1.9m (1.1m)
- The Operating margin was 2.3% (1.6%)
- EBITDA amounted to EUR 4.9m (3.4m)
- The after-tax result amounted to EUR -0.8m (-3.6m)
- Cash flow from operating activities amounted to EUR 2.6m (-10.1m)

**JANUARY - JUNE 2013**

- Sales revenue amounted to EUR 137.1m (127.5m)\*
- Revenue growth of 7.5% Y-o-Y (10.5% in local currency)
- Operating profit amounted to EUR 1.3m (0.3m)
- The Operating margin was 1.0% (0.2%)
- EBITDA amounted to EUR 7.5m (4.9m)
- The after-tax result amounted to EUR -4.2m (-4.0m)
- Cash flow from operating activities amounted to EUR 25.0m (-0.6m)

\* Comparative figures for last year are in brackets.

**SIGNIFICANT EVENTS DURING THE SECOND QUARTER**

- Strong revenue growth despite flat market for construction equipment in Russia
- All seven regions significantly contributing to the growing business
- Continuous decrease of financial indebtedness

<b>EUR M</b>	<b>2013 Q2</b>	<b>2012 Q2</b>	<b>2013 1H</b>	<b>2012 1H</b>	<b>2012 July – 2013 June</b>
Revenue	82.1	69.9	137.1	127.5	285.4
EBITDA	4.9	3.4	7.5	4.9	16.0
Operating Profit	1.9	1.1	1.3	0.3	4.1
Net Debt	40.6	70.2	40.6	70.2	40.6
Net debt / EBITDA*	2.5x	4.5x	2.5x	4.5x	2.5x

\*Calculation based on Bond Terms and Conditions.

## **Increased revenue despite a flat market**

### **Lars Corneliussen, the CEO of Ferronordic Machines comments:**

“The market for new construction equipment in Russia was close to flat in Q2 2013 compared to the same period in 2012. The Company, however, managed to grow revenue by 17% and hence gained some market share. Thanks to operational leverage we managed to increase our EBITDA by 41% compared to Q2 2012. We are encouraged by the operational performance in the second quarter and hope to continue the growth in both revenue and profit.

In Q2 2013 revenue reached EUR 82.1m, a 17.4% increase compared to the same period in 2012 (21.3% in ruble terms). The increase was primarily driven by higher sales of new equipment of 15.3% (or EUR 8.0m) and sales of used equipment (EUR 4.0m in Q2 2013 compared to EUR 0.5m in Q2 2012). In Q2 2013 we achieved a more favorable product mix where our sales of larger machines such as articulated haulers and excavators increased faster than sales of the smaller units. Revenue from parts and services increased from EUR 14.7m to EUR 16.4m. Revenue from services isolated rose by 46% while revenue from parts sales rose by 7%.

In the second quarter our gross profit margin was 15.3% which was slightly higher than the 14.7% generated in Q2 2012. In money terms gross profit increased from EUR 10.2m to EUR 12.5m primarily due to increase in sales volumes. EBITDA in Q2 2013 was EUR 4.9m, a 41% increase compared to the same period of 2012 when EBITDA amounted to EUR 3.4m. Cash flow from operating activities was positive at EUR 2.6m. Our net debt position by the end of the second quarter of 2013 amounted to EUR 40.6m and our net debt/EBITDA was 2.5x.

Unrealized FX losses negatively affected net results for the period. In the second quarter of 2013 unrealized FX losses amounted to EUR 0.5m. Excluding the effect of unrealized FX losses, the Company's net results increased by EUR 0.6m in Q2 2013 compared to the same period 2012.

In the first half of the year, Ferronordic Machines generated revenue of EUR 137.1m, a 7.5% increase compared to the same period of 2012 when revenue amounted to EUR 127.5m (10.5% in ruble terms). Revenue from new machines increased by 6.0% from EUR 92.7m in 2012 to EUR 98.3m in 2013. Revenue from parts and services increased from EUR 29.0m to EUR 30.7m. Revenue from services isolated rose by over 40% while revenue from parts sales increased by 2%.

In the first half of 2013 we managed to increase our gross profit margin to 16.7% as compared to 14.4% in the same period of 2012. In money terms gross profit increased from EUR 18.4m to EUR 22.9m. This is a result of better price realization on machines due to product and regional mix and increased gross margin on spare parts sales as a result of a restructuring of the parts pricing structure. EBITDA in the first half of 2013 was EUR 7.5m, a 53% increase compared to the same period of 2012 when EBITDA amounted to EUR 4.9m. Unrealized FX losses affected the net results negatively by EUR 1.7m.

At the end of June 2013 we operated 71 sales- and/or service locations as compared to 62 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. We expect to see further growth in these two regions in 2013.

At the end of the second quarter of 2013 we had 705 employees as compared to 615 employees in the end of the same period in 2012 – sales and service personnel comprise the majority of the increase.

We are encouraged by our second quarter results and especially the results in June. There are however still uncertainties in the market which can negatively affect our results. Overall, we remain cautiously optimistic as we look forward into 2013 and 2014”.

### **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 since then shown strong growth:

- 2012 revenue of EUR 276m vs. EUR 74m in 2010
- more than 70 own outlets vs. 6 in June 2010
- over 700 employees vs. 162 in June 2010

Ferronordic Machines has expanded all across Russia and is today well established in all seven federal districts. 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 Company intends to become a leading service- and sales company in the CIS markets.

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