



Interim report January - September 2011

30 November 2011

July - September 2011

- Sales revenues amounted to EUR 73.6m (29.8m).
- Operating loss amounted to EUR -1.6m (-1.8m).
- The Operating margin was -2.3% (-6.2%).
- EBITDA for the third quarter was EUR 2.3m (0.9m).
- The after-tax result amounted to EUR -2.8m (-2.1m).
- Excluding the amortization of acquisition related intangible assets, the after tax result was EUR -1.7m (-1.0m).
- Cash flow from operating activities amounted to EUR -24.4m (14.5m).

January - September 2011

- Sales revenues amounted to EUR 190.4m (33.6m).
- Operating profit amounted to EUR 2.6m (-3.7m)*.
- The Operating margin was 1.4% (-10.9%)*.
- EBITDA for the nine months amounted to EUR 9.5m (-0.5m)*.
- The after-tax result amounted to EUR -1.5m (15.1m).
- Excluding the amortization of acquisition related intangible assets and negative goodwill, the after tax result was EUR 1.9m (-2.0m).
- Cash flow used in operating activities amounted to EUR -29.9m (12.6m).

Note: Comparative figures in parenthesis related to the same period in 2010.

*2010 numbers exclude the effect of negative goodwill of 18.6m related to the takeover from Volvo in June 2010.



Ferronordic Machines' CEO **Erik Eberhardson** commented:

Continued expansion in a volatile growth environment

In Q3 2011, Ferronordic Machines continued its expansion, albeit with lower profitability than in Q2 2011. The main reasons for lower profitability are product and customer mix, shorter payment terms to Volvo and unrealized F/X losses. Further, some cumulative costs associated with sales were recorded in Q3, which are not projected to have additional impact on the results of Q4 and the full year 2011.

As of 30 September 2011, the company performed operations in almost 50 locations and had 480 employees. The consensus forecast for the GDP development of the Russian economy in 2011-12 remains one of the highest in Europe, driven by the continued demand for natural resources and metals from other emerging markets, but the financial instability in the Eurozone has still slowed down the strong growth of the Russian construction equipment market. For purposes of speed and cash preservation, the main strategy for network development is based on rented locations with select capital investments in real estate.

During the first nine months of 2011, we have sold 908 new machines and had revenues of EUR 190.4m, generating EBITDA of EUR 9.5m. The improved service network has allowed us to maintain and slightly grow market share in the segments in which we operate and we have achieved overall market leadership as measured by revenue year-to-date 2011. The slower than expected market development has however led to higher than forecasted inventory levels and puts increased pressure on working capital as well as prices, adversely affecting the overall profitability of the business. We are addressing this in a close dialogue with Volvo CE on pricing and inventory management as well as through efforts to advance our efficiency and capacity in machine sales, aftermarket service and parts sales. High stock levels may however elevate borrowing costs and may continue to weigh on the bottom line in Q4 2011.

In addition to inventory management, price management and cost control, the implementation of the company's strategy to increase profitability by growing parts and service revenues through continued expansion of the dealer network remain key focus areas for management. In addition, investments in improvements of processes and IT systems as well as training programs for personnel in sales, aftermarket and management in all areas of our business will allow us to achieve additional efficiencies.

Overall, we remain cautiously optimistic as we look forward into 2012, but continue to follow the key risks created by the international economic instability and the potential effects on business conditions in Russia.

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