

RusForest AB (publ)

Interim report

Third Quarter 2013

RusForest AB (publ), corporate registration no. 556694-6421

The information in this report was prepared as of November 28, 2013

Third Quarter Highlights

	Three months ended		Three months ended	
	Sept 30, 2013	Sept 30, 2012	Sept 30, 2013	Sept 30, 2012
Sawlogs harvested**, m ³	192,158	226,790	192,158	226,790
Sawnwood produced**, m ³	69,416	80,653	69,416	80,653
	<u>SEK mln</u>	<u>SEK mln</u>	<u>USD mln*</u>	<u>USD mln*</u>
Revenue	134.7	148.0	20.7	22.8
EBITDA	(11.2)	(28.0)	(1.7)	(4.3)
Operating loss	(41.0)	(67.1)	(6.3)	(10.3)
Net loss	(46.0)	(110.1)	(7.1)	(16.9)
Net loss per share (SEK or USD per share***)	(0.34)	(19.66)	(0.05)	(3.03)
	Nine months ended		Nine months ended	
	Sept 30, 2013	Sept 30, 2012	Sept 30, 2013	Sept 30, 2012
Sawlogs harvested**, m ³	524,421	473,783	524,421	473,783
Sawnwood produced**, m ³	195,498	184,282	195,498	184,282
	<u>SEK mln</u>	<u>SEK mln</u>	<u>USD mln*</u>	<u>USD mln*</u>
Revenue	427.2	411.4	65.7	63.3
EBITDA	(64.5)	(180.3)	(9.9)	(27.7)
Operating loss	(164.2)	(291.3)	(25.3)	(44.8)
Net loss before bond restructuring	(204.8)	(410.6)	(31.5)	(63.2)
Gain from bond restructuring	269.8	-	41.5	-
Net income/(loss) after bond restructuring	65.0	(410.6)	10.0	(63.2)
Net income/(loss) per share (SEK or USD per share***)	0.57	(106.99)	0.09	(16.46)
	Sept 30, 2013	Dec 31, 2012	Sept 30, 2013	Dec 31, 2012
Cash balance	50.7	16.4	7.8	2.5
Working capital	61.9	52.2	9.5	8.0
Net debt	115.5	698.6	17.8	107.5

* Exchange rate of 6.5 SEK per USD used to translate SEK amounts to USD for reference purposes

** Production figures include Arkhangelsk, Boguchany and Magistralny operations but do not include Ust-Ilimsk and Shenkursk

*** Adjusted for the reverse share split completed in April 2013

Significant events during the three months ended September 30, 2013

- Effective July 8, 2013, Matti Lehtipuu was appointed CEO of RusForest. Matti Lehtipuu joined RusForest with over 10 years of forest industry experience from Pöyry Management Consulting. Mr. Lehtipuu replaced Garrett Soden, who resigned to pursue other opportunities with the Lundin family following the restructuring of RusForest. At the extraordinary general meeting of shareholders on July 11, 2013, it was resolved that the number of board members shall be six (6) and to elect Garrett Soden as board member and chairman of the board of directors with Paul Putz as deputy chairman.
- On August 9, 2013, RusForest announced that the Company's proposal to amend the terms and conditions of the remaining corporate bonds with a total outstanding nominal amount of SEK 3,745,250 (approximately USD 580,000) was unanimously approved. After the recent debt-to-equity swap, RusForest proposed to remove restrictions on the remaining bonds regarding financial indebtedness, debt-to-equity ratio and listing of the bonds. It is the Company's opinion that the removal of the restrictions approved by the bondholders will save administrative costs and provide RusForest more flexibility to create value for bondholders and shareholders alike.
- On August 14, 2013, RusForest announced that it had received an extension of the USD 5.0 million Vostok Nafta loan originally drawn in November 2012. The Vostok Nafta loan carried an annual interest rate of 9% and matured on December 31, 2013. Under the revised loan terms, the loan maturity has been extended one year until December 31, 2014. The annual interest rate will increase to 11% for the first six months of 2014 and to 13% for the last six months of 2014. Interest is due quarterly, and RusForest may repay the loan at any time without penalty. The loan is secured by a pledge of RusForest's interests in certain forestry assets. RusForest believes the loan extension will provide the Company with more flexibility to complete the turnaround of its operations.
- On September 25, 2013, RusForest announced that it secured financing in two tranches from CentroCredit, a Russian bank, in order to purchase wood pellet equipment for the Arkhangelsk sawmill and finance construction and installation. The first tranche amounts to EUR 4.9 million and carries an effective annual interest rate of 7%. The second tranche amounts to RUB 170 million (approximately EUR 4 million) and carries an effective annual interest rate of 13.5%. Both tranches have a 5-year maturity. The Company expects the pellet plant to be operational during Q1 2014. RusForest began ground works in July 2013 and started active assembly in the beginning of October 2013 when the equipment arrived in Arkhangelsk. RusForest drew approximately 80% of the financing at the date of the report.
- In Q3 2013, RusForest increased sawnwood sales to Japan to 22% of total sales compared to almost zero in the prior year. As a result, the average sawnwood price realization in Magistralny increased in Q3 2013 by 36% to USD 220 per m³ compared to January 2013. This had a positive effect on group operating results, especially in the Magistralny segment, which reported USD 1.6 million in positive EBITDA.

Significant events after the end of the period

- A Russian investment company, OOO Alba Capital, failed to meet its obligations under the share purchase agreement with RusForest for the acquisition of the non-core Belomorsk gravel quarry in Q2 2013. RusForest is taking the necessary legal action to collect approximately SEK 17 million (USD 2.6 million) recorded as a receivable from the asset sale at September 30, 2013.

CEO Comment

Dear RusForest Shareholders,

We are making progress. The entire RusForest organization is working hard to reach profitability, and you can see the gradual results of these efforts in the Q3 report.

During Q3, there were a number of positive developments in the Company. RusForest was able to continue reducing EBITDA losses from continued operations by 60% from USD 4.3 million to USD 1.7 million when comparing Q3 2012 to Q3 2013.

As announced earlier, the focus of the Company is now on cash flow and profitability instead of absolute volumes. In order to improve margins, we had to reduce production in some cases. Our operations in Magistralny showed strong performance with USD 1.6 million in positive EBITDA. This was due to the Company increasing sales to the more profitable Japanese market, in addition to overall operational improvement. In Q3 2013, sawnwood sales to Japan increased to 22% of total sales from close to zero in the prior year.

In Boguchany, our continuing improvements brought the operations close to break-even. However, the fundamentals of conducting a profitable business in Boguchany remain challenging. This is due to the lack of a rail connection, resulting in high transportation costs, and due to the lack of a nearby pulp industry for our residual products (woodchips and sawdust), reducing our sawmill margins. We continue to look for a long-term strategic solution in Boguchany.

At the corporate level, RusForest managed to reduce overhead costs by 45% from USD 2.2 million to 1.2 million when comparing Q3 2012 to Q3 2013. The Company used less external consulting services and had less employees at the headquarter level in Q3 2013 compared to Q3 2012. In addition, RusForest managed to optimize office rental costs both in Stockholm and in Moscow.

Despite these improvements, the Arkhangelsk operations will require more time to reach profitability. The sawmill is still not able to monetize its residual products due to the weak pulp industry in Arkhangelsk. We expect the situation to improve after the completion of the new pellet mill in Q1 2014. We have secured bank financing for the pellet project and have made significant progress already in construction (as seen in the photos on our website).

I am convinced that RusForest has a bright future in 2014. We are taking the correct steps to reach profitability, and we appreciate your patience.

Regards,

Matti Lehtipuu
CEO, RusForest AB (publ)

Company Overview

RusForest is a Swedish forestry company operating in Eastern Siberia and the Arkhangelsk region of Russia. The Company controls long-term timber leases and utilizes these resources to produce a range of high-quality sawnwood products.

Russia has the world's largest timber reserves by a significant margin and is strategically located in close proximity to Europe, China and Japan. Eastern Siberia is renowned for its pine and larch of exceptional quality, while the Arkhangelsk region in northwest Russia has high-quality spruce and pine forests similar to those found in northern Sweden.

RusForest's strategic objective is to become a leading integrated forestry company focused on exporting Russian softwood logs and lumber to the most profitable markets in order to earn an attractive return for shareholders.

The Company is listed on NASDAQ OMX Stockholm First North (ticker symbol "RUSF").

RusForest AB's Certified Adviser on First North is Pareto Securities AB.



Arkhangelsk pellet mill construction site, November 21, 2013

Operations

RusForest Operational Data

Three months ended September 30, 2013 by location from West to East

	Unit	Arkhangelsk	Boguchany	Magistralny	Consolidated Q3 2013	Consolidated Q3 2012	% Q3'13 vs Q3'12
RusForest ownership interest		95% in LDK-3	100%	100%			
Own forest leases							
Annual Allowable Cut (AAC)	<i>m3</i>	958,800	748,400	958,700	2,665,900	2,665,900	0%
Forest area	<i>Hectares</i>	1,270,577	374,477	746,352	2,391,406	2,391,406	0%
Production							
Sawlogs harvested	<i>m3</i>	25,023	78,118	89,017	192,158	226,790	(15%)
in own forest leases	<i>m3</i>	25,023	78,118	25,417	128,558	226,790	(43%)
in third-parties forest leases	<i>m3</i>	-	-	63,600	63,600	-	
Logs purchased	<i>m3</i>	27,250	1,009	318	28,577	21,612	32%
Sawnwood production	<i>m3</i>	34,079	16,111	19,226	69,416	80,653	(14%)
Sales volumes							
Sawlogs sold	<i>m3</i>	3,742	12,483	30,700	46,925	45,634	3%
Sawnwood sold	<i>m3</i>	25,461	15,068	20,214	60,743	54,873	11%
Woodchips sold	<i>m3 solid</i>	-	-	1,172	1,172	31,675	(96%)
Planed Products sold	<i>m3</i>	5,330	-	-	5,330	5,937	(10%)

Three months ended September 30, 2012 by location from West to East

	Unit	Arkhangelsk	Boguchany	Magistralny	Consolidated Q3 2012
RusForest ownership interest		94.6% in LDK-3	100%	100%	
Own forest leases					
Annual Allowable Cut (AAC)	<i>m3</i>	958,800	748,400	958,700	2,665,900
Forest area	<i>Hectares</i>	1,270,577	374,477	746,352	2,391,406
Production					
Sawlogs harvested	<i>m3</i>	62,834	88,680	75,276	226,790
in own forest leases	<i>m3</i>	62,834	88,680	75,276	226,790
in third-parties forest leases	<i>m3</i>	-	-	-	-
Logs purchased	<i>m3</i>	21,270	342	-	21,612
Sawnwood production	<i>m3</i>	35,318	27,883	17,452	80,653
Sales volumes					
Sawlogs sold	<i>m3</i>	12,397	17,162	16,075	45,634
Sawnwood sold	<i>m3</i>	22,474	16,807	15,592	54,873
Woodchips sold	<i>m3 solid</i>	29,984	-	1,691	31,675
Planed Products sold	<i>m3</i>	5,937	-	-	5,937

Group own forest leases, including Ust-Ilimsk

	Unit	Arkhangelsk	Boguchany	Magistralny	Ust-Ilimsk	Total Sep 30, 2013	Total Sep 30, 2012
Annual Allowable Cut (AAC)	<i>m3</i>	958,800	748,400	958,700	832,560	3,498,460	3,608,460
Forest area	<i>Hectares</i>	1,270,577	374,477	746,352	510,135	2,901,541	2,956,850

Notes to the volume figures:

- The figures presented are given for reference purposes only. The grouping was made based on geography. Arkhangelsk includes Severny Les (harvesting operation), LDK-3 (sawmill, 95% owned) and Infa (planing mill). Boguchany includes RusForest Angara (harvesting operation), Boguchansky LPK (sawmill) and forest lease-holding companies. Ust-Ilimsk includes RusForest Ust-Ilimsk (harvesting operation), Tuba Les forest leases and other lease-holding companies. The Ust-Ilimsk sawmill has been sold and is not included in the figures for 2012 and 2013. Ust-Ilimsk harvesting results have been excluded as the strategy is being revised for harvesting operations in the region. Magistralny includes Lesprom (harvesting operation) and RusForest Magistralny (sawmill).
- There is a limited market for pulpwood inside Russia, and sales of pulplogs are not material for the Group. Therefore, pulpwood production and sales volumes are not presented in the table. However, AAC utilization takes into account inevitable harvesting of pulpwood as Russian law does not allow selective harvesting and requires so called "clear cutting".
- AAC utilization was calculated as quarterly harvesting, including pulpwood, divided by 1/4 of AAC instead of annualizing quarterly harvesting. The 2012 AAC utilization figures have been restated to reflect this change.

Nine months ended September 30, 2013 by location from West to East

	Unit	Arkhangelsk	Boguchany	Magistralny	Consolidated 9M 2013	Consolidated 9M 2012	% 9M'13 vs 9M'12
RusForest ownership interest		95% in LDK-3	100%	100%			
Own forest leases							
Annual Allowable Cut (AAC)	<i>m3</i>	958,800	748,400	958,700	2,665,900	2,665,900	0%
Forest area	<i>Hectares</i>	1,270,577	374,477	746,352	2,391,406	2,391,406	0%
Production							
Sawlogs harvested	<i>m3</i>	109,407	200,376	214,638	524,421	473,783	11%
in own forest leases	<i>m3</i>	109,407	200,376	146,941	456,724	473,783	(4%)
in third-parties forest leases	<i>m3</i>	-	-	67,697	67,697	-	
Logs purchased	<i>m3</i>	82,693	4,875	11,999	99,567	136,747	(27%)
Sawnwood production	<i>m3</i>	91,256	54,124	50,118	195,498	184,282	6%
Sales volumes							
Sawlogs sold	<i>m3</i>	35,710	73,590	81,767	191,067	117,057	63%
Sawnwood sold	<i>m3</i>	77,302	53,676	53,836	184,814	142,851	29%
Woodchips sold	<i>m3 solid</i>	16,025	-	2,898	18,923	58,514	(68%)
Planed Products sold	<i>m3</i>	15,467	-	-	15,467	14,352	8%

Nine months ended September 30, 2012 by location from West to East

	Unit	Arkhangelsk	Boguchany	Magistralny	Consolidated 9M 2012
RusForest ownership interest		94.6% in LDK-3	100%	100%	
Own forest leases					
Annual Allowable Cut (AAC)	<i>m3</i>	958,800	748,400	958,700	2,665,900
Forest area	<i>Hectares</i>	1,270,577	374,477	746,352	2,391,406
Production					
Sawlogs harvested	<i>m3</i>	140,021	188,416	145,346	473,783
in own forest leases	<i>m3</i>	140,021	188,416	145,346	473,783
in third-parties forest leases	<i>m3</i>	-	-	-	-
Logs purchased	<i>m3</i>	114,506	22,241	-	136,747
Sawnwood production	<i>m3</i>	87,475	61,504	35,302	184,282
Sales volumes					
Sawlogs sold	<i>m3</i>	27,291	40,618	49,149	117,057
Sawnwood sold	<i>m3</i>	62,449	48,114	32,288	142,851
Woodchips sold	<i>m3 solid</i>	51,096	5,165	2,253	58,514
Planed Products sold	<i>m3</i>	14,352	-	-	14,352

Group own forest leases, including Ust-Ilimsk

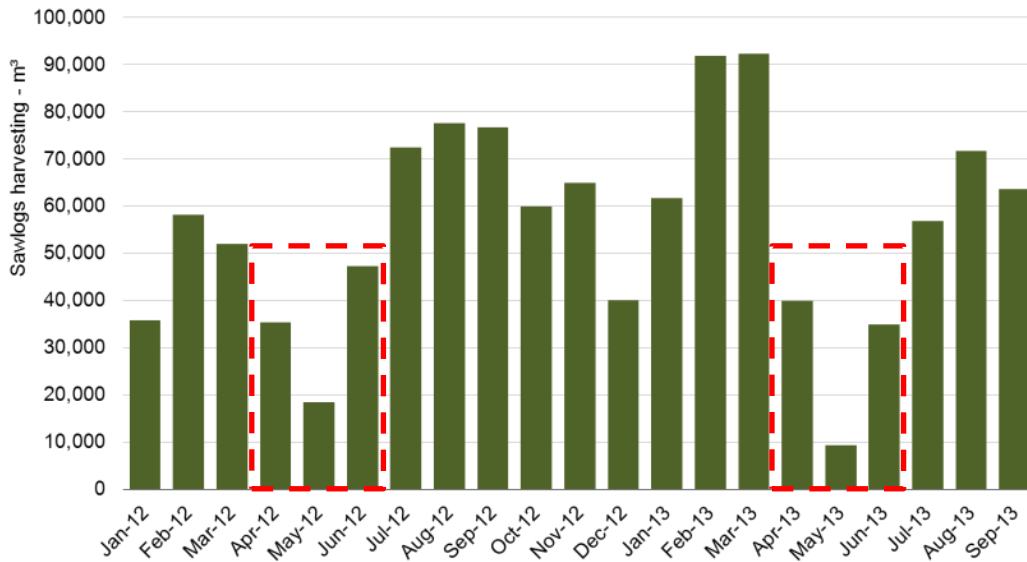
	Unit	Arkhangelsk	Boguchany	Magistralny	Ust-Ilimsk	Total Sep 30, 2013	Total Sep 30, 2012
Annual Allowable Cut (AAC)	<i>m3</i>	958,800	748,400	958,700	832,560	3,498,460	3,608,460
Forest area	<i>Hectares</i>	1,270,577	374,477	746,352	510,135	2,901,541	2,956,850

Notes to the volume figures:

- The figures presented are given for reference purposes only. The grouping was made based on geography. Arkhangelsk includes Severny Les (harvesting operation), LDK-3 (sawmill, 95% owned) and Infa (planing mill). Boguchany includes RusForest Angara (harvesting operation), Boguchansky LPK (sawmill) and forest lease-holding companies. Ust-Ilimsk includes RusForest Ust-Ilimsk (harvesting operation), Tuba Les forest leases and other lease-holding companies. The Ust-Ilimsk sawmill has been sold and is not included in the figures for 2012 and 2013. Ust-Ilimsk harvesting results have been excluded as the strategy is being revised for harvesting operations in the region. Magistralny includes Lesprom (harvesting operation) and RusForest Magistralny (sawmill).
- There is a limited market for pulpwood inside Russia, and sales of pulplogs are not material for the Group. Therefore, pulpwood production and sales volumes are not presented in the table. However, AAC utilization takes into account inevitable harvesting of pulpwood as Russian law does not allow selective harvesting and requires so called "clear cutting".
- AAC utilization was calculated as nine months harvesting, including pulpwood, divided by 3/4 of AAC instead of annualizing nine months harvesting. The 2012 AAC utilization figures have been restated to reflect this change.

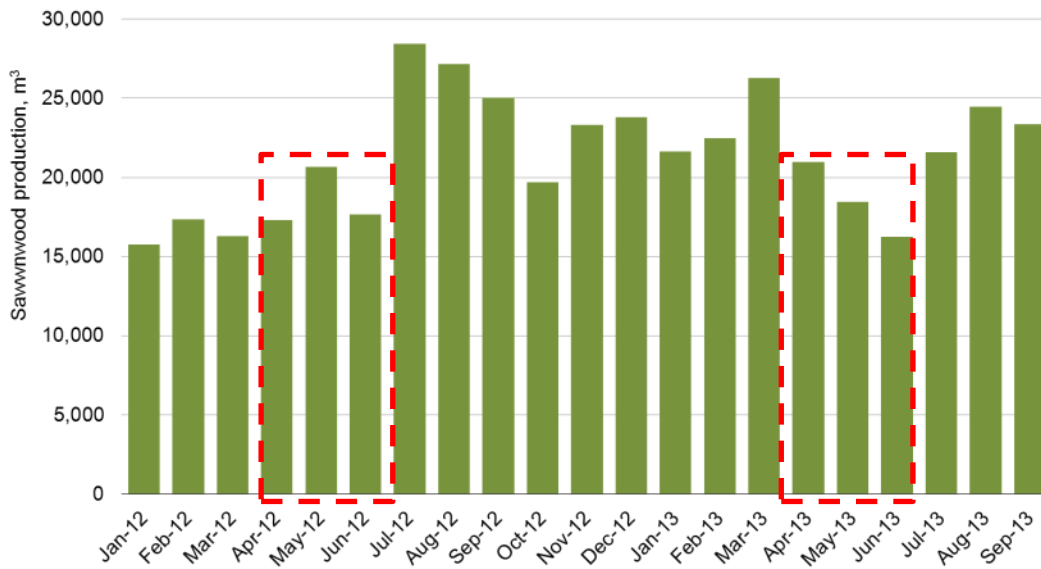
RusForest Group Harvesting Dynamics

The graph below shows harvesting of sawlogs by harvesting operations in Arkhangelsk, Boguchany and Magistralny. April, May and June are seasonally low months in harvesting.



RusForest Group Sawmilling Dynamics

The graph below shows sawnwood production by Arkhangelsk, Boguchany and Magistralny sawmills.



Operational highlights, three months ended September 30, 2013

As stated earlier, the focus of the Company is now on cash flow and profitability instead of absolute volumes.

In Q3 2013, RusForest focused on the following operational priorities:

- Increasing operational efficiency through cost optimization;
- Increasing the share of high-value markets in total sawnwood sales.

RusForest sawlog harvesting decreased by 15.3% to 192,158 m³ in Q3 2013 compared to 226,790 m³ in Q3 2012. The lower volumes were a result of suspending harvesting operations in unprofitable forest areas in Arkhangelsk.

RusForest sawnwood production decreased by 13.9% to 69,416 m³ in Q3 2013 compared to 80,653 m³ in Q3 2012. In all locations, the Company aimed to produce more high-quality sawnwood and to increase selling prices. This was the key reason for the lower volumes in Boguchany and, as a consequence, in total sawnwood production.

Sawnwood sales to the high-value Japanese market in Q3 2013 reached 22% of total RusForest sawnwood sales, while in Q3 2012 it was less 1%.

The Company is focused on reducing the stocks of finished goods accumulated since 2012. Selling off lower quality stocks had a downward effect on the average price of sawnwood in the beginning of Q3 2013.

RusForest continues to investigate forest lease optimization.

Regional Update

Northwest Russia

Arkhangelsk

Arkhangelsk harvesting produced 25,023 m³ of sawlogs in Q3 2013 compared to 62,834 m³ in Q3 2012. Lower volumes were a result of suspending harvesting operations in unprofitable forest areas.

The Arkhangelsk sawmill (LDK-3) produced 34,079 m³ of sawnwood in Q3 2013 compared to 35,318 m³ in Q3 2012.

As previously disclosed, RusForest is implementing a pellet mill project in Arkhangelsk. The wood pellet facility will have an annual capacity of up to 100,000 tons and will allow RusForest to monetize its sawmill by-products by exporting wood pellets to Europe.

The financing and construction of the pellet plant is currently on schedule with the foundation complete and equipment installation in progress. Photos are available on the Company's website at <http://www.rusforest.com/ldk-3.html>. The Company expects the pellet plant to be operational during Q1 2014.

In Q3 2013, RusForest sold a small mothballed planing mill in Arkhangelsk (ALK), classified as an asset held for sale, to a local entrepreneur. The price was in line with the book value.

Eastern Siberia

Boguchany

Boguchany harvesting produced 78,118 m³ of sawlogs in Q3 2013 compared to 88,680 m³ in Q3 2012.

The Boguchany sawmill produced 16,111 m³ of sawnwood in Q3 2013 compared to 27,883 m³ in Q3 2012.

To reduce losses in Boguchany, management was able to increase the average sawnwood price by 10% in September compared to July. Management also increased the average sawlog price for export by 34% in September compared to July.

Despite the recent improvements, long-term profitability at Boguchany remains challenging due to the lack of a rail connection, resulting in high transportation costs, and due to the lack of a nearby pulp industry for our residual products (woodchips and sawdust), reducing our sawmill margins.

Ust-Ilimsk

In Q3 2013, RusForest continued to sublease Ust-Ilimsk AAC and harvesting equipment to several subcontractors in the region. Ust-Ilimsk segment was EBITDA breakeven. Management plans to finalize sale transactions for the remaining non-core assets in Ust-Ilimsk in Q4 2013 (non-core AAC, planing mill UIZSI).

Magistralny

Magistralny harvesting produced 89,017 m³ of sawlogs in Q3 2013 compared to 75,276 m³ in Q3 2012. Harvesting in forest lease areas controlled by third parties reached 63,600 m³ in Q3 2013 (71% of total harvesting). Harvesting in third-party lease areas was increased in order to secure sawlogs suitable for Japanese production.

The Magistralny sawmill produced 19,226 m³ of sawnwood in Q3 2013 compared to 17,452 m³ in Q3 2012.

In Q3 2013, the Magistralny sawmill continued to increase deliveries to the higher value market in Japan. The share of Magistralny sawnwood sales going to Japan in Q3 2013 reached 62% compared to 27% in Q2 2013 and 11% in Q1 2013.

The average sawnwood price realization in Magistralny increased in Q3 2013 by 36% to USD 220 per m³ compared to January 2013.

Financial performance

EBITDA development

in thousands of SEK	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
	SEKth	SEKth	SEKth	SEKth	SEKth	SEKth	SEKth
IFRS results							
Revenue (gross, at ports)	134,680	135,659	156,852	152,948	154,568	161,654	117,623
Operating profit/(loss)	(40,973)	(66,129)	(57,139)	(463,590)	(70,455)	(140,038)	(106,834)
add back depreciation and amortization non-cash expense	29,762	38,282	31,719	37,302	38,019	45,467	37,571
add back impairment of investment into Filial #2	-	-	-	-	-	2,349	-
add back impairment loss	-	-	-	341,862	-	-	-
EBITDA unadjusted	(11,211)	(27,847)	(25,420)	(84,426)	(32,436)	(92,222)	(69,263)
a. Write-off of loan receivable to TransNafta	-	-	-	-	-	7,458	-
b. Doubtful receivables	1,544	358	1,943	23,545	2,042	5,846	5,244
c. Slow-moving and obsolete non-wood materials	-	-	-	-	-	5,873	-
d. Tax, other claims and fee of bankruptcy manager (Tuba)	-	-	-	-	-	3,005	-
e. Stock adjustments in Arkhangelsk Q1, Q4	-	-	-	7,310	-	-	4,759
f. Unused vacation accrual Q1	-	-	-	-	-	-	13,102
g. Ust-Ilimsk restructuring Q1	-	-	-	-	-	-	1,711
h. (income) leasing payable correction NTG	-	-	-	-	-	(4,669)	-
i. (income) compensation of overpaid leases	-	-	-	-	-	(1,920)	(5,831)
j. Other items	4,100	(6,558)	(1,915)	2,240	884	3,069	(429)
Non-recurring items	5,643	(6,199)	27	33,095	2,925	18,662	18,556
EBITDA adjusted	(5,568)	(34,046)	(25,393)	(51,331)	(29,511)	(73,560)	(50,707)
Arkhangelsk	(7,641)	(4,509)	329	(7,056)	2,711	(7,705)	(6,832)
Boguchany	(375)	(11,345)	(10,342)	(12,549)	(4,660)	(22,965)	(12,327)
Ust-Ilimsk	(225)	(2,649)	1,059	(6,249)	(4,787)	(7,016)	(7,151)
Magistralny	10,249	(1,394)	(3,219)	(5,844)	(4,333)	(15,689)	(5,628)
Shenkursk*	-	-	-	-	(3,650)	(2,596)	(2,023)
Pellets*	-	-	-	-	(781)	(2,549)	(2,036)
Unallocated	(7,576)	(14,149)	(13,220)	(19,633)	(14,011)	(15,041)	(14,711)
EBITDA adjusted, by segments*	(5,568)	(34,046)	(25,393)	(51,331)	(29,511)	(73,560)	(50,707)

in millions of USD (for reference)	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
	USDm	USDm	USDm	USDm	USDm	USDm	USDm
IFRS results							
Revenue (gross, at ports)	20.7	20.9	24.1	23.5	23.8	24.9	18.1
Operating profit/(loss)	(6.3)	(10.2)	(8.8)	(71.3)	(10.8)	(21.5)	(16.4)
add back depreciation and amortization non-cash expense	4.6	5.9	4.9	5.7	5.8	7.0	5.8
add back impairment of investment into Filial #2	-	-	-	-	-	0.4	-
add back impairment loss	-	-	-	52.6	-	-	-
EBITDA unadjusted	(1.7)	(4.3)	(3.9)	(13.0)	(5.0)	(14.2)	(10.7)
Non-recurring items	0.9	(1.0)	0.0	5.1	0.5	2.9	2.9
EBITDA adjusted	(0.9)	(5.2)	(3.9)	(7.9)	(4.5)	(11.3)	(7.8)
Arkhangelsk	(1.2)	(0.7)	0.1	(1.1)	0.4	(1.2)	(1.1)
Boguchany	(0.1)	(1.7)	(1.6)	(1.9)	(0.7)	(3.5)	(1.9)
Ust-Ilimsk	(0.0)	(0.4)	0.2	(1.0)	(0.7)	(1.1)	(1.1)
Magistralny	1.6	(0.2)	(0.5)	(0.9)	(0.7)	(2.4)	(0.9)
Shenkursk*	-	-	-	-	(0.6)	(0.4)	(0.3)
Pellets*	-	-	-	-	(0.1)	(0.4)	(0.3)
Unallocated	(1.2)	(2.2)	(2.0)	(3.0)	(2.2)	(2.3)	(2.3)
EBITDA adjusted, by segments*	(0.9)	(5.2)	(3.9)	(7.9)	(4.5)	(11.3)	(7.8)

* Refer to segments description in the notes to the financial statements. Shenkursk sawmill and pellets operations were classified as discontinued in Q4 2012. The results in the financial statements for 2012 have been adjusted retrospectively to reflect discontinued operations while in the table above the results of discontinued operations have been included for reference.

In Q3 2013, RusForest further reduced EBITDA losses compared with the previous quarter and Q2 2012 by cutting costs, changing management in Q2 2013, changing markets and improving efficiency of operations. See operational highlights section.

Profit and loss statement

Revenue

In Q3 2013, the Group's total revenue included downscaled Ust-Ilimsk revenue which resulted in a reduction of the total revenue by 9% compared with last year. Excluding Ust-Ilimsk, the total revenue increased by 7% in Q3 2013 compared with Q3 2012. The increase is attributable to better product pricing in the new RusForest markets - see market section. Pulpwood and woodchip sales volumes were negligible due to the restructuring of Ust-Ilimsk and the collapse of pulp production in the northwest. 2012 revenues were restated to exclude discontinued operations.

Revenue breakdown, three months ended September 30, 2013

	Sales volume (m3)	Average price (SEK)	Q3 2013 (SEKm)	Q3 2012 (SEKm)	Change
Sawnwood	60,743	1,498	91.0	76.1	20%
Sawlogs	46,925	343	16.1	12.7	27%
Planed Products	5,330	2,176	11.6	13.6	-15%
Ust-Ilimsk			9.3	31.2	-70%
Other revenue			6.7	14.4	-53%
Total revenue			134.7	148.0	-9%

Revenue breakdown, three months ended September 30, 2012

	Sales volume (m3)	Average price (SEK)	Q3 2012 (SEKm)
Sawnwood	54,873	1,387	76.1
Sawlogs	45,634	278	12.7
Planed Products	5,937	2,291	13.6
Ust-Ilimsk			31.2
Other revenue			14.4
Total revenue			148.0

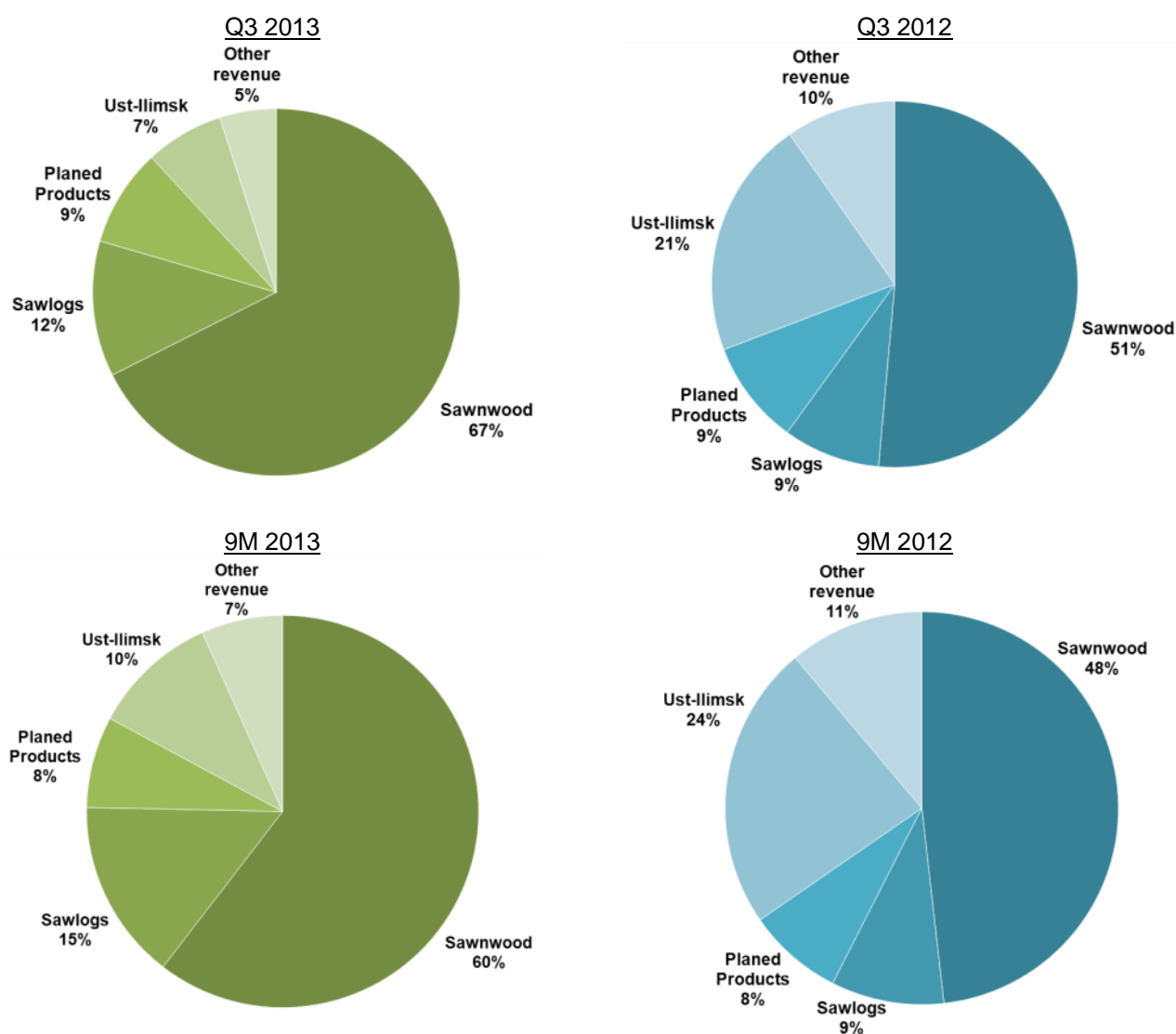
Revenue breakdown, nine months ended September 30, 2013

	Sales volume (m3)	Average price (SEK)	9M2013 (SEKm)	9M2012 (SEKm)	Change
Sawnwood	184,814	1,397	258.2	198.3	30%
Sawlogs	191,067	333	63.6	38.2	66%
Planed Products	15,467	2,082	32.2	32.4	-1%
Ust-Ilimsk			44.5	96.7	-54%
Other revenue			28.7	45.8	-37%
Total revenue			427.2	411.4	4%

Revenue breakdown, nine months ended September 30, 2012

	Sales volume (m3)	Average price (SEK)	9M2012 (SEKm)
Sawnwood	142,851	1,388	198.3
Sawlogs	117,057	326	38.2
Planed Products	14,352	2,257	32.4
Ust-Ilimsk			96.7
Other revenue			45.8
Total revenue			411.4

RusForest Revenue Breakdown



Operating and Other Expenses

RusForest's gross margin improved from a negative SEK 7.3 million in Q3 2012 to a positive SEK 11.5 million in Q3 2013. Refer to EBITDA development table by geographical location and operations discussion for each particular geographical site. Management focus continues to be on profitability and cash flow.

At the corporate level, RusForest managed to reduce overhead costs by 45% from SEK 14.1 million to SEK 7.6 million when comparing Q3 2012 to Q3 2013. The Company used less external consulting services and had reduced headcount in Q3 2013 compared to Q3 2012. In addition, RusForest managed to optimize office rental costs both in Stockholm and in Moscow

Refer to Note 1 for the breakdown of cost of sales by cost elements.

Financial Income and Expenses

Financing cost of SEK 5.9 million comprised of interest on the bank loans and financial leases. The cost was lower than in Q2 2012 due to the bond restructuring in Q1 2013 (refer to the Prospectus of February 2013 published on the Company's website). In Q3 2013, USD depreciated against most currencies which resulted

in a foreign exchange gain of approximately SEK 1.7 million, included in the financing income, as RusForest has USD denominated loans and financial leases.

Income Tax

The Group generated a deferred income tax credit on tax losses to be carried forward. The related gain was offset by a provision to bring deferred tax assets in line with deferred tax liabilities.

Net Result

The Group's net loss for Q3 2013 was SEK 46.0 million (Q3 2012: loss of SEK 110.1 million). Operational improvements, lower financial cost following bond restructuring and selling non-core assets contributed to the improvement of the net result.

Balance Sheet and Cash Flow

Property, plant and equipment as of September 30, 2013 decreased by SEK 102 million compared with December 31, 2012 as a result of depreciation and sale of the Ust-Ilimsk sawmilling asset. In Q3 2013, RusForest prepaid a major portion of the total amount for pelletizing equipment to Hekotek. The equipment arrived in Arkhangelsk and installation started as of the date of the report.

The loans receivable balance of SEK 4.6 million as of September 30, 2013 represented short-term promissory notes pledged for the Sberbank loan signed in Q1 2012 to complete construction in Boguchany.

In Q3 2013, RusForest sold a small non-core planing operation in Arkhangelsk (ALK) to a local entrepreneur. As of September 30, 2013, the most significant asset held for sale was the mothballed pellet operation in Ystad, Sweden. As of September 30, 2013, RusForest had to collect approximately SEK 26 million (USD 4 million) from Q2 non-core asset sales. As stated in the significant events section, the buyer of the non-core Belomorsk quarry failed to meet its obligations under the share purchase agreement and RusForest was taking necessary legal actions to collect approximately SEK 17 million recorded as a receivable from assets sale at September 30, 2013.

In Q1 2013, RusForest completed the restructuring transaction - refer to Q1 2013 report for details. As a result:

- The shareholders contributed SEK 186.5 million in cash before issue costs of SEK 22.1 million;
- Approximately 50% of the bond payable as of December 31, 2012, was set-off as payment for newly issued shares, the remaining 50% was recognized as a gain from the bond restructuring in the income statement; RusForest accrued interest on the bond up to January 25, 2013;
- These steps all together strengthened RusForest's share capital by approximately SEK 450 million before issue costs and reduced the net debt-to-equity ratio to 14% as of September 30, 2013.

Interest bearing obligations included local bank borrowings, the liabilities under finance lease contracts and the loan payable to Vostok Nafta Investments Ltd of USD 5 million. As of September 30, 2013, RusForest used approximately SEK 38 million from CentroCredit to build a pellet mill in Arkhangelsk.

Market Outlook

North America

Construction

The construction sector is the key demand driver for the sawmilling business. Housing starts in the U.S. are expected to reach 928,000 units in 2013 (up 18% from 2012). In 2014, U.S. housing starts are forecast to grow by 13% to reach 1,050,000 units. U.S. housing starts in 2013 are still just 40% of where they were in January 2005.

Sawnwood

The U.S. market is the largest single market for softwood sawnwood. Sawnwood is a globally traded commodity and any major changes happening in the U.S. market will have an effect in the global business dynamics.

U.S. sawnwood demand in 2012 grew by 7.5% to 86.3 million m³. Repair and remodeling remained the largest segment (40%). New residential construction is the second-largest segment (27%). The remaining segments - nonresidential construction, packaging and "all other" - represented, in aggregate, 33% of total demand.

Sawnwood demand in 2013 is projected to grow by 9.9% to 94.8 million m³. In 2014, total demand growth is expected to slow to 6.5%, based on a housing forecast for 1.05 million starts.

Sawnwood price volatility in 2013 has exceeded the average of the last 18 years, characterized by a very strong rally in Q1 that took prices to a multi-year high, as expectations of a U.S. housing recovery grew.

After the low Q2 level, sawnwood prices in Q3 2013 have continued to improve, and recently got a second wind. According to forecasts, Q4 prices should remain near current levels as buyers prepare for 2014's building season, in combination with a seasonal uplift in Chinese purchases.

Increases in sawmill capacity occurring throughout 2013 and into 2014 should limit supply constraints in the short-term.

There are certain concerns regarding Canadian supply. Mountain pine beetle has destroyed vast forest areas in the British Columbia and is thus affecting the local sawmilling industry negatively.

Europe

Construction

In the 19 Euroconstruct countries, housing starts in 2013 are expected to decrease year on year by 2.2% to 1.0 million (after decreasing by 4.3% in 2012). According to the latest forecast, housing starts in 2014 are expected to increase by 1.1% (and another 2.3% in 2015).

Sawnwood

Sawnwood sales volumes on the European market for Jan-Sep 2013 remained below last year's figures. However, the demand recovered in Q3 2013. Prices in Q3 were higher than in Q2. European producers and foreign suppliers intend to take advantage of the current situation to raise prices further by EUR 5-10/m³ in Q4 2013. Suppliers are saying mark-ups of this kind are due to a good backlog of orders from European, North African, and Asian buyers reaching into Q4. Some companies are already beginning to build up sawnwood stocks in preparation for an anticipated upswing in business in Jan-Feb 2014.

Japan

Construction

Japan's housing starts in Q3 2013 were 257,683 units (up 13.5% from Q3 2012). In Jan-Sep 2013, housing starts were 708,746 units, 10.3% higher than in Jan-Sep 2012.

Sawnwood

The import statistics show that sawnwood deliveries from Russia increased by 14.3% in Jan-Aug 2013 to 610,834 m³ (Jan-Aug 2012: 534,540 m³). Deliveries from Europe increased by 34.8% to 2,253,952 m³ (Jan-Aug 2012: 1,671,629 m³). Deliveries from North America increased by just 5.4% to 1,928,000 m³ (Jan-Aug 2012: 1,828,000 m³).

By the end of Q3 2013, demand for softwood sawnwood in the Japanese market weakened. Enquiries for deliveries in October were at a relatively low level. Japanese importers are hesitant to conclude follow-up contracts at the high price level already reached.

According to the forecasts, Q4 volumes are expected to be slightly reduced and prices may come under pressure. Volumes are expected to normalize during Q1/Q2 2014.

However, there is still uncertain impact on the sawnwood market of the coming consumption tax increase from 5% to 8% in April 2014 and further to 10% from October 1, 2015.

China

Construction

Residential construction in China has grown in 2013 despite the Chinese government's effort to cool the market. After a negative year in 2012, starts for commercial residential units have grown by 6.4% year-to-date as of September. Residential units sold were up by 2.0% in 2012, but have risen 23.9% year-to-date. Average house prices were up 8%-9% year on year in September for major cities.

Sawnwood

China is increasingly dependent on imports for both sawn softwood and the logs used by the domestic industry.

Chinese imports of logs and sawnwood have been growing in 2013, with year-to-date gains (as of August) of 14.6% and 13.0%, respectively. For logs, New Zealand has taken over the lead from Russia as the top supplier. Russian supply continues to decline - down 11.1% year-to-date. Imported U.S. logs have rebounded by 44.4% after slipping in 2012. Logs from Canada are up 11.2%.

On the sawnwood side, imports from Canada (-2.0% year-to-date) have been surpassed by imports from Russia (+12.4%). The decline in Canadian sawnwood to China was impacted by Canadian exporters redirecting business to the improving U.S. market.

For the whole 2013, Chinese sawnwood imports are expected to be 10-11% higher than 2012 (about 22 million m³). Russian sawnwood exports to China are projected to grow by 10% in 2013 to 7.7 million m³.

MENA

The Middle East and North Africa (MENA) region is important for RusForest for sales of low grade sawnwood. The long-term outlook for the region remains positive, but in the short-term the political and social unrest will cause challenges.

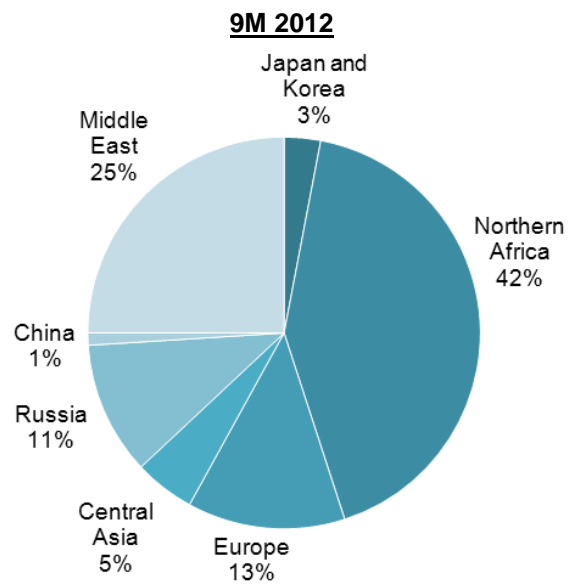
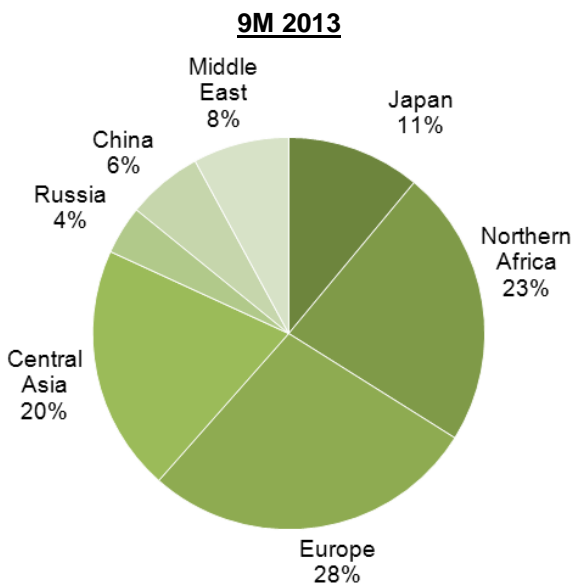
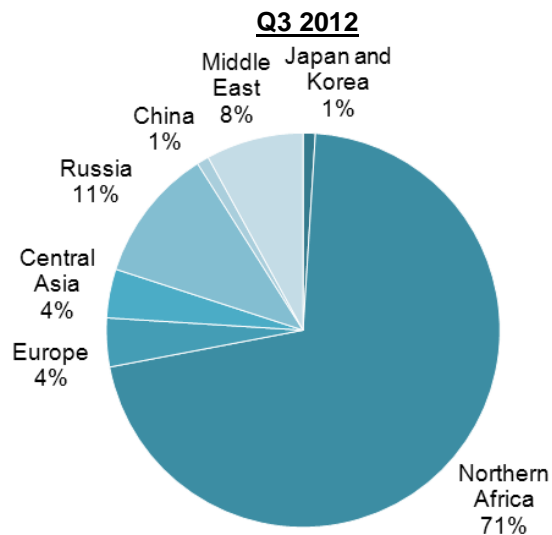
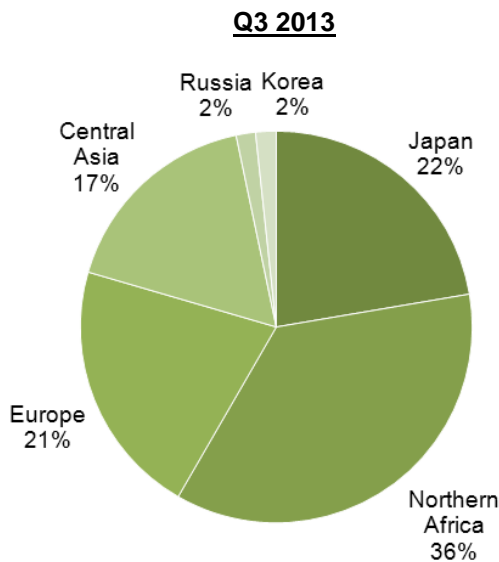
RusForest's main market in the region is Egypt. The internal stabilization in Egypt, especially since the military take-over, is having a positive effect on business activity. Imports in Jan-Sep 2013 were mostly below last year's levels. This has meanwhile created a corresponding need to replenish stocks. In spite of the recently stronger demand and in view of the delivery volumes from Scandinavia and Romania up until now, market players are assuming that Egyptian imports of softwood sawnwood in 2013 will be lower than the 2012 level of 4.4 million m³. Prices currently being quoted for average grades of pine sawnwood are around EUR 210-212 per m³ (CIF).

RusForest's market activity

RusForest is actively working to change the Company's customer base – away from low-priced commodity markets and towards higher priced, specialty product markets, especially in Japan and Europe. RusForest started this change process at the end of Q1 2013. In Q3 2013, RusForest strengthened its sales on the Japanese market by increasing the volume and quality of sawnwood, primarily delivered from Magistralny.

The following pie charts show the change in RusForest's sawnwood markets during the last 12 months. The Middle East and North Africa have become smaller markets, while Japan, Europe and Central Asia have become larger. These market changes are key steps in increasing the Company's price realizations.

RusForest Sawnwood Sales by Geography (based on volumes)



The Share

ISIN: SE0001732728

Short name on NASDAQ OMX First North: RUSF

Number of shares at September 30, 2013: 132,033,881

The RusForest AB share is listed on NASDAQ OMX First North Stockholm. At the close of the period, the share price was SEK 2.38. As of November 28, 2013, the share price was SEK 2.44, and the Company's market capitalization was approximately SEK 322.2 million. The Company's certified adviser on First North is Pareto Securities AB, which also acts as a market maker in the RusForest share.

More details about RusForest can be found in the Company's Annual Report 2012, Prospectus of February 2013 and on the Company's website at www.rusforest.com.

Major Shareholders at September 30, 2013

Shareholder	Number of shares	Percentage
Nova Capital	33,500,000	25.4%
Euroclear Bank S.A.	10,855,677	8.2%
JP Morgan Clearing Corp.	8,905,671	6.7%
Avanza Pension	6,521,535	4.9%
Carnegie Strategifond	5,670,625	4.3%
Goldman Sachs & Co.	4,347,195	3.3%
Others	62,233,178	47.1%
Total	132,033,881	100.0%

Source: Euroclear

Trading data, March 2013 – September 2013 (adjusted for the reverse share split in April 2013)



Source: NASDAQ OMX First North Stockholm

Accounting policies

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and related parts of the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act chapter 9 except that it has not been prepared in the Swedish language. The Group and Parent Company have applied the same accounting and valuation principles as in the most recent Annual Report.

Qualitative and Quantitative Disclosures and Market Risks

The Group's risk factors are described in detail in the prospectus published in February 2013 and the Annual Report 2012 published in April 2013. In addition, it should be noted that since RusForest was insolvent at the time of the recent bond restructuring, the gain recognized in respect of the bond restructuring has been considered tax-exempt, and prior years' losses carried forward in the Parent Company of SEK 70.7 million have consequently been lost. As the case law regarding when a company is considered to be insolvent is not fully clear, there is a remote risk that this may be interpreted differently by the tax authorities.

Condensed Consolidated Income Statement

In thousands of SEK	Q3 2013	Q3 2012*	9M 2013	9M 2012*	12M 2012*
Continuing operations					
Revenue	134,680	148,001	427,191	411,380	564,328
Cost of sales	(123,153)	(155,293)	(425,633)	(504,685)	(694,462)
Gross profit/(loss)	11,527	(7,292)	1,558	(93,305)	(130,134)
Other income	1,288	129	10,655	19,709	23,831
Distribution expenses	(24,962)	(24,418)	(84,573)	(82,854)	(108,322)
Administrative expenditure	(22,659)	(32,679)	(85,260)	(104,763)	(142,155)
Other expenses	(6,167)	(2,835)	(6,621)	(27,777)	(55,223)
Impairment loss	-	-	-	-	(341,862)
Impairment of investments in associates	-	-	-	(2,349)	(2,349)
Operating profit/(loss)	(40,973)	(67,095)	(164,241)	(291,339)	(756,214)
Financing income	2,185	7,763	540	944	1,277
Gain from bond restructuring	-	-	269,772	-	-
Financing cost	(5,901)	(23,146)	(31,731)	(77,368)	(101,414)
Net financing income/(cost)	(3,716)	(15,383)	238,581	(76,424)	(100,137)
Profit/(loss) before tax from continuing operations	(44,689)	(82,478)	74,340	(367,763)	(856,351)
Income tax	9	8,129	(457)	18,090	37,386
Profit/(loss) from continuing operations	(44,680)	(74,349)	73,883	(349,673)	(818,965)
Discontinued operations					
Profit/(loss) after tax from discontinued operations	(1,351)	(35,793)	(8,894)	(60,930)	(267,163)
Profit/(loss) for the period	(46,031)	(110,142)	64,989	(410,603)	(1,086,128)
Attributable to:					
Equity holders of the parent	(45,436)	(110,311)	58,987	(409,151)	(1,083,148)
Non-controlling interests	(595)	169	6,002	(1,452)	(2,980)
Profit/(loss) for the period	(46,031)	(110,142)	64,989	(410,603)	(1,086,128)

* 2012 amounts restated to reflect discontinued operations

Per Share Data

Per Share Data	Q3 2013	Q3 2012	9M 2013	9M 2012	12M 2012
SEK					
Earnings	(0.34)	(19.66)	0.57	(106.99)	(253.48)
Shareholders' Equity (end of period)	6.33	190.28	6.33	190.28	74.37
Number of Shares					
Beginning of period	132,033,881	5,609,540	5,609,540	1,121,908	1,121,908
End of Period	132,033,881	5,609,540	132,033,881	5,609,540	5,609,540
Average number of shares	132,033,881	5,609,540	103,508,695	3,824,314	4,273,060

Earnings per share were calculated as net profit/loss after tax divided by the average number of shares during the period adjusted for the results of the reverse share split of April 22, 2013.

Condensed Consolidated Statement of Comprehensive Income

In thousands of SEK	Q3 2013	Q3 2012	9M 2013	9M 2012	12M 2012
Profit/(loss) for the period	(46,031)	(110,142)	64,989	(410,603)	(1,086,128)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Currency translation difference	(29,861)	(11,063)	(66,978)	(22,399)	1,446
Other comprehensive income/(loss) for the period, net of tax	(29,861)	(11,063)	(66,978)	(22,399)	1,446
Total comprehensive income/(loss) for the period, net of tax	(75,892)	(121,205)	(1,989)	(433,002)	(1,084,682)
Attributable to:					
Equity holders of the parent	(75,159)	(121,324)	(7,683)	(431,563)	(1,081,773)
Non-controlling interests	(733)	119	5,694	(1,439)	(2,909)
Total comprehensive income/(loss) for the period, net of tax	(75,892)	(121,205)	(1,989)	(433,002)	(1,084,682)

The fluctuations of SEK to the Company's main currencies are presented below. RUB depreciated slightly against SEK which caused a translation loss in Q3 2013.

SEK for 1 unit of foreign currency

	EUR	USD	RUB
December 31, 2011	8.92	6.89	0.21
March 31, 2012	8.84	6.63	0.23
June 30, 2012	8.76	7.04	0.21
September 30, 2012	8.44	6.56	0.21
December 31, 2012	8.61	6.50	0.21
March 31, 2013	8.36	6.52	0.21
June 30, 2013	8.71	6.70	0.20
September 30, 2013	8.69	6.43	0.20

source: www.oanda.com

Condensed Consolidated Statement of Financial Position

In thousands of SEK	Sept 30, 2013	Dec 31, 2012
Assets		
Non-current assets		
Property Plant and equipment	638,587	740,856
Forest lease rights	217,256	243,266
Intangible assets	18,378	23,563
Deferred tax asset	1,138	11,131
Total non-current assets	875,359	1,018,816
Current assets		
Inventory	91,122	117,720
VAT refundable	52,603	47,290
Trade and other receivables	38,865	45,481
Current tax assets	269	117
Receivable from assets sale	16,887	-
Loans receivable	4,649	5,024
Cash and cash equivalents	50,730	16,388
Total current assets	255,125	232,020
Assets classified as held for sale	26,034	89,115
Total assets	1,156,518	1,339,951
EQUITY		
Equity and reserves		
Share capital	132,034	479,038
Other capital	2,374,028	1,602,296
Translation reserve	(129,446)	(62,776)
Accumulated loss	(1,600,391)	(518,232)
Profit/(loss) for the period	58,987	(1,083,148)
Total equity attributable to Shareholders of the Group	835,212	417,178
Non-controlling interest	5,430	1,128
Total Equity	840,642	418,306
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	98,243	576,772
Deferred tax liability	1,237	11,556
Total non-current liabilities	99,480	588,328
Current liabilities		
Interest bearing loans and borrowings	89,529	110,061
Loans payable to related companies	-	33,201
Trade and other payables	120,481	157,102
Current tax liabilities	1,287	1,803
Provisions	200	1,214
Total current liabilities	211,497	303,381
Liabilities directly associated with the assets classified as held for sale	4,899	29,936
Total liabilities	315,876	921,645
Total equity and liabilities	1,156,518	1,339,951

Condensed Consolidated Statement of Cash Flows

In thousands of SEK	Q3 2013	Q3 2012	9M 2013	9M 2012	12M 2012
Profit/(loss) for the year	(46,031)	(110,142)	64,989	(410,603)	(1,086,128)
Adjustment for non-cash items	41,025	82,042	(128,721)	262,703	878,546
Paid income tax	(570)	-	(1,145)	(29)	(180)
Cash flow from operating activities before changes in working capital	(5,576)	(28,100)	(64,877)	(147,929)	(207,762)
Cash flow changes in working capital	(6,864)	7,920	6,428	(8,234)	14,674
Cash flow from discontinued operations	(1,411)	825	(1,537)	(9,608)	(13,910)
Cash flow from operating activities	(13,851)	(19,355)	(59,986)	(165,771)	(206,998)
Investment in equipment	(46,440)	(20,151)	(59,027)	(79,229)	(87,980)
Proceeds from sales of equipment	4,931	682	16,161	2,372	6,364
VAT refund on capital investments	-	(143)	-	7,163	11,041
Payment for purchase of subsidiaries	(420)	-	(420)	(3,414)	(3,414)
Proceeds from sale of subsidiaries	3,993	-	13,106	-	-
Interest received	-	12	1	18	869
Cash flow from discontinued operations	62	(616)	1,239	(5,102)	(5,240)
Cash flow from investing activities	(37,874)	(20,216)	(28,940)	(78,192)	(78,360)
New share issues	-	-	186,727	319,272	319,272
New share issues (transaction cost)	(497)	-	(22,004)	(15,553)	(15,553)
Increase/(decrease) in loans payable	23,229	(22,626)	(35,854)	(54,463)	(21,107)
Cash flow from discontinued operations	(57)	(1,962)	(351)	(7,167)	(4,827)
Cash flow from financing activities	22,675	(24,588)	128,518	242,089	277,785
Cash flow during the period	(29,050)	(64,159)	39,592	(1,874)	(7,573)
including continuing operations	(27,644)	(62,406)	40,241	20,003	16,404
including discontinued operations	(1,406)	(1,753)	(649)	(21,877)	(23,977)
Cash and cash equivalents, beginning of	83,493	82,975	16,825	24,209	24,209
including continuing operations	82,106	79,197	16,388	23,571	23,571
including discontinued operations	1,387	3,778	437	638	638
Exchange-rate differences on cash balance	(3,617)	3,538	(5,591)	20	189
Cash and cash equivalents, period end	50,826	22,355	50,826	22,355	16,825
including continuing operations	50,730	19,988	50,730	19,988	16,388
including discontinued operations	96	2,367	96	2,367	437

In thousands of SEK	Q3 2013	Q3 2012	9M 2013	9M 2012	12M 2012
Adjustment for non-cash items					
Depreciation of property, plant and equipment	25,958	31,179	88,553	96,262	125,107
Amortization of intangible assets	3,804	6,871	11,210	21,515	28,699
Income tax	(9)	(8,129)	457	(18,090)	(37,386)
Finance income	(2,185)	(7,763)	(540)	(944)	(1,277)
Income from bond restructuring	-	-	(269,772)	-	-
Finance expense	5,901	23,146	31,731	77,368	101,414
Net loss on disposal of property, plant and equipment	4,215	637	1,643	4,594	8,059
Bad debts	1,349	1,141	4,035	18,582	43,154
Other comprehensive (profit)/loss from assets held for sale	1,351	35,793	8,894	60,930	267,163
Impairment loss	-	-	-	-	341,862
Impairment of investments in associates	-	-	-	2,349	2,349
Other non-cash items	641	(833)	(4,932)	136	(598)
Total	41,025	82,042	(128,721)	262,703	878,546

Condensed Consolidated Statement of Changes in Equity

Jan 1, 2013 - Sept 30, 2013

Attributable to the equity holders of the parents

In thousands of SEK	Share capital	Share premium	Translation reserve	Retained earnings	Non-controlling interest	Total
Opening shareholders' equity	479,038	1,602,296	(62,776)	(1,601,380)	1,128	418,306
Profit/(loss) for the period				58,987	6,002	64,989
Other comprehensive income/(loss)			(66,670)		(308)	(66,978)
Total comprehensive income/(loss)	-	-	(66,670)	58,987	5,694	(1,989)
Decrease in share capital	(474,248)	474,248				-
Acquired non-controlling interest in subsidiaries				989	(1,392)	(403)
Costs related to the rights issue		(22,004)				(22,004)
New shares issue	127,244	319,488				446,732
Shareholders' equity at end of period	132,034	2,374,028	(129,446)	(1,541,404)	5,430	840,642

Jan 1, 2012 - Sept 30, 2012

Attributable to the equity holders of the parents

In thousands of SEK	Share capital	Share premium	Translation reserve	Retained earnings	Non-controlling interest	Total
Opening shareholders' equity	958,077	686,598	(64,151)	(518,232)	4,037	1,066,329
Loss for the period				(409,151)	(1,452)	(410,603)
Other comprehensive income/(loss)			(22,412)		13	(22,399)
Total comprehensive income/(loss)	-	-	(22,412)	(409,151)	(1,439)	(433,002)
Decrease in share capital	(862,269)	862,269				-
Costs related to the rights issue		(15,553)				(15,553)
New shares issue	383,230	68,982				452,212
Shareholders' equity at end of period	479,038	1,602,296	(86,563)	(927,383)	2,598	1,069,986

Parent Company Income Statement

In thousands of SEK	9M 2013	9M 2012
Other income	547	-
Administrative expenditure	(16,488)	(15,412)
Operating profit/(loss)	(15,941)	(15,412)
Exchange gain/loss	(47,874)	(28,115)
Financing income	42,178	28,530
Income on bond restructuring	269,772	-
Financing cost	(6,220)	(56,689)
Loss on disposal of investments	(435,624)	(1,568,193)
Net financing income/(cost)	(177,768)	(1,624,467)
<i>Income tax</i>	-	-
Profit/(loss) for the period	(193,709)	(1,639,879)

Parent Company Balance Sheet

In thousands of SEK	Sept 30, 2013	Dec 31, 2012
Assets		
Non-current assets		
Property Plant and equipment	74	-
Investments in subsidiaries	49,499	485,909
Loans receivable from subsidiaries	617,500	511,895
Total non-current assets	667,073	997,804
Current assets		
VAT refundable	99	446
Trade and other receivable	17,854	15,704
Current tax assets	52	6
Cash and cash equivalents	38,792	4,802
Total current assets	56,797	20,958
Total assets	723,870	1,018,762
EQUITY		
Equity and reserves		
Share capital	132,034	479,038
Other capital	1,037,510	740,027
Retained earnings	(486,144)	(766,683)
Total equity	683,400	452,382
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	3,745	498,675
Loans payable to related companies	32,149	-
Total-non current liabilities	35,894	498,675
Current liabilities		
Interest-bearing loans and borrowings	-	31,360
Loans payable to related companies	3,046	33,201
Trade and other payables	1,530	2,374
Provisions	-	770
Total current liabilities	4,576	67,705
Total equity and liabilities	723,870	1,018,762

Refer to Balance sheet analysis for the discussion of the restructuring transaction of Q1 2013.

In January 2013, RusForest AB (publ.) sold its investments into Clonri Holdings Ltd and Amalage Ltd to RusForest Holding AB, a wholly owned subsidiary of RusForest AB. The transaction resulted in a loss in the Parent Company books of SEK 435.6 million. At the extraordinary shareholder meeting on February 1, 2013, it was decided that the share capital of the Parent Company, in the amount of SEK 474.2 million, should be reduced to cover the accumulated losses.

Notes to the Financial Statements

Note 1. Cost of sales

In thousands of SEK	Q3 2013	Q3 2012	9M 2013	9M 2012
Personnel costs	29,967	38,362	101,325	126,876
Purchased sawlogs	14,555	1,912	32,567	21,757
Purchased sawnwood	3,799	12,131	21,988	39,984
Purchased woodchips	-	598	-	2,348
Depreciation of property, plant and equipment	22,975	25,954	79,080	84,155
Amortization of intangible assets	3,796	6,812	11,179	21,341
Materials	3,148	3,632	12,316	23,343
Energy and fuel	12,690	19,500	49,212	63,849
Repairs and maintenance	7,559	10,267	27,975	25,983
Harvesting services	7,524	7,518	26,467	22,570
Forest lease	5,966	9,582	20,695	26,211
Road maintenance	3,078	5,073	10,194	13,017
Other	8,096	13,952	32,635	33,251
Total	123,153	155,293	425,633	504,685

Note 1.2. Road maintenance

In thousands of SEK	Q3 2013	Q3 2012	9M 2013	9M 2012
Personnel costs	1,277	1,635	3,990	3,804
Depreciation of property, plant and equipment	537	708	1,703	2,533
Energy and fuel	801	1,306	2,552	3,556
Materials	35	423	133	1,100
Other	428	1,001	1,816	2,024
Total	3,078	5,073	10,194	13,017

Note 2. Distribution expenses

In thousands of SEK	Q3 2013	Q3 2012	9M 2013	9M 2012
Personnel costs	4,198	4,702	15,770	17,042
Railway costs	11,667	9,085	40,321	38,448
Sea freight	3,762	494	8,364	494
Other	5,335	10,137	20,118	26,870
Total	24,962	24,418	84,573	82,854

Note 3. Administrative expenditure

In thousands of SEK	Q3 2013	Q3 2012	9M 2013	9M 2012
Personnel costs	13,540	15,673	54,900	56,989
Audit	780	2,379	2,073	4,296
Property tax	1,992	2,222	6,551	8,232
Consulting fees	3,283	2,883	7,124	9,076
Other	3,064	9,522	14,612	26,170
Total	22,659	32,679	85,260	104,763

Note 4. Segment information

The Group's Parent Company has a head office in Stockholm, Sweden. All of the Group's operating companies are located in the Russian Federation.

Starting from Q1 2013, it has been decided to monitor and present performance of the operations based on geographical division of production units among Arkhangelsk, Boguchany, Ust-Ilimsk and Magistralny. The financial results of the management company, the trading house and the parent holding companies (RusForest AB, Varyag Capital Ltd, Varyag Finance GmbH and RusForest Bermuda) are not included in any of the operating segments and presented as unallocated. Previously, RusForest divided operations into harvesting and sawmilling.

As of September 30, 2013, RusForest recorded Ust-Ilimsk planing mill (UIZSI) and the pellets operations as assets for sale. In Q3 2013, RusForest sold ALK planing mill in Arkhangelsk.

There were no material intersegment transactions and revenue.

Operational segments, results for nine months ended September 30, 2013

In thousands of SEK	External revenue			Total	Profit/(loss) before tax
	Sawnwood	Sawlogs	Other		
Arkhangelsk	94,124	10,039	52,775	156,938	(53,773)
Boguchany	80,140	17,673	3,897	101,710	(60,441)
Ust-Ilimsk	11,495	12,040	20,937	44,472	(10,574)
Magistralny	83,920	35,853	4,298	124,071	(29,511)
Unallocated*	-	-	-	-	228,639
Total from continuing operations	269,679	75,605	81,907	427,191	74,340
Gravel	-	-	14,592	14,592	(369)
ALK	-	-	5	5	(382)
UI ZSI	-	-	2,631	2,631	(2,196)
Shenkursk	26	-	86	112	(626)
Pellets	-	-	3,148	3,148	(6,681)
Total from discontinued operations	26	-	20,462	20,488	(10,254)
Total	269,705	75,605	102,369	447,679	64,086

* includes gain from bond restructuring in the amount of SEK 269.8 million

Operational segments, results for nine months ended September 30, 2012

In thousands of SEK	External revenue			Total	Profit/(loss) before tax
	Sawnwood	Sawlogs	Other		
Arkhangelsk	75,800	7,475	73,501	156,776	(94,610)
Boguchany	73,527	10,654	3,268	87,449	(92,126)
Ust-Ilimsk	63,527	20,728	12,480	96,735	(49,325)
Magistralny	49,003	20,070	1,347	70,420	(63,239)
Unallocated	-	-	-	-	(68,464)
Total from continuing operations	261,857	58,927	90,596	411,380	(367,763)
Gravel	-	-	62,881	62,881	(10,381)
ALK	-	-	3,253	3,253	(30,323)
UI ZSI	-	-	7,664	7,664	(10,653)
Shenkursk	15,250	-	268	15,518	(14,613)
Pellets	-	-	6,948	6,948	(7,645)
Total from discontinued operations	15,250	-	81,014	96,264	(73,615)
Total	277,107	58,927	171,610	507,644	(441,378)

Assets classified as held for sale

In thousands of SEK	Sept 30, 2013	Dec 31, 2012
Non-current assets		
Property Plant and equipment	20,126	54,532
Intangible assets	3	9,066
Deferred tax asset	809	388
Total non-current assets	20,938	63,986
Current assets		
Inventory	1,134	13,517
VAT refundable	185	2,183
Trade and other receivable	3,681	8,992
Cash and cash equivalents	96	437
Total current assets	5,096	25,129
Total assets	26,034	89,115

Liabilities directly associated with the assets classified as held for sale

In thousands of SEK	Sept 30, 2013	Dec 31, 2012
Current liabilities		
Interest-bearing loans and borrowings	-	8,719
Trade and other payables	4,899	21,217
Total current liabilities	4,899	29,936
Total liabilities	4,899	29,936

Consolidated statement of comprehensive income, discontinued operations

In thousands of SEK	9M 2013	9M 2012
Discontinued operations		
Turnover	20,488	96,264
Cost of sales	(21,444)	(86,643)
Gross profit	(956)	9,621
Other income	2,269	345
Distribution expenses	(7,935)	(34,421)
Administrative expenditure	(4,028)	(8,389)
Other expenses	(2,626)	(4,239)
Impairment loss	-	(35,415)
Profit from disposal	3,391	-
Operating profit/(loss)	(9,885)	(72,498)
Financing income	1	1
Financing cost	(370)	(1,118)
Net financing income/(cost)	(369)	(1,117)
Income tax	1,360	12,685
Loss after tax from discontinued operations	(8,894)	(60,930)

Condensed consolidated statement of cash flows, discontinued operations

In thousands of SEK	9M 2013	9M 2012
Cash flow from operating activities	(1,537)	(9,608)
Cash flow from investing activities	1,239	(5,102)
Cash flow from financing activities	(351)	(7,167)
Cash flow during the period	(649)	(21,877)

Review Report

To the Board of RusForest AB

Corporate identity number 556694-6421

Introduction

We have reviewed the interim report for RusForest AB (publ.) as of September 30, 2013, and the three- and nine-month reporting periods ending on that date. The Board of Directors and the CEO 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.

Focus and Scope of the Review

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices in Sweden. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed on the basis of a review does not give the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared 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, November 28, 2013

KPMG AB

Mats Kåvik
Authorized Public Accountant

Reporting calendar

Year-End Report 2013	March 31, 2014
Annual Report 2013	April 24, 2014
Annual General Meeting	May 15, 2014
Interim Report Q1 2014	May 30, 2014
Interim Report Q2 2014	August 29, 2014
Interim Report Q3 2014	November 28, 2014

Nomination Committee

The Nomination Committee for the Annual General Meeting 2014 is comprised of Temo Jorbenadze (Nova Capital), Björn Lindström (Alpcot Capital) and Garrett Soden (Chairman of the Board of RusForest AB publ). The Nomination Committee can be contacted via e-mail at info@rusforest.com.

Stockholm, November 28, 2013

RusForest AB (publ.)
The Board of Directors

For additional information, please contact:

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