Interim Report 1 January–31 March 2014

USDm	First quarter 2014	First quarter 2013	Full year 2013
Revenue	17.9	18.1	66.2
EBITDA adjusted	1.4	(2.3)	(8.0)
Profit/(loss) from continuing operations	(3.3)	34.9	6.9
Profit/(loss) from discontinued operations	0.1	(6.0)	(51.4)
Profit/(loss) for the period	(3.2)	28.9	(44.5)
Net income/(loss) per share (USD per share)	(0.02)	0.63	(0.41)
Production & sales continuing operations			
Sawlogs harvested, m^3	113,459	160,977	443,934
Sawnwood produced, m^3	48,534	46,785	193,844
Sawlogs sold, m^3	28,212	56,604	145,341
Sawnwood sold, m^3	50,518	34,145	177,143
Pellets produced, tonnes	6,490	-	-
Pellets sold, tonnes	8	-	-

	31 Mar 2014	31 Dec 2013
Cash balance	3.5	3.6
Working capital	7.2	10.1
Net debt	19.5	22.5

Highlights

First quarter 2014

- First ever positive Group adjusted EBITDA of USD 1.4 million in Q1 2014, compared to USD -2.3 million in Q1 2013. Magistralny continued its strong positive development in Q1 2014, while Arkhangelsk was close to break-even EBITDA.
- Reduced sawlog harvesting due to challenging weather conditions.
- Sawnwood production increased 4% in Q1 2014 compared to Q1 2013, while Magistralny sawnwood production increased 19% in the same period.
- Share of sales to the premium Japanese market was 18% in Q1 2014, compared to 5% in Q1 2013.
- Loss for the period of USD 3.2 million in Q1 2014, compared with a profit of USD 28.9 million in Q1 2013 (or a loss of USD 12.5 million before the USD 41.4 million gain on the bond restructuring).
- On 13 January 2014, Gustav Wetterling was appointed as Chief Financial Officer.
- On 22 January 2014, the company announced the start of wood pellet production from the new pellet mill at the company's LDK-3 sawmill in Arkhangelsk.
- On 3 March 2014, RusForest announced signing an agreement to sell the non-core Boguchany business segment in Siberia, including sawmill, harvesting company and forest leases. Total value of the agreement was USD 13.8 million, with USD 4.0 million net cash expected for RusForest after closing of the transaction and repayment of related debts. In Q1 2014, the first steps of the transaction were executed, including the USD 1.5 million down payment from the buyer and transfer of the sawmill's title. Closing of the transaction is expected on or around 30 September 2014.

After reporting period

- On 23 April 2014, RusForest announced the first shipment of more than 6,000 tonnes of wood pellets to the European industrial market.

CEO Comment

Dear RusForest Shareholders,

2014 started well for RusForest as we delivered positive EBITDA for the first time in the company's history[1]. In Q1 2014, RusForest's adjusted EBITDA from continuing operations totalled USD 1.4 million, compared to USD -2.3 million in the same period last year.

The improved result in Q1 2014 was due to two key factors: operational measures and the weakening Russian ruble.

Over the past year, the company has introduced a number of initiatives to improve operations. Our average wood procurement cost has decreased due to better planning and increased efficiency. In addition, our average sales price for sawnwood has increased by nearly 30% since Q1 2013 as a result of both the general market environment and a revised sales strategy. For example, having our own vessel in Arkhangelsk increases our control along the transportation route to market and leads to higher sales prices. Moreover, our sales organisation has improved client relationships, which, together with administrative cost-cutting, has boosted margins.

Due to macro political and economic factors, the Russian ruble weakened by 9% against the euro and US dollar in Q1 2014. The foreign exchange rate movement was positive for RusForest as our costs are mainly in rubles while our revenues are in euros, US dollars and Japanese yen. Of course, this is a short-term gain and may work against us in the future.

We started construction of the new 100,000 tonnes/year pellet mill in Arkhangelsk last summer. It was completed ahead of schedule in January 2014 and, by the end of Q1 2014, the mill had successfully passed the testing phase and produced 6,490 tonnes of pellets. The first shipment of pellets, more than 6,000 tonnes, was delivered in April 2014 to a European industrial client. The pellet mill allows us to monetize the sawmill's by-products while the local pulp industry is weak. However, the LDK-3 sawmill itself is outdated and suffers from low productivity. In order to maintain long-term profitability, we will need to rebuild the sawmilling facility at some point. Management is currently reviewing the best development options for the LDK-3 sawmill.

RusForest is on the right track. Our continued operational improvement measures are delivering results, and our sale of non-core assets is strengthening our financial position. Our Q2 2014 earnings will likely suffer from seasonality, but we are pleased with our progress to date.

As previously announced, we are now reporting Group consolidated financials in US dollars instead of Swedish krona in order to simplify the reporting process and to make the financials easier to understand for international investors.

I look forward to updating you on future developments.

Regards,
Matti Lehtipuu
Group CEO, RusForest AB (publ)

[1] Since Q2 2009, when RusForest became an operating company.

Operational Review

RusForest operational data

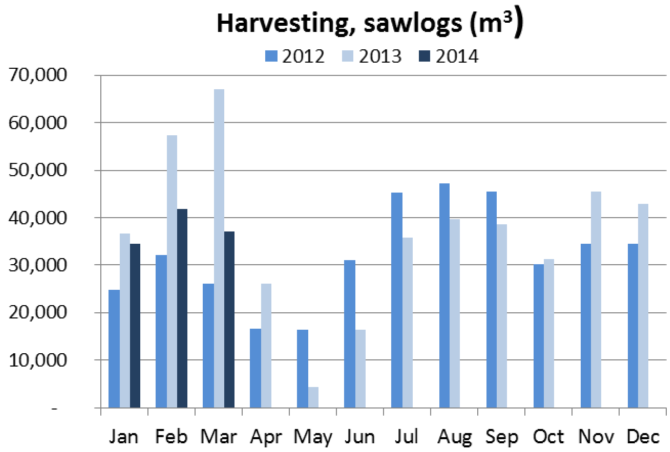
Forest resources continuing operations		As at 31 Mar 2014	As at 31 Mar 2013
Annual Allowable Cut (AAC)	*m3*	**2,627,460**	**2,860,060**
Forest area	*Hectares*	**2,453,800**	**2,582,373**

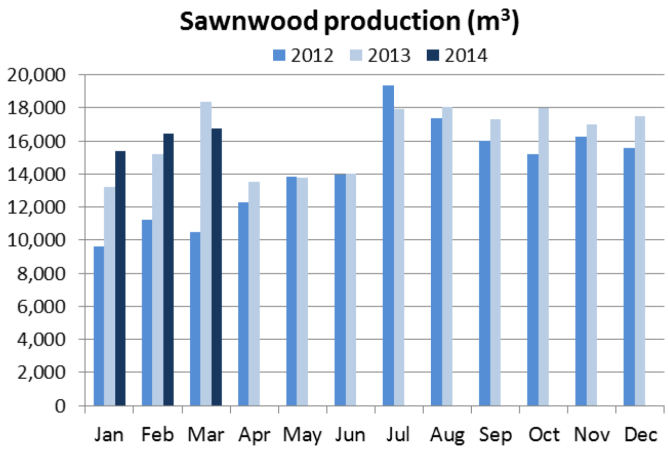
Continuing operations		Three months ended			Twelve months ended		
		31 Mar 2014	31 Mar 2013	% Q1'14 vs Q1'13	31 Dec 2013	31 Dec 2012	% 12M'13 vs 12M'12
Production							
Sawlogs harvested	*m3*	**113,459**	**160,977**	**-30%**	**443,934**	**384,579**	**15%**
Arkhangelsk	*m3*	37,353	56,772	-34%	136,344	174,076	-22%
in own forest leases	*m3*	37,353	-	-	136,344	174,076	-22%
in third-party forest leases	*m3*	-	-	-	-	-	-
Magistralny	*m3*	76,106	104,205	-27%	307,590	210,503	46%
in own forest leases	*m3*	76,106	-	-	189,660	210,503	-10%
in third-party forest leases	*m3*	-	-	-	117,930	-	-
Logs purchased	*m3*	**46,202**	**9,843**	**369%**	**112,403**	**123,430**	**-9%**
Arkhangelsk	*m3*	46,202	9,843	369%	100,404	123,430	-19%
Magistralny	*m3*	-	-	-	11,999	-	-
Sawnwood production	*m3*	**48,534**	**46,785**	**4%**	**193,844**	**169,841**	**14%**
Arkhangelsk	*m3*	26,823	28,542	-6%	122,920	119,086	3%
Magistralny	*m3*	21,711	18,243	19%	70,924	50,755	40%
Pellets produced	*Tonnes*	**6,490**	**-**	**-**	**-**	**-**	**-**
Arkhangelsk	*Tonnes*	6,490	-	-	-	-	-
Magistralny	*Tonnes*	-	-	-	-	-	-
Sales volumes							
Sawlogs sold	*m3*	**28,212**	**56,604**	**-50%**	**145,341**	**112,376**	29%
Arkhangelsk	*m3*	360	27,203	-99%	38,398	38,945	-1%
Magistralny	*m3*	27,852	29,401	-5%	106,943	73,431	46%
Sawnwood sold	*m3*	**50,518**	**34,145**	**48%**	**177,143**	**144,836**	**22%**
Arkhangelsk	*m3*	28,472	19,093	49%	103,575	98,802	5%
Magistralny	*m3*	22,046	15,052	46%	73,568	46,034	60%
Woodchips sold	*m3*	**-**	**17,121**	**-**	**21,585**	**80,265**	**-73%**
Arkhangelsk	*m3*	-	15,395	-	16,025	74,351	-78%
Magistralny	*m3*	-	1,726	-	5,560	5,914	-6%
Planed products sold	*m3*	**2,648**	**3,895**	**-32%**	**19,174**	**18,777**	**2%**
Arkhangelsk	*m3*	2,648	3,895	-32%	19174	18,777	2%
Magistralny	*m3*	-	-	-	-	-	-
Pellets sold	*Tonnes*	**8**	-	-	-	-	**-**
Arkhangelsk	*Tonnes*	8	-	-	-	-	-
Magistralny	*Tonnes*	-	-	-	-	-	-

In Q1 2014, RusForest harvested 113,459 m^3 of sawlogs, compared to 160,977 m^3 in Q1 2013 (-29.5%). The low harvesting volumes were caused by poor weather conditions as warm weather shortened the harvesting season.

In Q1 2014, RusForest produced 48,534 m^3 of sawnwood, compared to 46,785 m^3 in Q1 2013 (+3.7%).

In Q1 2014, pellet production was started in Arkhangelsk and production totaled 6,490 tonnes.





RusForest's sales

RusForest's sawnwood sales in Q1 2014 were 48% higher than in Q1 2013 (50,518 m^3 compared with 34,145 m^3).

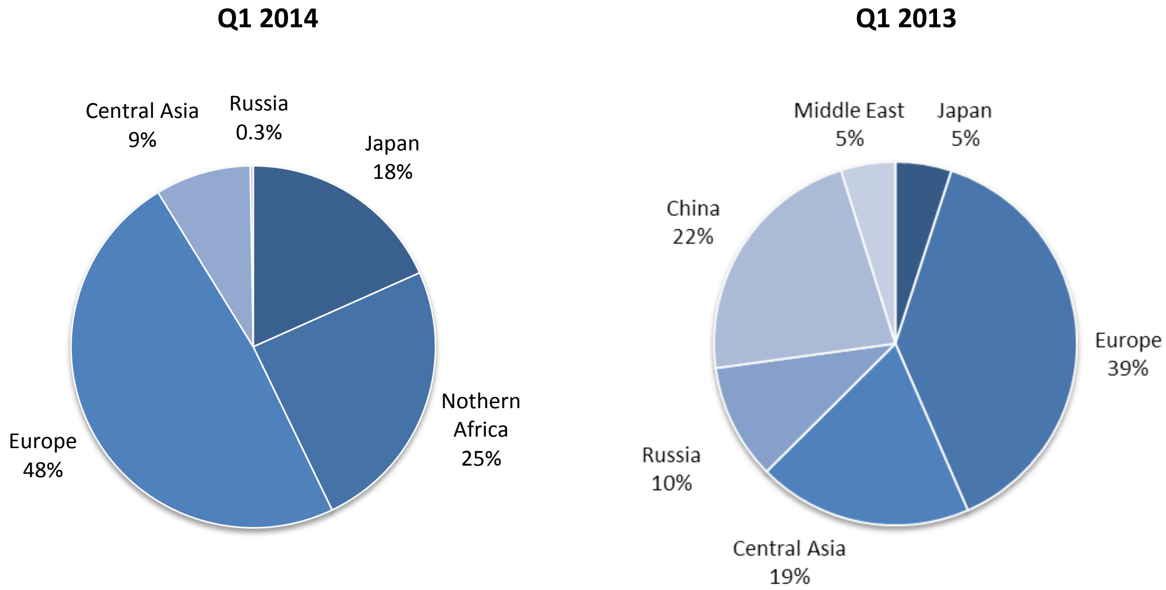
In Q1 2014, RusForest strengthened its sales on the Japanese market by increasing the volume and quality of sawnwood delivered from Magistralny.

In Q1 2014, RusForest's volume of sawnwood sales to Japan was 9,248 m^3. The Japanese market accounted for 18.3% of sales, compared with 5.0% in Q1 2013.

The share of sales to Europe increased in Q1 2014 due to the exclusion of the Boguchany business segment.

The average sawnwood price realization, using an FOB basis for all sales, increased in Q1 2014 compared with Q4 2013 by 6.2% to 214.7 USD/m^3. Note that the company sells its products on various terms, including FOB, CIF, FCA and CPT.

RusForest's sawnwood sales by region



Regional Update

Northwest Russia

Production

Arkhangelsk harvested 37,353 m^3 of sawlogs in Q1 2014, compared with 56,772 m^3 in Q1 2013. The lower sawlog supply was due to unfavourable weather conditions, with an exceptionally warm winter shortening the harvesting and hauling season. The suspension of harvesting operations in unprofitable forest areas also contributed to lower volumes.

The company purchased high volumes of logs on the open market (46,202 m^3 compared with 9,843 m^3 in Q1 2013) to increase sawlog stocks and secure sawnwood production volumes.

The Arkhangelsk sawmill (LDK-3) produced 26,823 m^3 of sawnwood in Q1 2014, compared with 28,542 m^3 in Q1 2013.

In Q1 2014, LDK-3 delivered 8,213 m^3 of sawlogs for sawing to Solombalsky LDK (processing). This was a trial operation in order to increase revenue.

At the end of January 2014, the new pellet mill started its test production phase and moved on to reach full capacity at the end of March 2014. The total output in Q1 2014 amounted 6,490 tonnes of pellets.

Sales

In Q1 2014, LDK-3 sold 28,472 m^3 of sawnwood compared with 19,093 m^3 in Q1 2013 (+49%).

Lower volumes of planed products were sold due to challenges in receiving payments from the buyers.

Eastern Siberia

Production

Magistralny harvested 76,106 m^3 of sawlogs in Q1 2014, compared with 104,205 m^3 in Q1 2013.

The decrease in harvesting in Q1 2014 was due to unfavourable weather conditions (late arrival of winter and early start of spring). The Magistralny sawmill produced 21,711 m^3 of sawnwood in Q1 2014, compared with 18,243 m^3 in Q1 2013.

Sales

In Q1 2014, RusForest Magistralny sold 22,046 m^3 of sawnwood compared with 15,395 m^3 in Q1 2013 (+46%).

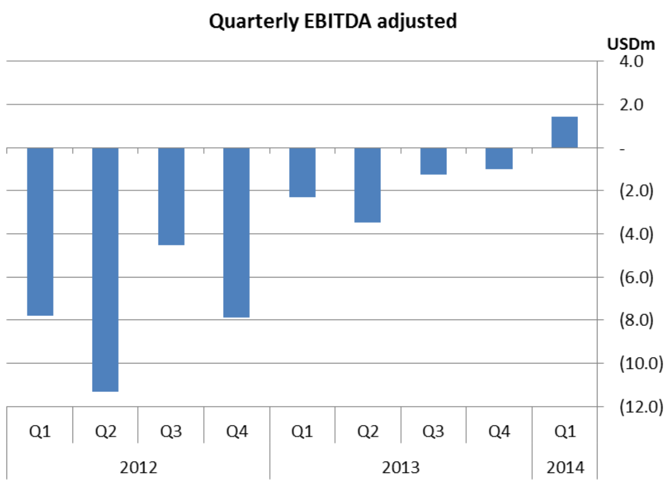
Lower volumes of sawlogs were sold due to decreased harvesting volumes and strategy to sell more processed wood.

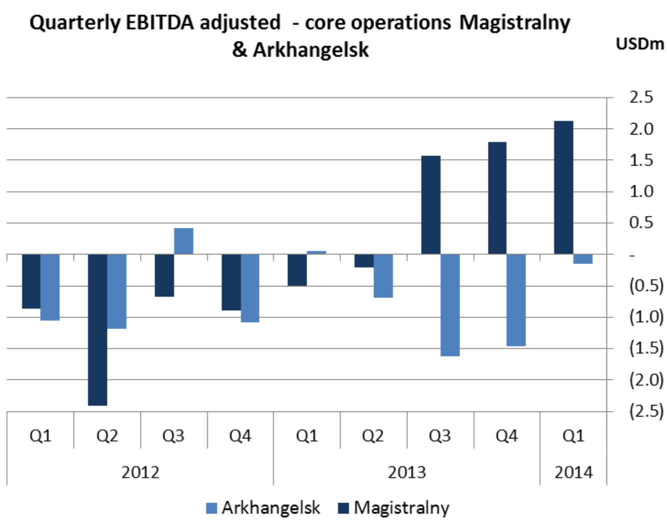
Financial Review

EBITDA development

in USD thousand	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
EBITDA unadjusted, continuing operations	**1,069**	**(1,781)**	**(1,666)**	**(2,880)**	**(1,456)**
a. Doubtful receivables	130	236	233	1	252
c. Disposal of non-current assets	170	7	660	(130)	(1,075)
d. Correction of forest lease accrual (Arkhangelsk)	-	444	(444)	-	-
e. Other items	52	108	(24)	(476)	(31)
Non-recurring items	352	795	424	(604)	(854)
EBITDA adjusted, continuing operations	**1,421**	**(987)**	**(1,241)**	**(3,484)**	**(2,310)**
Arkhangelsk	(153)	(1,465)	(1,617)	(692)	50
Ust-Ilimsk	626	(243)	(35)	(407)	163
Magistralny	2,128	1,793	1,573	(214)	(494)
Unallocated	(1,180)	(1,072)	(1,163)	(2,172)	(2,029)
EBITDA adjusted, by segments	**1,421**	**(987)**	**(1,241)**	**(3,484)**	**(2,310)**
For reference					
Adjusted EBITDA of Boguchany segment	(331)	(867)	(58)	(1,741)	(1,587)

Earnings before interest taxes and depreciation and amortisation (EBITDA), also adjusted for non-recurring items (adjusted EBITDA), is a good metric for measuring financial performance of the operations. Adjusted EBITDA for the company improved substantially year-on-year, with negative earnings of USD 2.3 million in Q1 2013 and negative USD 1.0 million in Q4 2013 turning into positive adjusted EBITDA of USD 1.4 million in Q1 2014 – the first ever positive quarter. The positive result was largely due to continued good profitability in Magistralny. However, it was also achieved through a significant reduction in losses over the last three quarters in Arkhangelsk. In Q1 2013, Arkhangelsk made small positive EBITDA when it was still possible to sell chips and sawdust to pulp factories in the area. Ust-Ilimsk actually turned a profit owing to active harvesting by third parties on company forest assets in Q1 2014. This increased compensation for forest use in Ust-Ilimsk is likely to decrease in Q2 2014.





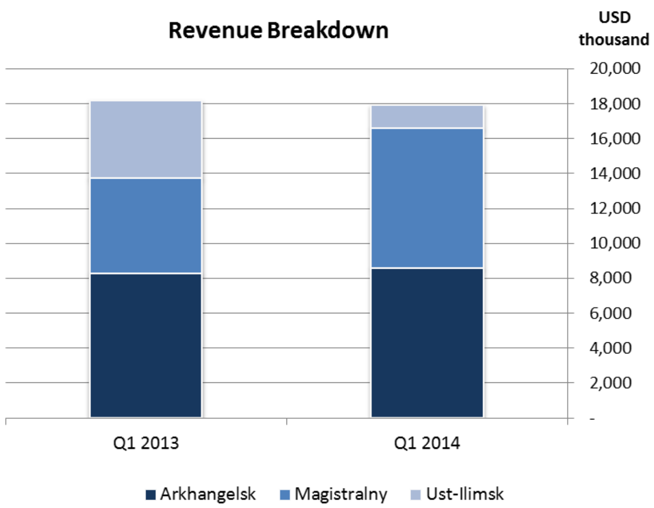
Revenue

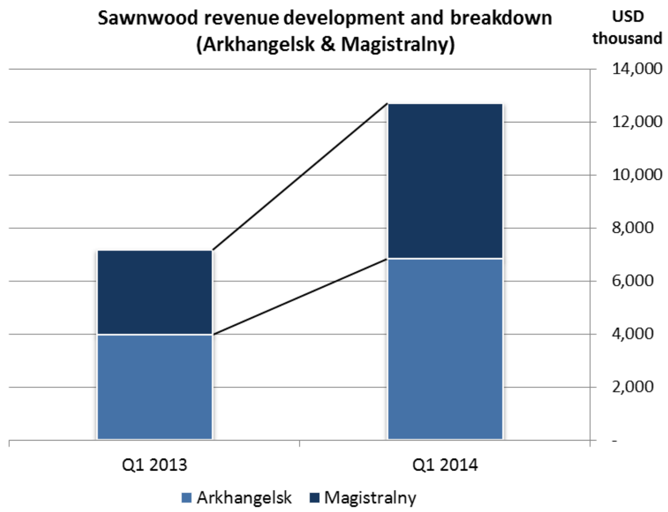
Sales volume (m3)			
	Q1 2014	Q1 2013	Δ%
Sawnwood	50,518	34,145	48%
Sawlogs	28,212	56,604	-50%

Revenue per cubic meter (USD)			
	Q1 2014	Q1 2013	Δ%
Sawnwood	252	210	20%
Sawlogs	69	58	19%

Revenue (USD thousand)			
	Q1 2014	Q1 2013	Δ%
Sawnwood	12,709	7,180	77%
Sawlogs	1,950	3,296	-41%
Ust-Limsk	1,323	4,410	-70%
Other revenue	1,938	3,263	-41%
Total	**17,920**	**18,149**	**-1%**

Sales volumes of sawnwood increased significantly year-on-year, while sawlog volumes significantly decreased. This is in line with the company's strategy to sell less sawlogs and more processed wood products, but was also due to decreased harvesting from difficult weather conditions in Q1. For both of these products the company experienced a double-digit increase in revenue per cubic meter year-on-year. This was mainly due to sales being shifted to the premium Japanese market, which in Q1 2014 accounted for 18% of overall sales, as well as increased sales with delivery to customers, which included freight in the price. However, the sawlog price increase did not fully offset the significant reduction in sawlog volumes and as a result overall revenue from sawlogs in continuing operations was down 41% year-on-year. The increase in both volume and price of sawnwood led to a 77% increase in revenue from sawnwood, which is more important given that sawnwood is the company's primary product. The Ust-Ilimsk sawmill divestment and subsequent exclusion of sawnwood revenue from the second half of 2013 is still having a negative impact on the year-on-year comparison. Nevertheless, Group revenue for Q1 2014 was only down by 1% compared with Q1 2013.



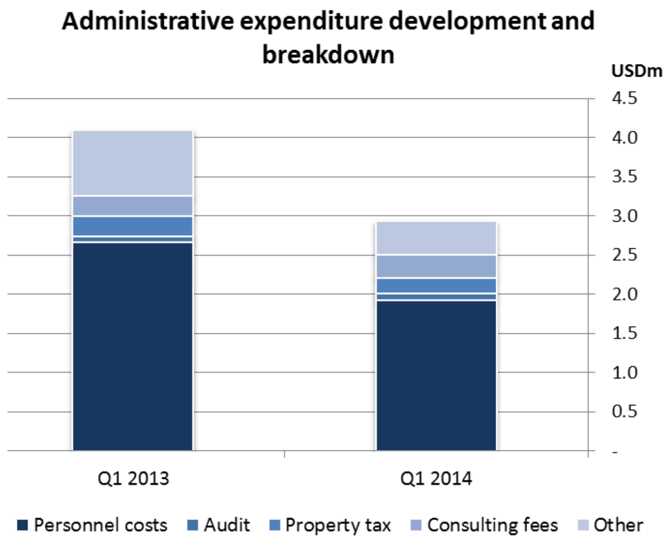


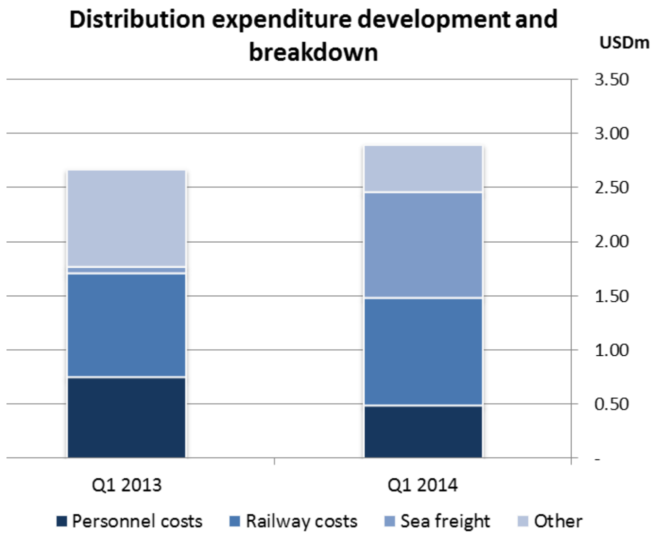
Costs

The cost of sales decreased significantly to USD 13.9 million in Q1 2014, compared with USD 17.0 million in Q1 2013. This reduction is due to improved efficiency in sawnwood production, with both sawmills now running at maximum capacity. The cost situation has also benefitted from the phasing out of the unprofitable Ust-Ilimsk operations. Harvesting operations are also working more efficiently, resulting in fewer hired harvesting services and decreased use of fuel etc.

Distribution expenses increased by 8.7% to USD 2.9 million in Q1 2014, compared with USD 2.7 million in Q1 2013. The shift mainly in Arkhangelsk to sell more products with delivery to customers in order to gain additional margin has led to significantly increased sea freight costs when comparing Q1 2014 with Q1 2013. The increase in sea freight was partially offset by lower personnel costs in distribution expenses. Other distribution expense also significantly decreased. Other distribution expenses mainly consist of: 1. Materials, 2. Agent fees, 3. Fuel, 4. Depreciation of PPE, 5. Quarantine and sanitary certificates ,6. Energy and 7.Transportation. The reduction of these costs is connected with increased exports and shipping by vessels from Arkhangelsk in Q1 2014 compared with Q1 2013 and consequently less sales by other transport means such as trucks.

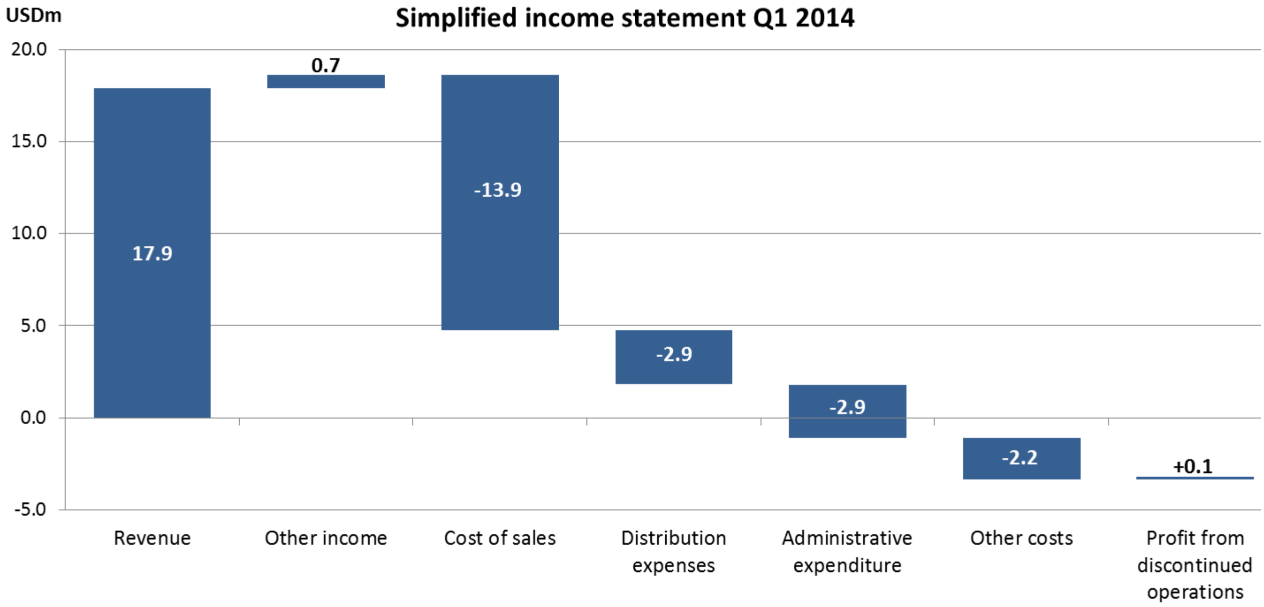
Administrative expenses decreased by 28.4% to USD 2.9 million in Q1 2014, compared with USD 4.1 million in Q1 2013. The company's continued focus on cutting administrative expenses led to a reduction in all but one of the cost categories, with the most significant reduction being in personnel costs.



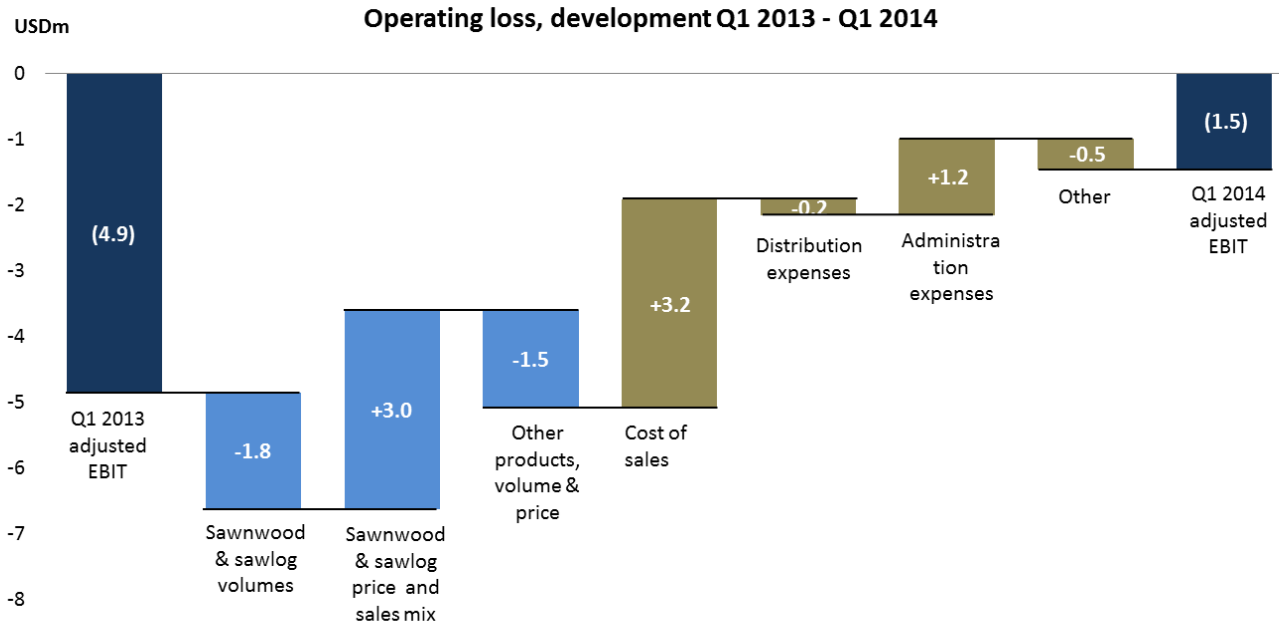


Earnings

The company achieved a gross profit of USD 4.0 million in Q1 2014 in continuing operations, representing a 22.5% gross profit margin, compared with gross profit of USD 1.1 million in Q1 2013. As previously stated, the company achieved positive adjusted EBITDA in continuing operations of USD 1.4 million, compared with negative USD 2.3 million in Q1 2013. The operating loss in continuing operations was USD 1.5 million in Q1 2014, compared with a loss of USD 4.9 million in Q1 2013. Discontinued operations generated a profit after tax of USD 0.1 million in Q1 2014, compared with a loss of USD 5.9 million in Q1 2013. The loss for the period amounted to USD 3.2 million, compared with a profit of USD 34.9 million in Q1 2013. The profit in Q1 2013 was, however, due to a USD 41.4 million gain from the bond restructuring.



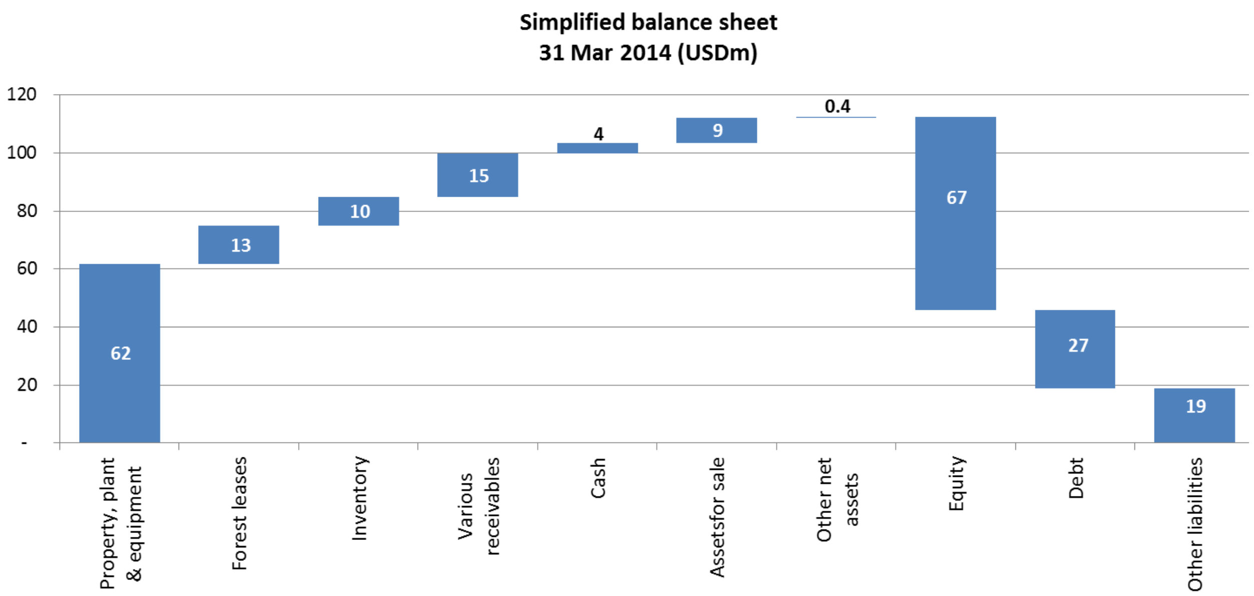
The previous revenue and cost sections above set out the development of the individual reasons behind the improved financial performance of continuing operations in Q1 2014 compared with Q1 2013. The chart below summarises the effect of each of these factors on the 70% reduction in operating loss.



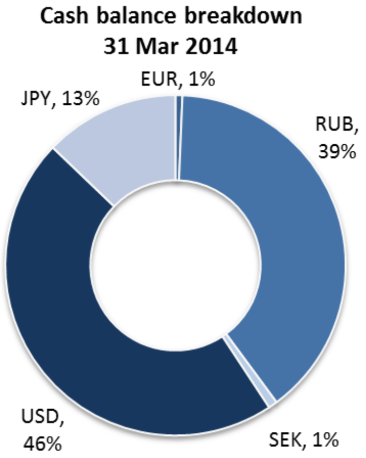
Balance sheet and cash flow

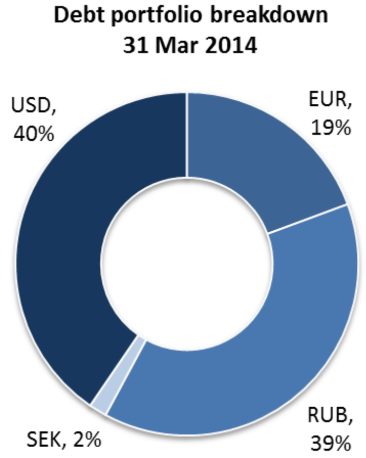
Following divestments and impairments made in 2012 and 2013, total assets have decreased substantially in the last 12 to 18 months. At 31 March 2014, the total assets of the company amounted to USD 112.4 million. Property, plant and equipment constituted the largest component of assets, amounting to USD 61.9 million. Assets classified as held for sale amounted to USD 8.5 million, including the company's pellet operations in Ystad and the Boguchany harvesting company but excluding the Boguchany sawmilling company whose title transferred to the buyer in Q1 2014. Working capital was reduced to USD 7.2 million at 31 March 2014, compared with USD 10.1 million at 31 December 2013. The company's cash and cash equivalents totalled USD 3.5 million at 31 March 2014, compared with USD 3.6 million at 31 December 2013.

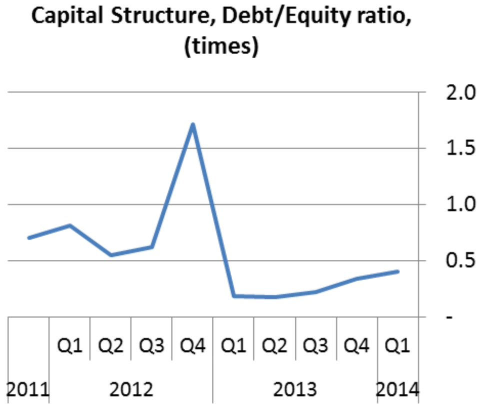
Interest-bearing loans and borrowings have not changed materially since 31 December 2013 and the conclusion of the agreement to sell the Boguchany business segment. Interest-bearing loans and borrowings amounted to USD 26.9 million at 31 March 2014. Some additional loans have been received in connection with the pellet investment project in Arkhangelsk. However, the debt situation will improve upon completion of the Boguchany business segment transaction.



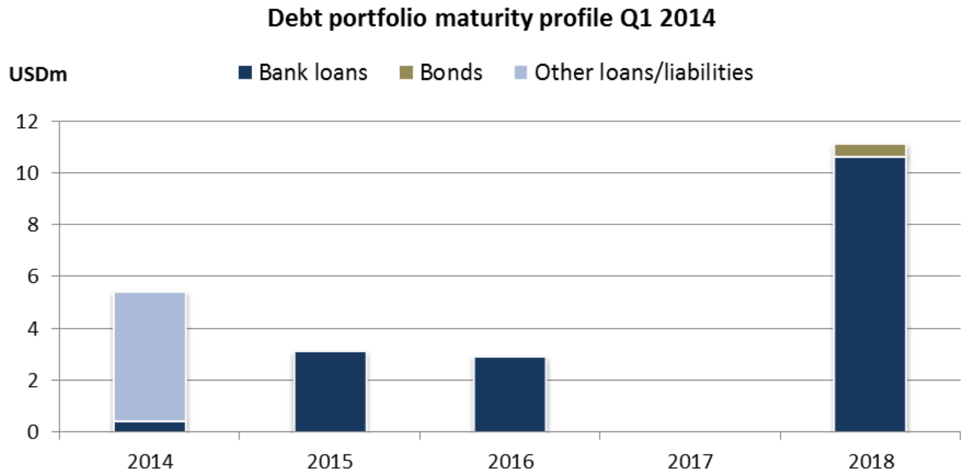
The Russian ruble depreciated by about 9% against USD and EUR during Q1 2014. At 31 March 2014 the company held its cash in predominantly USD and RUB. The company's debt portfolio at 31 March 2014 was mainly split between USD, EUR and RUB. The proportions of debt in foreign currency mirror the proportions of cash held in foreign currencies. The debt-to-equity ratio at the end of Q1 2014 was 0.4.







The chart below summarises the company's debt maturity profile (excluding leases)



In Q1 2014, the company achieved positive cash flow from operating activities of USD 1.1 million. The main item affecting cash flow from financing activities was the USD 3.9 million purchase of bank loan on Boguchany sawmill. As part of the agreement to sell the Boguchany business segment, The company will subsequently sell the loan back to the buyer of the Boguchany business segment equal to cost for the RusForest. The Boguchany sawmill acts as the underlying security for the loan, which ensures RusForest's continued indirect control over the sawmill's title until such a time that the buyer has fulfilled all its obligations. Since the sawmill has relationships with the Boguchany harvest company still under RusForest's ownership, the loan is treated as loan receivable from related party in the Group balance sheet.

The Market

Development of sawnwood markets in Q1 2014

World sawnwood markets mainly grew in Q1 2014. The exception was the Japanese market, where a rise in consumption tax led to lower demand throughout the winter.

Market	Market development in Q1 2014	Impact on RusForest's activity
Japan	There were 216,943 housing starts in Q1 2014, compared with 209,714 in Q1 2013 (+3.4%). However, starts in Q1 2014 were 20% lower than Q4 2013 figures (271,279). By the end of Q1 2014 sales of Russian high-grade and low-grade pine sawnwood were relatively good, but demand for middle-grade items was weak. Demand for European products in Q1 was mostly weak. Imports of European sawnwood in Jan-Feb 2014 were above 2013 volumes (507,838 m^3 compared with 481,030 m^3). Deliveries of Russian pine sawnwood in Jan-Feb 2014 were 139,843 m^3 compared with 131,329 m^3 in Jan-Feb 2013.	***Neutral*** *The decrease in housing starts leads to lower sawnwood demand and prices.* *In addition, lower harvesting volumes in Siberia due to unfavourable weather conditions will result in decreased sawnwood deliveries to Japan but less competition for RusForest's products.*
Europe	After a brisk start to the year and a subsequent flattening in demand in February, business activity on European markets had recovered by the end of Q1 2014. Demand from the building sector showed an upward trend. Continuing satisfactory export opportunities to buyers inside and outside Europe also contributed to stabilising the sawnwood markets. Sawmilling businesses were mostly aiming to push through price increases.	***Positive*** *Growing demand for RusForest's products.*
Egypt	Business activity on the sawnwood markets has been mixed since the beginning of 2014. The Egyptian market showed growth in January and stabilised at a higher level of volumes in February and March.	***Positive*** *Growing demand for RusForest's products.*
North America	Sawnwood producers in the US and Canada have been responding to the upward trend in sales expected in the USA in 2014 and the next few years and to the likely continued rise in softwood lumber exports to Asia with a significant increase in production capacity.	***Neutral*** *RusForest's sawnwood grades generally do not compete with North American products. In addition, most extra volumes are expected to be consumed by the US market.*
China	The real estate market in China has started to cool as bank financing has become more restricted. The construction bounce in China that normally follows the Chinese New Year in February did not materialize this year. As a result, offshore log and lumber stocks soared at a time when Chinese demand was flat at best. By the end of March, sawnwood prices started to correct and log prices were just starting to dip from record-high levels.	***Neutral /assumed negative*** *China is not a key market for RusForest's sawnwood.* *However, China is the largest Asian market and it has a significant impact on all other markets.*

Sources: International Wood Markets Group, EUWID, Japan Lumber Journal.

Development of pellet markets in Q1 2014

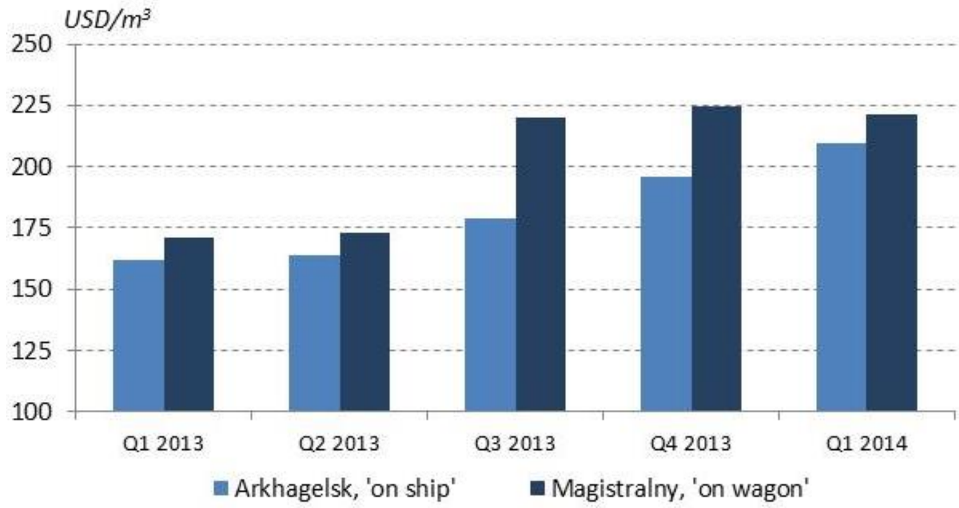
Market	Market development in Q1 2014	Impact on RusForest's activity
Europe	Because of the low level of pellet consumption in the winter half-year 2013/2014, which was about 30% of consumption in an average heating period, stock levels among producers, dealers and end users were relatively high at the end of Q1 2014. The import agreements already concluded mostly in Q4 2013 complicated the market situation. In expectation of rising demand for pellets on the domestic market and high raw-material procurement costs in Europe, both Central European pellet manufacturers and dealers had concluded import contracts with North American, Baltic and Russian pellet producers. The volumes specified in those contracts have, for the most part, already been delivered in Q1 2014. Central European pellet markets will most likely be oversupplied until the beginning of the coming heating period in October. At the end of Q1 2014 *ENplus pellets* were offered under €180/t EXW in Central Europe, which was more than 10% less than at the start of 2014 and 5% less than in Q1 2013. However, the situation on the European market for *industrial pellets* was more balanced and demand was relatively stable.	***Neutral / Negative*** *At the moment Europe is the only market for RusForest's pellets.* *At the moment RusForest produces industrial pellets, so the negative impact of a warmer winter and the current heating pellet oversupply on RusForest's activity was limited.*

Sources: EUWID, Japan Lumber Journal, German Energy Wood and Pellet Association.

Prices

Site	Q1 2014	Q4 2013	Q1 2014 vs. Q4 2013
Arkhangelsk, ‘on ship’, USD/m^3	209.4	195.9	+6.9% ↗
Magistralny, ‘on wagon’, USD/m^3	221.5	224.4	-1.3% ↘
RusForest Group, USD/m^3	214.7	202.2	+6.2% ↗

RusForest’s sawnwood price dynamics



The Share

The RusForest AB shares are listed on NASDAQ OMX First North Stockholm. At the close of the period, the share price was SEK 1.91 (0.3 USD) and the company's market capitalization was approximately SEK 252 million or USD 38.8 million. The company's certified adviser on First North is Pareto Securities AB, which also acts as a market maker in the RusForest shares.

Summary shareholder information	
Official listing:	NASDAQ OMX First North
Outstanding shares:	132,033,881
Round lot:	1
Sector:	Basic Resources
ISIN:	SE0001732728
Short name:	RUSF
Reuters:	RUSF.ST
Bloomberg:	RUSF:SS

Share data for first three months of 2014

Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
1,367,689	659,810	124

Shareholder	Number of shares	Percentage
Nova Capital	33,500,000	25.4%
Avanza Pension	9,024,346	6.8%
Carnegie Strategifond	5,670,625	4.3%
Nordet Pensionsförsäkring AB	4,315,902	3.3%
BNY GCM Client Accounts	3,538,600	2.7%
SIX SIS AG	3,170,369	2.4%
Others	72,814,039	55.1%
Total	**132,033,881**	**100.0%**

RusForest share price performance 1 January–31 March 2014

Source: NASDAQ OMX First North Stockholm

RusForest share			
Price SEK/share 31 Mar 2014	Change 1 Month	Change 3 months	52 week high
1.91	-6.8%	-10.3%	4.0
	Change 6 Months	Change 1 year	52 week low
	-22.0%	-52.3%	1.6

Accounting policies

This 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, with the exception that it has not been prepared in Swedish. The Group and Parent Company have applied the same accounting and valuation principles as in the most recent Annual Report. As of the Q1 2014 report RusForest is reporting Group consolidated financials in US dollars instead of Swedish krona, while Parent Company financials continue to be reported in Swedish krona. Comparative financials have been restated to US dollars for proper comparison. The comparative financial information has been restated as if US dollars had always been RusForest's presentation currency for consolidated financials. Assets and liabilities are translated based on the exchange rate at the end of the comparative reporting period. Items of income, expense and cash flows relating to transactions in a previous period are translated at the appropriate average rate. Components of equity have been translated at the exchange rates at the dates of the relevant transactions.

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Inventories: The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Non-derivative financial liabilities: Fair value for loans and borrowings, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. Fair value for non-derivative financial liabilities was determined using Level 2 of fair value hierarchy.

Risks

The company remains unaffected by the current situation in Crimea and related sanctions against Russia, with the exception of the general fluctuations in the ruble exchange rate. The company continues to monitor the situation closely, however. The company is subject to the effect of fluctuations in the Russian ruble, although such exposure is still limited in terms of the negative impact on the financial performance of the Group. A more detailed description of general risks, as well as a sensitivity analysis of the weakening of the ruble, can be found in the company's annual report 2013. The risks are indirect the same for the parent company as for the Group.

Subsequent events

On 23 April 2014, RusForest announced the first shipment of more than 6,000 tonnes of wood pellets produced at the Company's LDK-3 pellet mill in Arkhangelsk. The pellets are expected to be used as fuel for a European coal-fired power plant. The pellet mill passed the production testing phase successfully and is now running at full capacity of 100,000 tonnes per year.

The initial production from the pellet mill will be shipped to the European industrial market on a monthly basis.

Condensed Consolidated Income Statement

In thousands of USD	Note	Q1 2014	Q1 2013	12M 2013
Continuing operations				
Revenue		17,920	18,149	66,210
Cost of sales	1	(13,884)	(17,048)	(63,957)
Gross profit/(loss)		**4,036**	**1,101**	**2,253**
Other income		704	570	1,996
Distribution expenses	2	(2,900)	(2,668)	(11,297)
Administrative expenditure	3	(2,930)	(4,093)	(14,207)
Other expenses		(369)	232	(897)
Impairment loss		-	-	(7,630)
Operating profit/(loss)		**(1,459)**	**(4,858)**	**(29,782)**
Financing income		9	365	96
Gain from bond restructuring		-	41,404	41,404
Financing cost		(1,863)	(1,942)	(4,939)
Net financing income/(cost)		**(1,854)**	**39,827**	**36,561**
Profit/(loss) before tax from continuing operations		**(3,313)**	**34,969**	**6,779**
Income tax		(36)	(117)	110
Profit/(loss) from continuing operations		**(3,349)**	**34,852**	**6,889**
Discontinued operations				
Profit/(loss) after tax from discontinued operations	5	112	(5,981)	(51,406)
Profit/(loss) for the period		**(3,237)**	**28,871**	**(44,517)**
Attributable to:				
Equity holders of the parent		(3,203)	28,887	(45,270)
Non-controlling interests		(34)	(16)	753
Profit/(loss) for the period		**(3,237)**	**28,871**	**(44,517)**
Earnings per share		(0.02)	0.63	(0.41)

Condensed Consolidated Statement of Comprehensive Income

In thousands of USD	Q1 2014	Q1 2013	12M 2013
Profit/(loss) for the period	(3,237)	28,871	(44,517)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation difference	(6,684)	(4,958)	(9,897)
Other comprehensive income/(loss) for the period, net of	**(6,684)**	**(4,958)**	**(9,897)**
Total comprehensive income/(loss) for the period, net of	**(9,921)**	**23,913**	**(54,414)**
Attributable to:			
Equity holders of the parent	(9,852)	23,932	(55,137)
Non-controlling interests	(69)	(19)	723
Total comprehensive income/(loss) for the period, net of	**(9,921)**	**23,913**	**(54,414)**
Profit/(loss) from continuing operations	**(3,349)**	**34,852**	**6,889**
Attributable to:			
Equity holders of the parent	(3,315)	34,868	6,136
Non-controlling interests	(34)	(16)	753
Profit/(loss) from discontinued operations	**112**	**(5,981)**	**(51,406)**
Attributable to:			
Equity holders of the parent	112	(5,981)	(51,406)
Non-controlling interests	-	-	-

In thousands of USD	Q1 2014	Q1 2013	12M 2013
Profit/(loss) from continuing operations	(3,349)	34,852	6,889
Attributable to:			
Equity holders of the parent	(3,315)	34,868	6,136
Non-controlling interests	(34)	(16)	753
Profit/(loss) from discontinued operations	112	(5,981)	(51,406)
Attributable to:			
Equity holders of the parent	112	(5,981)	(51,406)
Non-controlling interests	0	0	0

Per Share Data

Per Share Data USD	Q1 2014	Q1 2013	12M 2013
Earnings	(0.02)	0.63	(0.41)
Shareholders' Equity (end of period)	0.50	1.17	0.58

Number of Shares	Q1 2014	Q1 2013	12M 2013
Beginning of period	132,033,881	5,609,540	5,609,540
End of Period	132,033,881	132,033,881	132,033,881
Average number of shares	132,033,881	45,507,486	110,698,605

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 22 April 2013.

Condensed Consolidated Statement of Financial Position

In thousands of USD	Note	31 Mar 2014	31 Dec 2013
Assets			
Non-current assets			
Property, plant and equipment		61,869	68,441
Forest lease rights		13,024	14,406
Intangible assets		317	334
Deferred tax asset		13	4
Total non-current assets		**75,223**	**83,185**
Current assets			
Inventory		9,871	10,368
VAT refundable		4,382	6,229
Trade and other receivables		6,854	5,684
Current tax assets		46	54
Loans receivable from related companies		3,924	-
Cash and cash equivalents		3,533	3,637
		28,610	**25,972**
Assets classified as held for sale	5	8,549	19,562
Total current assets		**37,159**	**45,534**
Total assets		**112,382**	**128,719**
EQUITY			
Equity and reserves			
Share capital		20,683	20,683
Other paid in capital		358,448	358,448
Translation reserve		(22,387)	(15,738)
Accumulated loss		(287,321)	(242,051)
Profit/(loss) for the period		(3,203)	(45,270)
Total equity attributable to Shareholders of the Group		**66,220**	**76,072**
Non-controlling interest		361	430
Total Equity		**66,581**	**76,502**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings		16,100	17,884
Deferred tax liability		13	4
Total non-current liabilities		**16,113**	**17,888**
Current liabilities			
Interest bearing loans and borrowings		10,842	8,053
Trade and other payables		13,873	12,179
Current tax liabilities		61	30
Provisions		29	32
		24,805	**20,294**
Liabilities directly associated with the assets classified as held for sale	5	4,883	14,035
Total current liabilities		**29,688**	**34,329**
Total liabilities		**45,801**	**52,217**
Total equity and liabilities		**112,382**	**128,719**

Condensed Consolidated Statement of Cash Flows

In thousands of USD	Q1 2014	Q1 2013	12M 2013
Profit/(loss) for the period	(3,237)	28,871	(44,517)
Adjustment for non-cash items	4,446	(31,173)	36,449
Paid income tax	-	(20)	(196)
Cash flow from operating activities before changes in working capital	**1,209**	**(2,322)**	**(8,264)**
Cash flow changes in working capital	(560)	(296)	(1,054)
Cash flow from discontinued operations	445	(605)	(2,807)
Cash flow from operating activities	**1,094**	**(3,223)**	**(12,125)**
Investment in equipment	(647)	(164)	(15,203)
Proceeds from sales of equipment	384	1,710	4,239
VAT refund on capital investments	1,643	-	894
Acquisition of shares in subsidiaries	-	-	(94)
Proceeds from sale of subsidiaries	1,475	176	2,230
Interest received	-	-	95
Cash flow from discontinued operations	(100)	(58)	1,367
Cash flow from investing activities	**2,755**	**1,664**	**(6,472)**
New share issue	-	28,659	28,659
Costs related to the share issue	-	(230)	(3,377)
Redemption of the loans of sold subsidiaries	(3,941)	-	-
Increase/(decrease) in loans payable	1,511	(1,627)	722
Interest paid	(822)	(834)	(3,050)
Cash flow from discontinued operations	(400)	(315)	(2,290)
Cash flow from financing activities	**(3,652)**	**25,653**	**20,664**
Cash flow during the period	**197**	**24,094**	**2,067**
including continuing operations	252	25,072	5,797
including discontinued operations	(55)	(978)	(3,730)
Cash and cash equivalents, beginning of period	**3,760**	**2,586**	**2,586**
including continuing operations	3,637	2,519	2,519
including discontinued operations	123	67	67
Exchange-rate differences on cash balance	(340)	(3)	(893)
Cash and cash equivalents, period end	**3,617**	**26,677**	**3,760**
including continuing operations	3,533	26,217	3,637
including discontinued operations	84	460	123

In thousands of USD	Q1 2014	Q1 2013	12M 2013
Adjustment for non-cash items			
Depreciation of property, plant and equipment	2,317	2,953	12,497
Amortization of intangible assets	211	449	1,872
Income tax	36	117	(110)
Finance income	(9)	(365)	(96)
Income from bond restructuring	-	(41,404)	(41,404)
Finance expense	1,863	1,942	4,939
Net loss on disposal of property, plant and equipment	167	(1,075)	(538)
Bad debts	130	252	722
Other comprehensive (proft)/loss from assets held for sale	(112)	5,981	51,406
Impairment loss	-	-	7,630
Other non-cash items	(157)	(23)	(469)
Total	**4,446**	**(31,173)**	**36,449**

* USD 3,941 thousand relates to purchase of bank loan on Boguchany. The loan amount will be paid back to RusForest by the buyer of Boguchany business segment as part of the sale transaction.

Condensed Consolidated Statement of Changes in Equity

1 Jan 2014 - 31 Mar 2014

In thousands of USD	Share capital	Other paid in capital	Translation reserve	Accumulated loss	Non-controlling interest	Total
	Attributable to the equity holders of the parents					
Opening shareholders' equity	20,683	358,448	(15,738)	(287,321)	430	76,502
Profit/(loss) for the period				(3,203)	(34)	(3,237)
Other comprehensive income/(loss)			(6,649)		(35)	(6,684)
Total comprehensive income/(loss)	**-**	**-**	**(6,649)**	**(3,203)**	**(69)**	**(9,921)**
Shareholders' equity at end of period	**20,683**	**358,448**	**(22,387)**	**(290,524)**	**361**	**66,581**

1 Jan 2013 - 31 Mar 2013

In thousands of USD	Share capital	Other paid in capital	Translation reserve	Accumulated loss	Non-controlling interest	Total
	Attributable to the equity holders of the parents					
Opening shareholders' equity	72,766	239,667	(5,871)	(242,435)	173	64,300
Profit/(loss) for the period				28,887	(16)	28,871
Other comprehensive income/(loss)			(4,955)		(3)	(4,958)
Total comprehensive income/(loss)	**-**	**-**	**(4,955)**	**28,887**	**(19)**	**23,913**
Decrease in share capital	(72,039)	72,039				-
Costs related to the share issue		(3,457)				(3,457)
New share issue	19,956	50,199				70,155
Shareholders' equity at end of period	**20,683**	**358,448**	**(10,826)**	**(213,548)**	**154**	**154,911**

1 Jan 2013 - 31 Dec 2013

In thousands of USD	Share capital	Other paid in capital	Translation reserve	Accumulated loss	Non-controlling interest	Total
	Attributable to the equity holders of the parents					
Opening shareholders' equity	72,766	239,667	(5,871)	(242,435)	173	64,300
Profit/(loss) for the period				(45,270)	753	(44,517)
Other comprehensive income/(loss)			(9,867)		(30)	(9,897)
Total comprehensive income/(loss)	**-**	**-**	**(9,867)**	**(45,270)**	**723**	**(54,414)**
Decrease in share capital	(72,039)	72,039				-
Acquired non-controlling interest in subsidiaries				384	(466)	(82)
Costs related to the share issue		(3,457)				(3,457)
New share issue	19,956	50,199				70,155
Shareholders' equity at end of period	**20,683**	**358,448**	**(15,738)**	**(287,321)**	**430**	**76,502**

Parent Company Income Statement

In thousands of SEK	Q1 2014	Q1 2013
Other income	-	510
Administrative expenditure	(3,578)	(6,663)
Operating profit/(loss)	**(3,578)**	**(6,153)**
Exchange gain/loss	(24,861)	(13,483)
Financing income	2,674	13,165
Income on bond restructuring	-	269,772
Financing cost	(893)	(4,738)
Loss on disposal of investments	-	(435,624)
Impairment of investments and receivables from subsidiaries	(782)	-
Net financing income/(cost)	**(23,862)**	**(170,908)**
Income tax	-	-
Profit/(loss) for the period	**(27,440)**	**(177,061)**

Parent Company Balance Sheet

In thousands of SEK	Mar 31, 2014	Dec 31, 2013
Assets		
Non-current assets		
Property, plant and equipment	74	80
Investments in subsidiaries	50,843	50,841
Loans receivable from subsidiaries	71,662	299,220
Total non-current assets	**122,579**	**350,141**
Current assets		
VAT refundable	150	66
Receivables from subsidiaries	210,380	-
Trade and other receivable	166	207
Current tax assets	99	70
Cash and cash equivalents	3,421	11,536
Total current assets	**214,216**	**11,879**
Total assets	**336,795**	**362,020**
Equity		
Equity and reserves		
Restricted equity		
Share capital	132,034	132,034
Non-restricted equity		
Share premium	1,037,511	1,037,511
Retained earnings	(880,762)	(853,322)
Total equity	**288,783**	**316,223**
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	3,745	3,745
Total-non current liabilities	**3,745**	**3,745**
Current liabilities		
Interest-bearing loans and borrowings	32,376	32,634
Trade and other payables	11,891	9,418
Total current liabilities	**44,267**	**42,052**
Total equity and liabilities	**336,795**	**362,020**

In connection with the agreement to sell the Boguchany business segment in March 2014 several intragroup loans were restructured with the main purpose of consolidating all intra group claims on Boguchany in one Group entity, as a consequence of the intragroup loan restructuring Loans receivable from subsidiaries in Parent Company significantly declined with corresponding increase in receivables from subsidiaries in current assets.

Notes to the Financial Statements

Note 1. Cost of sales

In thousands of USD	Q1 2014	Q1 2013
Personnel costs	3,327	3,605
Purchased sawlogs	2,688	1,081
Purchased sawnwood	92	1,328
Depreciation of property, plant and equipment	2,027	2,673
Amortization of intangible assets	209	453
Materials	460	321
Energy and fuel	2,147	2,247
Repairs and maintanance	497	1,188
Harvesting services	1,169	1,890
Forest lease	615	664
Other	653	1,598
Total	**13,884**	**17,048**

Note 2. Distribution expenses

In thousands of USD	Q1 2014	Q1 2013
Personnel costs	486	744
Railway costs	996	963
Sea freight	976	63
Other*	442	898
Total	**2,900**	**2,668**

* Other distribution expenses mainly consist of 1.Materials, 2.Agent fees, 3.Fuel, 4.Quarantine and sanitary certificates, 5.Depreciation of PPE and 6.Energy

Note 3. Administrative expenditure

In thousands of USD	Q1 2014	Q1 2013
Personnel costs	1,920	2,657
Audit	91	79
Property tax	193	261
Consulting fees	294	258
Other	432	838
Total	**2,930**	**4,093**

Note 4. Segment information

The Group's Parent Company has its 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 the geographical division of production units among Arkhangelsk, Boguchany, Ust-Ilimsk and Magistralny. The financial results of 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 are presented as unallocated. Previously, RusForest divided operations into harvesting and sawmilling.

As of 30 September 2013, RusForest recorded the Ust-Ilimsk planing mill (UIZSI) and the Swedish and Latvian pellets operations as assets for sale. In Q3 2013, RusForest sold the ALK planing mill in Arkhangelsk. As of 31 December 2013 the company recorded Boguchany segment as assets held for sale. There were no material inter-segment transactions and revenue.

Operational segments, results for three months ended 31 March 2014

In thousands of USD	External revenue				Impairment loss	Profit/(loss) before tax
	Sawnwood	Sawlogs	Other	Total		
Arkhangelsk	6,833	13	1,740	8,586	-	(2,612)
Ust-Ilimsk	-	-	1,323	1,323	-	276
Magistralny	5,876	1,937	198	8,011	-	360
Unallocated	-	-	-	-	-	(1,337)
Total from continuing operations	12,709	1,950	3,261	17,920	-	(3,313)
Boguchany	2,452	350	85	2,887	-	141
Pellets (Sweden & Latvia)	-	-	50	50	-	(26)
Total from discontinued operations	2,452	350	135	2,937	-	115
Total	15,161	2,300	3,396	20,857	-	(3,198)

Operational segments, results for three months ended 31 March 2013

In thousands of USD	External revenue				Impairment loss	Profit/(loss) before tax
	Sawnwood	Sawlogs	Other	Total		
Arkhangelsk	3,965	1,243	3,047	8,255	-	(2,333)
Ust-Ilimsk	1,355	1,564	1,491	4,410	-	575
Magistralny	3,215	2,053	216	5,484	-	(2,143)
Unallocated*	-	-	-	-	-	38,870*
Total from continuing operations	8,535	4,860	4,754	18,149	-	34,969
Boguchany	4,255	1,363	306	5,924	-	(4,407)
Pellets (Sweden & Latvia)	-	-	93	93	-	(868)
Gravel	-	-	2,263	2,263	-	(370)
ALK	-	-	-	-	-	(76)
UI ZSI	-	-	257	257	-	(162)
Shenkursk	4	-	13	17	-	(165)
Total from discontinued operations	4,259	1,363	2,932	8,554	-	(6,048)
Total	12,794	6,223	7,686	26,703	-	28,921

Note 5. Assets held for sale and result from discontinued operations

Assets classified as held for sale

In thousands of USD	31 Mar 2014	31 Dec 2013
Non-current assets		
Property, plant and equipment	3,509	8,037
Forest lease rights	3,400	3,730
Intangible assets	36	357
Total non-current assets	**6,945**	**12,124**
Current assets		
Inventory	1,178	3,223
VAT refundable	126	2,223
Trade and other receivables	216	1,154
Loans receivable	-	715
Cash and cash equivalents	84	123
Total current assets	**1,604**	**7,438**
Total assets	**8,549**	**19,562**

Liabilities directly associated with the assets classified as held for sale

In thousands of USD	31 Mar 2014	31 Mar 2013
Non-current liabilities		
Interest-bearing loans and borrowings	546	4,626
Total non-current liabilities	**546**	**4,626**
Current liabilities		
Interest-bearing loans and borrowings	711	1,435
Trade and other payables	3,613	7,963
Current tax liabilities	13	11
Total current liabilities	**4,337**	**9,409**
Total liabilities	**4,883**	**14,035**

Consolidated statement of comprehensive income, discontinued operations

In thousands of USD	Q1 2014	Q1 2013
Discontinued operations		
Revenue	2,937	8,554
Cost of sales	(2,600)	(9,145)
Gross profit/(loss)	**337**	**(591)**
Other income	411	204
Distribution expenses	(848)	(2,835)
Administrative expenditure	(405)	(1,168)
Other expenses	(166)	(1,108)
Profit from disposal	1,333	-
Operating profit/(loss)	**662**	**(5,498)**
Financing income	-	-
Financing cost	(547)	(550)
Net financing income/(cost)	**(547)**	**(550)**
Income tax	(3)	67
Loss after tax from discontinued operations	**112**	**(5,981)**

Condensed consolidated statement of cash flows, discontinued operations

In thousands of USD	Q1 2014	Q1 2013
Cash flow from operating activities	**445**	**(605)**
Investment in equipment	(100)	(58)
Cash flow from investing activities	**(100)**	**(58)**
Increase/(decrease) in loans payable	(273)	(30)
Interest paid	(127)	(285)
Cash flow from financing activities	**(400)**	**(315)**
Cash flow during the period	**(55)**	**(978)**

Note 6. Related party transactions

In Q1 2014 the only significant related party transaction was related to the USD 3.9 million purchase of bank loan on Boguchany sawmill, as presented and described in connection with RusForest Group consolidated financial position and cash flow statement.

Financial calendar

Interim Report Q2 2014	29 August 2014
Interim Report Q3 2014	28 November 2014

This interim report has not been subject to a review by the company's auditors.

Stockholm, 30 May 2014

RusForest AB (publ.)
The Board of Directors

For additional information, please contact:

Gustav Wetterling, Group CFO, telephone: +46 8 771 85 00

RusForest AB (publ)
Hovslagargatan 5
SE-111 48 Stockholm, Sweden
Telephone: +46 8 771 85 00
E-mail: info@rusforest.com
Website: www.rusforest.com