

RusForest AB (publ)

Year End Report 2013

Reporting Period Highlights

	Three months ended		Twelve months ended	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Production continuing operations				
Sawlogs harvested**, m ³	119,889	99,212	443,934	384,579
Sawnwood produced**, m ³	52,470	47,064	193,844	169,841
Production discontinued operations				
Sawlogs harvested, m ³	67,178	65,724	267,554	254,140
Sawnwood produced, m ³	15,797	19,714	69,921	81,218

	Three months ended		Three months ended	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
	SEK mln	SEK mln	USD mln*	USD mln*
Continuing operations				
Revenue	105.9	117.0	16.3	18.0
EBITDA adjusted	(6.4)	(38.8)	(1.0)	(6.0)
Operating loss	(82.7)	(382.3)	(12.7)	(58.8)
Including impairment loss	(49.7)	(283.2)	(7.6)	(43.6)
Profit/(loss) from continuing operations	(89.4)	(384.7)	(13.8)	(59.2)
Profit/(loss) from discontinued operations	(265.6)	(290.8)	(40.9)	(44.7)
Including impairment loss	(230.1)	(203.1)	(35.4)	(31.2)
Profit/(loss) for the period	(355.0)	(675.5)	(54.6)	(103.9)
Net loss per share (SEK or USD per share***)	(2.7)	(120.2)	(0.4)	(18.5)

	Twelve months ended		Twelve months ended	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
	SEK mln	SEK mln	USD mln*	USD mln*
Continuing operations				
Revenue	431.4	441.1	66.4	67.9
EBITDA adjusted	(52.3)	(139.0)	(8.0)	(21.4)
Operating loss	(194.0)	(605.6)	(29.9)	(93.2)
Including impairment loss	(49.7)	(283.2)	(7.65)	(43.6)
Net loss from continuing operations before bond restructuring	(224.9)	(657.6)	(34.6)	(101.2)
Gain from bond restructuring	269.8	-	41.5	-
Profit/(loss) from continuing operations	44.9	(657.6)	6.9	(101.2)
Profit/(loss) from discontinued operations	(334.9)	(428.6)	(51.5)	(65.9)
Including impairment loss	(230.1)	(238.5)	(35.4)	(36.7)
Profit/(loss) for the period	(290.0)	(1,086.1)	(44.6)	(167.1)
Net income/(loss) per share (SEK or USD per share***)	(2.7)	(253.5)	(0.4)	(39.0)

	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Cash balance	23.7	16.4	3.7	2.5
Working capital	65.9	50.5	10.1	7.8
Net debt	145.6	698.6	22.4	107.5

As of December 31, 2013, the Boguchany operating segment was classified as held for sale. As a result, financial results for the Boguchany segment were included in results from discontinued operations. In connection with the reclassification, an impairment loss of SEK 220.8 million related to Boguchany was recognized in Q4 2013.

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

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

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

Significant events during the three months ended December 31, 2013

- On December 23, 2013, RusForest announced a corporate structure simplification. The purpose of the corporate simplification is to strengthen the Company's corporate governance and internal controls, while at the same time reducing administrative costs and making the Group more tax efficient. The simplification includes removing the Cyprus holding companies and transferring ownership of RusForest's Russian forestry assets directly to the Swedish holding company.

Significant events after the end of the period

- On January 13, 2014, RusForest announced the appointment of Gustav Wetterling as Chief Financial Officer ("CFO"), Gustav Wetterling joins RusForest from Black Earth Farming Ltd. (NASDAQ OMX: BEF) where he was Director of Procurement and previously Director of Investor Relations. He has also worked for Vostok Nafta Investment Ltd. (NASDAQ OMX: VNIL) and Svenska Handelsbanken in Moscow. Mr. Wetterling is a Swedish citizen and is fluent in Russian. He holds a Master of Science in Economics and Business from the Stockholm School of Economics.
- On January 22, 2014, the Company announced the start of wood pellet production ahead of schedule from the new pellet mill at the Company's LDK-3 sawmill in Arkhangelsk. As previously disclosed, RusForest engaged AS Hekotek, a mechanical engineering company, to build the wood pellet production facility. The pellet mill 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.
- On March 3, 2014, RusForest announced the sale of the non-core Boguchany unit in Eastern Siberia. The transaction includes the Boguchany sawmill, Boguchansky LPK for gross consideration of USD 8.0 million. The Boguchany sawmill has an annual capacity of 120,000 m³ of sawnwood. The net cash received by RusForest after repayment of the sawmill's debts will be approximately USD 1.5 million. The Company has already received a cash pre-payment of USD 1.5 million from the buyer.

RusForest also announced signing a Memorandum of Understanding to sell the related Boguchany harvesting company, RusForest Angara LLC, to the same buyer for gross consideration of USD 5.8 million. The harvesting company holds forestry leases with 748,400 m³ of annual allowable cut ("AAC"). The sale of the harvesting company is expected to close on or around September 30, 2014. The net cash received by RusForest after repayment of the harvesting company's debts is expected to be approximately USD 2.5 million.

As of December 31, 2013, the Boguchany business unit was classified as held for sale and therefore the financial result of the Boguchany segment was included into result from discontinued operations.

CEO Comment

Dear RusForest Shareholders,

2013 was a turning point for RusForest. The restructuring transaction brought-in Nova Capital as a Russian strategic shareholder in March 2013 and accelerated the turnaround. When I joined as CEO in July 2013, I outlined an action plan for loss-making operations and improving operational results at every location.

In the last year, a number of things have changed and improved.

In Arkhangelsk, the launch of the new 100,000-ton/year wood pellet mill is increasing our likelihood of reaching positive cash flow later this year. The local project team managed to build the pellet mill on schedule and successfully pass the testing phase. The first pellets are being stored in our two silos and are ready for the first shipment to European customers.

In Magistralny, we made significant progress during 2013, exporting 32,400 cubic meters of sawnwood to Japan. In Q4 2013, the Magistralny operations generated USD 1.8 million of EBITDA.

Overall, RusForest's adjusted EBITDA loss from continued operations decreased by 83% from USD -6.0 million to USD -1.0 million when comparing Q4 2012 to Q4 2013. RusForest also managed to reduce overhead costs significantly in Q4 2013.

In March 2014, we announced the sale of our main non-core asset, the Boguchany sawmill (Boguchansky LPK). The decision to divest the Boguchany project was not easy, but it was necessary to achieve long-term profitability. The sawmill's isolated location, the lack of a market for residual by-products and a missing rail connection created a loss-making unit with challenging long-term prospects. The sale of the Boguchany sawmill improved our cash situation and allows management to focus on developing the remaining core RusForest assets.

In summary, RusForest is beginning the year with a clean slate and clear potential. Improving global sawnwood markets, growing wood pellet demand in Europe and the weakening Russian ruble gives RusForest strong momentum for 2014. Unfortunately, recent events between Russia and Ukraine have overshadowed the solid fundamentals of our business.

Regards,

Matti Lehtipuu
Group 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 sawn wood, lumber and wood pellets 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.



*The Company's newly constructed pellet mill in Arkhangelsk, March 2014
(with all three presses operating as can be seen from the chimneys)*

Operations

RusForest Operational Data

Three months ended December 31, 2013, by location from West to East

	Unit	Continuing operations					Discontinued operations (Boguchany)		
		Arkhangelsk	Magistralny	Consolidated Q4 2013	Consolidated Q4 2012	% Q4'13 vs Q4'12	Q4 2013	Q4 2012	% Q4'13 vs Q4'12
RusForest ownership interest		95% in LDK-3	100%				100%	100%	
Own forest leases									
Annual Allowable Cut (AAC)	m3	958,800	958,700	1,917,500	1,917,500	0%	748,400	748,400	-
Forest area	Hectares	1,270,577	746,352	2,016,929	2,016,929	0%	374,477	374,477	-
Production									
Sawlogs harvested	m3	26,937	92,952	119,889	99,212	21%	67,178	65,724	2%
in own forest leases	m3	26,937	42,719	69,656	99,212	(30%)	67,178	65,724	2%
in third-parties forest leases	m3	-	50,233	50,233	-	-	-	-	-
Logs purchased	m3	17,711	-	17,711	8,924	98%	307	419	(27%)
Sawnwood production	m3	31,664	20,806	52,470	47,064	11%	15,797	19,714	(20%)
Sales volumes									
Sawlogs sold	m3	2,688	25,176	27,864	35,936	(22%)	6,534	17,212	(62%)
Sawnwood sold	m3	26,273	19,732	46,005	50,099	(8%)	17,362	20,429	(15%)
Woodchips sold	m3 solid	-	2,662	2,662	26,916	(90%)	-	435	-
Planed Products sold	m3	3,707	-	3,707	4,425	(16%)	-	-	-

Three months ended December 31, 2012, by location from West to East

	Unit	Continuing operations			Discontinued operations (Boguchany)
		Arkhangelsk	Magistralny	Consolidated Q4 2012	Q4 2012
RusForest ownership interest		94.6% in LDK-3	100%		100%
Own forest leases					
Annual Allowable Cut (AAC)	m3	958,800	958,700	1,917,500	748,400
Forest area	Hectares	1,270,577	746,352	2,016,929	374,477
Production					
Sawlogs harvested	m3	34,055	65,157	99,212	65,724
in own forest leases	m3	34,055	65,157	99,212	65,724
in third-parties forest leases	m3	-	-	-	-
Logs purchased	m3	8,924	-	8,924	419
Sawnwood production	m3	31,611	15,453	47,064	19,714
Sales volumes					
Sawlogs sold	m3	11,654	24,282	35,936	17,212
Sawnwood sold	m3	36,353	13,746	50,099	20,429
Woodchips sold	m3 solid	23,255	3,661	26,916	435
Planed Products sold	m3	4,425	-	4,425	-

Group own forest leases, including Ust-Ilimsk

	Unit	Continuing operations				Discontinued operations (Boguchany)		
		Arkhangelsk	Magistralny	Ust-Ilimsk	Total Dec 31, 2013	Total Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Annual Allowable Cut (AAC)	m3	958,800	958,700	733,660	2,651,160	2,860,060	748,400	748,400
Forest area	Hectares	1,270,577	746,352	447,930	2,464,859	2,582,373	374,477	374,477

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 other forest lease-holding companies. Ust-Ilimsk includes RusForest Ust-Ilimsk (harvesting operation) and three 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 forestry assets have been rented out while the strategy for harvesting operations in the region is being revised. 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.

Year ended December 31, 2013, by location from West to East

	Unit	Continuing operations					Discontinued operations (Boguchany)		
		Arkhangelsk	Magistralny	Consolidated 12M 2013	Consolidated 12M 2012	% 12M'13 vs 12M'12	12M 2013	12M 2012	% 12M'13 vs 12M'12
RusForest ownership interest		95% in LDK-3	100%				100%	100%	
Own forest leases									
Annual Allowable Cut (AAC)	m3	958,800	958,700	1,917,500	1,917,500	-	748,400	748,400	-
Forest area	Hectares	1,270,577	746,352	2,016,929	2,016,929	-	374,477	374,477	-
Production									
Sawlogs harvested	m3	136,344	307,590	443,934	384,579	15%	267,554	254,140	5%
in own forest leases	m3	136,344	189,660	326,004	384,579	(15%)	267,554	254,140	5%
in third-parties forest leases	m3	-	117,930	117,930	-	-	-	-	-
Logs purchased	m3	100,404	11,999	112,403	123,430	(9%)	5,182	22,660	(77%)
Sawnwood production	m3	122,920	70,924	193,844	169,841	14%	69,921	81,218	(14%)
Sales volumes									
Sawlogs sold	m3	38,398	106,943	145,341	112,376	29%	80,124	57,830	39%
Sawnwood sold	m3	103,575	73,568	177,143	144,836	22%	71,038	68,543	4%
Woodchips sold	m3 solid	16,025	5,560	21,585	80,265	(73%)	-	5,600	-
Planed Products sold	m3	19,174	-	19,174	18,777	2%	-	-	-

Year ended December 31, 2012, by location from West to East

	Unit	Continuing operations			Discontinued operations (Boguchany)
		Arkhangelsk	Magistralny	Consolidated 12M 2012	Q4 2012
RusForest ownership interest		94.6% in LDK-3	100%		100%
Own forest leases					
Annual Allowable Cut (AAC)	m3	958,800	958,700	1,917,500	748,400
Forest area	Hectares	1,270,577	746,352	2,016,929	374,477
Production					
Sawlogs harvested	m3	174,076	210,503	384,579	254,140
in own forest leases	m3	174,076	210,503	384,579	254,140
in third-parties forest leases	m3	-	-	-	-
Logs purchased	m3	123,430	-	123,430	22,660
Sawnwood production	m3	119,086	50,755	169,841	81,218
Sales volumes					
Sawlogs sold	m3	38,945	73,431	112,376	57,830
Sawnwood sold	m3	98,802	46,034	144,836	68,543
Woodchips sold	m3 solid	74,351	5,914	80,265	5,600
Planed Products sold	m3	18,777	-	18,777	-

Group own forest leases, including Ust-Ilimsk

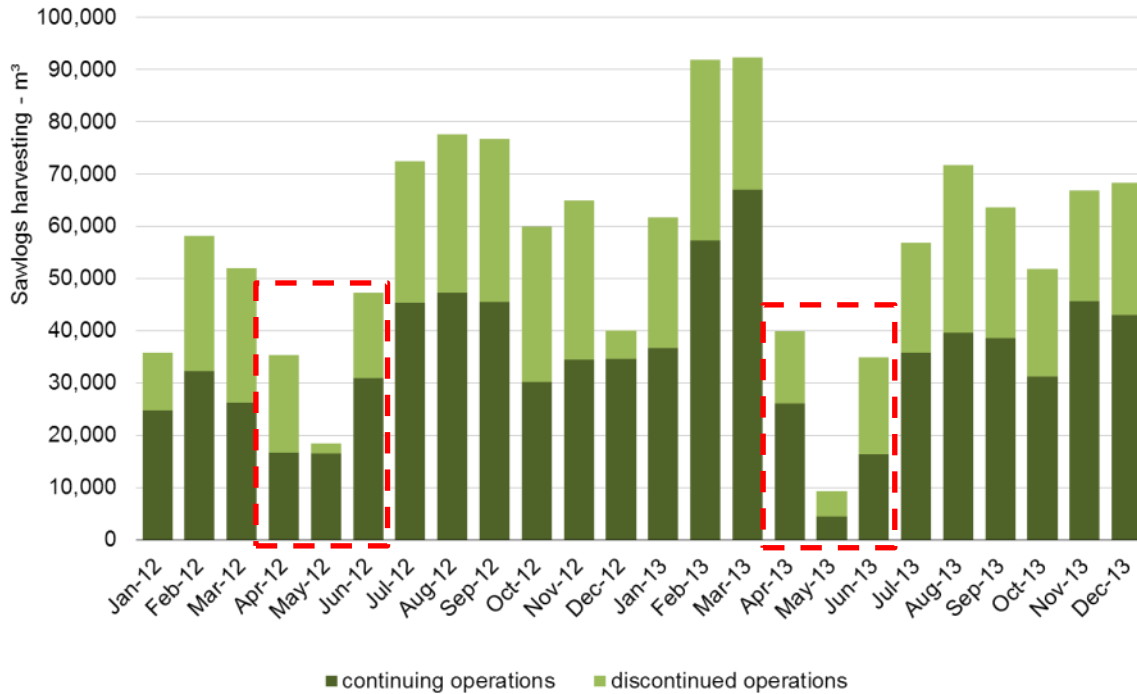
	Unit	Continuing operations				Discontinued operations (Boguchany)		
		Arkhangelsk	Magistralny	Ust-Ilimsk	Total Dec 31, 2013	Total Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Annual Allowable Cut (AAC)	m3	958,800	958,700	733,660	2,651,160	2,860,060	748,400	748,400
Forest area	Hectares	1,270,577	746,352	447,930	2,464,859	2,582,373	374,477	374,477

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 other forest lease-holding companies. Ust-Ilimsk includes RusForest Ust-Ilimsk (harvesting operation) and three 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 forestry assets have been rented out while the strategy for harvesting operations in the region is being revised. 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.

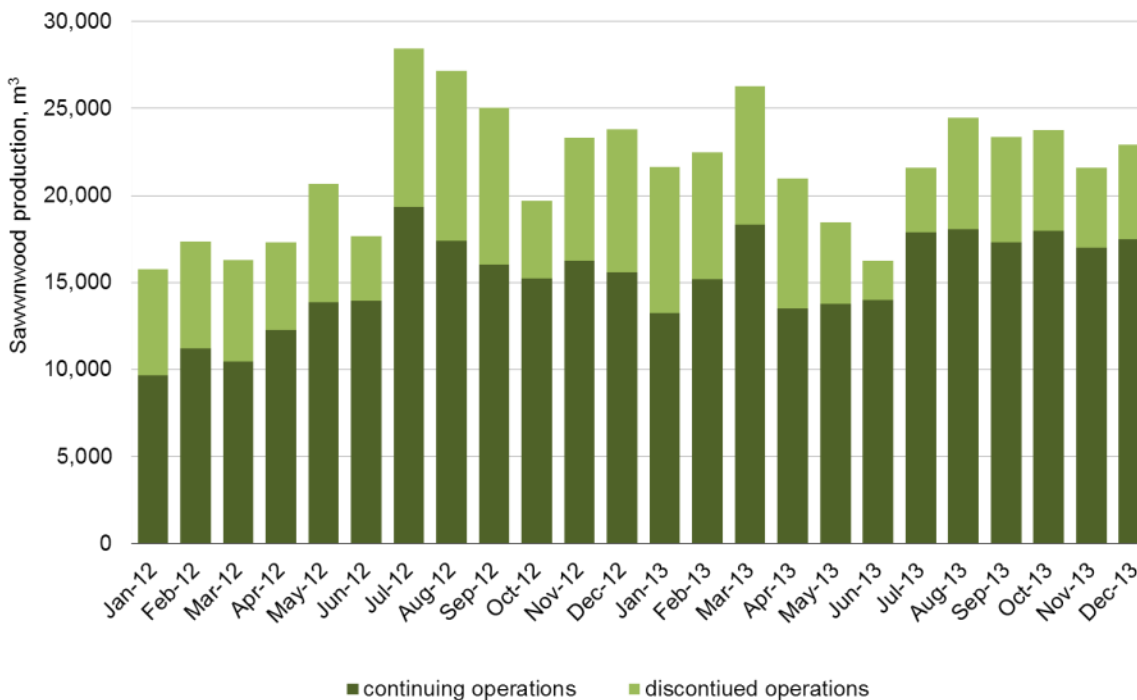
RusForest Group Harvesting Dynamics

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



RusForest Group Sawmilling Dynamics

The graph below shows sawnwood production by Arkhangelsk and Magistralny (continuing operations) and Boguchany (discontinued operations) sawmills.



Operational highlights & regional update

Northwest Russia

Arkhangelsk

Arkhangelsk harvesting produced 26,937 m³ of sawlogs in Q4 2013 compared to 34,055 m³ in Q4 2012. Lower volumes were a result of suspending harvesting operations in unprofitable forest areas.

The Arkhangelsk sawmill (LDK-3) produced 31,664 m³ of sawnwood in Q4 2013 compared to 31,611 m³ in Q4 2012.

The local project team managed to build the pellet mill on schedule and successfully pass the testing phase. The first pellets are being stored in our two silos and are ready for the first shipment to European customers.

Eastern Siberia

Magistralny

Magistralny harvesting produced 92,952 m³ of sawlogs in Q4 2013 compared to 65,157 m³ in Q4 2012. Harvesting in forest lease areas controlled by third parties in Q4 2013 totaled 50,233 m³ – more than half of total harvesting – in order to secure sawlogs suitable for Japanese production.

The Magistralny sawmill produced 20,806 m³ of sawnwood in Q4 2013 compared to 15,453 m³ in Q4 2012.

The average Magistralny sawnwood price increased by 31% from Q1 2013 to Q4 2013 due to a significant increase in sales to the premium Japanese market. In Q4 2013, sales to Japan constituted 21% of sawnwood sales compared to 1% in Q4 2012.

Ust-Ilimsk

Currently, the Ust-Ilimsk forest leases are rented out while the strategy for harvesting operations in the region is being revised. Additional rental agreements were entered into during Q4 2013 in order to ensure break-even operations until the strategy review is finalized.

Boguchany

Boguchany harvesting produced 67,178 m³ of sawlogs in Q4 2013 compared to 65,724 m³ in Q4 2012.

The Boguchany sawmill produced 15,797 m³ of sawnwood in Q4 2013 compared to 19,714 m³ in Q4 2012. The lower volumes were a result of the late arrival of winter in Siberia. Sawlog hauling operations were suspended in November due to wet and muddy road conditions.

In Q1 2014, RusForest sold the Boguchany sawmill, Boguchansky LPK, for USD 8.0 million and agreed to sell the Boguchany harvesting company, RusForest Angara LLC, to the same buyer for USD 5.8 million. The sale of the harvesting company is expected to close on September 30, 2014.

Financial performance

EBITDA development

in thousands of SEK	Q4 2013 SEKth	Q3 2013 SEKth	Q2 2013 SEKth	Q1 2013 SEKth	Q4 2012 SEKth
IFRS results					
Continuing operations					
Revenue (gross, at ports)	105,910	107,888	99,343	118,250	117,030
Operating profit/(loss)	(82,657)	(33,472)	(46,266)	(31,653)	(382,262)
add back depreciation and amortization non-cash expense	21,336	22,620	27,502	22,163	26,888
add back impairment loss	49,714	-	-	-	283,246
EBITDA unadjusted, continuing operations	(11,607)	(10,852)	(18,764)	(9,490)	(72,128)
a. Doubtful receivables	1,535	1,517	8	1,643	21,818
b. Stock adjustment (Arkhangelsk)	-	-	-	-	7,310
c. Disposal of non-current assets	46	4,301	(844)	(7,005)	2,990
d. Correction of forest lease accrual (Arkhangelsk)	2,894	(2,894)	-	-	-
e. Other items	702	(159)	(3,101)	(200)	1,227
Non-recurring items	5,177	2,765	(3,937)	(5,561)	33,346
EBITDA adjusted, continuing operations	(6,430)	(8,087)	(22,701)	(15,051)	(38,782)
Arkhangelsk	(9,545)	(10,535)	(4,509)	329	(7,056)
Ust-Ilimsk	(1,585)	(225)	(2,649)	1,059	(6,249)
Magistralny	11,684	10,249	(1,394)	(3,219)	(5,844)
Unallocated	(6,984)	(7,576)	(14,149)	(13,220)	(19,633)
EBITDA adjusted, by segments	(6,430)	(8,087)	(22,701)	(15,051)	(38,782)
For reference					
Adjusted EBITDA of Boguchany segment	(5,649)	(375)	(11,345)	(10,342)	(12,549)
in millions of USD (for reference)					
	Q4 2013 USDm	Q3 2013 USDm	Q2 2013 USDm	Q1 2013 USDm	Q4 2012 USDm
IFRS results					
Continuing operations					
Revenue (gross, at ports)	16.3	16.6	15.3	18.2	18.0
Operating profit/(loss)	(12.7)	(5.1)	(7.1)	(4.9)	(58.8)
add back depreciation and amortization non-cash expense	3.3	3.5	4.2	3.4	4.1
add back impairment loss	7.6	-	-	-	43.6
EBITDA unadjusted, continuing operations	(1.8)	(1.7)	(2.9)	(1.5)	(11.1)
a. Doubtful receivables	0.2	0.2	0.0	0.3	3.4
b. Stock adjustment (Arkhangelsk)	-	-	-	-	1.1
c. Disposal of non-current assets	0.0	0.7	(0.1)	(1.1)	0.5
d. Correction of forest lease accrual (Arkhangelsk)	0.4	(0.4)	-	-	-
e. Other items	0.1	(0.0)	(0.5)	(0.0)	0.2
Non-recurring items	0.8	0.4	(0.6)	(0.9)	5.1
EBITDA adjusted, continuing operations	(1.0)	(1.2)	(3.5)	(2.3)	(6.0)
Arkhangelsk	(1.5)	(1.6)	(0.7)	0.1	(1.1)
Ust-Ilimsk	(0.2)	(0.0)	(0.4)	0.2	(1.0)
Magistralny	1.8	1.6	(0.2)	(0.5)	(0.9)
Unallocated	(1.1)	(1.2)	(2.2)	(2.0)	(3.0)
EBITDA adjusted, by segments	(1.0)	(1.2)	(3.5)	(2.3)	(6.0)
For reference					
Adjusted EBITDA of Boguchany segment	(0.9)	(0.1)	(1.7)	(1.6)	(1.9)

EBITDA Analysis

The EBITDA loss from continued operations adjusted for non-recurring items is the best indicator of true earnings from regular operations. The EBITDA loss decreased by 83% in Q4 2013 at SEK 6.4 million compared to Q4 2012 at SEK 38.8 million. EBITDA loss from continued operations adjusted for non-recurring items decreased 62% for full year 2013 compared full year 2012. Magistralny showed good earnings for the second quarter in a row while Arkhangelsk was still negative due to the lack of a market for residual products in 2013. Ust-Ilimsk has leased out the majority of its forest leases to third parties while reviewing the strategy for harvesting operations in the area. In Q4 2013, Ust-Ilimsk did not quite achieve earnings neutrality through rent income, but additional rent agreements were concluded.

Profit and loss statement

Revenue

In Q4 2013 sawlogs and sawnwood sales in m³ from core operations (Arkhangelsk and Magistralny) were down 22% and 8% respectively compared to last year. However, due to a much higher price received for sawnwood in Q4 2013 compared to Q4 2012, revenue from sawnwood actually increased by 31% year-on-year from these operations. For the full year 2013 sawlogs and sawnwood sales in m³ from core operations (Arkhangelsk and Magistralny) increased compared to 2012 and coupled with a higher sawnwood price and stable sawlog price that translated into an increase in revenue of 39% and 26% for sawnwood and sawlog respectively for these operations. Increase in price received for sawnwood in 2013 is mainly due to larger share of sales to premium Japanese market achieved, however, part of the increase in prices was attributable to the change in the pricing structure. Arkhangelsk sawmill started to deliver sawnwood using rented vessels. Therefore, both the price for sawnwood and the distribution cost increased in Q4 2013 compared with Q4 2012.

Taking into account revenue from Ust-Ilimsk unit and other revenue, the Group's total revenue from continuing operations in Q4 2013 decreased by 10% compared to Q4 2012, explained by the downscaled Ust-Ilimsk operations in 2013, however, revenue for the full year 2013 was down only 2% compared to 2012 despite the Ust-Ilimsk reduction. 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 December 31, 2013

	Sales volume (m3)	Average price (SEK)	Q4 2013 (SEKm)	Q4 2012 (SEKm)	Change
Sawnwood	46,005	1,624	74.7	56.9	31%
Sawlogs	27,864	449	12.5	18.6	-33%
Ust-Limsk			5.0	17.6	-72%
Planned products			8.2	10.4	-22%
Other revenue			5.5	13.5	-59%
Total revenue			105.9	117.0	-10%

Revenue breakdown, three months ended December, 2012

	Sales volume (m3)	Average price (SEK)	Q4 2012 (SEKm)
Sawnwood	50,099	1,135	56.9
Sawlogs	35,936	519	18.6
Ust-Limsk			17.6
Planned products			10.4
Other revenue			13.5
Total revenue			117.0

Revenue breakdown, twelve months ended December 31, 2013

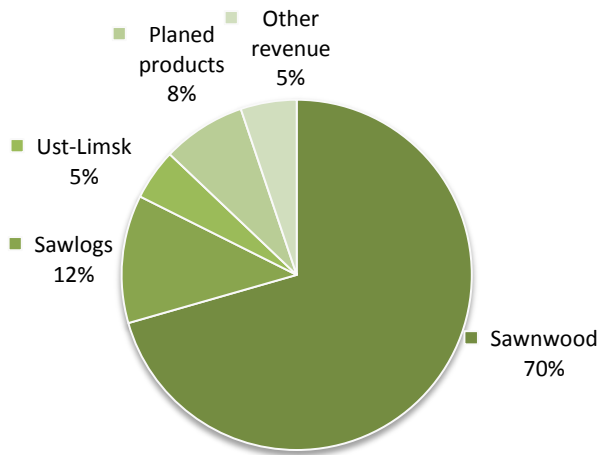
	Sales volume (m3)	Average price (SEK)	12M 2013 (SEKm)	12M 2012 (SEKm)	Change
Sawnwood	177,143	1,427	252.8	181.7	39%
Sawlogs	145,341	402	58.4	46.2	26%
Ust-Limsk			49.5	114.4	-57%
Planned products			40.4	42.8	-6%
Other revenue			30.4	56.1	-46%
Total revenue			431.4	441.1	-2%

Revenue breakdown, twelve months ended December 31, 2012

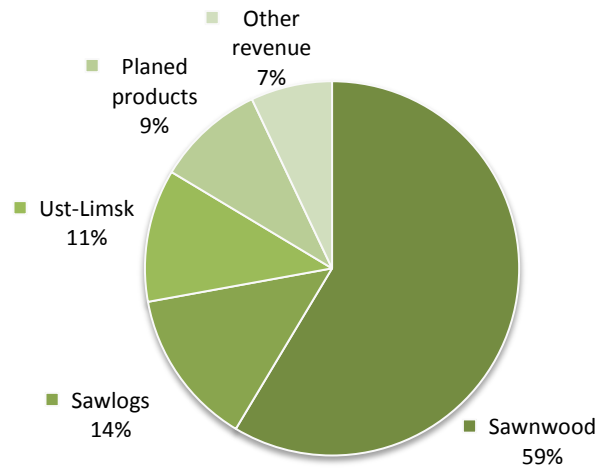
	Sales volume (m3)	Average price (SEK)	12M 2012 (SEKm)
Sawnwood	144,836	1,254	181.7
Sawlogs	112,376	411	46.2
Ust-Limsk			114.4
Planned products			42.8
Other revenue			56.1
Total revenue			441.1

RusForest revenue breakdown (continuing operations)

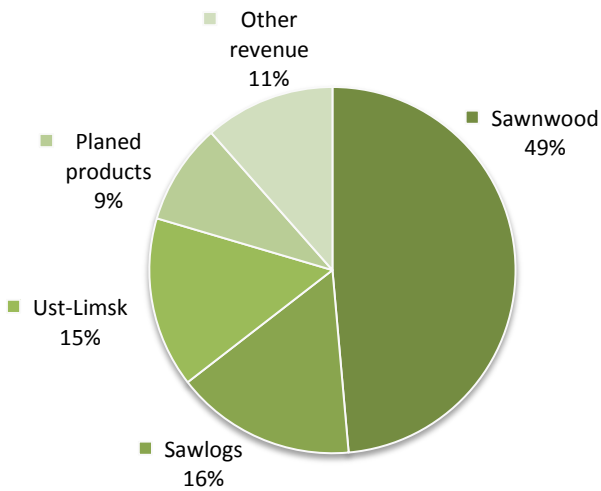
Q4 2013



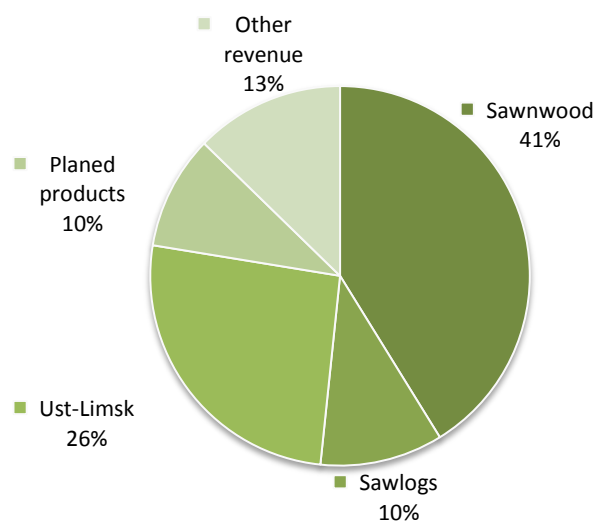
12 M 2013



Q4 2012



12M 2012



Costs

While revenue from continuing operations in Q4 2013 and for the full year 2013 was lower compared to previous year, RusForest's gross result improved from a gross loss of SEK 30.9 million in Q4 2012 to a gross profit of SEK 7.8 million in Q4 2013. The gross result for the full year 2013 improved to a gross profit of SEK 14.7 million from a gross loss of SEK 107.6 million in 2012. The improvement in Gross Result is achieved through lower costs of sales, main driver of lower cost of sales were efficiency improvements which translated into lower personnel costs, less purchased sawlogs because more harvested ourselves and general impact from phasing out the unprofitable Ust-Llimsk sawmill and planing mill operations. *See note 1 for detailed breakdown*

Distribution expenses increased in Q4 2013 and for the full year 2013 compared to the same periods in the previous year. The main drivers of higher distribution costs were increased sea freight and railway costs as part of a shift in the structure of sales terms later in the delivery chain to the end client (i.e. to port of buyer from Arkhangelsk) and also due to increased rail transports to Japan from Magistralny. Such costs are however offset by higher prices received. *See Note 2 for detailed breakdown*

At the corporate level, RusForest managed to reduce overhead costs by 65% from SEK 19.6 million to SEK 6.9 million when comparing Q4 2012 to Q4 2013. Part of the large difference is explained by extraordinary items such as termination payments inflating the Q4 2012 costs. However, the Company has used less external consulting services and had lower headcount in Q4 2013 compared to Q4 2012. In addition, RusForest managed to optimize office rental costs both in Stockholm and in Moscow.

Impairments

In Q4 2013 an impairment loss of SEK 49.7 million was recognized in continuing operations. Out of the SEK 49.7 million, SEK 24.6 million was related to Arkhangelsk with the write-off of non-operational machinery and the value of non-core forest lease agreements to be cancelled. The remaining SEK 25.1 million relates to Ust-Llimsk and impairment of certain road structure investments, as well as old non-operational equipment.

Furthermore, the Boguchany business unit was classified as held for sale as of December 31, 2013 and therefore presented separately as discontinued operations. In connection with the reclassification of Boguchany an impairment loss of SEK 220.8 million is recognized under discontinued operations in Q4 2013. The Company's pellets mill in Ystad was also still held for sale as of December 31, 2013, and a further impairment of its value by SEK 9.3 million was recognized in Q4 2013 under discontinued operations.

Financial Income and Expenses

The financing cost of SEK 7.5 million includes interest on bank loans and financial leases. The cost was lower than in Q4 2012 due to the bond restructuring in Q1 2013 (refer to the Prospectus of February 2013 published on the Company's website).

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 from continuing operations for Q4 2013 was SEK 89.4 million (Q4 2012: loss of SEK 384.7 million). Including loss after tax from discontinued operations the Groups total loss for the quarter amounted to SEK 355.0 million, compared to SEK 675.5 million in Q4 2012.

For the full year 2013 net result from continuing operations amounted to a profit of SEK 44.8 million compared to a loss of SEK 657.6 million in 2012. For the full year 2013 the Group's total loss including discontinued operations amounted to SEK 290.0 million, compared to loss of SEK 1,086.1 million in 2012.

Balance Sheet and Cash Flow

In 2013, the consolidated balance sheet of RusForest was affected by several significant events.

Firstly, in Q1 2013, RusForest completed the restructuring transaction - refer to Q1 2013 report for details. The transaction had a significant effect on the equity and debt of RusForest:

- 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 in the debt-to-equity swap, and 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 29% at December 31, 2013 from 167% at December 31, 2012.

Secondly, during 2013 the Company sold several non-core assets, including the Ust-Ilimsk sawmill, Tuba forest leases in Ust-Ilimsk for aggregate amount of RUB 82 million (SEK 16.4 million), the Shenkursk sawmill for USD 1 million (SEK 6.5 million), the gravel quarry (Belomorski Karier), the planing mills in Ust-Ilimsk (UIZSI) and Arkhangelsk (ALK), and the pellets operation in Latvia for EUR 375,000 (SEK 3.3 million). RusForest classified the remaining non-core assets as held for sale at December 31, 2013.

The main non-core asset held for sale at December 31, 2013, was the Boguchany operating segment in Eastern Siberia. RusForest impaired the carrying amount of the Boguchany segment with SEK 220.8 million in Q4 2013. In addition, the Ystad pellet plant was still for sale at December 31, 2013 and its value was also impaired by SEK 9.3 million in Q4 2013. It should be noted that the buyer of the gravel quarry failed to meet its' obligations under the share purchase agreement signed in April 2013. In Q4 2013, the Company created a provision for doubtful debt of SEK 17 million while taking necessary legal measures to collect the receivable.

Sales of non-core assets and the reclassification of the Boguchany segment to an asset held for sale in Q4 2013 led to a reduction in almost all of the balance sheet line items when comparing balances at the end of 2013 and end of 2012.

Thirdly, in Q2 2013, RusForest started construction of a 100,000 tons/year pellet mill in Arkhangelsk primarily using bank financing. As of December 31, 2013, RusForest had drawn approximately SEK 70 million from Centro Credit bank and invested in total about SEK 99.1 for the pellet mill construction.

Interest bearing obligations at December 31, 2013, included local bank borrowings, the liabilities under finance lease contracts and the loan payable to Vostok Nafta Investments Ltd of USD 5 million.

Market Outlook

North America

Construction

The US housing starts in December were up 4.0% year on year, moderate in comparison to the 18.3% growth for the year. Single-family starts were up 11.0% year on year (15.4% year to date), while multifamily starts were down 6.8% year-on-year in December, but up 24.5% year to date. December's downturn may have been linked to winter weather, but permits, a leading indicator of starts - have been leveling off for much of 2013. Negative headlines leading up to the US government shutdown could have been part of the reason for the slowdown in permits at the end of 2013.

The growth in residential construction was the largest driver of overall US sawnwood demand in 2013, and will continue to be for a number of years ahead. However, residential construction was not the largest segment of demand; it was instead repair and remodeling (R&R). Despite growth in US housing starts in 2014, the largest segment for sawnwood demand in 2014 will again be R&R.

Sawnwood

Increased sawnwood consumption in the US during 2013 has resulted in expanding domestic production and rising sawnwood imports.

Total production in North America was up almost 6% in 2013 compared with 2012, and imports from Canada and overseas increased by 18%.

Sawnwood production levels in the US and Canada have gradually gone up since 2009, and sawnwood shipments are currently back up to the same levels as in 2008, just after the beginning of the global financial crisis.

Sawnwood prices in Q4 remained high and prices at the end of the period regained much of what they lost in early December.

Europe

Construction

European housing markets remain in a state of disarray and European softwood sawnwood consumption continues to languish. The UNECE report for Europe forecasts a 2.5% increase in consumption in 2014, after declining by 1.1% in 2013. Out of the 12 largest softwood sawnwood-consuming countries in Europe (representing 83% of consumption for 31 nations), half of them have shown declining building permits based on Eurostat data indexed to 2010.

Overall, the direction of the EU 28 residential construction was essentially flat in 2013. However, there were exceptions, countries of strength include Germany and the UK (the largest and third-largest softwood consumers in the EU, respectively). On the other hand, the second-largest consumer, France, declined building permits.

Sawnwood

Higher consumption figures are predicted for the UK, Italy, and Austria. The brisker pace of building activity in the UK for a number of months now will probably continue during 2014 and thereby lead to a rise of roughly 2.7% in sawnwood consumption in 2014 to 8.1 million m³.

European sawnwood exporters benefited from strong demand in China and Japan this year. Chinese imports of Finnish and Swedish sawnwood were up 218% year to date as of October 2013. Strong (and volatile) sawnwood prices in North America will open doors for European exporters, particularly in Asia. The export business in Africa and the Middle East remains challenged for the time being.

Japan

Construction

Japanese housing starts data paints a positive picture for wood consumption. The chart below shows that both non-wood and wooden housing starts are increasing, but wooden starts have actually made a full recovery to 2006–2007 levels, driven by a similar recovery in single-family starts. The outlook for Japanese demand is not clear given that Prime Minister Abe has indicated that additional stimulus may come later this year, possibly offsetting the negatives stemming from the tax increase.

Total housing starts for 2013 amounted to 980,025 units, up 11% from the previous year, which is the second largest level for the last 6 years following 1,093,000 units in 2008, while wooden starts actually higher than in 2008.

Housing Starts in Japan	2008	2009	2010	2011	2012	2013
Total, 1,000	1,093	788	813	834	883	980
incl. wooden	517	430	460	465	487	550

Sawnwood

Higher US market prices and a rise in Japanese demand combined boosted imported sawnwood prices early in 2013, and then keep them there. Japanese sawnwood demand grew as motivated consumers made purchases ahead of a consumption tax increase scheduled for April 2014. Another contributor to demand was the ongoing rebuild of natural disaster-hit areas of 2011. Despite a weakened yen, prices have remained stable.

According to preliminary data Japanese sawnwood imports in 2013 grew up by 11.3% compared to 2012. Deliveries from Russia increased by 15.5% (886,200 m³ in 2013 compared to 767,400 m³ in 2012).

China

Construction

Chinese construction activity made a full recovery in 2013, reaching an all-time high. Residential starts grew by 11.6%, almost offsetting the decline of 11.2% in 2012. Other types of starts (offices, commercial space etc.) accelerated, with 18.8% growth in 2013. These figures do not include the social housing units the Chinese government has been building to increase the supply of affordable housing; announced a few years ago, the program was for 36 million units to be built between 2011 and 2015. As of November, China started construction of 6.7 million social housing units in 2013, with 5.4 million completed.

While the economic outlook for China appears to have downside risk for 2014, government policy for urbanization remains steadfast. The social housing program for this year has a target of more than 6.0 million starts, with 4.8 million to be completed by year-end. Furthermore, during a central working committee session, the government acknowledged that its efforts to instill affordability back into China's housing market via measures to slow demand have not worked. Therefore, new policies will be designed to increase supply as an alternate way to tackle China's housing problem.

Sawnwood

Chinese softwood sawnwood imports continue to grow, and the peak level of 14.9 million m³ achieved in 2011 have been surpassed in 2013 at near 16 million m³.

China's sawnwood imports were 10%–11% higher in 2013 than 2012 (about 22 million m³).

According to preliminary data Russian sawnwood exports to China grew up by 10% in 2013 and surpassed Canadian exports to China (-5%). Russian sawnwood exports to China have more than tripled in the last five years. China's harvest decreased by 5%–10% in 2013 and is expected to drop further in 2014. As such, import demand should continue to be supported in 2014, particularly for softwood species.

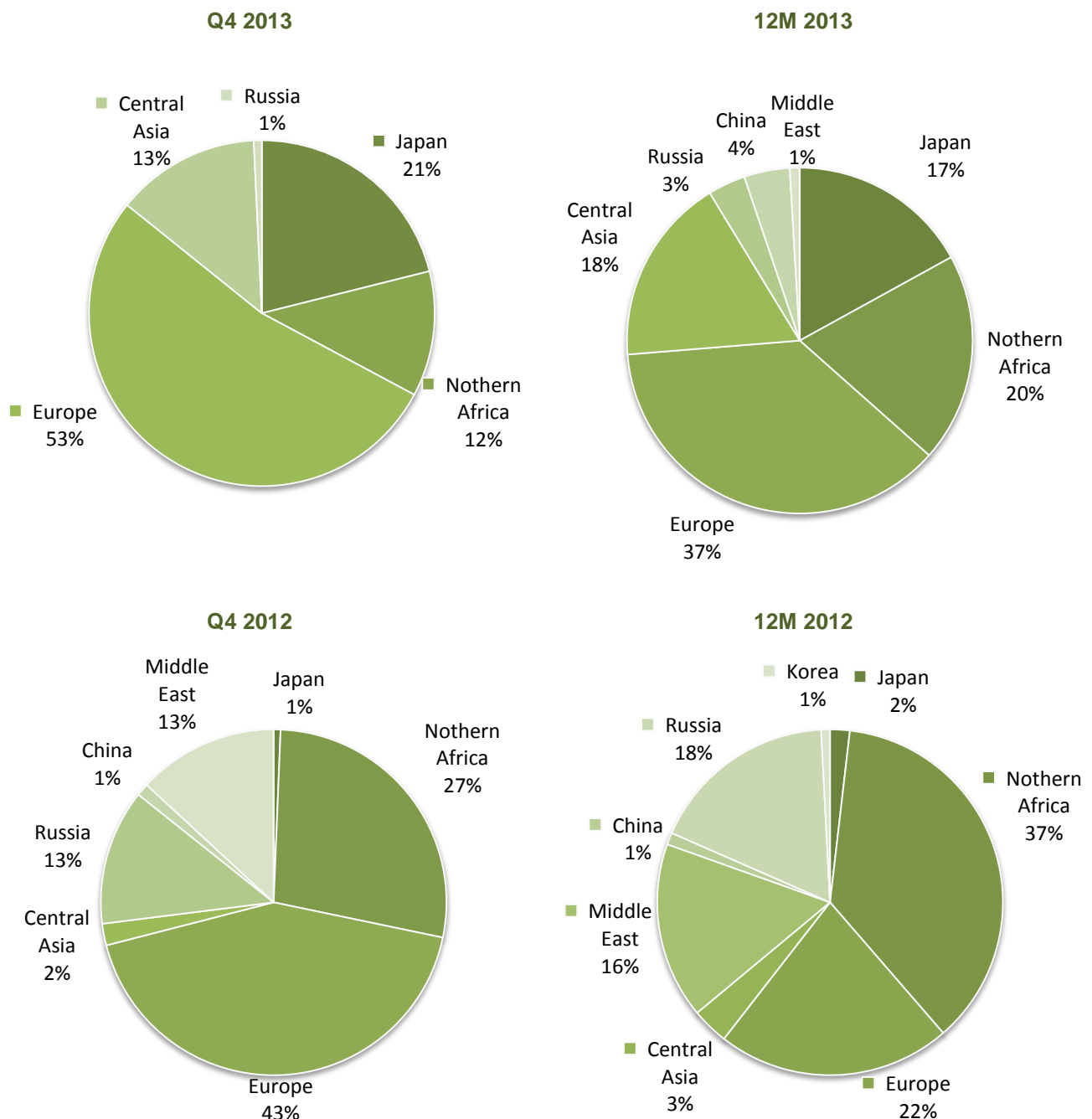
RusForest's market activity

In 2013 RusForest shifted its customer base away from low-priced commodity markets, towards higher priced, specialty product markets, especially in Japan and Europe.

The following pie charts show the change in RusForest's sawnwood markets during 2013. The Middle East and North Africa have become much smaller markets, while Japan, Europe and Central Asia have become much larger. These market changes are key steps in increasing the Company's price realizations.

According to preliminary statistics, RusForest ranked sixth among Russian sawnwood exporters to Japan in 2013, with a share of 3.4%.

RusForest Sawnwood Sales by Geography (based on volumes, continuing operations)



The Share

ISIN: SE0001732728

Short name on NASDAQ OMX First North: RUSF

Number of shares at December 31, 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 2.13 and the Company's market capitalization was approximately SEK 281 million. As of March 28, 2014, the share price was SEK 1.80 and the market capitalization was approximately SEK 237 million. The Company's certified adviser on First North is Pareto Securities AB, which also acts as a market maker in the RusForest share.

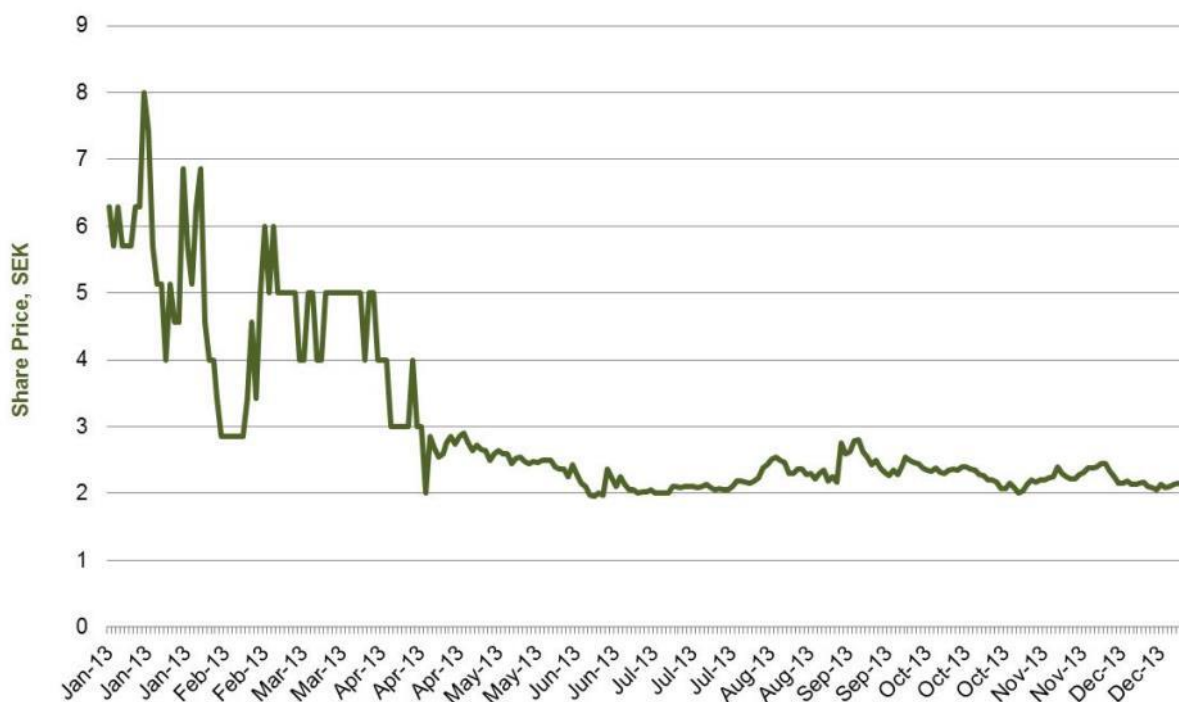
More details about RusForest can be found in the Company's Annual Report 2012, the Prospectus of February 2013 and on the Company's website at www.rusforest.com.

Major Shareholders at December 31, 2013

Shareholder	Number of shares	Percentage
Nova Capital	33,500,000	25.4%
Euroclear Bank S.A.	10,850,573	8.2%
Avanza Pension	7,413,801	5.6%
Carnegie Strategifond	5,670,625	4.3%
JP Morgan Clearing Corp.	4,260,984	3.2%
Nordet Pensionsförsäkring AB	4,197,292	3.2%
Others	66,140,606	50.1%
Total	132,033,881	100.0%

Source: Euroclear

Trading data, 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 bond restructuring in Q1 2013, 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	Q4 2013	Q4 2012*	12M 2013	12M 2012*
Continuing operations				
Revenue	105,910	117,030	431,391	441,091
Cost of sales	(98,080)	(147,963)	(416,716)	(548,745)
Gross profit/(loss)	7,830	(30,933)	14,675	(107,654)
Other income	2,672	4,039	13,007	22,872
Distribution expenses	(20,828)	(14,236)	(73,609)	(66,535)
Administrative expenditure	(20,589)	(32,376)	(92,563)	(122,328)
Other expenses	(2,028)	(25,510)	(5,844)	(46,347)
Impairment loss	(49,714)	(283,246)	(49,714)	(283,246)
Impairment of investments in associates	-	-	-	(2,349)
Operating profit/(loss)	(82,657)	(382,262)	(194,048)	(605,587)
Financing income	90	333	627	1,277
Gain from bond restructuring	-	-	269,772	-
Financing cost	(7,554)	(22,058)	(32,181)	(91,373)
Net financing income/(cost)	(7,464)	(21,725)	238,218	(90,096)
Profit/(loss) before tax from continuing operations	(90,121)	(403,987)	44,170	(695,683)
Income tax	684	19,291	719	38,110
Profit/(loss) from continuing operations	(89,437)	(384,696)	44,889	(657,573)
Discontinued operations				
Profit/(loss) after tax from discontinued operations	(265,601)	(290,829)	(334,938)	(428,555)
Profit/(loss) for the period	(355,038)	(675,525)	(290,049)	(1,086,128)
Attributable to:				
Equity holders of the parent	(353,945)	(673,997)	(294,958)	(1,083,148)
Non-controlling interests	(1,093)	(1,528)	4,909	(2,980)
Profit/(loss) for the period	(355,038)	(675,525)	(290,049)	(1,086,128)
Earnings per share	(2.68)	(120.15)	(2.66)	(253.48)

* 2012 amounts restated to reflect discontinued operations

Condensed Consolidated Statement of Comprehensive Income

In thousands of SEK	Q4 2013	Q4 2012	12M 2013	12M 2012
Profit/(loss) for the period	(355,038)	(675,525)	(290,049)	(1,086,128)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation difference	13,918	23,845	(53,060)	1,446
Other comprehensive income/(loss) for the period, net of tax	13,918	23,845	(53,060)	1,446
Total comprehensive income/(loss) for the period, net of tax	(341,120)	(651,680)	(343,109)	(1,084,682)
Attributable to:				
Equity holders of the parent	(340,211)	(650,210)	(347,894)	(1,081,773)
Non-controlling interests	(909)	(1,470)	4,785	(2,909)
Total comprehensive income/(loss) for the period, net of tax	(341,120)	(651,680)	(343,109)	(1,084,682)
Profit/(loss) from continuing operations	(89,437)	(384,696)	44,889	(657,573)
Attributable to:				
Equity holders of the parent	(88,344)	(383,168)	39,980	(654,593)
Non-controlling interests	(1,093)	(1,528)	4,909	(2,980)
Profit/(loss) from discontinued operations	(265,601)	(290,829)	(334,938)	(428,555)
Attributable to:				
Equity holders of the parent	(265,601)	(290,829)	(334,938)	(428,555)
Non-controlling interests	-	-	-	-

Per Share Data

Per Share Data	Q4 2013	Q4 2012	12M 2013	12M 2012
SEK				
Earnings	(2.68)	(120.15)	(2.66)	(253.48)
Shareholders' Equity (end of period)	3.76	74.37	3.76	74.37
Number of Shares	Q4 2013	Q4 2012	12M 2013	12M 2012
Beginning of period	132,033,881	5,609,540	5,609,540	1,121,908
End of Period	132,033,881	5,609,540	132,033,881	5,609,540
Average number of shares	132,033,881	5,609,540	110,698,605	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 Financial Position

In thousands of SEK	Dec 31, 2013	Dec 31, 2012
Assets		
Non-current assets		
Property Plant and equipment	446,705	740,856
Forest lease rights	94,028	243,266
Intangible assets	2,183	23,563
Deferred tax asset	26	11,131
Total non-current assets	542,942	1,018,816
Current assets		
Inventory	67,668	117,720
VAT refundable	40,659	47,290
Trade and other receivables	37,099	45,481
Current tax assets	352	117
Loans receivable	-	5,024
Cash and cash equivalents	23,737	16,388
Total current assets	169,515	232,020
Assets classified as held for sale	127,676	89,115
Total assets	840,133	1,339,951
EQUITY		
Equity and reserves		
Share capital	132,034	479,038
Other paid in capital	2,374,028	1,602,296
Translation reserve	(115,712)	(62,776)
Accumulated loss	(1,598,883)	(518,232)
Profit/(loss) for the period	(294,958)	(1,083,148)
Total equity attributable to Shareholders of the Group	496,509	417,178
Non-controlling interest	2,805	1,128
Total Equity	499,314	418,306
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	116,729	576,772
Deferred tax liability	26	11,556
Total non-current liabilities	116,755	588,328
Current liabilities		
Interest bearing loans and borrowings	52,563	110,061
Loans payable to related companies	-	33,201
Trade and other payables	79,491	157,102
Current tax liabilities	199	1,803
Provisions	208	1,214
Total current liabilities	132,461	303,381
Liabilities directly associated with the assets classified as held for sale	91,603	29,936
Total liabilities	340,819	921,645
Total equity and liabilities	840,133	1,339,951

2012 amounts have not been restated to reflect discontinued operations

Condensed Consolidated Statement of Cash Flows

In thousands of SEK	Q4 2013	Q4 2012*	12M 2013	12M 2012*
Profit/(loss) for the year	(355,038)	(675,525)	(290,049)	(1,086,128)
Adjustment for non-cash items	343,720	627,017	237,481	931,256
Paid income tax	(571)	(151)	(1,279)	(180)
Cash flow from operating activities before changes in working capital	(11,889)	(48,659)	(53,847)	(155,052)
Cash flow changes in working capital	3,898	16,242	(6,865)	14,726
Cash flow from discontinued operations	(4,870)	(8,810)	(18,288)	(66,672)
Cash flow from operating activities	(12,861)	(41,227)	(79,000)	(206,998)
Investment in equipment	(33,323)	(3,205)	(99,058)	(42,359)
Proceeds from sales of equipment	9,363	3,901	27,618	6,273
VAT refund on capital investments	1,833	-	5,827	3,174
Acquisition of shares in subsidiaries	(191)	-	(611)	(3,414)
Proceeds from sale of subsidiaries	1,422	-	14,528	-
Interest received	616	851	617	869
Cash flow from discontinued operations	893	(1,715)	8,905	(42,903)
Cash flow from investing activities	(19,387)	(168)	(42,174)	(78,360)
New share issues	-	-	186,727	319,272
New share issues (transaction cost)	-	-	(22,004)	(15,553)
Increase/(decrease) in loans payable	9,304	36,279	(15,169)	(31,639)
Cash flow from discontinued operations	(3,191)	(583)	(14,923)	5,705
Cash flow from financing activities	6,113	35,696	134,631	277,785
Cash flow during the period	(26,135)	(5,699)	13,457	(7,573)
including continuing operations	(18,967)	5,409	37,763	96,296
including discontinued operations	(7,168)	(11,108)	(24,306)	(103,870)
Cash and cash equivalents, beginning of	50,826	22,355	16,825	24,209
including continuing operations	50,730	19,988	16,388	23,571
including discontinued operations	96	2,367	437	638
Exchange-rate differences on cash balance	(154)	169	(5,745)	189
Cash and cash equivalents, period end	24,537	16,825	24,537	16,825
including continuing operations	23,737	16,388	23,737	16,388
including discontinued operations	800	437	800	437
In thousands of SEK	Q4 2013	Q4 2012	12M 2013	12M 2012
Adjustment for non-cash items				
Depreciation of property, plant and equipment	18,064	19,191	81,425	96,515
Amortization of intangible assets	3,271	6,424	12,195	25,536
Income tax	(684)	(19,291)	(719)	(38,110)
Finance income	(90)	(333)	(627)	(1,277)
Income from bond restructuring	-	-	(269,772)	-
Finance expense	7,554	22,058	32,181	91,373
Net loss on disposal of property, plant and equipment	46	2,682	(3,503)	7,367
Bad debts	1,535	22,845	4,704	36,199
Other comprehensive (profit)/loss from assets held for sale	265,601	290,829	334,938	428,555
Impairment loss	49,714	283,246	49,714	283,246
Impairment of investments in associates	-	-	-	2,349
Other non-cash items	(1,291)	(634)	(3,055)	(497)
Total	343,720	627,017	237,481	931,256

* 2012 amounts restated to reflect discontinued operations

Condensed Consolidated Statement of Changes in Equity

Jan 1, 2013 - Dec 31, 2013

Attributable to the equity holders of the parents

In thousands of SEK	Share capital	Other paid in capital	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				(294,958)	4,909	(290,049)
Other comprehensive income/(loss)			(52,936)		(124)	(53,060)
Total comprehensive income/(loss)	-	-	(52,936)	(294,958)	4,785	(343,109)
Decrease in share capital	(474,248)	474,248				-
Acquired non-controlling interest in subsidiaries				2,497	(3,108)	(611)
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	(115,712)	(1,893,841)	2,805	499,314

Jan 1, 2012 - Dec 31, 2012

Attributable to the equity holders of the parents

In thousands of SEK	Share capital	Other paid in capital	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				(1,083,148)	(2,980)	(1,086,128)
Other comprehensive income/(loss)			1,375		71	1,446
Total comprehensive income/(loss)	-	-	1,375	(1,083,148)	(2,909)	(1,084,682)
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	(62,776)	(1,601,380)	1,128	418,306

Parent Company Income Statement

In thousands of SEK	12M 2013	12M 2012
Other income	547	6,820
Administrative expenditure	(19,467)	(14,364)
Operating profit/(loss)	(18,920)	(7,544)
Exchange gain/loss	(44,367)	(17,635)
Financing income	44,611	42,197
Income on bond restructuring	269,772	-
Financing cost	(7,570)	(71,966)
Loss on disposal of investments	(435,624)	(1,568,193)
Impairment of investments and receivables from subsidiaries	(368,789)	-
Net financing income/(cost)	(541,967)	(1,615,597)
<i>Income tax</i>	-	-
Profit/(loss) for the period	(560,887)	(1,623,141)

Parent Company Balance Sheet

In thousands of SEK	Dec 31, 2013	Dec 31, 2012
Assets		
Non-current assets		
Property Plant and equipment	80	-
Investments in subsidiaries	50,841	485,909
Loans receivable from subsidiaries	299,220	511,895
Total non-current assets	350,141	997,804
Current assets		
VAT refundable	66	446
Trade and other receivable	207	15,704
Current tax assets	70	6
Cash and cash equivalents	11,536	4,802
Total current assets	11,879	20,958
Total assets	362,020	1,018,762
Equity		
Equity and reserves		
Share capital	132,034	479,038
Share premium	1,037,511	740,027
Retained earnings	(853,322)	(766,683)
Total equity	316,223	452,382
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	3,745	498,675
Total-non current liabilities	3,745	498,675
Current liabilities		
Interest-bearing loans and borrowings	32,634	31,360
Loans payable to related companies	-	33,201
Trade and other payables	9,418	2,374
Provisions	-	770
Total current liabilities	42,052	67,705
Total equity and liabilities	362,020	1,018,762

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

The fluctuations of SEK to the Company's main currencies are presented below.

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
December 31, 2013	8.92	6.48	0.20

source: www.oanda.com

Notes to the Financial Statements

Note 1. Cost of sales

In thousands of SEK	Q4 2013	Q4 2012	12M 2013	12M 2012
Personnel costs	18,213	36,577	90,695	132,269
Purchased sawlogs	22,960	27,257	50,052	49,004
Purchased sawnwood	254	6,582	22,236	46,566
Purchased woodchips	-	-	-	2,348
Depreciation of property, plant and equipment	15,822	21,469	72,834	90,745
Amortization of intangible assets	3,226	6,544	12,120	25,482
Materials	1,949	6,579	8,770	24,636
Energy and fuel	11,878	16,809	49,113	70,078
Repairs and maintenance	6,878	7,344	30,430	26,791
Harvesting services	5,220	4,814	29,084	23,677
Forest lease	7,625	4,486	21,430	23,363
Other	4,055	9,502	29,952	33,786
Total	98,080	147,963	416,716	548,745

Note 2. Distribution expenses

In thousands of SEK	Q4 2013	Q4 2012	12M 2013	12M 2012
Personnel costs	2,867	5,278	15,425	18,041
Railway costs	7,101	1,356	26,974	21,859
Sea freight	6,118	-	14,482	494
Other	4,742	7,602	16,728	26,141
Total	20,828	14,236	73,609	66,535

Note 3. Administrative expenditure

In thousands of SEK	Q4 2013	Q4 2012	12M 2013	12M 2012
Personnel costs	11,408	20,099	58,347	68,379
Audit	816	1,049	2,775	5,123
Property tax	1,467	1,858	6,433	8,180
Consulting fees	1,857	3,975	7,983	12,893
Other	5,041	5,395	17,025	27,753
Total	20,589	32,376	92,563	122,328

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, Ust-Ilimsk and Magistralny. As of December 31, 2013, two units are recorded as assets held for sale - Boguchany and Ystad pellets. 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.

There were no material intersegment transactions or revenue.

Operational segments, results for twelve months ended December 31, 2013

In thousands of SEK	External revenue				Impairment loss	Profit/(loss) before tax
	Sawnwood	Sawlogs	Other	Total		
Arkhangelsk	133,970	10,797	65,182	209,949	(24,571)	(103,595)
Ust-Ilimsk	11,408	11,949	26,107	49,464	(25,143)	(42,396)
Magistralny	118,806	47,614	5,440	171,860	-	(28,718)
Unallocated*	-	-	118	118	-	218,879
Total from continuing operations	264,184	70,360	96,847	431,391	(49,714)	44,170
Boguchany	107,784	20,145	5,044	132,973	(220,785)	(299,304)
Pellets	-	-	3,613	3,613	(9,342)	(14,725)
Gravel	-	-	14,592	14,592	-	(18,179)
ALK	-	-	5	5	-	(399)
UI ZSI	-	-	2,616	2,616	-	(2,615)
Shenkursk	26	-	86	112	-	(625)
Total from discontinued operations	107,810	20,145	25,956	153,911	(230,127)	(335,847)
Total	371,994	90,505	122,803	585,302	(279,841)	(291,677)

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

Operational segments, results for twelve months ended December 31, 2012

In thousands of SEK	External revenue				Impairment loss	Profit/(loss) before tax
	Sawnwood	Sawlogs	Other	Total		
Arkhangelsk	116,978	8,623	96,340	221,941	(176,262)	(313,184)
Ust-Ilimsk	70,688	26,401	17,262	114,351	(106,984)	(164,708)
Magistralny	64,686	37,560	2,553	104,799	-	(72,945)
Unallocated	-	-	-	-	-	(144,846)
Total from continuing operations	252,352	72,584	116,155	441,091	(283,246)	(695,683)
Boguchany	102,354	15,583	5,300	123,237	(58,616)	(160,668)
Pellets	-	-	8,127	8,127	(54,940)	(74,114)
Gravel	-	-	81,621	81,621	(43,656)	(58,137)
ALK	-	-	3,241	3,241	(13,564)	(19,878)
UI ZSI	-	-	9,605	9,605	(9,006)	(10,345)
Shenkursk	17,395	-	266	17,661	(58,745)	(77,711)
Total from discontinued operations	119,749	15,583	108,160	243,492	(238,527)	(400,853)
Total	372,101	88,167	224,315	684,583	(521,773)	(1,096,536)

Assets classified as held for sale

In thousands of SEK	Dec 31, 2013	Dec 31, 2012
Non-current assets		
Property Plant and equipment	52,454	54,532
Forest lease rights	24,348	-
Intangible assets	2,328	9,066
Deferred tax asset	-	388
Total non-current assets	79,130	63,986
Current assets		
Inventory	21,035	13,517
VAT refundable	14,515	2,183
Trade and other receivable	7,530	8,992
Current tax assets	-	-
Loans receivable	4,666	-
Cash and cash equivalents	800	437
Total current assets	48,546	25,129
Total assets	127,676	89,115

Liabilities directly associated with the assets classified as held for sale

In thousands of SEK	Dec 31, 2013	Dec 31, 2012
Non-current liabilities		
Interest-bearing loans and borrowings	30,196	-
Deferred tax liability	-	-
Total non-current liabilities	30,196	-
Current liabilities		
Interest-bearing loans and borrowings	9,368	8,719
Trade and other payables	51,968	21,217
Current tax liabilities	71	-
Provisions	-	-
Total current liabilities	61,407	29,936
Total liabilities	91,603	29,936

Consolidated statement of comprehensive income, discontinued operations

In thousands of SEK	12M 2013	12M 2012
Discontinued operations		
Turnover	153,911	243,492
Cost of sales	(158,494)	(262,870)
Gross profit	(4,583)	(19,378)
Other income	5,824	1,008
Distribution expenses	(49,312)	(85,901)
Administrative expenditure	(21,404)	(30,779)
Other expenses	(12,017)	(15,892)
Impairment loss	(230,127)	(238,527)
Loss from disposal	(14,472)	-
Operating profit/(loss)	(326,091)	(389,469)
Financing income	88	1
Financing cost	(9,844)	(11,385)
Net financing income/(cost)	(9,756)	(11,384)
Income tax	909	(27,702)
Loss after tax from discontinued operations	(334,938)	(428,555)

Condensed consolidated statement of cash flows, discontinued operations

In thousands of SEK	12M 2013	12M 2012
Cash flow from operating activities	(18,288)	(66,672)
Cash flow from investing activities	8,905	(42,903)
Cash flow from financing activities	(14,923)	5,705
Cash flow during the period	(24,307)	(103,870)

Financial calendar

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

Annual General Meeting and Annual Report

The Annual General Meeting of shareholders in RusForest AB (publ) will be held at 3 p.m. on Thursday, May 15, 2014, at 7A Konferens, Strandvägen 7A, Stockholm, Sweden. To be entitled to participate at the Annual General Meeting, shareholders must be registered in the share register maintained by Euroclear Sweden AB (Swedish Securities Register Centre) no later than May 8, 2014, and notify their intention to attend the Annual General Meeting by May 8, 2014. Information on RusForest's AGM will also be available from its website www.rusforest.se. RusForest's Annual Report for 2013 will be available on the Company's website and at the company's head office, Hovslagargatan 5, Stockholm, Sweden, by April 24, 2014.

Dividend

The Board of Directors proposes that no dividend be paid for the 2013 financial year.

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

Stockholm, March 31, 2014

RusForest AB (publ.)
The Board of Directors

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