

## Interim Report 1 January – 30 September 2014

USDm	Third quarter		9M	
	2014	2013	2014	2013
Revenue	16.8	16.6	51.6	50.0
EBITDA adjusted*	0.7	(1.2)	2.0	(7.0)
Profit/(loss) from continuing operations	(4.0)	(5.4)	(9.9)	20.6**
Profit/(loss) from discontinued operations	1.5	(1.6)	0.4	(10.6)
Profit/(loss) for the period	(2.5)	(7.1)	(9.6)	10.0
Net income/(loss) per share (USD per share)	(0.0)	(0.1)	(0.1)	0.1

<i>Production &amp; sales continuing operations</i>				
Sawlogs harvested, m <sup>3</sup>	90,992	114,040	233,369	327,414
Sawnwood produced, m <sup>3</sup>	54,447	53,305	144,316	141,374
Sawlogs sold, m <sup>3</sup>	25,930	34,442	62,081	117,477
Sawnwood sold, m <sup>3</sup>	51,659	45,675	150,822	131,138
Pellets produced, tonnes	16,646	-	35,966	-
Pellets sold, tonnes	11,124	-	27,383	-

	30 Sep 2014	31 Dec 2013
Cash balance	3.4	3.6
Working capital***	4.2	10.1
Net debt****	16.8	22.3

## Highlights

### Third quarter 2014

- RusForest's operations continue to show positive EBITDA and overall positive cash flow.
- Adjusted EBITDA in Q3 2014 of USD 0.7 million, compared with negative USD 1.2 million in Q3 2013.
- Sawnwood production increased by 2% to 54,447 m<sup>3</sup> of sawnwood, compared with 53,305 m<sup>3</sup> in Q3 2013.
- On 28 July 2014, RusForest announced the sale of its subsidiary, Ystad Pellets AB, which owns a non-core wood pellet mill that has been idle for several years in Ystad, Sweden. Net cash proceeds to RusForest received from the transaction amount to USD 0.6 million.

### After the end of the reporting period

- After the end of the quarter the Company received another USD 2 million, in addition to the USD 1.5 million received in March 2014, as part of the Boguchany divestment project.

\*Detailed EBITDA calculation on page 6 of this report.

\*\*Includes gain from bond restructuring in the amount of USD 41.4 million.

\*\*\*Calculated as trade and other receivables less trade and other payables, excluding interest bearing receivables, -liabilities and cash.

\*\*\*\*Calculated as interest bearing loans and borrowing less interest bearing loan receivables and cash.



## CEO's Comment

Dear RusForest Shareholders,

The Q3 2014 results demonstrate that we are achieving stability in our business. We improved the adjusted EBITDA from continuing operations to USD 0.7 million, compared with USD –1.2 million in the same period last year. The loss for Q3 2014 decreased to USD -2.5 million compared with USD -7.1 million in Q3 2013.

We are pleased with the development of our core operations in Magistralny. The Q3 2014 result in Magistralny was positive, and our Japanese market strategy is bearing fruit. We are currently evaluating potential next steps to improve our margins in Magistralny, including investing in a small scale pellet mill.

In order to complete the RusForest turnaround, there are still a few tasks ahead. Firstly, we are working hard to conclude the divestment of the Boguchany forest assets. The on-going Ukraine crisis has made it more difficult to close this deal. Secondly, we are completing our strategic review of the Arkhangelsk business segment. Access to financing continues to be tight due to the Russian sanctions imposed by the international community.

The 2015 consensus forecast for sawnwood markets is challenging given the slowdown in Asia and Europe, but we continue to execute on our plans to become a profitable integrated forest industry company.

I look forward to updating you on our future developments in the coming weeks.

Sincerely,

Matti Lehtipuu

*Group CEO, RusForest AB (publ)*

## Operational Review

### RusForest operational data

Forest resources continuing operations		As at 30 September 2014		As at 30 September 2013	
Annual Allowable Cut (AAC)	<i>m<sup>3</sup></i>	2,543,360		2,750,060	
Forest area	<i>Hectares</i>	2,281,178		2,527,064	

Continuing operations	Three months ended			Nine months ended		
	30 Sep 2014	30 Sep 2013	% Q3'14 vs Q3'13	30 Sep 2014	30 Sep 2013	% 9M'14 vs 9M'13

#### Production

<b>Sawlogs harvested</b>	<i>m<sup>3</sup></i>	<b>90,992</b>	<b>114,040</b>	<b>-20%</b>	<b>233,369</b>	<b>327,414</b>	<b>-29%</b>
Arkhangelsk	<i>m<sup>3</sup></i>	7,042	25,023	-72%	59,511	109,407	-46%
in own forest leases	<i>m<sup>3</sup></i>	7,042	25,023	-72%	59,511	109,407	-46%
in third party forest leases	<i>m<sup>3</sup></i>	-	-	-	-	-	-
Magistralny	<i>m<sup>3</sup></i>	83,950	89,017	-6%	173,858	218,007	-20%
in own forest leases	<i>m<sup>3</sup></i>	18,142	25,417	-29%	103,925	144,075	-28%
in third party forest leases	<i>m<sup>3</sup></i>	65,808	63,600	3%	69,933	73,932	-5%
<b>Logs purchased</b>	<i>m<sup>3</sup></i>	<b>85,843</b>	<b>27,568</b>	<b>211%</b>	<b>191,120</b>	<b>88,445</b>	<b>116%</b>
Arkhangelsk	<i>m<sup>3</sup></i>	85,843	27,250	215%	191,120	82,693	131%
Magistralny	<i>m<sup>3</sup></i>	-	318	-	-	5,752	-
<b>Sawnwood production</b>	<i>m<sup>3</sup></i>	<b>54,447</b>	<b>53,305</b>	<b>2%</b>	<b>144,316</b>	<b>141,374</b>	<b>2%</b>
Arkhangelsk	<i>m<sup>3</sup></i>	32,828	34,079	-4%	86,873	91,256	-5%
Magistralny	<i>m<sup>3</sup></i>	21,619	19,226	12%	57,443	50,118	15%
<b>Pellets produced</b>	<i>tonnes</i>	<b>16,646</b>	-	-	<b>35,966</b>	-	-
Arkhangelsk	<i>tonnes</i>	16,646	-	-	35,966	-	-
Magistralny	<i>tonnes</i>	-	-	-	-	-	-

#### Sales volumes

<b>Sawlogs sold</b>	<i>m<sup>3</sup></i>	<b>25,930</b>	<b>34,442</b>	<b>-25%</b>	<b>62,081</b>	<b>117,477</b>	<b>-47%</b>
Arkhangelsk	<i>m<sup>3</sup></i>	3,079	3,742	-18%	3,439	35,710	-90%
Magistralny	<i>m<sup>3</sup></i>	22,851	30,700	-26%	58,642	81,767	-28%
<b>Sawnwood sold</b>	<i>m<sup>3</sup></i>	<b>51,659</b>	<b>45,675</b>	<b>13%</b>	<b>150,822</b>	<b>131,138</b>	<b>15%</b>
Arkhangelsk	<i>m<sup>3</sup></i>	29,667	25,461	17%	93,094	77,302	20%
Magistralny	<i>m<sup>3</sup></i>	21,992	20,214	9%	57,728	53,836	7%
<b>Pellets sold</b>	<i>tonnes</i>	<b>11,124</b>	-	-	<b>27,383</b>	-	-
Arkhangelsk	<i>tonnes</i>	11,124	-	-	27,383	-	-
Magistralny	<i>tonnes</i>	-	-	-	-	-	-

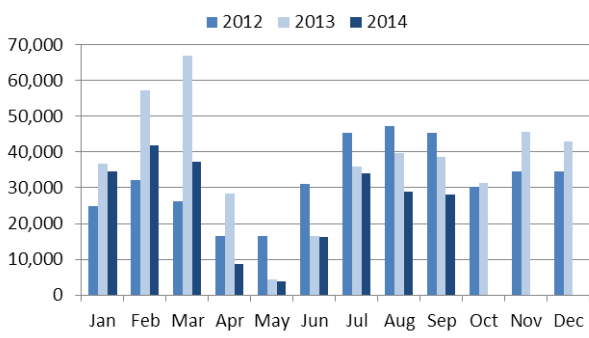
In Q3 2014, RusForest harvested 90,992 m<sup>3</sup> of sawlogs, compared with 114,040 m<sup>3</sup> in Q3 2013 (-20%). The low harvesting volumes were caused by poor weather conditions and problems with haulage mainly in Arkhangelsk.

In Q3 2014, RusForest produced 54,447 m<sup>3</sup> of sawnwood, compared with 53,305 m<sup>3</sup> in Q3 2013 (+2%).

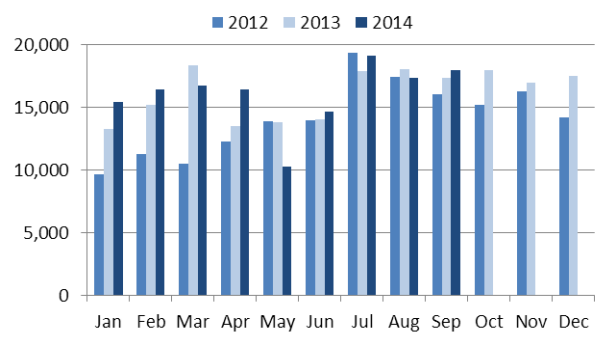
In Q3 2014, pellet production in Arkhangelsk totalled 16,646 tonnes.



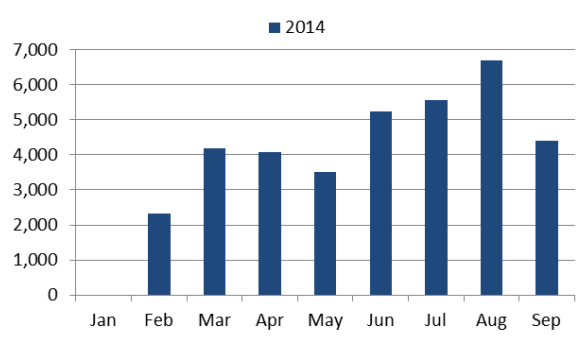
### Harvesting sawlogs, m<sup>3</sup>



### Sawnwood production, m<sup>3</sup>



### Pellet production, tonnes



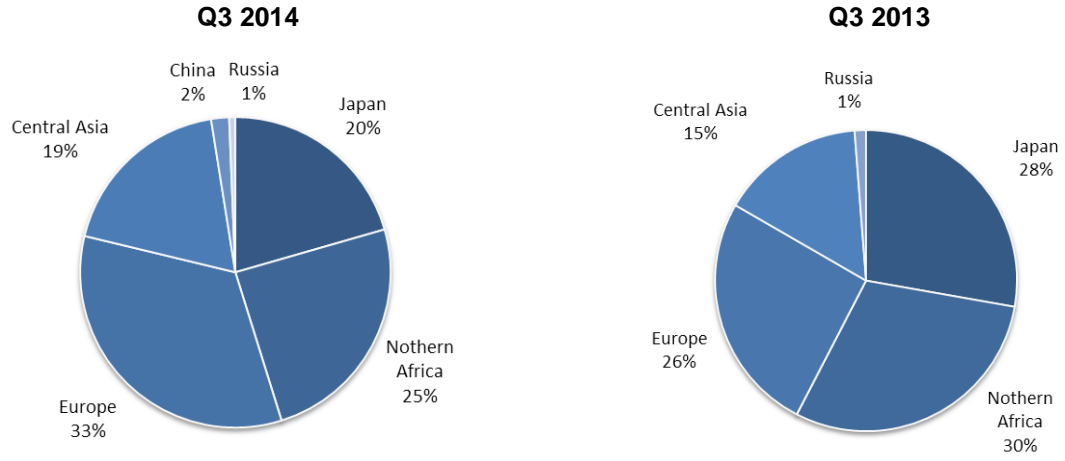
### RusForest sales

RusForest sawnwood sales in Q3 2014 were 13% higher than in Q3 2013 (51,659 m<sup>3</sup> compared with 45,675 m<sup>3</sup>).

In Q3 2014, RusForest increased its sales on the European market (17,344 m<sup>3</sup> compared with 11,746 m<sup>3</sup> in Q3 2013). One of the reasons for this was that one of the vessels scheduled for the beginning of Q4 2014 was instead transported in Q3 2014. This increase in deliveries to Europe for the quarter influenced the sales by region breakdown for the quarter.

The average sawnwood price realisation, using a FOB basis for all sales, remained unchanged in Q3 2014 compared with Q2 2014 (215.2 USD/m<sup>3</sup>). Note that the company sells its products on various terms, including FOB, CIF, FCA and CPT.

### RusForest\* sawnwood sales by region



\* Magistralny + Arkhangelsk



## Regional Update

### Northwest Russia

#### Production

Arkhangelsk harvested 7,042 m<sup>3</sup> of sawlogs in Q3 2014, compared with 25,023 m<sup>3</sup> in Q3 2013. Harvesting operations in Arkhangelsk in Q3 were in part deliberately restricted as there was a large stock of logs to be hauled from the upper landing. In addition, hauling was limited by bad road conditions.

The company purchased high volumes of sawlogs on the open market to create a stock of sawlogs prior to the off-season harvesting period.

The Arkhangelsk sawmill (LDK-3) produced 32,828 m<sup>3</sup> of sawnwood in Q3 2014, compared with 34,079 m<sup>3</sup> in Q3 2013.

The Arkhangelsk pellet mill produced 16,646 tonnes of pellets in Q3 2014 compared with 12,830 tonnes in Q2 2014. The lower than expected production volumes were caused by technical adjustments of the new line. The line was also stopped in September due to limited storage capacity.

#### Sales

In Q3 2014, LDK-3 sold 29,667 m<sup>3</sup> of sawnwood compared with 25,461 m<sup>3</sup> in Q3 2013 (+16.5%). One of the vessels scheduled for the beginning of Q4 2014 was instead shipped in Q3 2014.

The average sawnwood price realisation in Arkhangelsk increased in Q3 2014 by 18.7% compared with Q3 2013, to USD 212/m<sup>3</sup>. The increase is due to better market prices and more sales done with delivery to customer, with the additional margin included in this price metric.

Total pellet sales in Q3 2014 amounted to 11,124 tonnes (-32% compared with Q2 2014). One of the shipments scheduled for end of Q3 2014 was instead transported at the beginning of Q4 2014.

### Eastern Siberia

#### Production

Magistralny harvested 83,950 m<sup>3</sup> of sawlogs in Q3 2014, compared with 89,017 m<sup>3</sup> in Q3 2013. Harvesting in forest lease areas controlled by third parties in Q3 2014 was 65,808 m<sup>3</sup> compared with 63,600 m<sup>3</sup> in Q3 2013. The decrease was mainly due to unfavorable market situation in China.

The Magistralny sawmill produced 21,619 m<sup>3</sup> of sawnwood in Q3 2014, compared with 19,226 m<sup>3</sup> in Q3 2013 (+12.4%).

#### Sales

In Q3 2014, Magistralny sold 21,992 m<sup>3</sup> of sawnwood compared with 20,214 m<sup>3</sup> in Q3 2013 (+8.8%).

The average sawnwood price realisation in Magistralny decreased in Q3 2014 compared with Q3 2013 by 0.5% to USD 219/m<sup>3</sup> 'on wagon'.

In Q3 2014, RusForest Magistralny sold 22,851 m<sup>3</sup> of sawlogs compared with 30,700 m<sup>3</sup> in Q3 2013.



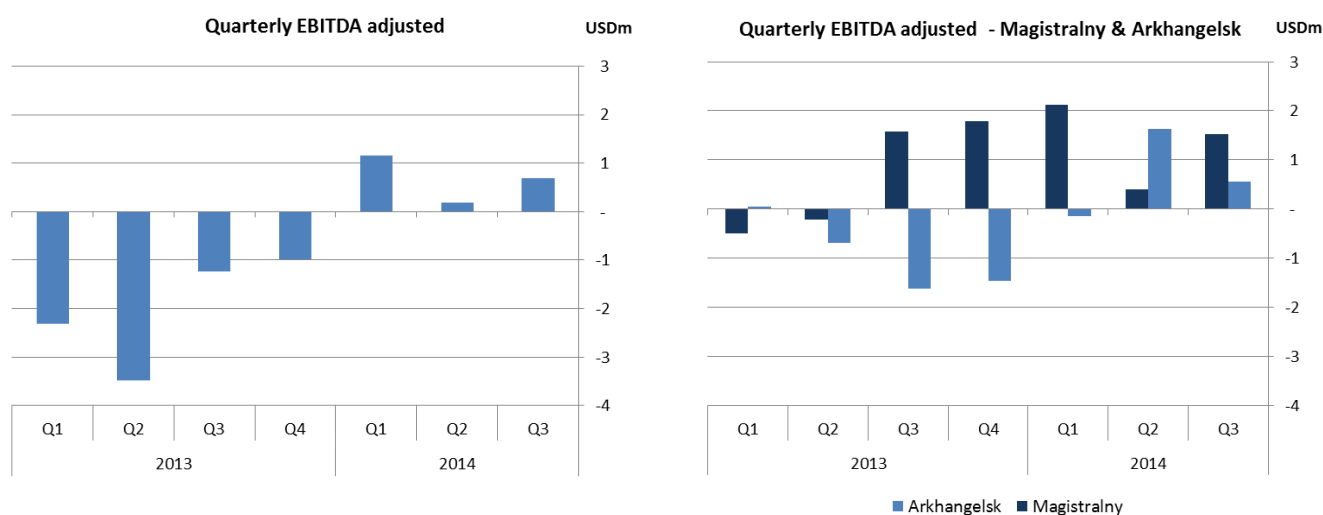
## Financial Review

### EBITDA development

in USD thousand	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
<b>EBITDA unadjusted, continuing operations</b>	<b>497</b>	<b>420</b>	<b>1,069</b>	<b>(1,781)</b>	<b>(1,666)</b>	<b>(2,880)</b>	<b>(1,456)</b>
a. Doubtful receivables	8	360	130	236	233	1	252
b. Disposal of non-current assets	73	764	170	7	660	(130)	(1,075)
c. Correction of forest lease accrual (Arkhangelsk)	-	-	-	444	(444)	-	-
d. Collection of old receivable for pulpwood (Arkhangelsk)	-	(1,420)	-	-	-	-	-
e. Non-recoverable income (Ust-Ilimsk)	-	266	(266)	-	-	-	-
f. Other items	111	(197)	52	108	(24)	(476)	(31)
Non-recurring items	192	(227)	86	795	424	(604)	(854)
<b>EBITDA adjusted, continuing operations</b>	<b>689</b>	<b>193</b>	<b>1,155</b>	<b>(987)</b>	<b>(1,241)</b>	<b>(3,484)</b>	<b>(2,310)</b>
Arkhangelsk	563	1,637	(153)	(1,465)	(1,617)	(692)	50
Ust-Ilimsk	(314)	(666)	360	(243)	(35)	(407)	163
Magistralny	1,532	405	2,128	1,793	1,573	(214)	(494)
Unallocated	(1,092)	(1,183)	(1,180)	(1,072)	(1,163)	(2,172)	(2,029)
<b>EBITDA adjusted, by segments</b>	<b>689</b>	<b>193</b>	<b>1,155</b>	<b>(987)</b>	<b>(1,241)</b>	<b>(3,484)</b>	<b>(2,310)</b>
For reference							
Adjusted EBITDA of Boguchany segment	657	(67)	(331)	(867)	(58)	(1,741)	(1,587)

Earnings before interest taxes and depreciation and amortisation (EBITDA) from continuing operations, also adjusted for non-recurring items (adjusted EBITDA) improved substantially year-on-year, with earnings of negative USD 1.2 million in Q3 2013 turning into positive adjusted EBITDA of USD 0.7 million in Q3 2014. Magistralny continues to deliver positive results for third consecutive quarter. Arkhangelsk showed a large improvement year-on-year and adjusted EBITDA of positive USD 0.6 million. The Arkhangelsk result was however negatively impacted by lower pellet sales than in Q2 2014, which was due to one planned shipment being shipped early October rather than at the end of September. Ust-Ilimsk showed negative earnings due to continued low harvesting activity in Q3 2014. The winter period is generally when there is harvesting activity and revenue generation in Ust-Ilimsk. The company is still reviewing the long term strategy for the assets in Ust-Ilimsk. The Boguchany segment, which now consists of the forestry and harvesting unit, showed positive EBITDA for the quarter thanks to improved operations and active harvesting in Q3 2014.

The improvement is even more significant for the first nine months of the year, during which adjusted EBITDA amounted to USD 2.0 million compared with negative adjusted EBITDA of USD 7.0 million for same period in 2013. In addition to the significant improvement at Arkhangelsk and Magistralny, the improved earnings is also due to the 36% reduction in overhead costs for the first nine months of 2014 (USD 3.5 million) compared with the same period in 2013 (USD 5.4 million).



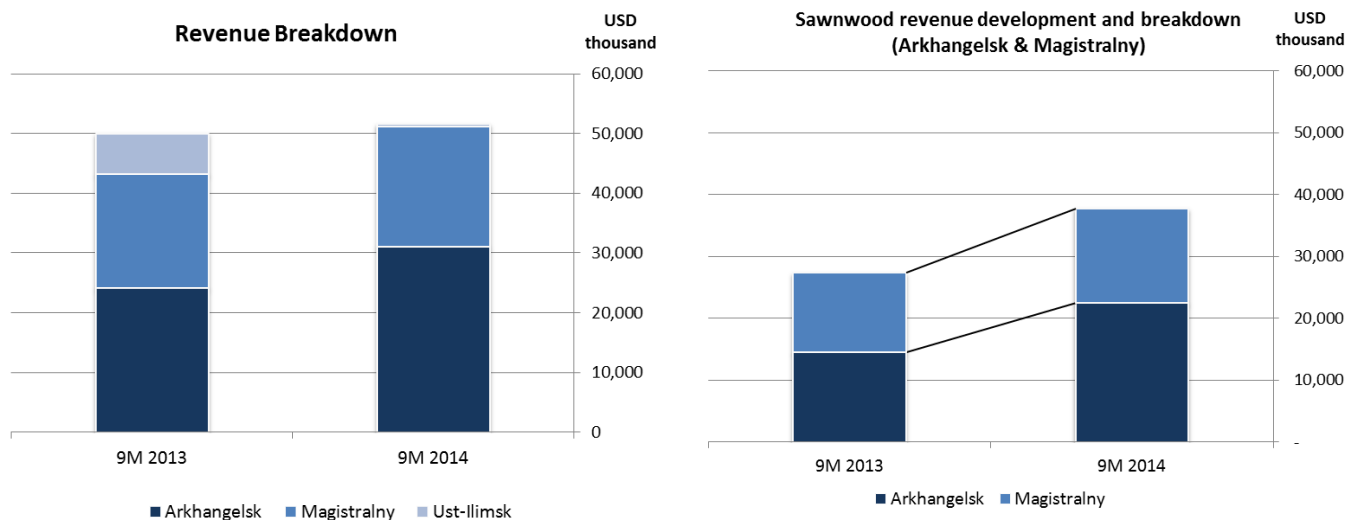


## Revenue

Sales volume (m <sup>3</sup> /tonnes)				Revenue per m3/tonne (USD)				Revenue (USD thousand)			
	9M 2014	9M 2013	Δ%		9M 2014	9M 2013	Δ%		9M 2014	9M 2013	Δ%
Sawnwood	150,822	131,138	15%	Sawnwood	250	208	20%	Sawnwood	37,765	27,326	38%
Sawlogs	62,081	117,477	-47%	Sawlogs	70	60	17%	Sawlogs	4,349	7,044	-38%
Pellets	27,383	-	n/a	Pellets	174	-	n/a	Ust-Limsk	504	6,825	-93%
								Pellets	4,767	0	n/a
								Other revenue	4,202	8,760	-52%
								<b>Total</b>	<b>51,587</b>	<b>49,955</b>	<b>3%</b>

Sales volumes of sawnwood increased by 13% in Q3 2014 compared with Q3 2013 while sawlog volumes decreased (-25%), mainly in Magistralny due to unfavorable market situation in China and more sawlogs used for sawnwood production. This is in line with the general strategy in 2014 of reducing sawlog sales in favour of sawnwood. For the first nine months of 2014 sold volumes of sawnwood increased by 15% compared with 2013. As stated earlier prices for sawnwood on a FOB basis were almost unchanged for Magistralny in Q3 2014 compared with Q3 2013 but increased 18.7% for Arkhangelsk in Q3 2014 compared with Q3 2013. Sawnwood revenue showed very positive development for the first nine months of 2014, both as a result of the increased volumes and prices received, and also because of the increase in sales with delivery to customers, particularly the sawnwood sales from Arkhangelsk.

Group revenue for Q3 2014 increased by 2% compared with Q3 2013 and for the first nine months of 2014 the increase was 3% compared with the first nine months 2013. The loss of Ust-Ilimsk sawmill revenue and reduction of revenue from the planing mill in Arkhangelsk in 2014 was consequently more than compensated by increase of sawnwood revenue from Arkhangelsk and Magistralny and new revenue from pellet sales.



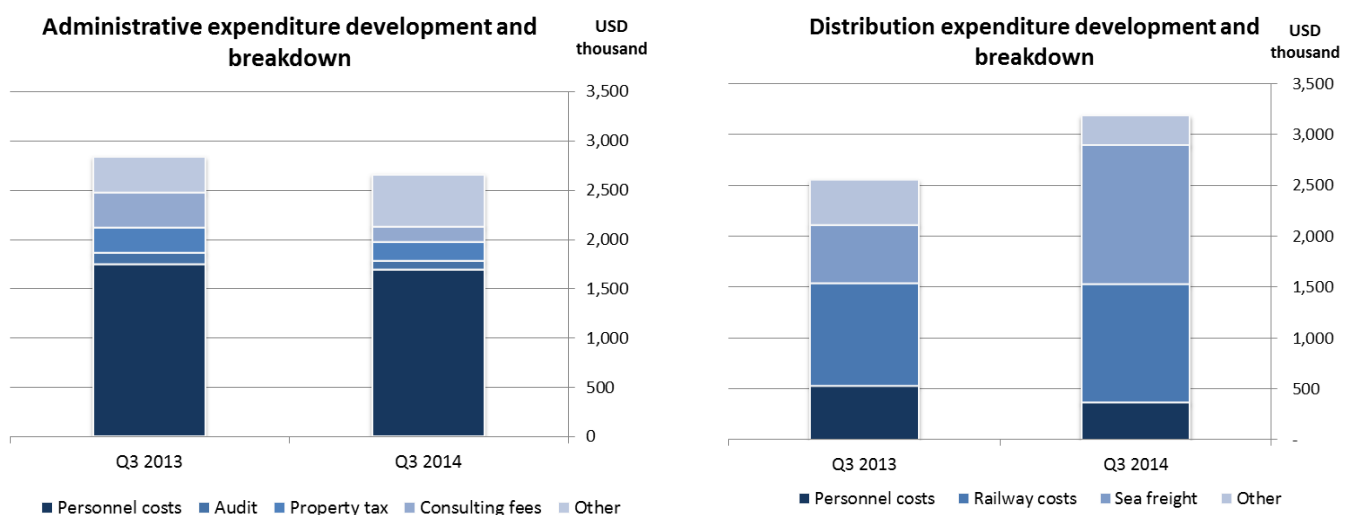


## Costs

The cost of sales decreased by 16% to USD 13.1 million in Q3 2014, compared with USD 15.5 million in Q2 2013. This reduction is due to a number of cost items, including reduction in harvesting services due to improved own harvesting operations, reduction in personnel costs and other costs. However, Repairs and Maintenance costs increased in Q3 2014.

Distribution expenses increased by 25% to USD 3.2 million in Q3 2014, compared with USD 2.6 million in Q3 2013. The shift in Arkhangelsk to selling more products with delivery to customers by ship in order to gain additional margin, as well as deliveries of wood pellets by ship has led to significantly increased sea freight costs in Q3 2014 when comparing with Q3 2013. For the first nine months of 2014 the increase in distribution expenses to USD 8.9 million compared with USD 8.1 million for the same period in 2013 is not so dramatic due to offsetting savings in personnel, rail and other distribution expenses.

Administrative expenses decreased by 6% to USD 2.7 million in Q3 2014, compared with USD 2.8 million for the same period in 2013. The company's continued focus on cutting administrative expenses led to a continued reduction in almost all cost categories. However, in Q3 2013 certain cost cutting measures had already been implemented, which is why the year-on-year comparison is less significant compared to previous quarters. For the first nine months of 2014 administrative expenses decreased by 23% compared with same period in 2013.



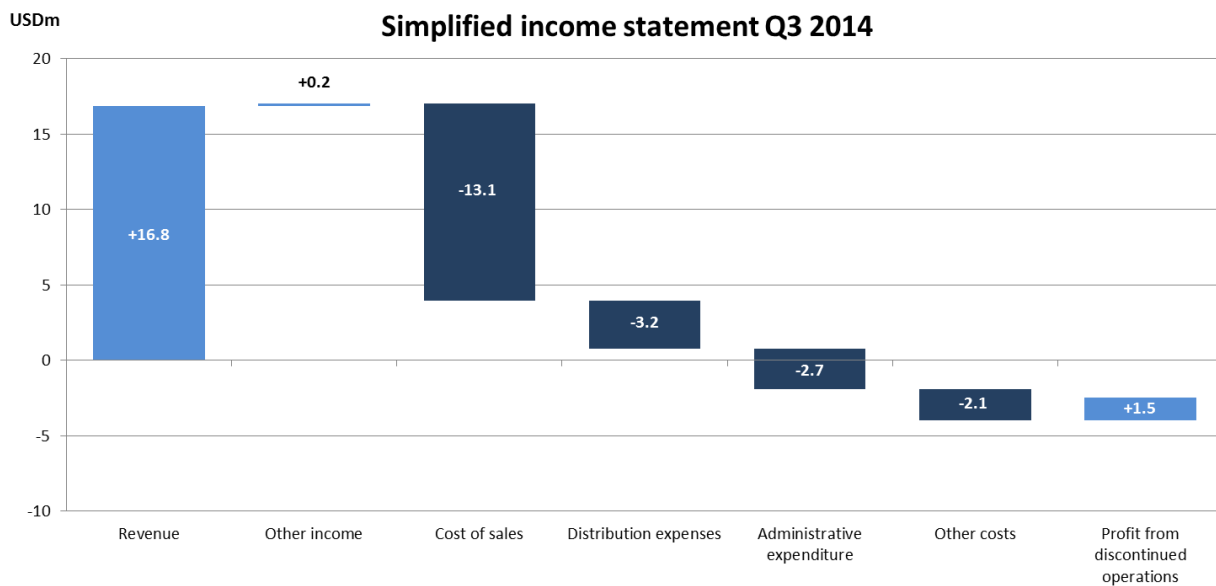
Other expenses decreased significantly in Q3 2014, to USD 0.2 million compared with USD 1.0 million in Q3 2013. For the first nine months of 2014, however, other expenses increased due to bad debt provisions made earlier in 2014 in connection with Ust-Ilimsk subcontractors and losses in connection with the disposal of old machinery and equipment, mainly in Ust-Ilimsk.

Financing costs increased significantly to USD 1.9 million in Q3 2014 compared with USD 0.6 million in Q3 2013, owing mainly to a USD 1 million net FX loss, from the depreciation of the Russian ruble against financial liabilities in other currencies.

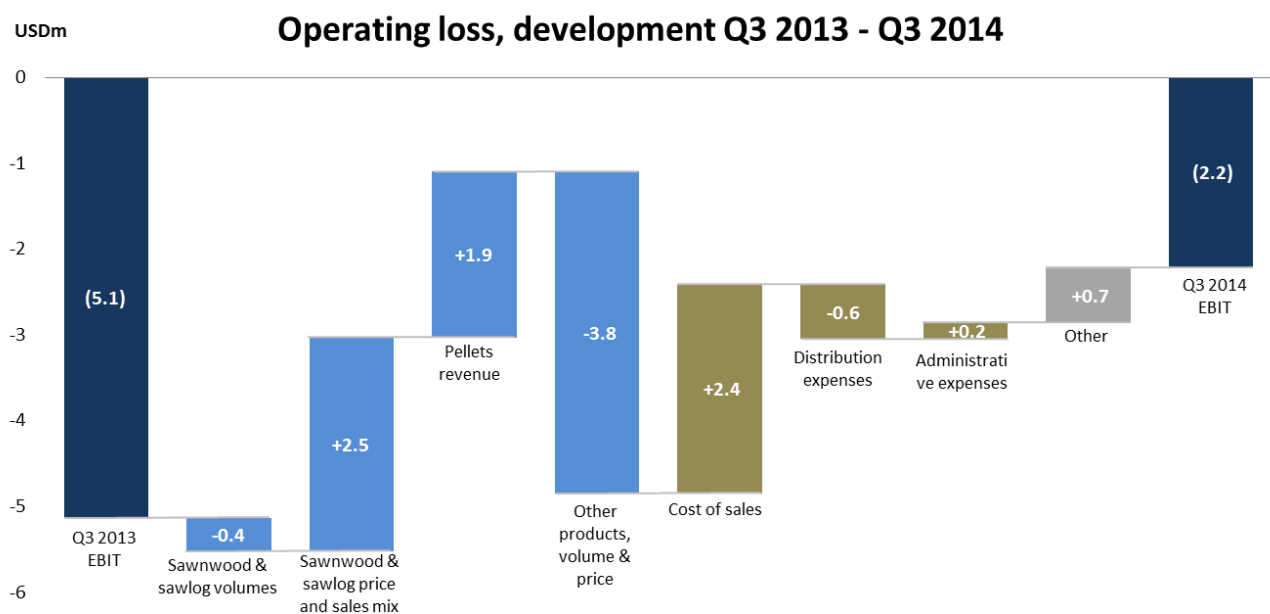


## Earnings

The company achieved a gross profit of USD 3.7 million in Q3 2014 in continuing operations, representing a 22% gross profit margin, compared with gross profit of USD 1.0 million in Q3 2013. As previously stated, the company achieved positive adjusted EBITDA in continuing operations of USD 0.8 million, compared with negative USD 1.2 million in Q3 2013. The operating loss in continuing operations was USD 2.2 million in Q3 2014, compared with a loss of USD 5.1 million in Q3 2013. Discontinued operations, which consist of Boguchany forest and harvesting operations, generated a profit after tax of USD 1.5 million in Q3 2014, compared with a loss of USD 1.6 million in Q3 2013. The loss for Q3 2014 amounted to USD 2.5 million, compared with a loss of USD 7.1 million in Q3 2013.



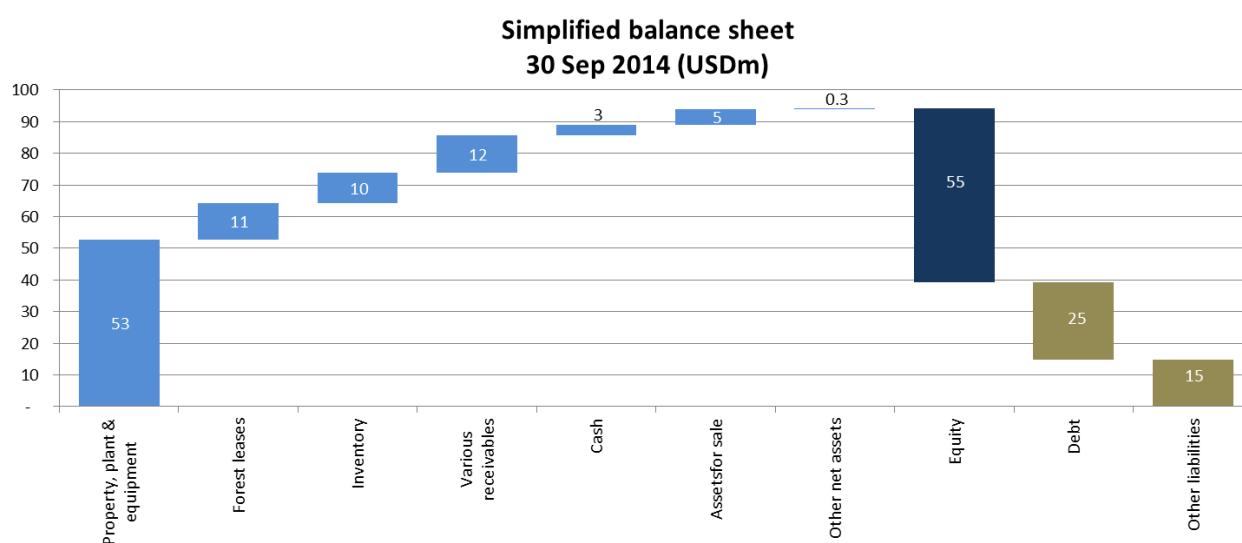
The chart below summarises different factors contributing to the 57% reduction in operating loss.



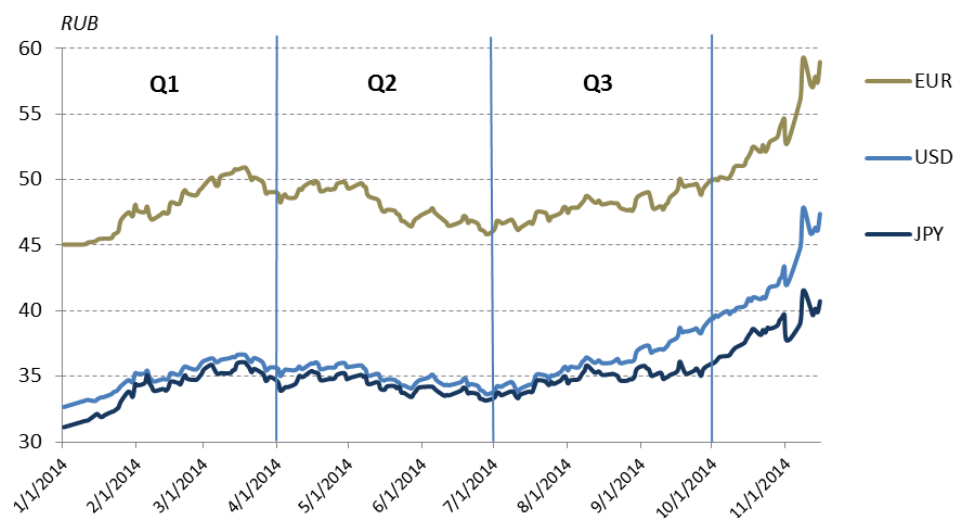
## Balance Sheet and Cash Flow

At 30 September 2014, the total assets of the company amounted to USD 94.3 million. Property, plant and equipment constituted the largest component of assets, amounting to USD 52.8 million. Assets classified as held for sale amounted to USD 4.9 million consisting of the Boguchany forest and harvesting company. Working capital was reduced to USD 4.2 million at 30 September 2014, compared with USD 10.1 million at 31 December 2013. The company's cash and cash equivalents totalled USD 3.4 million at 30 September 2014, compared with USD 3.6 million at 31 December 2013.

Interest-bearing loans and borrowings amounted to USD 24.5 million at 30 September 2014, compared with USD 25.9 million at 31 December 2014. The value in USD of assets and liabilities on the balance sheet is affected by the fluctuations in the ruble, as of 30 September 2014 the RUB/USD rate for translation stood at 39.4, compared with 33.6 as of 30 June 2014.

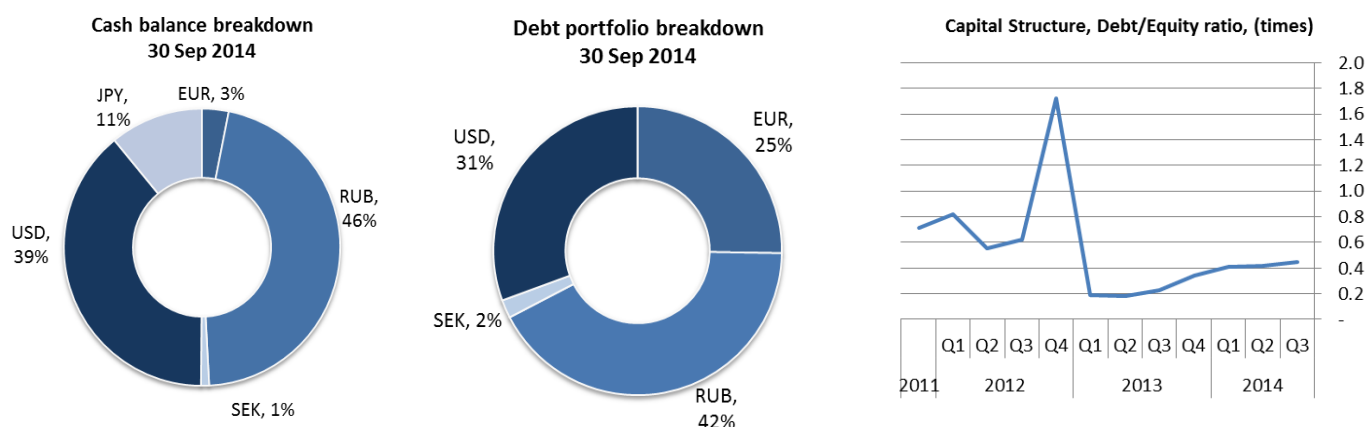


The Russian ruble depreciated by about 16% against the USD, the company's reporting currency, in Q3 2014. At 30 September 2014 the Russian ruble had depreciated by about 21% compared with the start of the year. However the ruble has continued to depreciate since the end of the third quarter and as of mid-November 2014 the depreciation against the USD was about 43% since the beginning of the year.

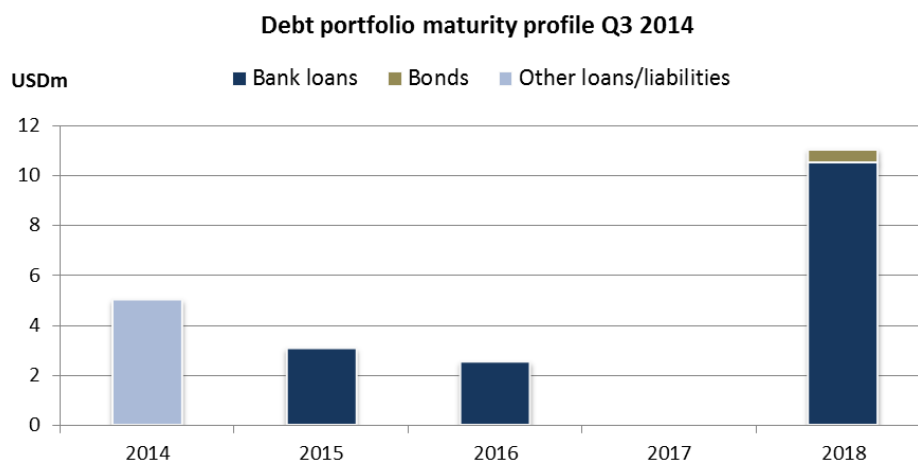


Source: Russian Central Bank

At 30 September 2014 the company held its cash in predominantly USD and RUB. The company's debt portfolio at 30 September 2014 was mainly split between USD, EUR and RUB. The debt-to-equity ratio at the end of Q3 2014 was 0.45.



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



In Q3 2014, the company again achieved positive cash flow from operating activities, cash flow amounted to USD 3.3 million, compared with negative USD 2.1 million in Q3 2013. The main item affecting cash flow from financing activities in Q3 2014 was the USD 2.0 million decrease in loans payable.

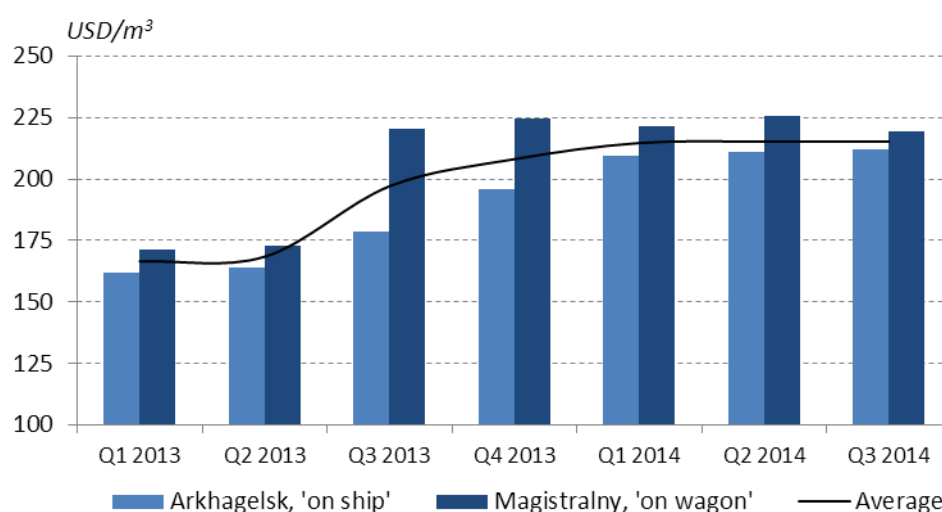
In the first nine months of 2014 cash flow from operating activities amounted to positive USD 5.5 million compared with negative USD 9.2 million for the same period 2013. A total of USD 4.0 million was spent on investments in equipment and also USD 3.9 million on purchase of loan related to Boguchansky LPK as previously announced in the first nine months of 2014.

## The Market

### RusForest sawnwood prices

Site	Q3 2014	Q2 2014	Q32014 vs. Q2 2014
Arkhangelsk, 'on ship', USD/m <sup>3</sup>	212.1	211.1	+0.5% <span style="color: green;">→</span>
Magistralny, 'on wagon', USD/m <sup>3</sup>	219.3	225.8	-2.9% <span style="color: red;">→</span>
RusForest Group, USD/m <sup>3</sup>	215.2	215.2	- <span style="color: black;">→</span>

### RusForest sawnwood price dynamics



RusForest sawnwood markets remained stable in Q3 2014. The average level of sawnwood remained unchanged from Q2 2014. The Q3 2014 overall sawnwood market environment was characterized by the following factors:

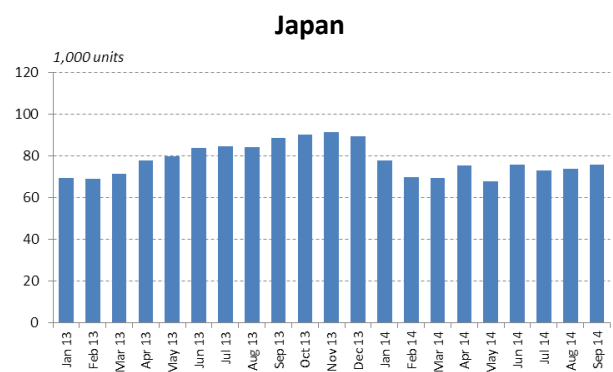
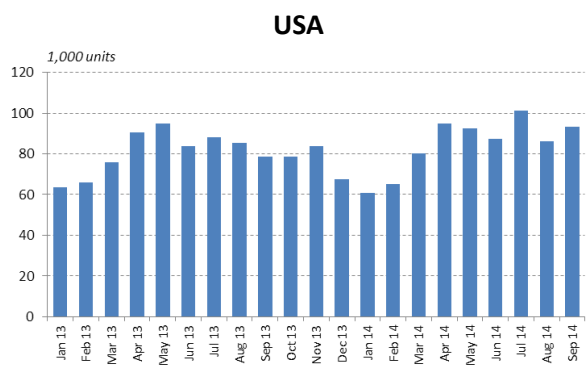
- Europe – Increased sawnwood production volumes in all key supply countries resulting in excess volumes in the market. Pressure on prices of sawnwood.
- Japan – Market decline continued after VAT increase in April and reduced housing starts.
- MENA – High deliveries from Europe and Russia in H1 2014, increasing stock levels especially in Egypt.
- China – Uncertainties in housing markets, high roundwood and sawnwood stocks at the ports.
- US – Housing starts and sawnwood market recovering, no dramatic impact on prices of sawnwood.



Our short-term outlook for Q4 2014 is negative. However, this is also partly due to seasonal factors; the winter months are usually less active in the market place before the construction season starts again in the spring. We do not expect to see an improvement in the market until Q2 2015.

Market	Current situation (Q3 2014)	Short-term outlook (Q4 2014)
Europe	↘	↘
Japan	↘	→
MENA	↘	↘
China	↘	→
US	↗	→

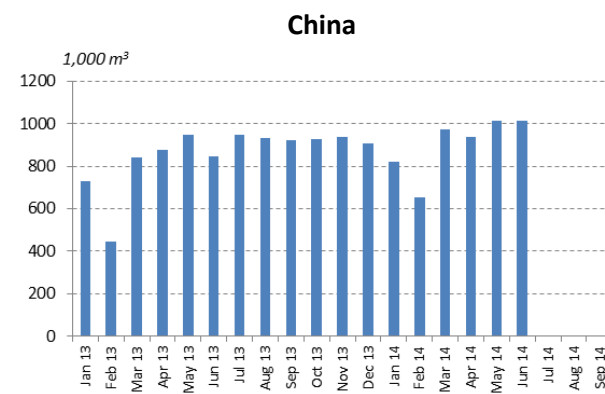
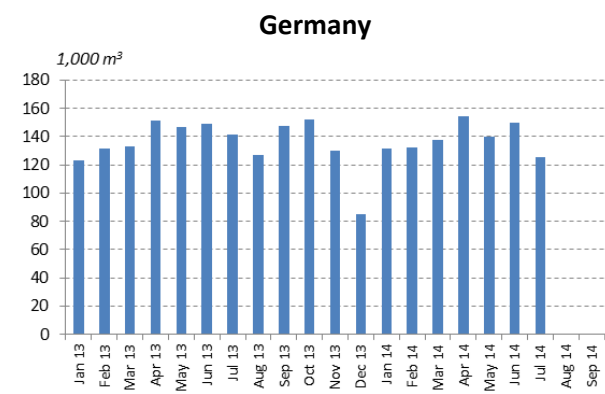
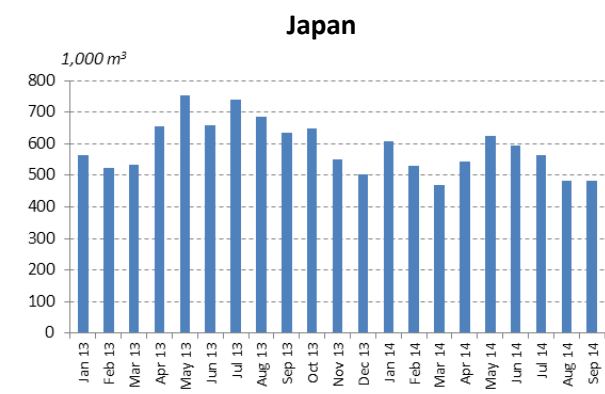
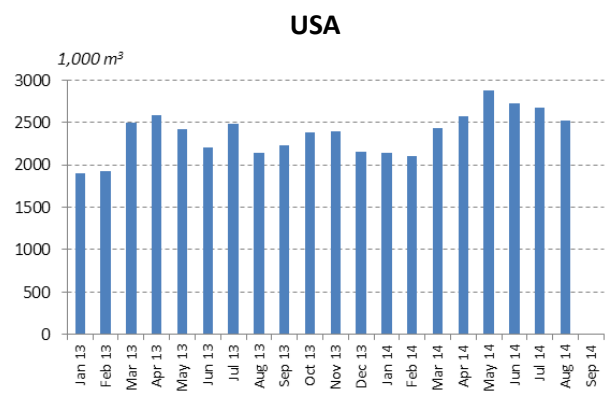
### Construction - housing starts





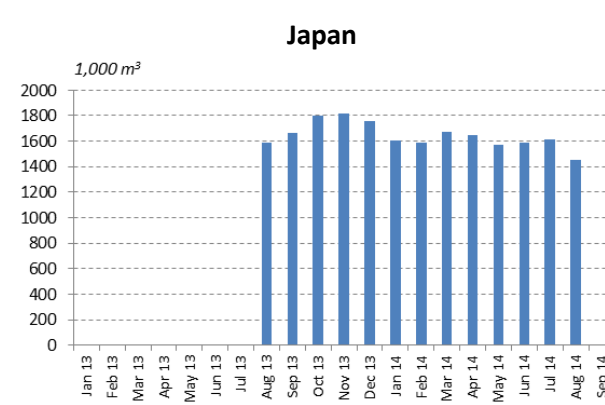
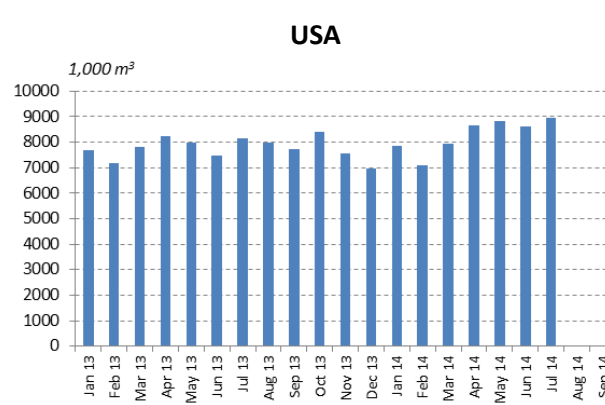


## Imports of sawnwood



Sources: International Trade Centre (ITC), US Census Bureau, Japanese Ministry of Finance, General Customs Administration of China, Eurostat

## Consumption of sawnwood



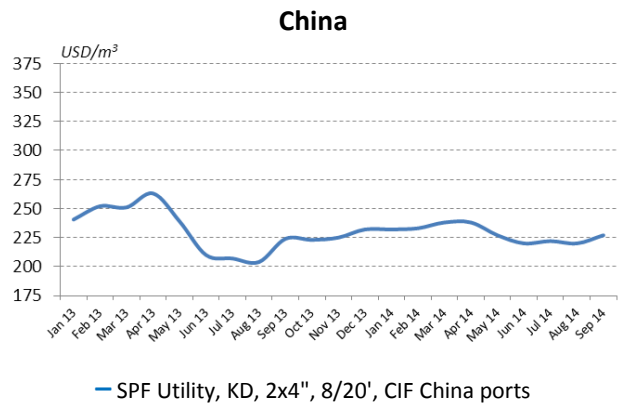
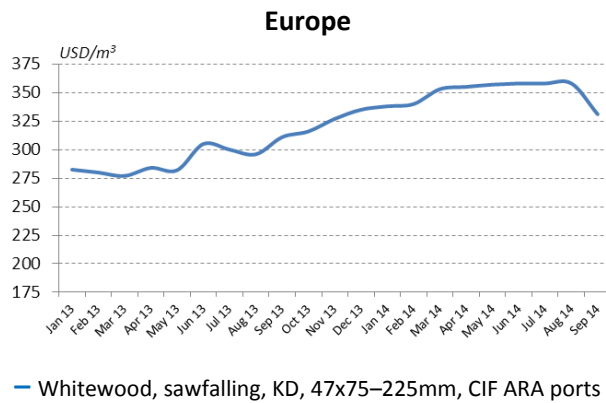
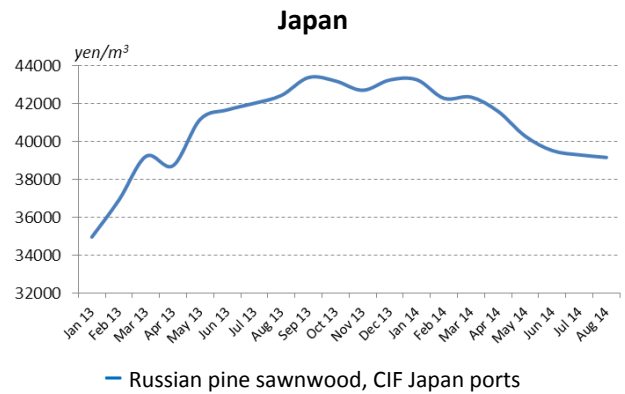
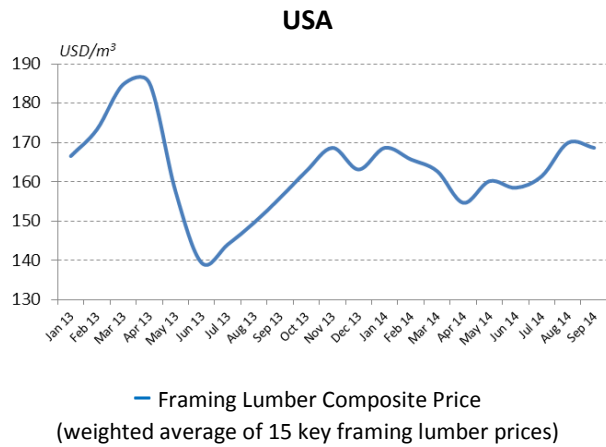
Sources: USA: WWPA, USDA, WoodMarkets

Japan: Statistical Survey on Lumber / Ministry of Agriculture, Forestry and Fisheries



## Prices

### Sawnwood

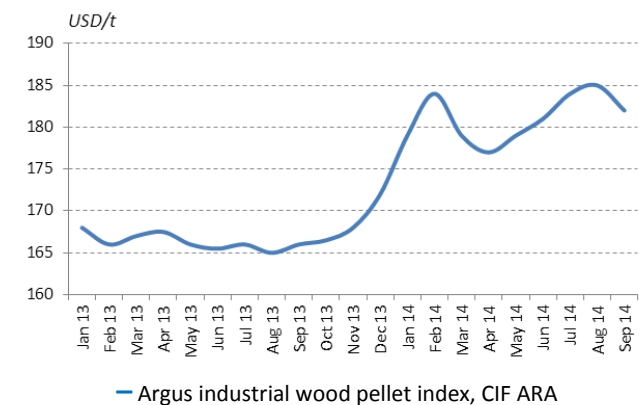


Sources: *Random Lengths*, *Wood Markets*, *Japan Lumber Journal*

### Pellets

Demand for industrial pellets in Europe in Q3 2014 was stable for the season. Prices in the Amsterdam-Rotterdam-Antwerp (ARA) region were 10% above Q3 2013 levels.

Pellet demand in the EU is expected to rise from 17.5 to 20 million tonnes in 2014. The increase in demand is met by imported pellets, mainly from North America. As the EU's current production capacity is currently only 16.2 million tonnes per year, imports are set to increase further in the coming years. In 2013, 2.8 million tonnes came from the US, 1.9 million tons from Canada and 0.7 million tonnes from Russia. Pellet imports into the EU have quadrupled over five years. The largest increases in consumption are predicted for Italy, France and the UK.



Source: *Argus Media*, 2014

## 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 1.35 (0.19 USD) and the company's market capitalisation was approximately SEK 178 million or USD 25 million. The company's certified adviser on First North is Pareto Securities AB, which also acts as a market maker in RusForest shares.

### Share data for the first nine months of 2014

Summary shareholder information		Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades																											
Official listing:	NASDAQ OMX First North	415,080	257,851	54																											
Outstanding shares:	132,033,881	<table border="1"> <thead> <tr> <th>Shareholder</th> <th>Number of shares</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Nova Capital</td> <td>33,500,000</td> <td>25.4%</td> </tr> <tr> <td>Avanza Pension</td> <td>9,708,277</td> <td>7.4%</td> </tr> <tr> <td>Carnegie Strategifond</td> <td>5,670,625</td> <td>4.3%</td> </tr> <tr> <td>Nordet Pensionsförsäkring AB</td> <td>4,459,928</td> <td>3.4%</td> </tr> <tr> <td>Berndt Ivarsson</td> <td>2,053,545</td> <td>1.6%</td> </tr> <tr> <td>Jesihemma Ltd (Cyprus)</td> <td>1,379,179</td> <td>1.0%</td> </tr> <tr> <td>Others</td> <td>75,262,327</td> <td>57.0%</td> </tr> <tr> <td><b>Total</b></td> <td><b>132,033,881</b></td> <td><b>100.0%</b></td> </tr> </tbody> </table>			Shareholder	Number of shares	Percentage	Nova Capital	33,500,000	25.4%	Avanza Pension	9,708,277	7.4%	Carnegie Strategifond	5,670,625	4.3%	Nordet Pensionsförsäkring AB	4,459,928	3.4%	Berndt Ivarsson	2,053,545	1.6%	Jesihemma Ltd (Cyprus)	1,379,179	1.0%	Others	75,262,327	57.0%	<b>Total</b>	<b>132,033,881</b>	<b>100.0%</b>
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Round lot:	1																														
Sector:	Basic Resources																														
ISIN:	SE0001732728																														
Short name:	RUSF																														
Reuters:	RUSF.ST																														
Bloomberg:	RUSF:SS																														

### RusForest share price performance 1 January–30 September 2014



Source: NASDAQ OMX First North Stockholm

RusForest share			
Price SEK/share 30 Sep 2014	Change 1 Month	Change 3 months	52 week high
<b>1.35</b>	-2.9%	-25%	2.65
	Change 6 Months	Change 1 year	52 week low
	-29.3%	-44.9%	1.12



## 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. Since the Q1 2014 report RusForest has 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 Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The recent conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.



The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

The company and the company's products remain directly unaffected by the current situation of sanctions against Russia, with the exception of the general fluctuations in the ruble exchange rate and a noticeable downturn in credit activity throughout the Russian financial system. The company continues to monitor the situation closely. Although the company is subject to the effect of fluctuations in the Russian ruble, 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 indirectly the same for the parent company as for the Group.

### **Subsequent events**

After the end of the quarter the Company received another USD 2 million, in addition to the USD 1.5 million received in March 2014, as part of the Boguchany divestment project.



## Condensed Consolidated Income Statement

In thousands of USD	Q3 2014	Q3 2013	9M 2014	9M 2013	12M 2013
<b>Continuing operations</b>					
Revenue	16,846	16,559	51,587	49,955	66,210
Cost of sales	(13,106)	(15,544)	(40,483)	(48,904)	(63,957)
<b>Gross profit/(loss)</b>	<b>3,740</b>	<b>1,015</b>	<b>11,104</b>	<b>1,051</b>	<b>2,253</b>
Other income	60	204	2,011	1,059	1,996
Distribution expenses	(3,188)	(2,554)	(8,891)	(8,101)	(11,297)
Administrative expenditure	(2,658)	(2,834)	(8,549)	(11,047)	(14,207)
Other expenses	(172)	(969)	(1,692)	(59)	(897)
Impairment loss	-	-	-	0	(7,630)
Impairment of investments in associates	-	-	-	0	0
<b>Operating profit/(loss)</b>	<b>(2,218)</b>	<b>(5,138)</b>	<b>(6,017)</b>	<b>(17,097)</b>	<b>(29,782)</b>
Financing income	144	286	344	82	96
Gain from bond restructuring	-	-	-	41,404	41,404
Financing cost	(1,893)	(574)	(4,238)	(3,780)	(4,939)
<b>Net financing income/(cost)</b>	<b>(1,749)</b>	<b>(288)</b>	<b>(3,894)</b>	<b>37,706</b>	<b>36,561</b>
<b>Profit/(loss) before tax from continuing operations</b>	<b>(3,967)</b>	<b>(5,426)</b>	<b>(9,911)</b>	<b>20,609</b>	<b>6,779</b>
<i>Income tax</i>	3	-	(14)	5	110
<b>Profit/(loss) from continuing operations</b>	<b>(3,964)</b>	<b>(5,426)</b>	<b>(9,925)</b>	<b>20,614</b>	<b>6,889</b>
<b>Discontinued operations</b>					
Profit/(loss) after tax from discontinued operations	1,471	(1,640)	356	(10,642)	(51,406)
<b>Profit/(loss) for the period</b>	<b>(2,493)</b>	<b>(7,066)</b>	<b>(9,569)</b>	<b>9,972</b>	<b>(44,517)</b>
Attributable to:					
Equity holders of the parent	(2,520)	(6,974)	(9,581)	9,051	(45,270)
Non-controlling interests	27	(92)	12	921	753
<b>Profit/(loss) for the period</b>	<b>(2,493)</b>	<b>(7,066)</b>	<b>(9,569)</b>	<b>9,972</b>	<b>(44,517)</b>
Earnings per share	(0.02)	(0.05)	(0.07)	0.09	(0.41)

## Condensed Consolidated Statement of Comprehensive Income

In thousands of USD	Q3 2014	Q3 2013	9M 2014	9M 2013	12M 2013
Profit/(loss) for the period	(2,373)	(7,066)	(9,449)	9,972	(44,517)
<b>Other comprehensive income</b>					
Items that may be reclassified subsequently to profit or loss:					
Currency translation difference	(9,726)	1,581	(11,993)	(10,089)	(9,897)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>(9,726)</b>	<b>1,581</b>	<b>(11,993)</b>	<b>(10,089)</b>	<b>(9,897)</b>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>(12,099)</b>	<b>(5,485)</b>	<b>(21,442)</b>	<b>(117)</b>	<b>(54,414)</b>
Attributable to:					
Equity holders of the parent	(12,068)	(5,420)	(21,383)	(1,003)	(55,137)
Non-controlling interests	(31)	(65)	(59)	886	723
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>(12,099)</b>	<b>(5,485)</b>	<b>(21,442)</b>	<b>(117)</b>	<b>(54,414)</b>

In thousands of USD	Q3 2014	Q3 2013	9M 2014	9M 2013	12M 2013
<b>Profit/(loss) from continuing operations</b>	<b>(3,844)</b>	<b>(5,426)</b>	<b>(9,805)</b>	<b>20,614</b>	<b>6,889</b>
Attributable to:					
Equity holders of the parent	(3,871)	(5,334)	(9,817)	19,693	6,136
Non-controlling interests	27	(92)	12	921	753
<b>Profit/(loss) from discontinued operations</b>	<b>1,471</b>	<b>(1,640)</b>	<b>356</b>	<b>(10,642)</b>	<b>(51,406)</b>
Attributable to:					
Equity holders of the parent	1,471	(1,640)	356	(10,642)	(51,406)
Non-controlling interests	0	0	0	0	0

## Per Share Data

Per Share Data	Q3 2014	Q3 2013	9M 2014	9M 2013	12M 2013
<b>USD</b>					
Earnings	(0.02)	(0.05)	(0.07)	0.09	(0.41)
Shareholders' Equity (end of period)	0.41	0.98	0.41	0.98	0.58
<b>Number of Shares</b>	<b>Q2 2014</b>	<b>Q2 2013</b>	<b>6M 2014</b>	<b>6M 2013</b>	<b>12M 2013</b>
Beginning of period	132,033,881	132,033,881	132,033,881	5,609,540	5,609,540
End of Period	132,033,881	132,033,881	132,033,881	132,033,881	132,033,881
Average number of shares	132,033,881	132,033,881	132,033,881	103,508,695	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.

USD for 1 unit of foreign currency	RUB
December 31, 2012	0.033
March 31, 2013	0.032
June 30, 2013	0.031
September 30, 2013	0.031
December 31, 2013	0.031
March 31, 2014	0.028
June 30, 2014	0.030
September 30, 2014	0.025

source: [www.cbr.ru](http://www.cbr.ru)

## Condensed Consolidated Statement of Financial Position

In thousands of USD	Note	Sep 30, 2014	Dec 31, 2013
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		52,830	68,441
Forest lease rights		11,460	14,406
Intangible assets		226	334
Deferred tax asset		3	4
<b>Total non-current assets</b>		<b>64,519</b>	<b>83,185</b>
<b>Current assets</b>			
Inventory		9,501	10,368
VAT refundable		4,621	6,229
Trade and other receivables		2,953	5,684
Current tax assets		55	54
Loans receivable from related companies		4,309	-
Cash and cash equivalents		3,386	3,637
		<b>24,825</b>	<b>25,972</b>
Assets classified as held for sale	5	4,945	19,562
<b>Total current assets</b>		<b>29,770</b>	<b>45,534</b>
<b>Total assets</b>		<b>94,289</b>	<b>128,719</b>
<b>EQUITY</b>			
<b>Equity and reserves</b>			
Share capital		20,683	20,683
Other paid in capital		358,448	358,448
Reserves		43	-
Translation reserve		(27,651)	(15,738)
Accumulated loss		(287,310)	(242,051)
Profit/(loss) for the period		(9,581)	(45,270)
<b>Total equity attributable to Shareholders of the Group</b>		<b>54,632</b>	<b>76,072</b>
<b>Non-controlling interest</b>		<b>346</b>	<b>430</b>
<b>Total Equity</b>		<b>54,978</b>	<b>76,502</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings		14,605	17,884
Deferred tax liability		3	4
<b>Total non-current liabilities</b>		<b>14,608</b>	<b>17,888</b>
<b>Current liabilities</b>			
Interest bearing loans and borrowings		9,919	8,053
Trade and other payables		12,919	12,179
Current tax liabilities		30	30
Provisions		25	32
		<b>22,893</b>	<b>20,294</b>
Liabilities directly associated with the assets classified as held for sale	5	1,810	14,035
<b>Total current liabilities</b>		<b>24,703</b>	<b>34,329</b>
<b>Total liabilities</b>		<b>39,311</b>	<b>52,217</b>
<b>Total equity and liabilities</b>		<b>94,289</b>	<b>128,719</b>

## Condensed Consolidated Statement of Cash Flows

In thousands of USD	Q3 2014	Q3 2013	9M 2014	9M 2013	12M 2013
Profit/(loss) for the period	(2,493)	(7,066)	(9,569)	9,972	(44,517)
Adjustment for non-cash items	3,030	6,389	11,346	(16,290)	36,449
Paid income tax	(8)	(87)	(26)	(109)	(196)
<b>Cash flow from operating activities before changes in working capital</b>	<b>529</b>	<b>(764)</b>	<b>1,751</b>	<b>(6,427)</b>	<b>(8,264)</b>
Cash flow changes in working capital	3,427	(1,172)	3,409	(721)	(1,054)
Cash flow from discontinued operations	(656)	(190)	334	(2,059)	(2,807)
<b>Cash flow from operating activities</b>	<b>3,300</b>	<b>(2,126)</b>	<b>5,494</b>	<b>(9,207)</b>	<b>(12,125)</b>
Investment in equipment	(712)	(7,037)	(3,986)	(10,090)	(15,203)
Proceeds from sales of equipment	320	756	1,136	2,470	4,239
VAT refund on capital investments	840	-	2,482	-	894
Acquisition of shares in subsidiaries	(15)	(64)	(18)	(64)	(94)
Proceeds from sale of subsidiaries	558	613	2,033	2,012	2,230
Interest received	-	-	1	-	95
Cash flow from discontinued operations	1,704	(81)	1,645	1,230	1,367
<b>Cash flow from investing activities</b>	<b>2,695</b>	<b>(5,813)</b>	<b>3,293</b>	<b>(4,442)</b>	<b>(6,472)</b>
New share issue	-	-	-	28,659	28,659
Costs related to the share issue	-	(76)	-	(3,377)	(3,377)
Redemption of the loans of sold subsidiaries	-	-	(3,941)	-	-
Increase/(decrease) in loans payable	(2,023)	5,101	(245)	(817)	722
Interest paid	(867)	(727)	(2,477)	(2,319)	(3,050)
Cash flow from discontinued operations	(1,196)	(818)	(1,846)	(2,421)	(2,290)
<b>Cash flow from financing activities</b>	<b>(4,086)</b>	<b>3,480</b>	<b>(8,509)</b>	<b>19,725</b>	<b>20,664</b>
<b>Cash flow during the period</b>	<b>1,909</b>	<b>(4,459)</b>	<b>278</b>	<b>6,076</b>	<b>2,067</b>
including continuing operations	2,057	(3,370)	145	9,326	5,797
including discontinued operations	(148)	(1,089)	133	(3,250)	(3,730)
<b>Cash and cash equivalents, beginning of period</b>	<b>1,938</b>	<b>12,417</b>	<b>3,760</b>	<b>2,586</b>	<b>2,586</b>
including continuing operations	1,874	12,104	3,637	2,519	2,519
including discontinued operations	64	312	123	67	67
Exchange-rate differences on cash balance	(456)	(49)	(647)	(753)	(893)
<b>Cash and cash equivalents, period end</b>	<b>3,391</b>	<b>7,909</b>	<b>3,391</b>	<b>7,909</b>	<b>3,760</b>
including continuing operations	3,386	7,562	3,386	7,562	3,637
including discontinued operations	5	346	5	346	123

In thousands of USD	Q3 2014	Q3 2013	9M 2014	9M 2013	12M 2013
<b>Adjustment for non-cash items</b>					
Depreciation of property, plant and equipment	2,500	3,001	7,364	9,725	12,497
Amortization of intangible assets	215	471	639	1,370	1,872
Income tax	(3)	-	14	(5)	(110)
Finance income	(144)	(286)	(344)	(82)	(96)
Income from bond restructuring	-	-	-	(41,404)	(41,404)
Finance expense	1,893	574	4,238	3,780	4,939
Net loss on disposal of property, plant and equipment	57	660	1,034	(545)	(538)
Net income/loss on disposal of intangible assets	16	-	(27)	-	-
Bad debts	8	233	498	486	722
Accounts receivable and payable net-off	-	-	(1,404)	-	-
Other comprehensive (profit)/loss from assets held for sale	(1,471)	1,640	(356)	10,642	51,406
Impairment loss	-	-	-	-	7,630
Impairment of investments in associates	-	-	-	-	-
Other non-cash items	(41)	96	(310)	(258)	(469)
<b>Total</b>	<b>3,030</b>	<b>6,389</b>	<b>11,346</b>	<b>(16,290)</b>	<b>36,449</b>

## Condensed Consolidated Statement of Changes in Equity

1 January 2014 – 30 September 2014

In thousands of USD	Attributable to the equity holders of the parent					Non-controlling interest	Total
	Share capital	Other paid in capital	Reserves	Translation reserve	Accumulated loss		
Opening shareholders' equity	20,683	358,448	-	(15,738)	(287,321)	430	76,502
Profit/(loss) for the period					(9,581)	12	(9,569)
Other comprehensive income/(loss)				(11,913)		(71)	(11,984)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,913)</b>	<b>(9,581)</b>	<b>(59)</b>	<b>(21,553)</b>
Acquired non-controlling interest in subsidiaries					11	(25)	(14)
Employee stock options*			43				43
<b>Shareholders' equity at end of period</b>	<b>20,683</b>	<b>358,448</b>	<b>43</b>	<b>(27,651)</b>	<b>(296,891)</b>	<b>346</b>	<b>54,978</b>

\*Related to employee stock option programme 2013/2016 implemented at AGM 2013. Accumulated reserves based on distribution of value Black & Scholes valuation as per date of issue.

1 January 2013 – 30 September 2013

In thousands of USD	Attributable to the equity holders of the parent					Non-controlling interest	Total
	Share capital	Other paid in capital	Reserves	Translation reserve	Accumulated loss		
Opening shareholders' equity	72,766	239,667	-	(5,871)	(242,435)	173	64,300
Profit/(loss) for the period					9,051	921	9,972
Other comprehensive income/(loss)				(10,054)		(35)	(10,089)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,054)</b>	<b>9,051</b>	<b>886</b>	<b>(117)</b>
Decrease in share capital	(72,039)	72,039					-
Acquired non-controlling interest in subsidiaries					152	(214)	(62)
Costs related to the share issue		(3,457)					(3,457)
New share issue	19,956	50,199					70,155
<b>Shareholders' equity at end of period</b>	<b>20,683</b>	<b>358,448</b>	<b>-</b>	<b>(15,925)</b>	<b>(233,232)</b>	<b>845</b>	<b>130,819</b>

1 January 2013 – 31 December 2013

In thousands of USD	Attributable to the equity holders of the parent					Non-controlling interest	Total
	Share capital	Other paid in capital	Reserves	Translation reserve	Accumulated loss		
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)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,867)</b>	<b>(45,270)</b>	<b>723</b>	<b>(54,414)</b>
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
<b>Shareholders' equity at end of period</b>	<b>20,683</b>	<b>358,448</b>	<b>-</b>	<b>(15,738)</b>	<b>(287,321)</b>	<b>430</b>	<b>76,502</b>



## Parent Company Income Statement

In thousands of SEK	Q3 2014	Q3 2013	9M 2014	9M 2013
Other income	-	-	-	547
Administrative expenditure	(4,222)	(2,697)	(9,853)	(16,488)
<b>Operating profit/(loss)</b>	<b>(4,222)</b>	<b>(2,697)</b>	<b>(9,853)</b>	<b>(15,941)</b>
Exchange gain/loss	(16,473)	(20,519)	(15,216)	(47,874)
Financing income	1,360	14,480	5,157	42,178
Income on bond restructuring	-	-	-	269,772
Financing cost	(1,185)	276	(2,936)	(6,220)
Loss on disposal of investments	-	-	-	(435,624)
Impairment of investments and forgiveness of receivables from subsidiaries	(11,436)	-	(12,353)	-
<b>Net financing income/(cost)</b>	<b>(27,734)</b>	<b>(5,763)</b>	<b>(25,348)</b>	<b>(177,768)</b>
<i>Income tax</i>	-	-	-	-
<b>Profit/(loss) for the period</b>	<b>(31,956)</b>	<b>(8,460)</b>	<b>(35,201)</b>	<b>(193,709)</b>

## Parent Company Balance Sheet

In thousands of SEK	Sep 30, 2014	Dec 31, 2013	Sep 30, 2013
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	38	80	74
Investments in subsidiaries	220,756	50,841	49,499
Loans receivable from subsidiaries	67,658	299,220	617,500
<b>Total non-current assets</b>	<b>288,452</b>	<b>350,141</b>	<b>667,073</b>
<b>Current assets</b>			
VAT refundable	71	66	99
Receivables from subsidiaries	213,695	-	17,128
Trade and other receivable	162	207	726
Current tax assets	181	70	52
Cash and cash equivalents	1,517	11,536	38,792
<b>Total current assets</b>	<b>215,626</b>	<b>11,879</b>	<b>56,797</b>
<b>Total assets</b>	<b>504,078</b>	<b>362,020</b>	<b>723,870</b>
<b>Equity</b>			
<b>Equity and reserves</b>			
<i>Restricted equity</i>			
Share capital	132,034	132,034	132,034
<i>Non-restricted equity</i>			
Share premium	1,037,511	1,037,511	1,037,511
Retained earnings	(888,523)	(853,322)	(486,145)
<b>Total equity</b>	<b>281,022</b>	<b>316,223</b>	<b>683,400</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	3,745	3,745	3,745
Loans payable to Group companies	2,083	-	-
Loans payable to related companies	-	-	32,149
<b>Total-non current liabilities</b>	<b>5,828</b>	<b>3,745</b>	<b>35,894</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	36,283	32,634	-
Loans payable to related companies	-	-	3,046
Payables to Group companies	178,324	8,085	-
Trade and other payables	2,621	1,333	1,530
<b>Total current liabilities</b>	<b>217,228</b>	<b>42,052</b>	<b>4,576</b>
<b>Total equity and liabilities</b>	<b>504,078</b>	<b>362,020</b>	<b>723,870</b>

Earlier in the year, in connection with the agreement to sell the Boguchany business segment several intragroup loans were restructured and receivable from subsidiaries in Parent Company significantly declined with corresponding increase in receivables from subsidiaries in current assets. The company has furthermore successfully progress on the announced project to transfer ownership of all Russian operating entities directly to Group Parent Company and as a consequence investments in subsidiaries has increased significantly.

## Notes to the Financial Statements

### Note 1. Cost of sales

In thousands of USD	Q3 2014	Q3 2013	9M 2014	9M 2013
Personnel costs	3,106	3,655	9,683	11,125
Purchased sawlogs	1,970	2,227	8,376	3,869
Purchased sawnwood	-	583	661	3,374
Purchased woodchips	254	-	293	-
Depreciation of property, plant and equipment	2,304	2,694	6,756	8,750
Amortization of intangible assets	203	469	610	1,365
Materials	411	461	1,310	1,336
Energy and fuel	1,675	1,523	5,290	5,715
Repairs and maintenance	1,474	971	2,913	3,336
Harvesting services	308	1,145	632	3,663
Forest lease	877	577	2,041	2,119
Other	524	1,239	1,918	4,252
<b>Total</b>	<b>13,106</b>	<b>15,544</b>	<b>40,483</b>	<b>48,904</b>

### Note 2. Distribution expenses

In thousands of USD	Q3 2014	Q3 2013	9M 2014	9M 2013
Personnel costs	365	528	1,244	1,927
Railway costs	1,163	1,009	2,885	3,050
Sea freight	1,373	578	3,776	1,284
Other	287	439	986	1,840
<b>Total</b>	<b>3,188</b>	<b>2,554</b>	<b>8,891</b>	<b>8,101</b>

\* 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	Q3 2014	Q3 2013	9M 2014	9M 2013
Personnel costs	1,688	1,742	5,505	7,204
Audit	90	120	350	301
Property tax	192	252	581	762
Consulting fees	154	362	654	940
Other	534	358	1,459	1,840
<b>Total</b>	<b>2,658</b>	<b>2,834</b>	<b>8,549</b>	<b>11,047</b>

### 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.

#### Operational segments, results for nine months ended 30 September 2014

In thousands of USD	External revenue					Impairment loss	Profit/(loss) before tax
	Sawnwood	Sawlogs	Pellets	Other	Total		
Arkhangelsk	22,424	258	4,767	3,585	31,034	-	(2,793)
Ust-Ilimsk	-	-	-	504	504	-	(2,202)
Magistralny	15,341	4,091	-	617	20,049	-	(865)
Unallocated	-	-	-	-	-	-	(4,051)
<b>Total from continuing operations</b>	<b>37,765</b>	<b>4,349</b>	<b>4,767</b>	<b>4,706</b>	<b>51,587</b>	<b>-</b>	<b>(9,911)</b>
Boguchany	2,452	934	-	402	3,788	-	1,214
Pellets (Sweden & Latvia)	-	-	59	-	59	(853)	(855)
<b>Total from discontinued operations</b>	<b>2,452</b>	<b>934</b>	<b>59</b>	<b>402</b>	<b>3,847</b>	<b>(853)</b>	<b>359</b>
<b>Total</b>	<b>40,217</b>	<b>5,283</b>	<b>4,826</b>	<b>5,108</b>	<b>55,434</b>	<b>(853)</b>	<b>(9,552)</b>

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

In thousands of USD	External revenue				Total	Impairment loss	Profit/(loss) before tax
	Sawnwood	Sawlogs	Pellets	Other			
Arkhangelsk	14,446	1,541	-	8,100	24,087	-	(8,253)
Ust-Ilimsk	1,764	1,848	-	3,213	6,825	-	(1,623)
Magistralny	12,880	5,503	-	660	19,043	-	(4,529)
Unallocated*	-	-	-	-	-	-	35,014
<b>Total from continuing operations</b>	<b>29,090</b>	<b>8,892</b>	<b>-</b>	<b>11,973</b>	<b>49,955</b>	<b>-</b>	<b>20,609</b>
Boguchany	12,300	2,712	-	598	15,610	-	(9,201)
Pellets (Sweden & Latvia)	-	-	483	-	483	-	(1,025)
Gravel	-	-	-	2,240	2,240	-	(57)
ALK	-	-	-	1	1	-	(59)
UI ZSI	-	-	-	404	404	-	(337)
Shenkursk	4	-	-	13	17	-	(96)
<b>Total from discontinued operations</b>	<b>12,304</b>	<b>2,712</b>	<b>483</b>	<b>3,256</b>	<b>18,755</b>	<b>-</b>	<b>(10,775)</b>
<b>Total</b>	<b>41,394</b>	<b>11,604</b>	<b>483</b>	<b>15,229</b>	<b>68,710</b>	<b>-</b>	<b>9,834</b>

\* includes gain from bond restructuring in the amount of USD 41.4 million

## Note 5. Assets held for sale and the result of discontinued operations

### Assets classified as held for sale

In thousands of USD	Sep 30, 2014	Dec 31, 2013
<b>Non-current assets</b>		
Property, plant and equipment	831	8,037
Forest lease rights	2,918	3,730
Intangible assets	26	357
Deferred tax asset	-	-
<b>Total non-current assets</b>	<b>3,775</b>	<b>12,124</b>
<b>Current assets</b>		
Inventory	519	3,223
VAT refundable	20	2,223
Trade and other receivables	626	1,154
Current tax assets	-	-
Loans receivable	-	715
Cash and cash equivalents	5	123
<b>Total current assets</b>	<b>1,170</b>	<b>7,438</b>
<b>Total assets</b>	<b>4,945</b>	<b>19,562</b>

### Liabilities directly associated with the assets classified as held for sale

In thousands of USD	Sep 30, 2014	Dec 31, 2013
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	-	4,626
Deferred tax liability	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>4,626</b>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	64	1,435
Trade and other payables	1,734	7,963
Current tax liabilities	12	11
Provisions	-	-
<b>Total current liabilities</b>	<b>1,810</b>	<b>9,409</b>
<b>Total liabilities</b>	<b>1,810</b>	<b>14,035</b>

### Consolidated statement of comprehensive income, discontinued operations

In thousands of USD	9M 2014	9M 2013
<b>Discontinued operations</b>		
Revenue	3,847	18,755
Cost of sales	(3,926)	(19,714)
<b>Gross profit/(loss)</b>	<b>(79)</b>	<b>(959)</b>
Other income	2,616	924
Distribution expenses	(849)	(6,097)
Administrative expenditure	(749)	(2,657)
Other expenses	(219)	(1,360)
Impairment loss	(853)	-
<b>Profit from disposal</b>	<b>1,325</b>	<b>520</b>
Operating profit/(loss)	1,192	(9,629)
Financing income	-	1
<b>Financing cost</b>	<b>(833)</b>	<b>(1,147)</b>
Net financing income/(cost)	(833)	(1,146)
Income tax	(3)	133
<b>Loss after tax from discontinued operations</b>	<b>356</b>	<b>(10,642)</b>

### Condensed consolidated statement of cash flows, discontinued operations

In thousands of USD	9M 2014	9M 2013
<b>Cash flow from operating activities</b>	<b>334</b>	<b>(2,059)</b>
Investment in equipment	(99)	(1,003)
Proceeds from sales of forest lease rights	477	-
Proceeds from sales of equipment	1,267	208
VAT refund on capital investments	-	2,025
<b>Cash flow from investing activities</b>	<b>1,645</b>	<b>1,230</b>
Increase/(decrease) in loans payable	(1,570)	(1,577)
Interest paid	(276)	(844)
<b>Cash flow from financing activities</b>	<b>(1,846)</b>	<b>(2,421)</b>
<b>Cash flow during the period</b>	<b>133</b>	<b>(3,250)</b>

### Note 6. Related party transactions

In thousands of USD		9M 2014
<b>BLPK LLC</b>	<b>Significant inter dependent commercial relationship</b>	
Sales of goods and services		972
Resale of materials		184
Sale of property, plant and equipment		2
Rent income		1,011
Finance income		328
Purchase of goods and services		57
Rent expenses		20
Short-term loans receivable		4,309
Accounts receivable		551
<b>RusForest Management Group LLC</b>	<b>RMG LLC provides management services to certain RusForest entities</b>	
Management services provided to RusForest entities*		949
Accounts payable		103



## Review Report

To the Board of Directors of RusForest AB (publ.)  
Corp. id. 556694-6421

### Introduction

We have reviewed the summary interim financial information (interim report) of RusForest AB (publ.) as of 30 September 2014 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, November 26, 2014

KPMG AB  
Mats Kåvik  
Authorized Public Accountant



## Financial Calendar

Year-end Report 2014	31 March 2015
Annual Report 2014	24 April 2015
Annual General Meeting 2015	15 May 2015
Interim report Jan – Mar 2015	28 May 2015
Interim report Jan – Jun 2015	28 August 2015
Interim report Jan – Sep 2015	27 November 2015

## Nomination Committee

The Nomination Committee for the Annual General Meeting 2015 is comprised of Temo Jorbenadze (Nova Capital), Dag Rolander (appointed by investors controlling in excess of 5 percent of the shares) and Garrett Soden (Chairman of the Board of RusForest AB publ).

The Nomination Committee can be contacted via e-mail at [info@rusforest.com](mailto:info@rusforest.com).

Stockholm, 26 November 2014

RusForest AB (publ.)  
*The Board of Directors*

### For additional information, please contact:

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