

Year End Report 2014

| USDm | Fourth quarter | | 12M | |
|--|----------------|--------|--------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenue | 7.1 | 8.1 | 27.4 | 34.0 |
| EBITDA adjusted* | 1.6 | 0.5 | 1.5 | (4.3) |
| Profit/(loss) from continuing operations | 3.1 | (5.9) | (2.9) | 22.8** |
| Loss from discontinued operations*** | (8.1) | (48.6) | (11.6) | (67.3) |
| Loss for the period | (5.0) | (54.5) | (14.5) | (44.5) |
| Net loss per share (USD per share) | (0.04) | (0.41) | (0.11) | (0.41) |

| Production & sales continuing operations | | | | |
|---|---------|--------|---------|---------|
| Sawlogs harvested, m ³ | 105,038 | 94,220 | 278,896 | 312,228 |
| Sawlogs harvested, m ³ (subcontracting) | 106,379 | 68,174 | 320,210 | 222,414 |
| Sawnwood produced, m ³ | 21,368 | 20,805 | 78,826 | 70,924 |
| Sawlogs sold, m ³ | 19,670 | 25,176 | 78,312 | 106,942 |
| Sawnwood sold, m ³ | 20,355 | 19,733 | 78,088 | 73,566 |

| | 31 Dec 2014 | 31 Dec 2013 |
|---------------------|-------------|-------------|
| Cash balance | 10.0 | 3.6 |
| Working capital**** | 7.2 | 10.1 |
| Net debt***** | (9.6) | 22.3 |

Highlights

Fourth quarter of 2014

- Adjusted EBITDA of USD 1.6 million in Q4 2014, compared with USD 0.5 million in Q4 2013.
- Profit from continuing operations of USD 3.1 million in Q4 2014, compared with a loss of USD 5.9 million in Q4 2013.
- On 2 December 2014, RusForest announced the execution of a definitive sale agreement to divest all the assets in the Arkhangelsk region. The net cash to be received by RusForest after repayment of the sawmill's debts is expected to be approximately USD 12.0 million. USD 5.7 million was received in Q4 2014, with the remainder of the cash expected to be received in four tranches during 2015.
- Sawnwood production in Magistralny increased by 3% to 21,368 m³ of sawnwood, compared with 20,805 m³ in Q4 2013.
- The share of sawnwood sales to the Japanese market increased from 49% in Q4 2013 to 53% in Q4 2014.
- On 22 December 2014, RusForest announced completing the divestment of its non-core Boguchany forestry assets in the Krasnoyarsk region.
- Effective 31 December 2014, the Company's Group CEO, Matti Lehtipuu, resigned due to the reduced size of the business following the recent asset sales. Anton Bogdanov, CEO of the Russian management company, continues to manage the Company's Siberian assets, and Anders Börjesson remains CEO of the Swedish holding company, RusForest AB.

After the end of the reporting period

- On 19 January 2015, RusForest announced a contract with Hekotek for equipment to construct a wood pellet plant with an annual capacity of 30,000 tons at the Company's Magistralny sawmill.
- An additional USD 1.0 million in asset sale proceeds from the Arkhangelsk divestment was received in Q1 2015 as per the agreement. USD 5.7 million was received in Q4 2014, and the remaining USD 5.2 million is expected in 2015.

*Detailed EBITDA calculation on page 5 of this report.

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

***Boguchany and Arkhangelsk business segments which were divested in 2014 are included in discontinued operations. See Note 5

****Calculated as inventory, trade & other current receivables and receivable from asset sale, less trade and other current payables.

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



CEO's Comment

Dear RusForest Shareholders,

In the midst of the challenging market situation in Q4 2014, RusForest managed to further improve the operational performance of our key asset, Magistralny. We also finalised the sale of the Boguchany assets and made the difficult decision to divest the Arkhangelsk assets in order to reduce our cash burn, avoid future capex requirements and focus on our profitable operations in Eastern Siberia. These transactions generated significant cash for RusForest and eliminated the majority of our debt.

Together with systematic steps to increase operational efficiency, the strategic decisions we made in 2014 laid a solid foundation for the Company's future development. We now have a positive cash flow platform with a cash balance of USD 10.0 million and no interest-bearing debt at 31 December 2014.

In Magistralny, the Company increased harvesting, sawmilling and sales in Q4 2014 compared with Q4 2013. For full year 2014, RusForest increased both Magistralny production (+11%) and sales volumes of sawnwood (+6%) compared with the same period in 2013. The share of total sales attributable to the Japanese market increased from 40% in 2013 to 47% in 2014.

In Ust-Ilimsk, RusForest worked closely with all subcontractors during 2014 to improve the utilization of annual allowable cut ("AAC"). As a result, the Company's subcontractors increased harvesting by 56% in Q4 2014 compared with Q4 2013 and by 44% overall in 2014 compared with 2013.

In Q4 2014, RusForest's adjusted EBITDA from continuing operations was USD 1.6 million, compared with USD 0.5 million in Q4 2013, representing a 224% increase. For full-year 2014, RusForest's adjusted EBITDA from continuing operations reached USD 1.5 million, compared with negative USD 4.3 million in 2013.

RusForest is still not directly affected by sanctions against Russia. The 43% depreciation of the Russian rouble against the US dollar in Q4 2014, and the 72% depreciation in full-year 2014, resulted in foreign exchange gains for the Company. However, due to the depreciation and volatility of the Russian rouble, RusForest keeps a minimum amount of cash in roubles and the majority of our cash in US dollars.

We continue to focus on developing RusForest's remaining assets and reducing administrative costs in order to improve profitability and create value for RusForest's shareholders. In January 2015, we initiated the construction of the pellet mill in Magistralny in order to ensure utilization of sawmill residuals and improve long-term profitability. We also plan to consolidate our forestry assets in Ust-Ilimsk and to further simplify our corporate structure.

The management team looks forward to reporting on our progress in 2015.

Sincerely,

Anton Bogdanov
CEO RusForest Management Company

Operational Review

RusForest operational data

| Forest resources continuing operations | | 31 December 2014 | 31 December 2013 |
|--|----------|------------------|------------------|
| Annual Allowable Cut (AAC) | m^3 | 1,692,360 | 2,651,160 |
| Forest area | Hectares | 1,194,282 | 2,464,859 |

| Continuing operations | Three months ended | | | Twelve months ended | | |
|-----------------------|--------------------|-------------|------------------|---------------------|-------------|--------------------|
| | 31 Dec 2014 | 31 Dec 2013 | % Q4'14 vs Q4'13 | 31 Dec 2014 | 31 Dec 2013 | % 12M'14 vs 12M'13 |

Subcontracting*

| | | | | | | | |
|-------------------|-------|---------|--------|-----|---------|---------|-----|
| Sawlogs harvested | m^3 | 106,379 | 68,174 | 56% | 320,210 | 222,414 | 44% |
|-------------------|-------|---------|--------|-----|---------|---------|-----|

Production**

| | | | | | | | |
|------------------------------|-------|---------|--------|------|---------|---------|------|
| Sawlogs harvested | m^3 | 105,038 | 94,220 | 11% | 278,896 | 312,228 | -11% |
| in own forest leases | m^3 | 95,459 | 43,987 | 117% | 199,384 | 188,063 | 6% |
| in third party forest leases | m^3 | 9,579 | 50,233 | -81% | 79,512 | 124,165 | -36% |
| Sawnwood production | m^3 | 21,368 | 20,805 | 3% | 78,826 | 70,924 | 11% |

Sales volumes**

| | | | | | | | |
|---------------|-------|--------|--------|------|--------|---------|------|
| Sawlogs sold | m^3 | 19,670 | 25,176 | -22% | 78,312 | 106,942 | -27% |
| Sawnwood sold | m^3 | 20,355 | 19,733 | 3% | 78,088 | 73,566 | 6% |

* Ust-Ilimsk operations

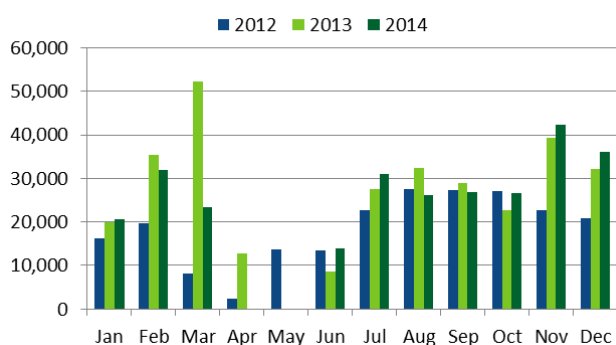
** Magistralny operations

In Q4 2014, RusForest harvested 105,038 m^3 of sawlogs, compared with 94,220 m^3 in Q4 2013 (+11%). The increase in volumes was mainly due to better utilisation of harvesting equipment.

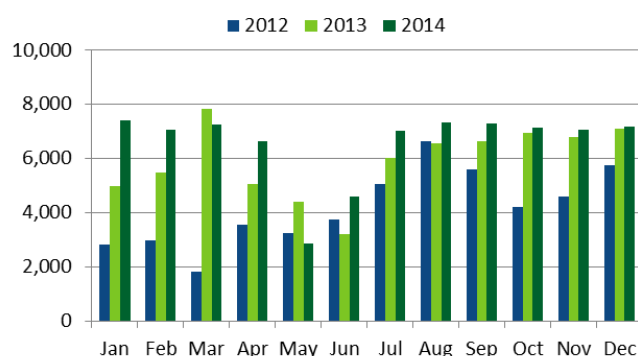
In Q4 2014, RusForest produced 21,368 m^3 of sawnwood, compared with 20,805 m^3 in Q4 2013 (+3%).

In Q4 2014, RusForest's subcontractors harvested 106,379 m^3 of sawlogs in Ust-Ilimsk forest lease areas, compared with 68,174 m^3 in Q4 2013 (+56%). The increase was due to closer cooperation with the largest subcontractors, such as Ilim Group.

Harvested sawlogs, m^3



Sawnwood production, m^3





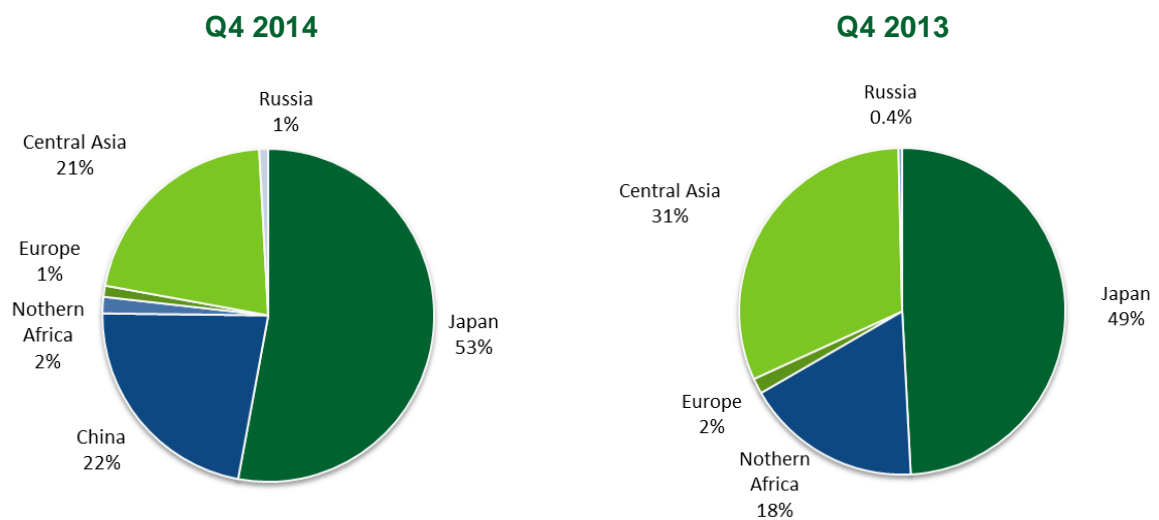
RusForest's sales

RusForest sawnwood sales in Q4 2014 were 3% higher than in Q4 2013 (20,355 m³ compared with 19,733 m³) due to further improvements in sales policy. The share of total sawnwood sales attributable to the Japanese market increased from 49% in Q4 2013 to 53% in Q4 2014.

However, in Q4 2014, an oversupply of roundwood on the Chinese market decreased RusForest's sawlog sales by 22% compared with Q4 2013 to 19,670 m³.

The average sawnwood price realised (price 'on wagon') decreased by 8% in Q4 2014 compared with Q4 2013 to 206.2 USD/m³. One of the reasons for the fall in price (in USD) was the upward movement in the USD/JPY exchange rate in Q4 2014.

RusForest Magistralny sawnwood sales by region



Financial Review

EBITDA development

2014

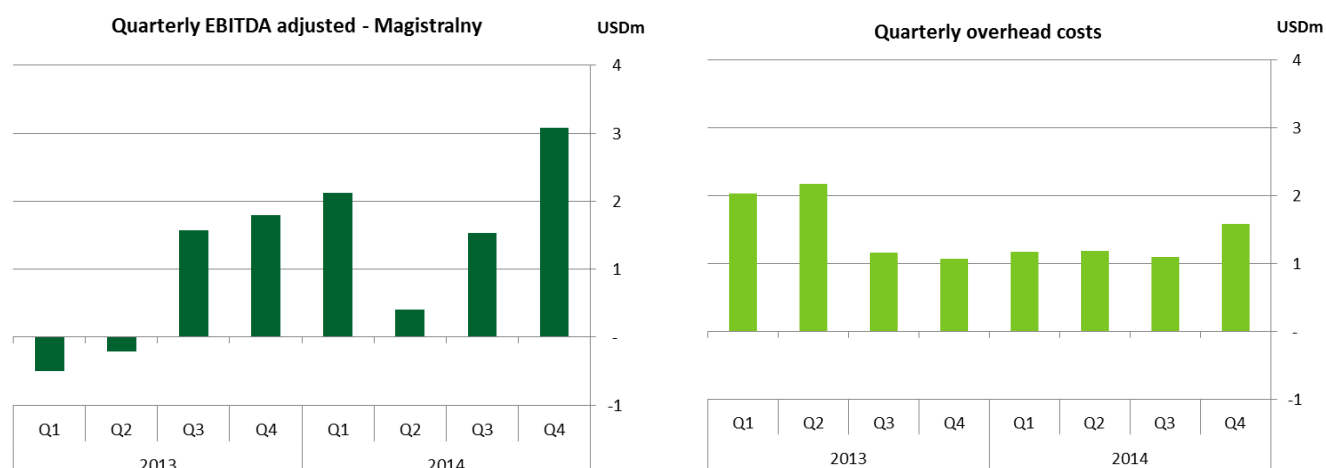
| in USD thousand | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 |
|---|--------------|------------|----------------|--------------|
| EBITDA unadjusted, continuing operations | 1,411 | 75 | (2,817) | 1,384 |
| a. Doubtful receivables | 27 | 31 | 360 | 52 |
| b. Disposal of non-current assets | 127 | 11 | 766 | 77 |
| c. Non-recoverable income (Ust-Ilimsk) | - | - | 266 | (266) |
| d. Other items | (14) | 9 | (19) | 61 |
| Non-recurring items | 140 | 51 | 1,373 | (76) |
| EBITDA adjusted, continuing operations | 1,551 | 126 | (1,444) | 1,308 |
| Ust-Ilimsk | 56 | (314) | (666) | 360 |
| Magistralny | 3,074 | 1,532 | 405 | 2,128 |
| Unallocated | (1,579) | (1,092) | (1,183) | (1,180) |
| EBITDA adjusted, by segments | 1,551 | 126 | (1,444) | 1,308 |

2013

| in thousands of USD | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 |
|---|------------|------------|----------------|----------------|
| IFRS results, Continuing operations | | | | |
| EBITDA adjusted, continuing operations | 478 | 376 | (2,792) | (2,361) |
| Ust-Ilimsk | (243) | (35) | (407) | 163 |
| Magistralny | 1,793 | 1,573 | (214) | (494) |
| Unallocated | (1,072) | (1,163) | (2,172) | (2,029) |
| EBITDA adjusted, by segments | 478 | 376 | (2,792) | (2,361) |

Earnings before interest, taxes, depreciation and amortisation (EBITDA) from continuing operations and EBITDA adjusted for non-recurring items (adjusted EBITDA) improved substantially year on year, with adjusted EBITDA of USD 1.6 million in Q4 2014 compared with USD 0.5 million in Q4 2013. Magistralny continued to deliver positive results for the fourth consecutive quarter with the strongest ever quarterly result, with an adjusted EBITDA of USD 3.1 million and adjusted EBITDA margin of 46% in Q4 2014, compared with USD 1.8 million and margin of 24% in Q4 2013. Ust-Ilimsk showed positive earnings due to the start of the winter period, which is when the majority of harvesting activity takes place in Ust-Ilimsk. The company is still reviewing the long-term strategy for the forestry assets in Ust-Ilimsk.

The year-on-year improvement in EBITDA from continuing operations is even more significant for the 12-month period. Full-year 2014 adjusted EBITDA amounted to USD 1.5 million compared with negative adjusted EBITDA of USD 4.3 million for full-year 2013. The yearly improvement was due mainly to the significant achievements in Magistralny, which generated adjusted EBITDA of USD 7.1 million for full-year 2014, compared with USD 2.7 million in 2013. In addition to the significant improvement in Magistralny, overhead costs were down by about USD 1.4 million for full year 2014 compared with 2013.



Revenue

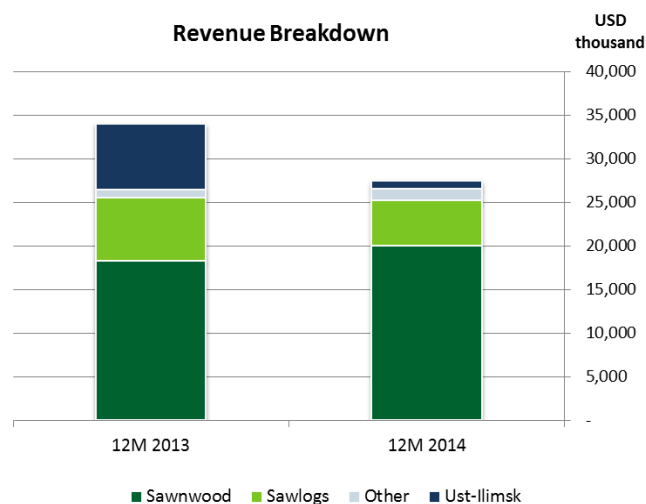
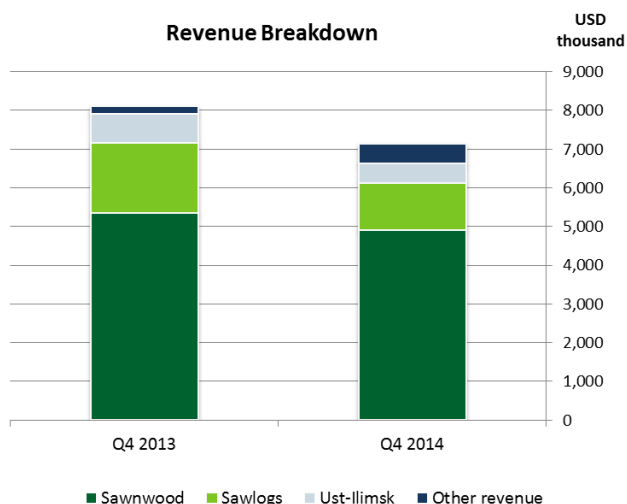
| | | Sales volume (m ³ /tonnes) | | | Revenue per m ³ /tonne (USD) | | | Revenue (USD thousand) | | | | |
|------|----------|---------------------------------------|---------|------|---|------|-----|------------------------|----------|--------|--------|------|
| | | 2014 | 2013 | Δ% | 2014 | 2013 | Δ% | 2014 | 2013 | Δ% | | |
| 12 M | Sawnwood | 78,088 | 73,566 | 6% | Sawnwood | 256 | 248 | 3% | Sawnwood | 19,974 | 18,234 | 10% |
| | Sawlogs | 78,312 | 106,942 | -27% | Sawlogs | 67 | 68 | -3% | Sawlogs | 5,212 | 7,308 | -29% |
| Q4 | Sawnwood | 20,355 | 19,733 | 3% | Sawnwood | 242 | 271 | -11% | Sawnwood | 4,917 | 5,354 | -8% |
| | Sawlogs | 19,670 | 25,176 | -22% | Sawlogs | 62 | 72 | -14% | Sawlogs | 1,217 | 1,805 | -33% |

Sales volumes of sawnwood increased by 3% in Q4 2014 compared with Q4 2013 while sawlog volumes decreased by 22%, mainly due to the unfavourable market situation in China and more sawlogs used for sawnwood production. For the full year 2014 sales volumes of sawnwood increased by 6% compared with 2013. As stated on page 4 of this report; average price for sawnwood “on wagon” for Magistralny in Q4 2014 decreased by 8% to 206 USD/m³ compared with USD 224 USD/m³ in Q4 2013. One of the reasons for the price reduction (in USD) was the Japanese yen’s depreciation against the USD in Q4 2014. Sawnwood revenue per cubic meter for Magistralny, as the average generated revenue across all types of contracts and sales terms per cubic meter, decreased by 11% in Q4 2014, compared with Q4 2013. However, for full-year 2014, sawnwood volumes and revenue per cubic meter increased compared to 2013, resulting in an increase in sawnwood revenue of 10% to USD 20.0 million in 2014, compared with USD 18.3 million in 2013.

Group revenue for Q4 2014 decreased by 12% compared with Q4 2013 and for full-year 2014 by 19% compared with 2013. In Q4 2014, the largest reduction in revenue in percentage terms compared with Q4 2013 was in Ust-Ilimsk. For the full-year, the main contributor to the reduction in revenue was also Ust-Ilimsk, both in absolute and % terms. The reduction in Ust-Ilimsk revenue was related to the divestment of the sawmill there in 2013.

| | 12M 2014 | 12M 2013 | Δ% |
|---------------|---------------|---------------|-------------|
| Sawnwood | 19,974 | 18,234 | 10% |
| Sawlogs | 5,212 | 7,308 | -29% |
| Ust-Ilimsk | 957 | 7,592 | -87% |
| Other revenue | 1,286 | 853 | 51% |
| Total | 27,429 | 33,987 | -19% |

| | Q4 2014 | Q4 2013 | Δ% |
|---------------|--------------|--------------|-------------|
| Sawnwood | 4,917 | 5,354 | -8% |
| Sawlogs | 1,217 | 1,805 | -33% |
| Ust-Ilimsk | 497 | 767 | -35% |
| Other revenue | 506 | 186 | 172% |
| Total | 7,137 | 8,112 | -12% |



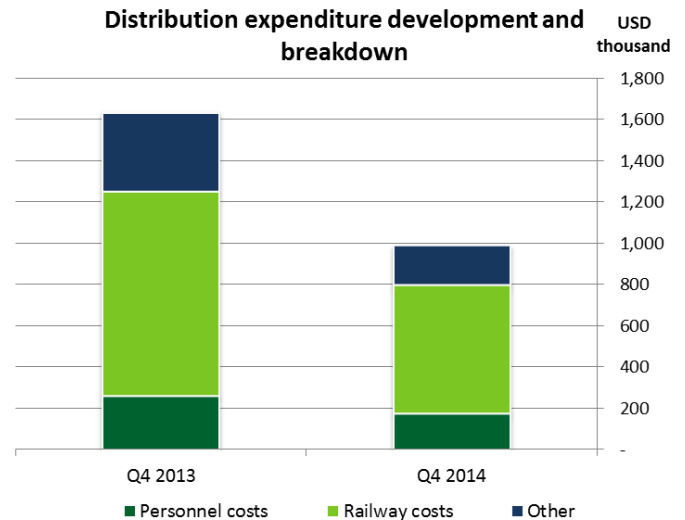
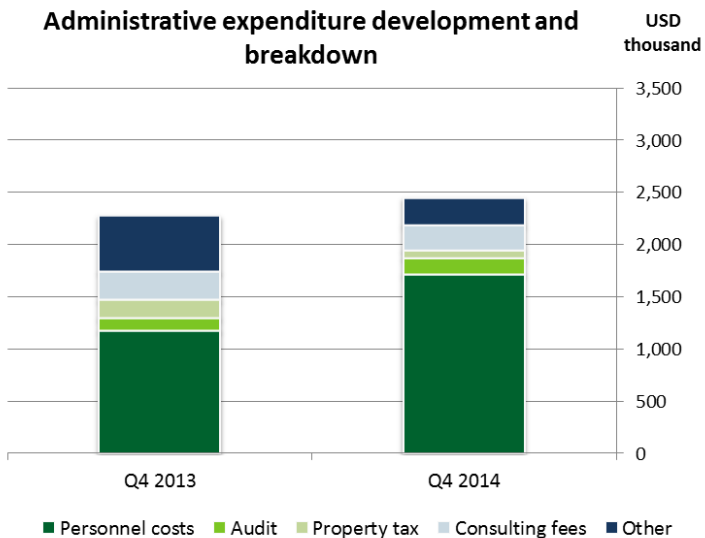


Costs

The cost of sales in continuing operations decreased by 47% to USD 3.2 million in Q4 2014, compared with USD 6.2 million in Q4 2013. This reduction is due to efficiency improvements, such as the exclusion of external harvesting services and purchased sawlogs due to more efficient own harvesting and a reduction in personnel. The weaker Russian rouble also reduced costs in USD terms across the board in Q4 2014 compared to Q4 2013. For the full-year, the reduction in costs is slightly lower but still significant, with a 39% reduction in the costs of sales in 2014 to USD 18.2 million, compared with USD 30.1 million for full-year 2013.

Distribution expenses in continuing operations decreased by 40% to USD 1.0 million in Q4 2014, compared with USD 1.6 million in Q4 2013. The decrease was mainly due to a reduction in the volume of sawlogs sold and a reduction in railway costs, although the weaker rouble also contributed to the reduction. For full-year 2014, distribution expenses amounted to USD 4.9 million compared with USD 6.7 million in 2013, a reduction of 27%.

Administrative expenses increased by 8% to USD 2.5 million in Q4 2014, compared with USD 2.3 million for the same period in 2013. The increase in administrative costs for the quarter was mainly driven by personnel expenses as Q4 2014 included some severance payments and bonuses for employees. This cost category is also much less dominated by rouble expenses, meaning that the positive currency effect is limited. However, for full year 2014, administrative costs declined significantly to USD 8.5 million compared with USD 10.9 million in 2013, a 22% reduction due to consistent measures to reduce administrative costs.



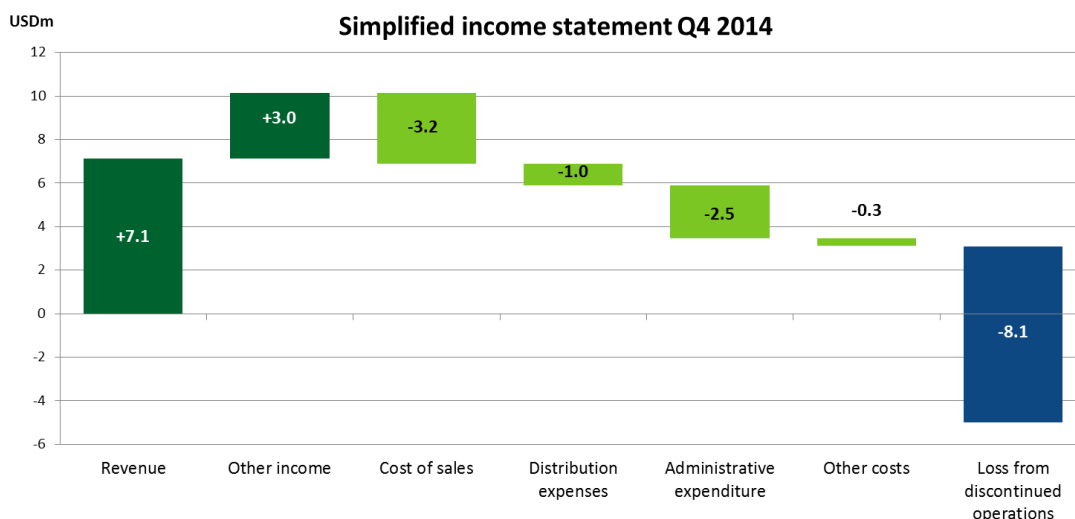
Other expenses increased significantly in Q4 2014, to USD 0.2 million compared with USD 0.1 million in Q4 2013. However, for the full year 2014, other expenses increased due to bad debt provisions made in the beginning of 2014 in connection with Ust-Ilimsk subcontractors and losses in connection with the disposal of old machinery and equipment, mainly in Ust-Ilimsk.

Net finance costs of USD 0.5 million in Q4 2013 became net finance income of USD 2.7 in Q4 2014, largely due to a USD 2.8 million foreign exchange gain. For full year 2014 net finance income amounted to USD 2.4 million compared with USD 38.6 million. The significant net finance income in 2013 was due to the USD 41.4 million gain from the bond restructuring. The net finance income in 2014 was a result of foreign exchange gain and much reduced finance costs due to loan repayments in 2014.

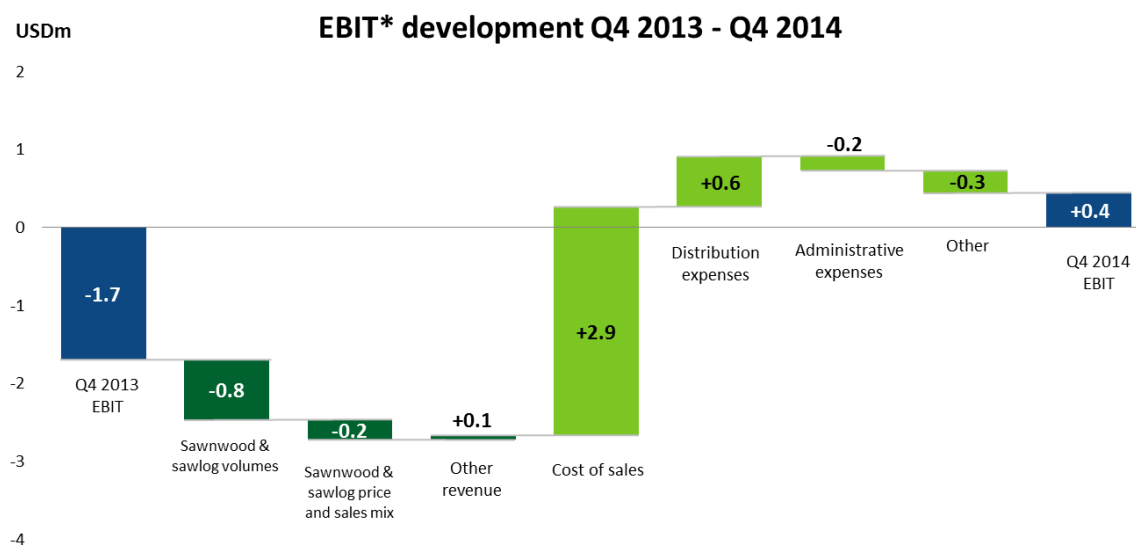


Earnings

The Company's continuing operations achieved a gross profit of USD 3.9 million in Q4 2014, representing a 55% gross profit margin, compared with gross profit of USD 1.9 million and gross profit margin of 24% in Q4 2013. The Company achieved positive adjusted EBITDA from continuing operations of USD 1.6 million, compared with USD 0.5 million in Q4 2013. The operating profit in continuing operations was USD 0.4 million in Q4 2014, compared with a loss of USD 5.6 million in Q4 2013. Discontinued operations, which consist of Boguchany forest and harvesting operations as well as Arkhangelsk operations, generated a loss after tax of USD 8.1 million in Q4 2014, compared with a loss of USD 48.6 million in Q4 2013. The large loss from discontinued operations in Q4 2013 was related to the impairment of the value of Boguchany business segment of USD 37.5 million in connection with the sale of these assets. The loss for the period in Q4 2014 amounted to USD 5.0 million, compared with a loss of USD 54.5 million in Q4 2013. Gross profit from continuing operations for full year 2014 amounted to USD 9.2 million, representing a 34% gross profit margin, compared with USD 3.9 million and gross profit margin of 12% in 2013. Adjusted EBITDA from continuing operations for full year 2014 was positive USD 1.5 million compared with negative USD 4.3 million in 2013. Loss for the period in 2014 was USD 14.5 million, compared with USD 44.5 in 2013.



The chart below summarises positive/(negative) year-on-year changes in cost and revenue categories contributing to the positive turnaround from an operating loss of USD 1.7 million (excluding the non-recurring USD 3.9 million impairment) in Q4 2013, to an operating profit of USD 0.4 million in Q4 2014.



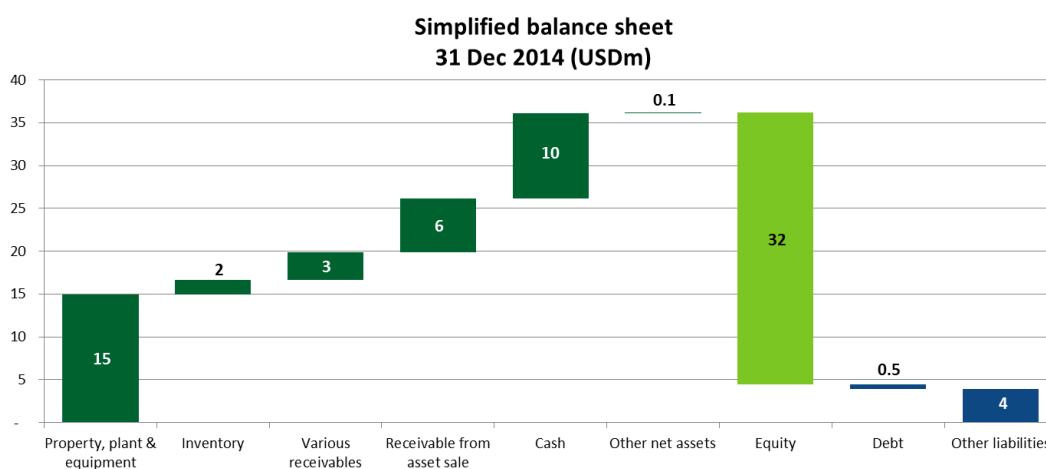
EBIT = Earnings before interest and taxes but also adjusted for impairment in Q4 2013



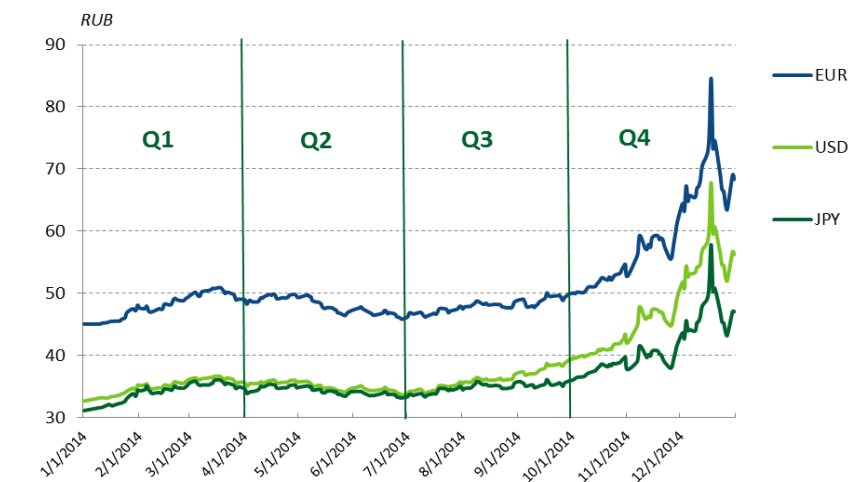
Balance Sheet and Cash Flow

At 31 December 2014, the Company's total assets amounted to USD 36.2 million. Property, plant and equipment constituted the largest component of assets at USD 15.0 million. At 31 December 2014, the Company had recorded a receivable from asset sales of USD 6.2 million related to payments for the Arkhangelsk sale due to be received during 2015. Working capital was down to USD 7.2 million at 31 December 2014, compared with USD 10.1 million at 31 December 2013. The reduction in working capital is due to divestment of entities and improved efficiency in inventory and receivables realisation. The Company's cash and cash equivalents totalled USD 10.0 million at 31 December 2014, compared with USD 3.6 million at 31 December 2013.

Non-current loans and borrowings amounted to USD 0.5 million at 31 December 2014, compared with USD 17.9 million at 31 December 2013. The USD 0.5 million of non-current loans and borrowings recognised at 31 December 2014 comprises the remainder of the SEK bond, a zero-coupon bond maturing in 2018.



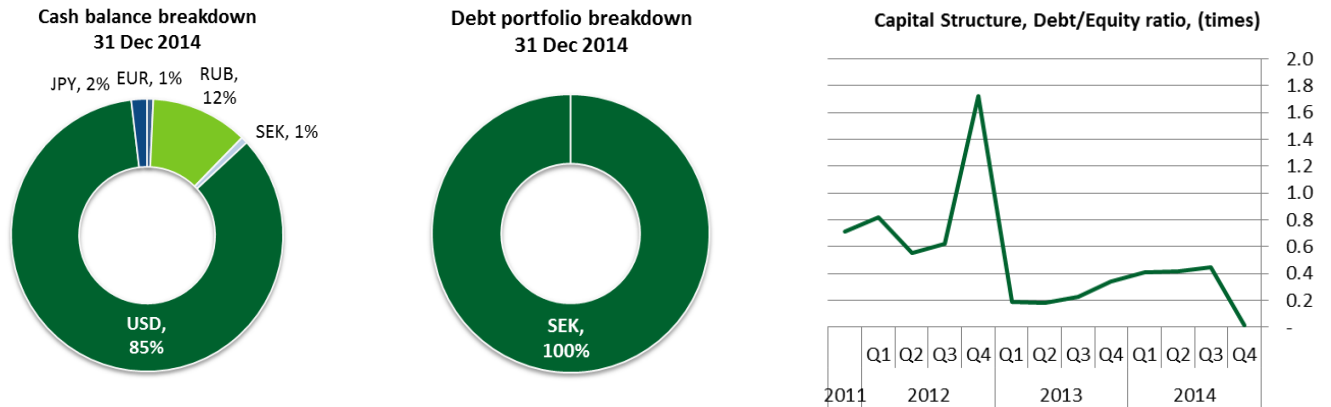
In Q4 2014, a total of USD 19.8 million of net assets related to Boguchany and Arkhangelsk were divested and thereby excluded from the balance sheet as at 31 December 2014. The values in USD of remaining Russian assets and liabilities on the balance sheet are also affected by the fluctuations in the rouble. In Q4 2014, the Russian rouble depreciated by about 43% against the USD, the Company's reporting currency. At 31 December 2014, the Russian rouble was down by about 72% against the USD compared with the start of the year. Compared with 1 January 2014 the value of assets as at 31 December 2014 has reduced by USD 41,7 million from disposal of business segments and by USD 29.2 million due to USD rate fluctuation, mainly against the Russian rouble.



Source: Russian Central Bank



At 31 December 2014, the Company held its cash predominantly in USD. Given the recent depreciation and volatility of the Russian rouble, the Company only keeps minimum cash in RUB as required for efficient ongoing operations in Russia. The Company's debt portfolio at 31 December 2014 was made up exclusively of a liability in SEK. The debt-to-equity ratio at the end of Q4 2014 was 0.02.



In Q4 2014, the Company again achieved positive cash flow from continuing operating activities. Cash flow from operating activities amounted to USD 0.4 million, compared with negative USD 2.3 million in Q4 2013. Investing activities in Q4 2014 generated a positive cash flow of USD 12.0 million, compared with negative USD 2.6 million in Q4 2013, largely due to the conclusion of the Boguchany business unit divestment and down-payment for the sale of the Arkhangelsk business unit. The main item affecting cash flow from financing activities in Q4 2014 was the USD 5.0 million decrease in loans payable, due to the repayment of the USD 5.0 million loan to Vostok Nafta. Total cash flow during Q4 2014 was USD 6.7 million, including USD 1.1 million of negative cash flow from Discontinued Operations.



For full year 2014, cash flow from continuing operating activities amounted to positive USD 5.4 million compared with negative USD 12.1 million for 2013. A total of USD 0.9 million was spent on investments in equipment in Magistralny and Ust-Ilimsk. Due to the divestment of the Boguchany and Arkhangelsk business units, total cash flow from investing activities in 2014 was positive USD 15.4 million, compared with negative cash flow of USD 6.5 million in 2013. In financing activities, the interest paid was significantly lower in 2014 compared with 2013 due to repayments of outstanding loans in 2014. The amount of repaid loans was USD 7.1 million in 2014, compared with USD 6.3 million in 2013. Total cash flow during 2014 was USD 6.8 million, including USD 0.5 million of positive cash flow from Discontinued Operations.

Boguchany and Arkhangelsk business segments were divested in 2014 and are included in Discontinued Operations in the Cash Flow Statement. See Note 5 for additional details.

Markets in Q4 2014

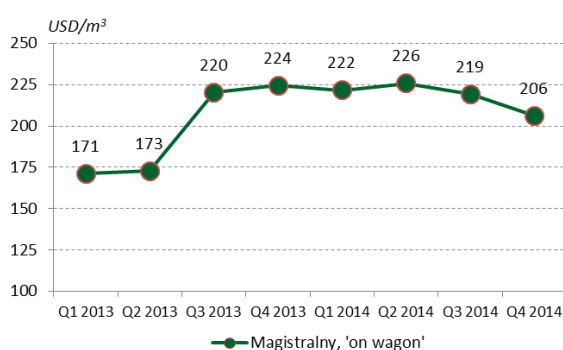
Market trends

RusForest's prices

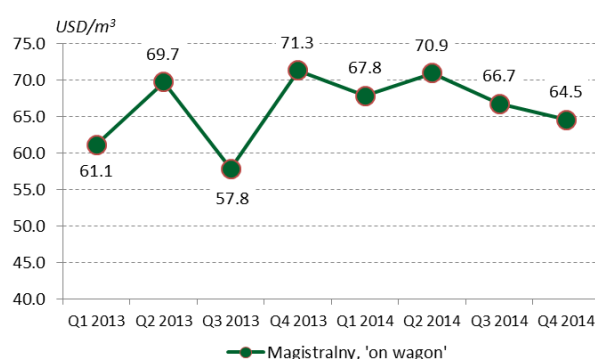
| Site | Q4 2014 | Q3 2014 | Q4 2014 vs. Q3 2014 |
|-----------|---------|---------|---|
| Sawnwood* | 206.2 | 219.3 | -6.0%  |
| Sawlogs* | 64.5 | 66.7 | -3.3%  |

* Magistralny, 'on wagon', USD/m³

RusForest's sawnwood price dynamics



RusForest's sawlogs price dynamics



RusForest sawnwood markets

RusForest sawnwood markets were mostly declining in Q4 2014. The overall market environment for sawnwood was characterised by the following factors:

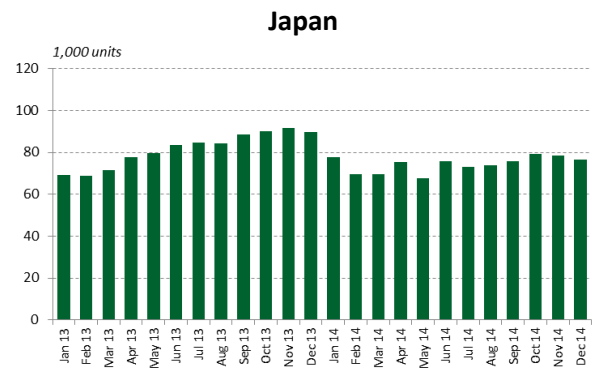
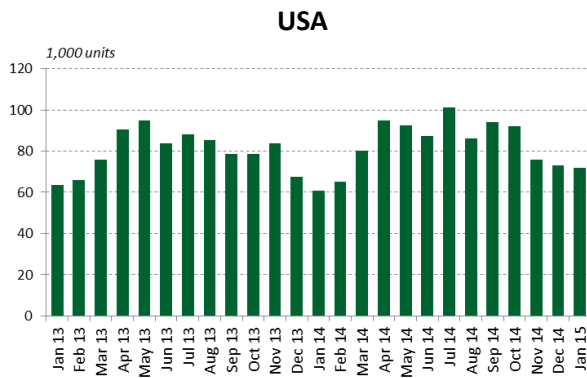
- Japan – The market continued to decline after the VAT increase in April and a fall in housing starts. Sawnwood prices in Q4 were lower than in Q3 due to a fall in the JPY/USD exchange rate in November/December. At the same time, sawnwood prices on the Japanese market in JPY were mostly stable during Q4 and even increased in December compared with November.
- MENA – High deliveries from Europe and Russia in H1 2014 pushed down demand and prices in Q4.
- China – The situation on the Chinese sawlog market during Q4 2014 was unfavourable. Extremely high stocks caused demand and prices to decline. The Chinese sawnwood market in Q4 2014 was more upbeat. Demand for Russian sawnwood was at a high level.
- Europe – The situation on the sawnwood market during Q4 was mostly negative. The process of balancing supply and demand continued, and prices declined significantly.
- US – Housing starts and sawnwood were quite strong during Q4 2014. At the same time, sawnwood prices at the end of Q4 2014 were down by 3-5% compared with Q3 2014.



The short-term market outlook for Q1 2015 is soft. We expect demand to grow slowly in the early Spring as the construction season starts again, and we expect significant improvement in the market in Q2 2015.

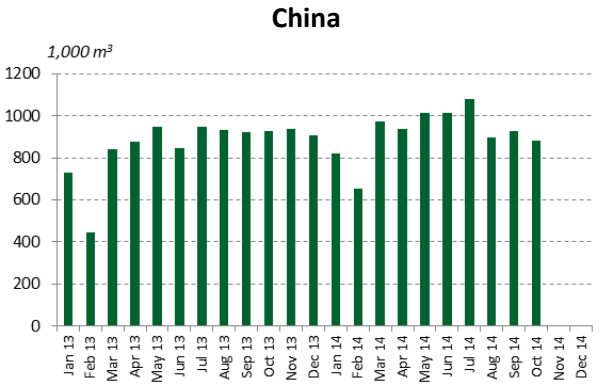
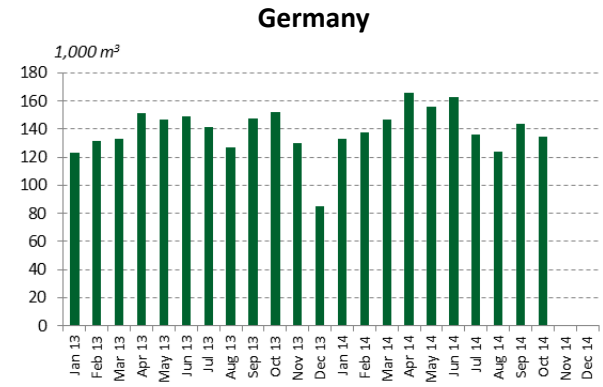
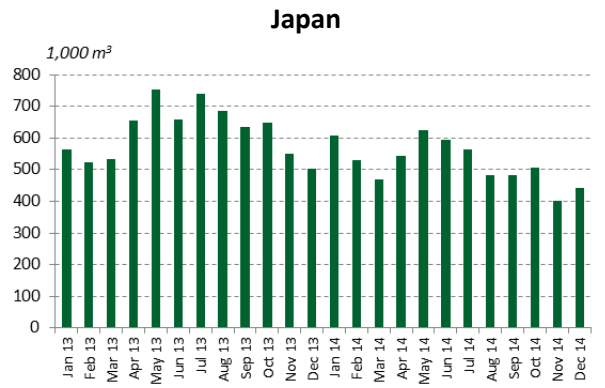
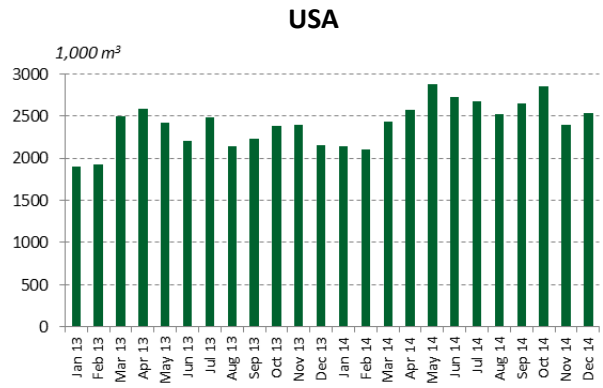
| Market | Current situation (Q4 2014) | Short-term outlook (Q1 2015) |
|--------|-----------------------------|------------------------------|
| Europe | ↘ | ↘ |
| Japan | ↘ | ↘ |
| MENA | ↘ | ↘ |
| China | ↘ | ↘ |
| USA | → | → |

Construction - housing starts

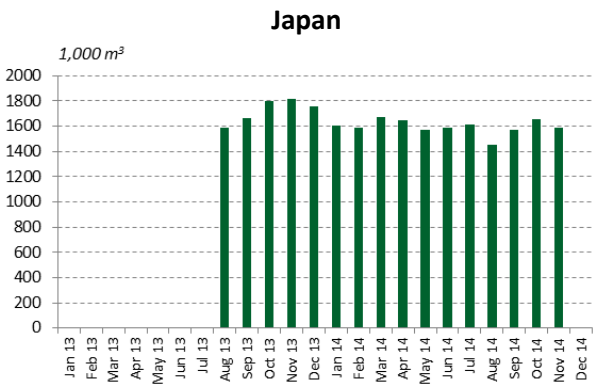
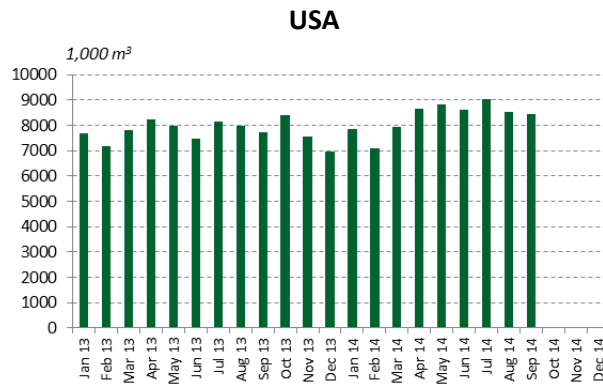




Imports



Consumption

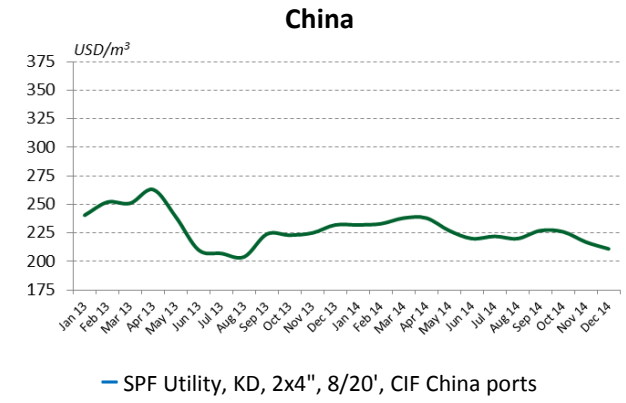
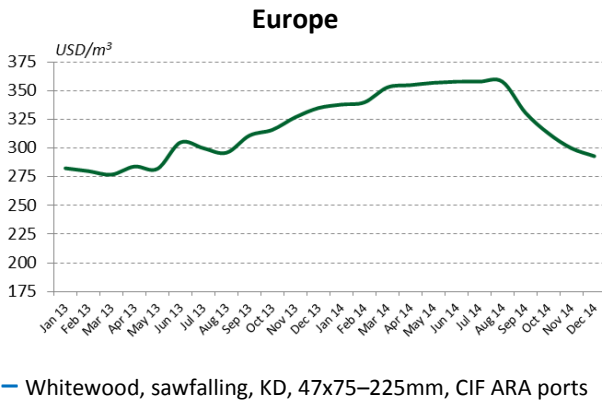
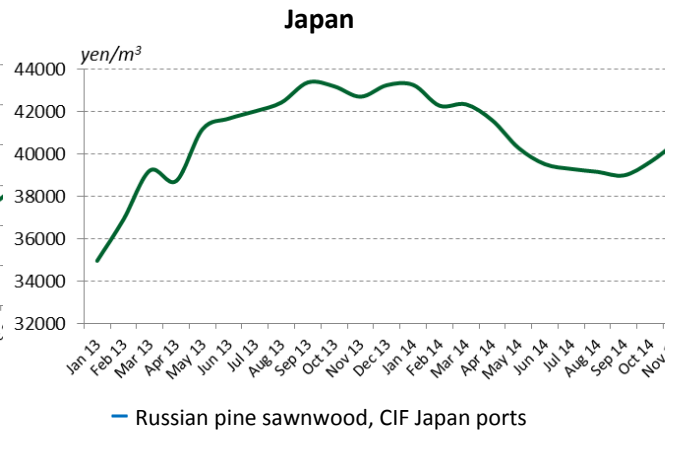
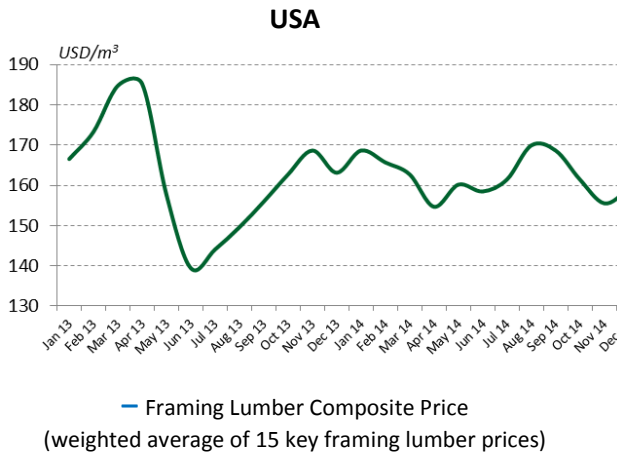


Sources: International Trade Centre (ITC), US Census Bureau, Japanese Ministry of Finance, General Customs Administration of China, Eurostat



Prices

Sawnwood



Sources: Random Lengths, Wood Markets, Japan Lumber Journal

The Share

The RusForest AB shares are listed on NASDAQ First North Stockholm. At the close of the period, the share price was SEK 1.40 (0.18 USD) and the Company's market capitalisation was approximately SEK 185 million or USD 24 million. The Company's certified adviser on First North is Pareto Securities AB, which also acts as a market maker in RusForest shares.

Summary shareholder information

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

12 months 2014 share data

| Average Daily Turnover (SEK) | Average No of Traded Shares | Average No of daily trades |
|------------------------------|-----------------------------|----------------------------|
| 696,272 | 408,958 | 72 |

| Shareholder | Number of shares | Percentage |
|-------------------------------|--------------------|---------------|
| Nova Capital | 33,500,000 | 25.4% |
| Merrill Lynch International | 12,054,232 | 9.1% |
| Avanza Pension | 9,931,256 | 7.5% |
| Nordnet Pensionsförsäkring | 4,183,909 | 3.2% |
| Morgan Stanley and Co LLC, W9 | 3,166,999 | 2.4% |
| Credit Suisse SEC. EUROPE LTD | 3,015,175 | 2.3% |
| Others | 66,182,310 | 50.1% |
| Total | 132,033,881 | 100.0% |

RusForest share price performance 1 January–31 December 2014



Source: NASDAQ OMX First North Stockholm

RusForest share

| | | | |
|-----------------------------|-----------------|-----------------|--------------|
| Price SEK/share 31 Dec 2014 | Change 1 Month | Change 3 months | 52 week high |
| 1.40 | 12.0% | 3.7% | 2.57 |
| | Change 6 Months | Change 1 year | 52 week low |
| | -22.2% | -34.3% | 1.09 |



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 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 reported 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. The functional currency for the Group operating subsidiaries is Russian rouble.

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. Loans and borrowings are reasonable approximation of fair value.

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 to develop, 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 ongoing conflict in Ukraine and related events have 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, have resulted in an increased economic uncertainty including more volatile equity markets, the depreciation of the Russian rouble, 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-owned 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 with sanctions against Russia, with the exception of the general fluctuations in the rouble 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 exposed to the effect of fluctuations in the Russian rouble, 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 rouble, can be found in the Company's 2013 annual report. The risks are indirectly the same for the parent company as for the Group.

Subsequent events

- On 19 January 2015, RusForest announced a contract with Hekotek for equipment to construct a wood pellet plant with an annual capacity of 30,000 tons at the Company's Magistralny sawmill.
- An additional USD 1.0 million in asset sale proceeds from the Arkhangelsk divestment was received in Q1 2015 as per the agreement. USD 5.7 million was received in Q4 2014, and the remaining USD 5.2 million is expected in 2015.
- Out of the sureties and pledges described in Note 5, the land plot pledge and sureties of USD 9.0 million related to Arkhangelsk have been successfully dissolved or transferred to the buyers in Q1 2015. The Company does not foresee any problems with completing transfer of all sureties.

Condensed Consolidated Income Statement

| In thousands of USD | Q4 2014 | Q4 2013 | 12M 2014 | 12M 2013 |
|--|----------------|-----------------|-----------------|-----------------|
| Continuing operations | | | | |
| Revenue | 7,137 | 8,112 | 27,429 | 33,987 |
| Cost of sales | (3,241) | (6,168) | (18,204) | (30,054) |
| Gross profit | 3,896 | 1,944 | 9,225 | 3,933 |
| Other income | 192 | 413 | 422 | 2,063 |
| Distribution expenses | (989) | (1,636) | (4,891) | (6,669) |
| Administrative expenditure | (2,455) | (2,279) | (8,477) | (10,853) |
| Other expenses | (199) | (135) | (1,526) | (516) |
| Impairment loss | - | (3,859) | - | (3,859) |
| Operating profit/(loss) | 445 | (5,552) | (5,247) | (15,901) |
| Financing income | 2,801 | 12 | 3,333 | 93 |
| Gain from bond restructuring | - | - | - | 41,404 |
| Financing cost | (126) | (471) | (969) | (2,895) |
| Net financing income/(cost) | 2,675 | (459) | 2,364 | 38,602 |
| Profit/(loss) before tax from continuing operations | 3,120 | (6,011) | (2,883) | 22,701 |
| <i>Income tax</i> | (11) | 98 | (26) | 111 |
| Profit/(loss) from continuing operations | 3,109 | (5,913) | (2,909) | 22,812 |
| Discontinued operations | | | | |
| Loss after tax from discontinued operations | (8,081) | (48,576) | (11,632) | (67,329) |
| Loss for the period | (4,972) | (54,489) | (14,541) | (44,517) |
| Attributable to: | | | | |
| Equity holders of the parent | (4,912) | (54,321) | (14,493) | (45,270) |
| Non-controlling interests | (60) | (168) | (48) | 753 |
| Loss for the period | (4,972) | (54,489) | (14,541) | (44,517) |
| Loss per share | (0.04) | (0.41) | (0.11) | (0.41) |

Condensed Consolidated Statement of Comprehensive Income

| In thousands of USD | Q4 2014 | Q4 2013 | 12M 2014 | 12M 2013 |
|---|-----------------|-----------------|-----------------|-----------------|
| Loss for the period | (4,972) | (54,489) | (14,541) | (44,517) |
| Other comprehensive income | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Currency translation difference | (17,834) | 192 | (29,818) | (9,897) |
| Other comprehensive (loss)/income for the period, net of tax | (17,834) | 192 | (29,818) | (9,897) |
| Total comprehensive loss for the period, net of tax | (22,806) | (54,297) | (44,359) | (54,414) |
| Attributable to: | | | | |
| Equity holders of the parent | (22,687) | (54,134) | (44,181) | (55,137) |
| Non-controlling interests | (119) | (163) | (178) | 723 |
| Total comprehensive loss for the period, net of tax | (22,806) | (54,297) | (44,359) | (54,414) |

| In thousands of USD | Q4 2014 | Q4 2013 | 12M 2014 | 12M 2013 |
|---|----------------|-----------------|-----------------|-----------------|
| Profit/(loss) from continuing operations | 3,109 | (5,913) | (2,909) | 22,812 |
| Attributable to: | | | | |
| Equity holders of the parent | 3,080 | (5,910) | (2,850) | 22,780 |
| Non-controlling interests | 29 | (3) | (59) | 32 |
| Loss from discontinued operations | (8,081) | (48,576) | (11,632) | (67,329) |
| Attributable to: | | | | |
| Equity holders of the parent | (7,992) | (48,411) | (11,643) | (68,050) |
| Non-controlling interests | (89) | (165) | 11 | 721 |

Per Share Data

| Per Share Data | Q4 2014 | Q4 2013 | 12M 2014 | 12M 2013 |
|--------------------------------------|----------------|----------------|-----------------|-----------------|
| USD | | | | |
| Loss | (0.04) | (0.41) | (0.11) | (0.41) |
| Shareholders' Equity (end of period) | 0.24 | 0.58 | 0.24 | 0.58 |
| Number of Shares | Q4 2014 | Q4 2013 | 12M 2014 | 12M 2013 |
| Beginning of period | 132,033,881 | 132,033,881 | 132,033,881 | 5,609,540 |
| End of Period | 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 | 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 |
| December 31, 2014 | 0.018 |

source: www.cbr.ru

Condensed Consolidated Statement of Financial Position

| In thousands of USD | 31 Dec 2014 | 31 Dec 2013 |
|---|---------------|----------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 14,914 | 68,441 |
| Forest lease rights | - | 14,406 |
| Intangible assets | 98 | 334 |
| Deferred tax asset | 6 | 4 |
| Total non-current assets | 15,018 | 83,185 |
| Current assets | | |
| Inventory | 1,750 | 10,368 |
| VAT refundable | 1,530 | 6,229 |
| Trade and other receivables | 1,563 | 5,684 |
| Receivable from assets sale | 6,242 | - |
| Current tax assets | 52 | 54 |
| Loans receivable from third parties | 93 | - |
| Cash and cash equivalents | 9,987 | 3,637 |
| | 21,217 | 25,972 |
| Assets classified as held for sale | - | 19,562 |
| Total current assets | 21,217 | 45,534 |
| Total assets | 36,235 | 128,719 |
| EQUITY | | |
| Equity and reserves | | |
| Share capital | 20,683 | 20,683 |
| Other paid in capital | 358,448 | 358,448 |
| Reserves | 24 | - |
| Translation reserve | (45,426) | (15,738) |
| Accumulated loss | (287,310) | (242,051) |
| Profit/(loss) for the period | (14,493) | (45,270) |
| Total equity attributable to Shareholders of the Group | 31,926 | 76,072 |
| Non-controlling interest | (106) | 430 |
| Total Equity | 31,820 | 76,502 |
| Liabilities | | |
| Non-current liabilities | | |
| Loans and borrowings | 479 | 17,884 |
| Deferred tax liability | 6 | 4 |
| Total non-current liabilities | 485 | 17,888 |
| Current liabilities | | |
| Interest bearing loans and borrowings | 6 | 8,053 |
| Trade and other payables | 3,858 | 12,179 |
| Current tax liabilities | 42 | 30 |
| Provisions | 24 | 32 |
| | 3,930 | 20,294 |
| Liabilities directly associated with the assets classified as held for sale | - | 14,035 |
| Total current liabilities | 3,930 | 34,329 |
| Total liabilities | 4,415 | 52,217 |
| Total equity and liabilities | 36,235 | 128,719 |

Condensed Consolidated Statement of Cash Flows

| In thousands of USD | Q4 2014 | Q4 2013 | 12M 2014 | 12M 2013 |
|--|----------------|----------------|-----------------|-----------------|
| Loss for the period | (4,972) | (54,489) | (14,541) | (44,517) |
| Adjustment for non-cash items | 6,353 | 54,623 | 16,117 | 40,219 |
| Paid income tax | (10) | (87) | (63) | (171) |
| Cash flow from operating activities before changes in working capital | 1,371 | 47 | 1,513 | (4,469) |
| Cash flow changes in working capital | (1,134) | (566) | 1,627 | (993) |
| Cash flow from discontinued operations | 147 | (1,786) | 2,235 | (6,663) |
| Cash flow from operating activities | 384 | (2,305) | 5,375 | (12,125) |
| Investment in equipment | (206) | (17) | (901) | (203) |
| Proceeds from sales of equipment | 381 | 1,501 | 1,339 | 3,939 |
| VAT refund on capital investments | 8 | - | 49 | - |
| Acquisition of shares in subsidiaries | - | (30) | (18) | (94) |
| Proceeds from sale of subsidiaries | 8,687 | 218 | 10,720 | 2,230 |
| Costs related to the sale of subsidiaries | (832) | - | (832) | - |
| Repayment of the loans by related parties | 4,568 | - | 4,568 | - |
| Interest received | 5 | 95 | 6 | 95 |
| Cash flow from discontinued operations | (591) | (4,410) | 477 | (12,439) |
| Cash flow from investing activities | 12,020 | (2,643) | 15,408 | (6,472) |
| New share issue | - | - | - | 28,659 |
| Costs related to the share issue | - | - | - | (3,377) |
| Redemption of the loans of sold subsidiaries | - | - | (3,941) | - |
| Increase/(decrease) in loans payable | (5,004) | (1,916) | (7,096) | (6,317) |
| Interest paid | (90) | (779) | (786) | (1,637) |
| Cash flow from discontinued operations | (639) | 3,634 | (2,205) | 3,336 |
| Cash flow from financing activities | (5,733) | 939 | (14,028) | 20,664 |
| Cash flow during the period | 6,671 | (4,009) | 6,755 | 2,067 |
| including continuing operations | 7,754 | (1,447) | 6,248 | 17,833 |
| including discontinued operations | (1,083) | (2,562) | 507 | (15,766) |
| Cash and cash equivalents, beginning of period | 3,391 | 7,909 | 3,760 | 2,586 |
| including continuing operations | 3,386 | 7,563 | 3,637 | 2,519 |
| including discontinued operations | 5 | 346 | 123 | 67 |
| Exchange-rate differences on cash balance | (75) | (140) | (528) | (893) |
| Cash and cash equivalents, period end | 9,987 | 3,760 | 9,987 | 3,760 |
| including continuing operations | 9,987 | 3,637 | 9,987 | 3,637 |
| including discontinued operations | - | 123 | - | 123 |

| In thousands of USD | Q4 2014 | Q4 2013 | 12M 2014 | 12M 2013 |
|---|--------------|---------------|---------------|---------------|
| Adjustment for non-cash items | | | | |
| Depreciation of property, plant and equipment | 958 | 1,971 | 5,679 | 8,485 |
| Amortization of intangible assets | 8 | 7 | 39 | 42 |
| Income tax | 11 | (98) | 26 | (111) |
| Finance income | (2,801) | (12) | (3,333) | (93) |
| Income from bond restructuring | - | - | - | (41,404) |
| Finance expense | 126 | 471 | 969 | 2,895 |
| Net loss on disposal of property, plant and equipment | 127 | (31) | 926 | (674) |
| Net income/loss on disposal of intangible assets | - | - | 7 | - |
| Bad debts | 27 | 87 | 438 | 353 |
| Other comprehensive (profit)/loss from assets held for sale | 8,081 | 48,576 | 11,632 | 67,329 |
| Impairment loss | - | 3,859 | - | 3,859 |
| Other non-cash items | (184) | (207) | (266) | (462) |
| Total | 6,353 | 54,623 | 16,117 | 40,219 |

Condensed Consolidated Statement of Changes in Equity

1 January 2014 – 31 December 2014

| In thousands of USD | Attributable to the equity holders of the parents | | | | | | 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 | | | | | (14,493) | (48) | (14,541) | |
| Other comprehensive income/(loss) | | | | (29,688) | | (130) | (29,818) | |
| Total comprehensive income/(loss) | - | - | - | (29,688) | (14,493) | (178) | (44,359) | |
| Acquired non-controlling interest in subsidiaries | | | | | 11 | (25) | (14) | |
| Disposed non-controlling interest in subsidiaries | | | | | | (333) | (333) | |
| Employee stock options* | | | 24 | | | | 24 | |
| Shareholders' equity at end of period | 20,683 | 358,448 | 24 | (45,426) | (301,803) | (106) | 31,820 | |

*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 – 31 December 2013

| In thousands of USD | Attributable to the equity holders of the parents | | | | | | 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) | |
| Total comprehensive income/(loss) | - | - | - | (9,867) | (45,270) | 723 | (54,414) | |
| Decrease in share capital | (72,039) | 72,039 | | | | | - | |
| Acquired non-controlling interest in subsidiaries | | | | | 384 | (466) | (82) | |
| Costs related to the share issue | | (3,457) | | | | | (3,457) | |
| New share issue | 19,956 | 50,199 | | | | | 70,155 | |
| Shareholders' equity at end of period | 20,683 | 358,448 | - | (15,738) | (287,321) | 430 | 76,502 | |

Parent Company Income Statement

| In thousands of SEK | Q4 2014 | Q4 2013 | 12M 2014 | 12M 2013 |
|--|-----------------|------------------|------------------|------------------|
| Other income | - | - | - | 547 |
| Administrative expenditure | (13,505) | (2,979) | (23,358) | (19,467) |
| Operating loss | (13,505) | (2,979) | (23,358) | (18,920) |
| Exchange (loss)/gain | (21,004) | 3,507 | (36,220) | (44,367) |
| Financing income | 462 | 2,433 | 5,619 | 44,611 |
| Income on bond restructuring | - | - | - | 269,772 |
| Financing cost | (918) | (1,350) | (3,854) | (7,570) |
| Profit/(loss) on disposal of investments | 1,549 | - | 1,549 | (435,624) |
| Impairment of investments and forgiveness of receivables from subsidiaries | (39,974) | (368,789) | (52,327) | (368,789) |
| Net financing cost | (59,885) | (364,199) | (85,233) | (541,967) |
| Income tax | - | - | - | - |
| Loss for the period | (73,390) | (367,178) | (108,591) | (560,887) |

Parent Company Balance Sheet

| In thousands of SEK | 31 Dec 2014 | 31 Dec 2013 |
|---------------------------------------|----------------|----------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 60 | 80 |
| Investments in subsidiaries | 179,875 | 50,841 |
| Loans receivable from subsidiaries | - | 299,220 |
| Total non-current assets | 179,935 | 350,141 |
| Current assets | | |
| VAT refundable | 257 | 66 |
| Receivables from subsidiaries | 33,834 | - |
| Trade and other receivable | 791 | 207 |
| Current tax assets | 221 | 70 |
| Loans receivable from subsidiaries | 32,794 | - |
| Cash and cash equivalents | 3,779 | 11,536 |
| Total current assets | 71,676 | 11,879 |
| Total assets | 251,611 | 362,020 |
| Equity | | |
| Equity and reserves | | |
| <i>Restricted equity</i> | | |
| Share capital | 132,034 | 132,034 |
| <i>Non-restricted equity</i> | | |
| Share premium | 1,037,511 | 1,037,511 |
| Retained earnings | (961,749) | (853,322) |
| Total equity | 207,796 | 316,223 |
| Liabilities | | |
| Non-current liabilities | | |
| Interest-bearing loans and borrowings | 3,745 | 3,745 |
| Loans payable to Group companies | 27,851 | - |
| Total non-current liabilities | 31,596 | 3,745 |
| Current liabilities | | |
| Interest-bearing loans and borrowings | - | 32,634 |
| Payables to Group companies | 7,602 | 8,085 |
| Trade and other payables | 4,617 | 1,333 |
| Total current liabilities | 12,219 | 42,052 |
| Total equity and liabilities | 251,611 | 362,020 |

In 2014, in connection with the agreements to sell the Boguchany and Arkhangelsk business segments, several intragroup loans have been restructured, and receivables from subsidiaries to the Parent Company significantly declined with a corresponding increase in receivables from subsidiaries in current assets. Furthermore, the Company has progressed with the announced project to transfer ownership of all Russian operating entities directly to the Group Parent Company. As a consequence, investments in subsidiaries have increased significantly.

Notes to the Financial Statements

Note 1. Cost of sales

| In thousands of USD | Q4 2014 | Q4 2013 | 12M 2014 | 12M 2013 |
|---|--------------|--------------|---------------|---------------|
| Personnel costs | 1,078 | 1,215 | 5,620 | 6,302 |
| Purchased sawlogs | 22 | 636 | 591 | 2,192 |
| Purchased sawnwood | - | - | - | 1,777 |
| Depreciation of property, plant and equipment | 894 | 1,672 | 5,280 | 7,410 |
| Amortization of intangible assets | 4 | 7 | 17 | 38 |
| Materials | 102 | 182 | 679 | 832 |
| Energy and fuel | 633 | 941 | 3,069 | 3,556 |
| Repairs and maintenance | 267 | 373 | 1,716 | 2,079 |
| Harvesting services | - | 671 | - | 3,209 |
| Forest lease | 151 | 273 | 818 | 1,163 |
| Other | 90 | 198 | 414 | 1,496 |
| Total | 3,241 | 6,168 | 18,204 | 30,054 |

Note 2. Distribution expenses

| In thousands of USD | Q4 2014 | Q4 2013 | 12M 2014 | 12M 2013 |
|---------------------|------------|--------------|--------------|--------------|
| Personnel costs | 174 | 257 | 903 | 1,348 |
| Railway costs | 622 | 996 | 3,280 | 4,039 |
| Other | 193 | 383 | 708 | 1,282 |
| Total | 989 | 1,636 | 4,891 | 6,669 |

* 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 | Q4 2014 | Q4 2013 | 12M 2014 | 12M 2013 |
|---------------------|--------------|--------------|--------------|---------------|
| Personnel costs | 1,718 | 1,180 | 5,563 | 6,674 |
| Audit | 160 | 117 | 508 | 390 |
| Property tax | 74 | 176 | 461 | 671 |
| Consulting fees | 241 | 270 | 837 | 1,184 |
| Other | 262 | 536 | 1,108 | 1,934 |
| Total | 2,455 | 2,279 | 8,477 | 10,853 |

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 twelve months ended 31 December 2014

| In thousands of USD | External revenue | | | | Total | Impairment loss | Profit/(loss) before tax |
|---|------------------|--------------|--------------|--------------|---------------|-----------------|--------------------------|
| | Sawnwood | Sawlogs | Pellets | Other | | | |
| Ust-Ilimsk | - | - | - | 957 | 957 | - | (2,177) |
| Magistralny | 19,974 | 5,212 | - | 1,286 | 26,472 | - | 2,136 |
| Unallocated | - | - | - | - | - | - | (2,842) |
| Total from continuing operations | 19,974 | 5,212 | - | 2,243 | 27,429 | - | (2,883) |
| Arkhangelsk | 26,618 | 291 | 8,055 | 3,920 | 38,884 | - | (12,107) |
| Boguchany | 2,452 | 1,118 | - | 494 | 4,064 | - | 1,333 |
| Pellets (Sweden & Latvia) | - | - | 59 | - | 59 | (853) | (855) |
| Total from discontinued operations | 29,070 | 1,409 | 8,114 | 4,414 | 43,007 | (853) | (11,629) |
| Total | 49,044 | 6,621 | 8,114 | 6,657 | 70,436 | (853) | (14,512) |

Operational segments, results for twelve months ended 31 December 2013

| In thousands of USD | External revenue | | | | Total | Impairment loss | Profit/(loss) before tax |
|---|------------------|---------------|------------|---------------|---------------|-----------------|--------------------------|
| | Sawnwood | Sawlogs | Pellets | Other | | | |
| Ust-Ilimsk | 1,751 | 1,834 | - | 4,007 | 7,592 | (3,859) | (6,507) |
| Magistralny | 18,234 | 7,308 | - | 835 | 26,377 | - | (4,385) |
| Unallocated* | - | - | - | 18 | 18 | - | 33,593 |
| Total from continuing operations | 19,985 | 9,142 | - | 4,860 | 33,987 | (3,859) | 22,701 |
| Arkhangelsk | 20,562 | 1,657 | - | 10,002 | 32,221 | (3,771) | (15,923) |
| Boguchany | 16,543 | 3,092 | - | 774 | 20,409 | (33,886) | (45,937) |
| Pellets (Sweden & Latvia) | - | - | 555 | - | 555 | (1,434) | (2,260) |
| Gravel | - | - | - | 2,240 | 2,240 | - | (2,790) |
| ALK | - | - | - | 1 | 1 | - | (61) |
| UI ZSI | - | - | - | 402 | 402 | - | (401) |
| Shenkursk | 4 | - | - | 13 | 17 | - | (96) |
| Total from discontinued operations | 37,109 | 4,749 | 555 | 13,432 | 55,845 | (39,091) | (67,468) |
| Total | 57,094 | 13,891 | 555 | 18,292 | 89,832 | (42,950) | (44,767) |

* 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 | 31 Dec 2014 | 31 Dec 2013 |
|---------------------------------|-------------|---------------|
| Non-current assets | | |
| Property, plant and equipment | - | 8,037 |
| Forest lease rights | - | 3,730 |
| Intangible assets | - | 357 |
| Total non-current assets | - | 12,124 |
| Current assets | | |
| Inventory | - | 3,223 |
| VAT refundable | - | 2,223 |
| Trade and other receivables | - | 1,154 |
| Loans receivable | - | 715 |
| Cash and cash equivalents | - | 123 |
| Total current assets | - | 7,438 |
| Total assets | - | 19,562 |

Liabilities directly associated with the assets classified as held for sale

| In thousands of USD | 31 Dec 2014 | 31 Dec 2013 |
|---------------------------------------|-------------|---------------|
| Non-current liabilities | | |
| Interest-bearing loans and borrowings | - | 4,626 |
| Total non-current liabilities | - | 4,626 |
| Current liabilities | | |
| Interest-bearing loans and borrowings | - | 1,435 |
| Trade and other payables | - | 7,963 |
| Current tax liabilities | - | 11 |
| Total current liabilities | - | 9,409 |
| Total liabilities | - | 14,035 |

Consolidated statement of comprehensive income, discontinued operations

| In thousands of USD | 12M 2014 | 12M 2013 |
|--|-----------------|-----------------|
| Discontinued operations | | |
| Revenue | 43,007 | 55,845 |
| Cost of sales | (34,828) | (58,229) |
| Gross profit/(loss) | 8,179 | (2,384) |
| Other income | 4,513 | 963 |
| Distribution expenses | (7,549) | (12,196) |
| Administrative expenditure | (4,047) | (6,639) |
| Other expenses | (491) | (2,361) |
| Impairment loss | (853) | (39,091) |
| Profit from disposal | 1,893 | 210 |
| Loss from disposal | (6,322) | (2,432) |
| Operating profit/(loss) | (4,677) | (63,930) |
| Financing income | 2 | 17 |
| Financing cost | (6,954) | (3,555) |
| Net financing income/(cost) | (6,952) | (3,538) |
| Income tax | (3) | 139 |
| Loss after tax from discontinued operations | (11,632) | (67,329) |

Condensed consolidated statement of cash flows, discontinued operations

| In thousands of USD | 12M 2014 | 12M 2013 |
|--|----------------|-----------------|
| Cash flow from operating activities | 2,235 | (6,663) |
| Investment in equipment | (4,181) | (16,298) |
| Proceeds from sales of forest lease rights | 460 | - |
| Proceeds from sales of equipment | 1,386 | 955 |
| VAT refund on capital investments | 2,812 | 2,904 |
| Cash flow from investing activities | 477 | (12,439) |
| Increase/(decrease) in loans payable | 161 | 5,776 |
| Interest paid | (2,366) | (2,440) |
| Cash flow from financing activities | (2,205) | 3,336 |
| Cash flow during the period | 507 | (15,766) |

Sureties and pledges

| Sureties and pledges for Arkhangelsk | In thousands of USD |
|---|---------------------|
| Sureties | 12,680 |
| Pledge of land plots of RusForest Magistralny LLC | 572 |
| Debt before Centroccredit bank, Rosselkhozbank and Raiffeisen leasing | |

| Sureties and pledges for Boguchany | In thousands of USD |
|---|---------------------|
| Sureties | 126 |
| Debt before Delta leasing and Caterpillar | |

As of 31 December 2014, the total estimated debt of Arkhangelsk and Boguchany for which RusForest companies granted sureties and pledges amounted to USD 12.8 million.

The land plot pledge and sureties of USD 9.0 million related to Arkhangelsk have been successfully dissolved or transferred to the buyers in Q1 2015. The Company does not foresee any problems with completing transfer of all sureties.

Note 6. Related party transactions

| | | 12M 2014 |
|-------------------------|---|---------------------|
| | | In thousands of USD |
| BLPK | Significant inter dependent commercial relationship | |
| | Sales of goods and services | 904 |
| | Resale of materials | 218 |
| | Sale of property, plant and equipment | 2 |
| | Rent income | 948 |
| | Finance income | 430 |
| | Purchase of goods and services | 55 |
| | Rent expenses | 11 |
| Lesresurs | The entity is controlled by persons identified as related parties | |
| | Sales of goods and services | 30 |
| | Sale of property, plant and equipment | 55 |
| | Purchase of goods and services | 53 |
| | Accounts receivable | 17 |
| RMG LLC | RMG LLC provides management services to certain RusForest entities | |
| | Management services provided to RusForest entities | 1,142 |
| | Provided services relating to the sale of Boguchany | 124 |
| | Finance expense | 1 |
| | Accounts receivable | 10 |
| | Accounts payable | 5 |
| Nova Capital LLC | The entity is controlled by a person identified as related party | |
| | Provided services relating to the sale of Boguchany | 988 |
| | Accounts payable | 296 |
| ROSS CJSC | 40% shareholder of Taiga-2003 | |
| | Accounts payable | 1 |

* Disclosed by nature of expenses (mainly payroll) in RusForest financial statements.

Note 7. Effect of disposal on the financial position of the Group

| In thousands of USD | Arkhangelsk | Boguchany | Pellets (Sweden & Latvia) | Total |
|---------------------------------------|---------------|--------------|---------------------------|---------------|
| Property, plant and equipment | 23,278 | 4,281 | 988 | 28,547 |
| Forest lease rights | 8,583 | 2,146 | - | 10,729 |
| Intangible assets | 65 | 301 | - | 366 |
| Inventory | 3,967 | 2,417 | - | 6,384 |
| VAT refundable | 1,599 | 1,300 | 21 | 2,920 |
| Trade and other receivable | 2,032 | 1,033 | 114 | 3,179 |
| Cash and cash equivalents | 2 | 26 | 2 | 30 |
| Interest-bearing loans and borrowings | (16,612) | (4,069) | - | (20,681) |
| Trade and other payables | (5,375) | (5,010) | (492) | (10,877) |
| Current tax liabilities | - | (9) | - | (9) |
| Net assets and liabilities | 17,539 | 2,416 | 633 | 20,588 |

| In thousands of USD | Arkhangelsk | Boguchany | Pellets (Sweden & Latvia) | Total |
|---|---------------|--------------|---------------------------|---------------|
| Consideration received, satisfied in cash | 5,692 | 4,432 | 626 | 10,750 |
| Receivable from assets sale* | 6,242 | - | - | 6,242 |
| Total consideration | 11,934 | 4,432 | 626 | 16,992 |

* The fair value of receivable from assets sale due within one year approximates to its carrying amount.

| In thousands of USD | Arkhangelsk | Boguchany | Pellets (Sweden & Latvia) | Total |
|---|----------------|--------------|---------------------------|----------------|
| Total consideration | 11,934 | 4,432 | 626 | 16,992 |
| Direct expenses related to the sale | (1,041) | (124) | - | (1,165) |
| Net assets and liabilities disposed | (17,540) | (2,415) | (634) | (20,589) |
| Disposed non-controlling interest in subsidiaries | 333 | - | - | 333 |
| Profit/(loss) from disposal | (6,314) | 1,893 | (8) | (4,429) |

| In thousands of USD | Arkhangelsk | Boguchany | Pellets (Sweden & Latvia) | Total |
|---|--------------|--------------|---------------------------|--------------|
| Consideration received, satisfied in cash | 5,692 | 4,432 | 626 | 10,750 |
| Paid direct expenses related to the sale | (708) | (124) | - | (832) |
| Cash and cash equivalents disposed of | (2) | (26) | (2) | (30) |
| Net cash inflow | 4,982 | 4,282 | 624 | 9,888 |

Financial Calendar

| | |
|-------------------------------|------------------|
| 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 |

Annual General Meeting and Annual Report

The Annual General Meeting of shareholders in RusForest AB (publ) will be held at 3 p.m. on Friday, 15 May 2015, at NIO RUM, Hamngatan 2, 111 47 Stockholm, Sweden. To be eligible to participate at the Annual General Meeting, shareholders must be registered in the share register maintained by Euroclear Sweden AB (Swedish Securities Register Centre) as of 8 May 2015, and shareholders must notify their intention to attend the Annual General Meeting by 8 May 2015. Information on RusForest's AGM will also be available on its website at www.rusforest.com. RusForest's Annual Report for 2014 will be available on the Company's website and at the company's head office, Hovslagargatan 5, Stockholm, Sweden, by 24 April 2015.

Dividend

The Board of Directors proposes that no dividend be paid for the 2014 financial year.

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

Stockholm, 31 March 2015

RusForest AB (publ.)
The Board of Directors

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