

Second Quarter 2014 Earnings Call

August 29, 2014



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Company Overview

Summary

- Swedish forestry company focused on Russia
- Vertically integrated from timber leases to sawmilling and wood pellet production
- High-quality, slow-growth forests
- Close proximity to main markets in Europe, China and Japan
- Extensive Russian forestry experience from new management and major shareholder

Corporate Information

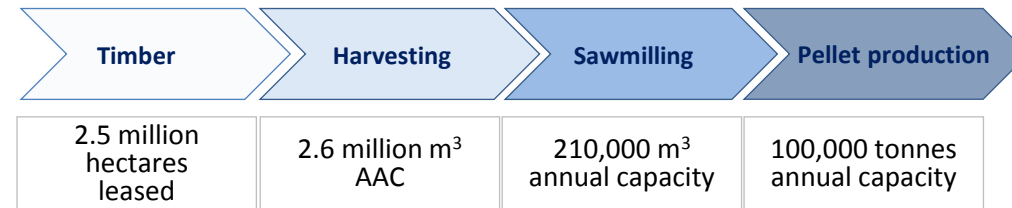
Stock Exchange Listing	NASDAQ OMX Stockholm First North ticker "RUSF"
Share Price *	SEK 1.44
Shares Outstanding	132,033,881
Market Capitalization	USD 27.3 million
Net Debt	USD 21.9 million
Enterprise Value	USD 49.2 million
Main Shareholder	Nova Capital (25.4%)

*Share price at closing on 28 August 2014. Net debt at 30 June 2014.

Asset Locations



Forestry Value Chain



AAC = Annual Allowable Cut; m³ = cubic meters

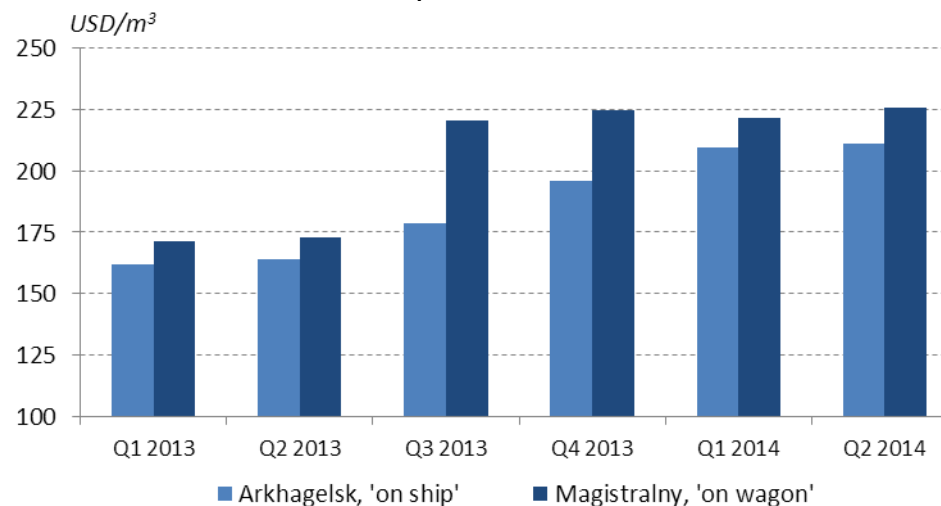
Second Quarter 2014 Production and Sales

- Sawnwood production in Q2 2014 similar to last year, while sawlog harvesting was negatively affected by adverse weather conditions in Q2 2014.
- Less sawlogs sold from both Arkhangelsk and Magistralny due to the reduction in sawlog harvesting.
- Sawnwood prices increased about 31% compared with Q2 2013.
- Pellet sales from Arkhangelsk started in Q2 2014. An annual contract for 60,000 tonnes was signed in Q2 2014.

	Second quarter		6M	
	2014	2013	2014	2013
Production & sales continuing operations				
Sawlogs harvested, m ³	28,918	49,028	142,377	210,005
Sawnwood produced, m ³	41,335	41,284	89,869	88,069
Sawlogs sold, m ³	7,939	26,431	36,151	83,035
Sawnwood sold, m ³	48,645	51,318	99,163	85,463
Pellets produced, tonnes	12,830	-	19,320	-
Pellets sold, tonnes	16,251	-	16,259	-

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

Price development of sawnwood



Second Quarter 2014 Financial Highlights

- Second consecutive quarter reporting a positive EBITDA despite the seasonal slowdown.
- Loss from discontinued operations mainly due to USD 0.9 million impairment of Ystad Pellets asset.
- Net loss of USD 3.8 million, compared with loss of USD 11.8 million in Q2 2013.
- Cash balance USD 1.9 million compared with USD 3.6 million at 31 December 2013.

USDm	Second quarter		6M	
	2014	2013	2014	2013
Revenue	17.8	15.2	34.7	33.4
EBITDA adjusted	0.2	(3.5)	1.3	(5.8)
Profit/(loss) from continuing operations	(2.6)	(8.8)	(6.0)	26.0*
Profit/(loss) from discontinued operations	(1.2)	(3.0)	(1.1)	(9.0)
Profit/(loss) for the period	(3.8)	(11.8)	(7.1)	17.0
Net income/(loss) per share (USD per share)	(0.0)	(0.1)	(0.1)	0.2

	30 Jun 2014	31 Dec 2013
Cash balance	1.9	3.6
Working capital	9.2	10.1
Net debt	21.9	22.3

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

Second Quarter 2014 Income Statement

- Q2 2014 revenue increased 17% compared with Q2 2013:
 - Sawnwood volumes -5%, prices higher than Q2 2013;
 - Much less sawlogs sold, prices stable;
 - Revenue from Pellets of USD 2.8 million.
- Cost of sales decreased 11% and administrative expenses decreased 28% in Q2 2014 compared with Q2 2013 due to operational improvement measures and the weakening Russian ruble.
- Other expenses increased significantly in Q2 2014 compared to Q2 2013, mainly related to Ust-Ilimsk and bad debt provision and losses in connection with disposal of old machinery and equipment.

In thousands of USD	Q2 2014	Q2 2013
Continuing operations		
Revenue	17,780	15,247
Cost of sales	(14,452)	(16,312)
Gross profit/(loss)	3,328	(1,065)
Other income	1,693	1,049
Distribution expenses	(2,803)	(2,879)
Administrative expenditure	(2,961)	(4,120)
Other expenses	(1,597)	(86)
Impairment loss	-	-
Impairment of investments in associates	-	-
Operating profit/(loss)	(2,340)	(7,101)
Financing income	478	48
Gain from bond restructuring	-	-
Financing cost	(769)	(1,881)
Net financing income/(cost)	(291)	(1,833)
Profit/(loss) before tax from continuing operations	(2,631)	(8,934)
<i>Income tax</i>	19	122
Profit/(loss) from continuing operations	(2,612)	(8,812)
Discontinued operations		
Profit/(loss) after tax from discontinued operations	(1,227)	(3,021)
Profit/(loss) for the period	(3,839)	(11,833)
Attributable to:		
Equity holders of the parent	(3,858)	(12,862)
Non-controlling interests	19	1,029
Profit/(loss) for the period	(3,839)	(11,833)

Second Quarter 2014 Balance Sheet

In thousands of SEK	30 Jun 2014	31 Dec 2013
ASSETS		
Non-current assets		
Property Plant and equipment	63,835	68,441
Forest lease rights	13,621	14,406
Other assets	284	338
Total non-current assets	77,740	83,185
Current assets		
Inventory	10,329	10,368
Trade and other receivables	4,476	5,684
Loans receivable from related companies	4,070	-
Tax & VAT assets	6,237	6,283
Cash and cash equivalents	1,874	3,637
Total current assets	26,986	25,972
Assets classified as held for sale	7,118	19,562
Total assets	111,844	128,719
EQUITY		
Total equity attributable to Shareholders of the Group	66,789	76,072
Non-controlling interest	402	430
Liabilities		
Interest-bearing loans and borrowings	16,810	17,884
Deferred tax liability	9	4
Total non-current liabilities	116,755	588,328
Interest bearing loans and borrowings	11,059	8,053
Trade and other payables	11,771	12,179
Other liabilities	56	62
Total current liabilities	132,461	303,381
Liabilities directly associated with assets held for sale	4,948	14,035
Total liabilities	44,653	52,217
Total equity and liabilities	111,844	128,719

➤ Loans receivable from related companies refers to receivable from Boguchany business segment that will be paid by buyer to RusForest as part of transaction completion.

➤ Cash reserves decreased in relation to 31 December 2013 balance, however, proceeds from divestments forthcoming and seasonal slowdown passed.

➤ Assets held for sale constitute Boguchany harvesting unit and Ystad Pellets AB which was divested in July.

Second Quarter 2014 Cash Balance Reconciliation

- Positive cash flow from operating activities.
- USD 2.6 million investment in equipment of which USD 0.7 million was related to investment in timber hauling machinery in Magistralny and USD 1.9 million was related to finalisation of pellet mill in Arkhangelsk.

in thousands of USD	Q2 2014
Cash balance 31 Mar 2014	3,617
<i>including discontinued operations</i>	84
Continuing operations	
Cash flow from operating activities	555
Investment in equipment	(2,628)
Proceeds from sales of equipment	432
Acquisition of shares in subsidiaries	(3)
Cash flow from investing	(2,199)
Increase/(decrease) in loans payable	267
Interest paid	(788)
Cash flow from financing activities	(521)
Cash flow during the period from continuing operations	(2,165)
Discontinued operations	
Cash flow from operating activities	545
Cash flow from investing activities	41
Cash flow from financing activities	(250)
Cash flow during the period from discontinued operations	336
Exchange-rate differences on cash balance	149
Cash balance 30 Jun 2014	1,938
<i>including discontinued operations</i>	64

Conclusion

Unique platform:

- Swedish forestry company focused on Russia.
- Vertically integrated from timber leases to sawmilling and wood pellet production.
- High-quality, slow-growth forests.
- Close proximity to main markets in Europe, Japan, and China.
- Extensive Russian forestry experience from new management and major shareholder.

Next step – maintain positive cash flow:

- Finalizing Boguchany transaction to collect remaining net asset sale proceeds of USD 2.5 million.
- Continuing forest lease optimization.
- Reviewing Arkhangelsk sawmill.



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