

# Third Quarter 2014 Earnings Call

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November 27, 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

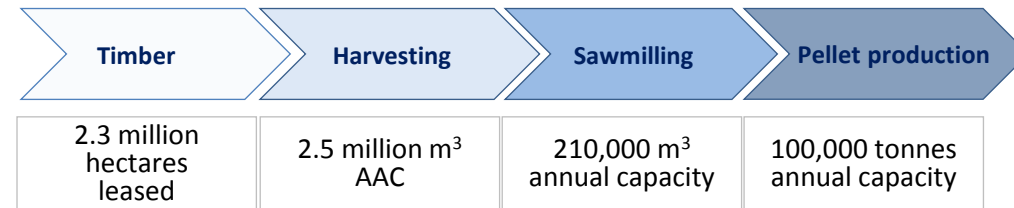
<b>Stock Exchange Listing</b>	NASDAQ OMX Stockholm First North ticker "RUSF"
<b>Share Price *</b>	SEK 1.42
<b>Shares Outstanding</b>	132,033,881
<b>Market Capitalization</b>	USD 25.2 million
<b>Net Debt</b>	USD 16.8 million
<b>Enterprise Value</b>	USD 42.0 million
<b>Main Shareholder</b>	Nova Capital (25.4%)

\*Share price at closing on 26 November 2014. Net debt at 30 September 2014.

### Asset Locations



### Forestry Value Chain



AAC = Annual Allowable Cut; m<sup>3</sup> = cubic meters

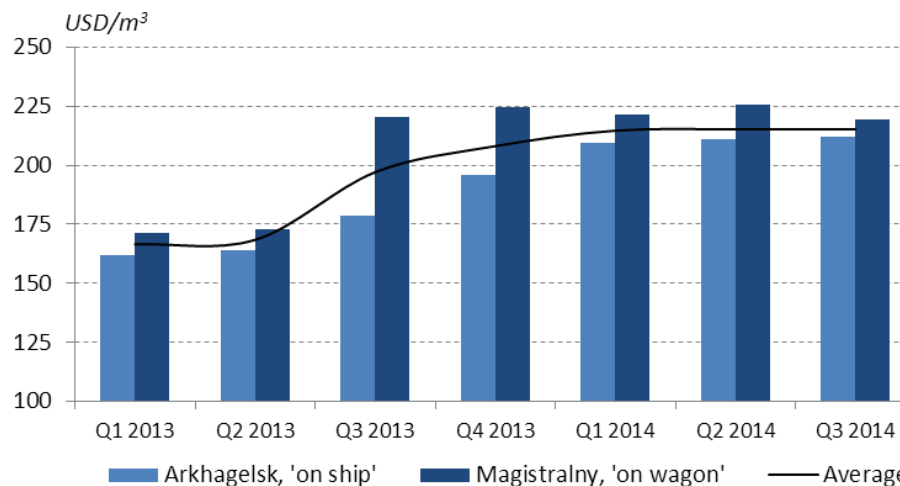
# Third Quarter 2014 Production and Sales

- Sawnwood production in Q3 2014 increased by 2% compared with last year, while sawlog harvesting decreased by 20% due to poor weather conditions and problems with haulage mainly in Arkhangelsk.
- Less sawlogs sold due to weak demand from Chinese market and focus on sawnwood output.
- Sawnwood prices were stable from Q2 2014. Compared with Q3 2013 average price increased about 5%.
- Pellet production increased from 12,830 tonnes in Q2 2014 to 16,646 tonnes in Q3 2014.

	Third quarter		9M	
	2014	2013	2014	2013
<b>Production &amp; sales continuing operations</b>				
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	-

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

Price development of sawnwood



# Third Quarter 2014 Financial Highlights

- Third consecutive quarter reporting positive EBITDA.
- Profit of USD 1.5 million from discontinued operations due to strong quarter of active harvesting for the Boguchany forest and harvesting unit.
- Net loss of USD 2.5 million, compared with loss of USD 7.1 million in Q3 2013.
- Cash balance USD 3.4 million compared with USD 3.6 million at 31 December 2013.

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

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

\* Detailed EBITDA calculation on page 7 of interim report.

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

# Third Quarter 2014 Income Statement

- Q3 2014 revenue increased 2% compared with Q3 2013:
  - Sawnwood revenue up 22% due to higher volumes and prices;
  - Sawlog revenue declined due to lower volumes, but somewhat compensated by higher prices;
  - Revenue from Pellets was about USD 1 million less than in Q2 2014 because of shipping schedule.
- Cost of sales decreased 16% and administrative expenses decreased 6% in Q3 2014 compared with Q3 2013 due to operational improvement measures and the weakening Russian ruble.
- Financing cost increased significantly in Q3 2014 compared to Q3 2013, mainly related to approximately USD 1 million FX loss on loans and borrowings in foreign currency.

In thousands of USD	Q3 2014	Q3 2013
<b>Continuing operations</b>		
Revenue	16,846	16,559
Cost of sales	(13,106)	(15,544)
<b>Gross profit/(loss)</b>	<b>3,740</b>	<b>1,015</b>
Other income	60	204
Distribution expenses	(3,188)	(2,554)
Administrative expenditure	(2,658)	(2,834)
Other expenses	(172)	(969)
Impairment loss	-	-
Impairment of investments in associates	-	-
<b>Operating profit/(loss)</b>	<b>(2,218)</b>	<b>(5,138)</b>
Financing income	144	286
Gain from bond restructuring	-	-
Financing cost	(1,893)	(574)
<b>Net financing income/(cost)</b>	<b>(1,749)</b>	<b>(288)</b>
<b>Profit/(loss) before tax from continuing operations</b>	<b>(3,967)</b>	<b>(5,426)</b>
<i>Income tax</i>	3	-
<b>Profit/(loss) from continuing operations</b>	<b>(3,964)</b>	<b>(5,426)</b>
<b>Discontinued operations</b>		
Profit/(loss) after tax from discontinued operations	1,471	(1,640)
<b>Profit/(loss) for the period</b>	<b>(2,493)</b>	<b>(7,066)</b>
Attributable to:		
Equity holders of the parent	(2,520)	(6,974)
Non-controlling interests	27	(92)
<b>Profit/(loss) for the period</b>	<b>(2,493)</b>	<b>(7,066)</b>

# Third Quarter 2014 Balance Sheet

- Balance sheet affected by RUB to USD depreciation.
- Working Capital decreased from USD 10.1 million to USD 4.2 million as of 30 Sept 2014, compared with 31 Dec 2013.
- Cash balance increased from USD 1.9 million at 30 June 2014 to USD 3.4 at 30 Sep 2014.

In thousands of SEK	30 Sep 2014	31 Dec 2014
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>
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>Total current assets</b>	<b>24,825</b>	<b>25,972</b>
Assets classified as held for sale	4,945	19,562
<b>Total assets</b>	<b>94,289</b>	<b>128,719</b>
<b>Total Equity</b>	<b>54,978</b>	<b>76,502</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>
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>Total current liabilities</b>	<b>22,893</b>	<b>20,294</b>
Liabilities directly associated with the assets classified as held for	1,810	14,035
<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>

# Third Quarter 2014 Cash Balance Reconciliation

- Positive cash flow from operating activities, as well as in total for the quarter.
- USD 2.0 million repayment of loans.
- Discontinued operations slightly negative.

in thousands of USD	Q3 2014
<b>Cash balance 30 June 2014</b>	<b>1,938</b>
<i>including discontinued operations</i>	64
<b>Continuing operations</b>	
<b>Cash flow from operating activities</b>	<b>3,956</b>
Net Investment in equipment	(392)
VAT refund on capital investments	840
Acquisition of shares in subsidiaries	(15)
Proceeds from sale of subsidiaries& equipment	558
<b>Cash flow from investing</b>	<b>991</b>
Increase/(decrease) in loans payable	(2,023)
Interest paid	(867)
<b>Cash flow from financing activities</b>	<b>(2,890)</b>
<b>Cash flow during the period from continuing operations</b>	<b>2,057</b>
<b>Discontinued operations</b>	
Cash flow from operating activities	(656)
Cash flow from investing activities	1,704
Cash flow from financing activities	(1,196)
<b>Cash flow during the period from discontinued operations</b>	<b>(148)</b>
Exchange-rate differences on cash balance	(456)
<b>Cash balance 30 September 2014</b>	<b>3,391</b>
<i>including discontinued operations</i>	5



# Conclusion

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## 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 steps:

- Finalize Boguchany transaction to collect remaining sale proceeds
- Repay of Vostok Nafta loan
- Complete strategic review of Arkhangelsk



*RusForest Magistralny's sawnwood in the port of Nanao-shi, Ishikawa, Japan in November 2014.*

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