



RusForest AB (publ)

Year End Report 2012

RusForest AB (publ), corporate registration no. 556694-6421

The information in this report was prepared as of March 15, 2013

Fourth Quarter Highlights

	Three months ended		Three months ended	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Sawlogs harvested, m ³	175,489	198,288	175,489	198,288
Sawnwood produced, m ³	68,886	53,778	68,886	53,778
	SEK mln	SEK mln	USD mln*	USD mln*
Revenue	152.9	110.4	21.8	15.8
EBITDA	(84.4)	(60.8)	(12.1)	(8.7)
Operating loss before impairment of assets	(121.7)	(89.1)	(17.4)	(12.7)
Impairment of assets (continued operations)	(341.9)	-	(48.8)	-
Operating loss after impairment of assets	(463.6)	(89.1)	(66.2)	(12.7)
Net loss before impairment of assets	(176.3)	(97.2)	(25.2)	(13.9)
Impairment of assets (continued and discontinued operations)	(499.2)	-	(71.3)	-
Net loss after impairment of assets	(675.5)	(97.2)	(96.5)	(13.9)
Net loss per share (SEK or USD per share)	(1.41)	(1.02)	(0.20)	(0.15)
Year ended		Year ended		
Dec 31, 2012		Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Sawlogs harvested, m ³	799,083	536,711	799,083	536,711
Sawnwood produced, m ³	292,591	221,588	292,591	221,588
	SEK mln	SEK mln	USD mln*	USD mln*
Revenue	564.3	409.4	80.6	58.5
EBITDA	(278.3)	(176.9)	(39.8)	(25.3)
Operating loss before impairment of assets	(414.4)	(278.2)	(59.2)	(39.7)
Impairment of assets (continued operations)	(341.9)	-	(48.8)	-
Operating loss after impairment of assets	(756.2)	(278.2)	(108.0)	(39.7)
Net loss before impairment of assets	(564.3)	(288.7)	(80.6)	(41.2)
Impairment of assets (continued and discontinued operations)	(521.8)	-	(74.5)	-
Net loss after impairment of assets	(1,086.1)	(288.7)	(155.2)	(41.2)
Net loss per share (SEK or USD per share)	(2.97)	(3.32)	(0.42)	(0.47)
Dec 31, 2012		Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Cash balance	16.4	22.3	2.3	3.2
Working capital	50.7	118.9	7.2	17.0
Net debt	698.6	725.1	99.8	103.6

* Exchange rate of 7.0 SEK per USD used to translate SEK amounts to USD for reference purposes

Significant events during the three months ended December 31, 2012

- On November 15, 2012, RusForest secured a USD 5 million term loan from the Company's major shareholder, Vostok Komi (Cyprus) Limited, a wholly-owned subsidiary of Vostok Nafta Investment Ltd. The proceeds from the loan were used for working capital purposes.
- On December 12, 2012, RusForest announced a recapitalization program to (i) reduce the corporate bond's nominal amount and accrued interest by approximately 50 percent, reduce the coupon to zero percent and extend the term of the bond to 2018, and (ii) issue new shares to bondholders by way of a set-off (the "Debt-to-Equity Swap"), to existing shareholders (the "Rights Issue") and to Nova Capital (the "Directed Issue"). These steps will strengthen RusForest's equity by approximately SEK 450 million. The transaction is expected to close at the end of March 2013.
- As of December 31, 2012, RusForest re-classified the Shenkursk sawmill and the pellets operations as assets held for sale, which already included the gravel quarry and the two small planing mills in Arkhangelsk and Ust-Ilimsk.
- Due to the distressed financial situation of the major pulpmills in the Arkhangelsk region and the significant deterioration of the local pulpwood market there, RusForest established provisions for the relevant receivables in the amount of SEK 11.7 million and wrote down the stock of pulplogs by SEK 7.3 million as of December 31, 2012.
- In Q4 2012, RusForest reviewed its assets and recognized an impairment expense of SEK 499.2 million, which is in line with the estimate communicated in Q3 2012. The impairment included SEK 176.3 million expensed for the Arkhangelsk forest leases. In addition, the Company recognized an impairment loss of SEK 165.6 million related to property and equipment in its core operations. The remaining expense of SEK 157.3 million related to discontinued operations. The expected breach of the corporate bond covenant from the impairment was remedied by the bond restructuring approved in Q1 2013.

Significant events after the end of the period

- A series of events related to the restructuring transaction took place after the end of the period:
 - On January 21, 2013, RusForest published a liquidation analysis report by Indufor OY.
 - On January 25, 2013, the Company received approval from its bondholders. As a result, RusForest complied with the corporate bond debt-to-equity ratio covenant of 75 percent.
 - On February 1, 2013, RusForest received approval from its shareholders.
 - On February 20, 2013, the Company announced the positive outcome of the Debt-to-Equity Swap with 98.6 percent acceptance by bondholders.
 - On March 15, 2013, RusForest announced the fully subscribed Rights Issue for approximately SEK 86 million.

Based on the positive outcome of corporate actions taken in Q1 2013, the Company sees no substantial risks to closing the transaction at the end of March 2013.

- On February 8, 2013, RusForest amended the USD 5 million term loan from the Company's major shareholder, Vostok Komi (Cyprus) Limited, to extend the loan maturity until December 31, 2013, and reduce the annual interest rate to 9 percent. In addition, RusForest secured another term loan from Vostok Nafta for approximately SEK 25 million to be repaid from the proceeds of the upcoming rights issue.
- On March 15, 2013, Anton Bogdanov was appointed as COO of RusForest. He was most recently CEO of Nova Management Group, which operates Lesresurs, a Russian forestry company in Eastern Siberia with 372,000 m³ of annual allowable cut ("AAC") and 170,000 m³ of annual sawnwood capacity. Lesresurs is one of the largest Russian suppliers of sawnwood to Japan. Anton replaces Peter Nilsson, the former COO and Director of Sales and Production for RusForest. Peter will remain an employee of RusForest until the Company's Annual General Meeting on May 15, 2013, at which time Vostok Nafta intends to propose Peter's appointment to the Board of Directors.

CEO Comment

When I joined RusForest as CEO in August 2012, I identified a number of operational and financial challenges facing the Company. We have made solid progress addressing these challenges, especially with the restructuring transaction that is expected to close at the end of this month. The transaction includes the following three steps:

1. Reduction of the corporate bond and accrued interest by 50 percent followed by a debt-to-equity swap of the remaining balance;
2. Rights issue to existing shareholders for SEK 86 million; and
3. Directed issue to a Russian strategic investor, Nova Capital, for SEK 100 million.

With approximately SEK 186 million of fresh capital (before transaction expenses), we will address our working capital requirements and be able to negotiate the sale of non-core assets from a position of strength. With the appointment of Anton Bogdanov as COO, we gain a seasoned Russian forestry executive on the ground full-time. Finally, with Nova Capital's sales channels and expertise in producing sawnwood for high-value markets like Japan, we gain a valuable long-term solution to make RusForest profitable.

Our new Russian shareholder, Nova Capital, adds the local execution capability that RusForest previously lacked. Nova has valuable experience running a profitable forestry business in Eastern Siberia and is today one of the largest Russian exporters of sawnwood to Japan, the market with the highest price in the world for Russian red pine structural and appearance grade sawnwood. Therefore, even without a macro commodity price increase, RusForest can benefit from significant sawnwood price increases by shifting our sales to new products and markets.

North American sawnwood prices have increased more than 40 percent compared to one year ago and are now at a seven-year high. Most importantly, we are beginning to see sawnwood prices increase in Europe as well. The market fundamentals in Europe are strong for a rally in commodity prices as the US housing recovery gains momentum and demand improves in China. Long-term, the global sawnwood supply-demand balance is expected to tighten as European sawnwood production is diverted to the strong North American market and the mountain pine beetle infestation reduces Canadian sawnwood exports.

RusForest is well placed to benefit from improving global markets. Eastern Siberia has the highest-quality, lowest-cost timber in the world. RusForest is the only publicly-traded company focused on Russian forestry, and our core assets are strategically located to access major sawnwood markets.

Following the restructuring transaction, RusForest will have the key ingredients in place to reach profitability long-term. We have not updated our guidance as to when profitability is expected given the many changes taking place in our operations. Of course, the turnaround will not happen overnight, and we still have a lot of work to do. However, with fresh capital, a local strategic partner and most of our capital expenditures behind us, we now have the right platform to move forward.

Thank you for your continued patience.

Kind regards,

Garrett Soden,
CEO, RusForest AB

Company Overview

RusForest is a Swedish forestry company operating in Eastern Siberia and the Arkhangelsk region of Russia. RusForest is listed on NASDAQ OMX Stockholm First North (ticker symbol "RUSF").

Since its establishment in 2006, RusForest has increased its forest leases and sawmilling capacity both by strategic acquisitions and internal development projects. Through long-term lease agreements, the Company controls approximately 3 million hectares of forest land with an AAC of approximately 3.6 million m³.

RusForest's principal business is to process premium quality pine, spruce and larch logs from its own forest leases into a wide range of sawnwood products. The Group's total sawmilling capacity is greater than 400,000 m³ of sawnwood per year. There is significant potential for more processing within the limit of the maximum allowable harvesting.

RusForest's strategic objective is to become a leading independent integrated forestry company in Russia while earning an attractive return for shareholders.



An upgraded locomotive will ensure stable loading and shipments in Magistralny.

Operations

RusForest Operational Data

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

	Unit	Arkhangelsk 1	Arkhangelsk 2 (Shenkursk)	Boguchany	Ust-Ilimsk	Magistralny	Consolidated Q4 2012	Consolidated Q4 2011	% Q4'12 vs Q4'11
RusForest ownership interest		94.6% in LDK-3		100%	100%	100%	100%		
Forest leases									
Annual Allowable Cut (AAC)	<i>m3</i>	958,800	-	748,400	942,560	958,700	3,608,460	3,631,060	(1%)
Forest area	<i>Hectares</i>	1,270,577	-	374,477	565,444	746,352	2,956,850	2,956,290	0%
Utilization of AAC (annualised)	%	26%	n/a	59%	7%	39%	30%	34%	
Production									
Sawlogs harvested	<i>m3</i>	34,055		65,724	10,553	65,157	175,489	198,288	(11%)
Sawlogs purchased	<i>m3</i>	8,924	1,003	419	-	-	10,346	28,451	(64%)
Sawnwood production	<i>m3</i>	31,611	2,108	19,714	-	15,453	68,886	53,778	28%
Sales volumes									
Sawlogs sold	<i>m3</i>	11,654	-	17,212	22,091	24,282	75,239	74,069	2%
Sawnwood sold	<i>m3</i>	36,353	2,959	20,429	5,187	13,746	78,674	52,957	49%
Woodchips sold	<i>m3 solid</i>	23,255	-	435	-	3,661	27,351	33,742	(19%)
Planed Products sold	<i>m3</i>	4,425	-	-	717	-	5,142	6,757	(24%)

Three months ended December 31, 2011, by location from West to East

	Unit	Arkhangelsk 1	Arkhangelsk 2 (Shenkursk)	Boguchany	Ust-Ilimsk	Magistralny	Consolidated Q4 2011
RusForest ownership interest		94.6% in LDK-3		100%	100%	100%	100%
Forest leases							
Annual Allowable Cut (AAC)	<i>m3</i>	981,400	-	748,400	942,560	958,700	3,631,060
Forest area	<i>Hectares</i>	1,270,018	-	374,477	565,444	746,351	2,956,290
Utilisation of AAC (annualised)	%	27%		36%	48%	47%	34%
Production							
Sawlogs harvested	<i>m3</i>	36,599	-	36,684	62,455	62,549	198,288
Sawlogs purchased	<i>m3</i>	19,423	-	3,615	5,414	-	28,451
Sawnwood production	<i>m3</i>	26,957	1,777	7,526	12,055	5,463	53,778
Sales volumes							
Sawlogs sold	<i>m3</i>	20,636	-	4,073	20,116	29,244	74,069
Sawnwood sold	<i>m3</i>	26,967	1,063	7,309	12,056	5,561	52,957
Woodchips sold	<i>m3 solid</i>	18,425	1,291	-	13,569	457	33,742
Planed Products sold	<i>m3</i>	4,324	1,377	-	1,056	-	6,757

Notes to the volume figures:

- The figures presented are given for reference purposes only. The grouping was made based on internal supply chains.
 Arkhangelsk 1 includes Severny Les (ex-NTG harvesting operation), LDK-3 (sawmill, 94.6 percent owned) and Infa (planing mill).
 Arkhangelsk 2 includes the discontinued Shenkursk sawmill and Bakaritsa planing mill (both ex-NTG).
 Boguchany includes Boguchansky LPK (sawmill), RusForest Angara, Sibartles, and ADAR.
 Ust-Ilimsk includes Tuba Les forest leases and several other lease-holding companies.
 Magistralny includes RusForest Magistralny (sawmill), Lesprom and Bamlesstroj.
- There is a limited market for pulplogs inside Russia, and sales of pulplogs are not material for the Group. Therefore, pulplog production and sales volumes are not presented in the table. However, AAC utilization takes into account inevitable harvesting of pulpwod as Russian law does not allow selective harvesting and requires so called "clear cutting".

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

	Unit	Arkhangelsk 1	Arkhangelsk 2 (Shenkursk)	Boguchany	Ust-Ilimsk	Magistralny	Consolidated 12M 2012	Consolidated 12M 2011	% 12M12 vs 12M11
RusForest ownership interest		94.6% in LDK-3	100%	100%	100%	100%			
Forest leases									
Annual Allowable Cut (AAC)	<i>m3</i>	958,800	-	748,400	942,560	958,700	3,608,460	3,631,060	(1%)
Forest area	<i>Hectares</i>	1,270,577	-	374,477	565,444	746,352	2,956,850	2,956,290	0%
Utilization of AAC (annualised)	%	33%	n/a	57%	28%	31%	34%	29%	
Production									
Sawlogs harvested	<i>m3</i>	174,076	-	254,140	160,364	210,503	799,083	536,711	49%
Sawlogs purchased	<i>m3</i>	123,430	36,004	22,660	3,077	-	185,171	272,078	(32%)
Sawnwood production	<i>m3</i>	119,086	20,763	81,218	20,769	50,755	292,591	221,588	32%
Sales volumes									
Sawlogs sold	<i>m3</i>	38,945	-	57,830	85,665	73,431	255,870	193,016	33%
Sawnwood sold	<i>m3</i>	98,802	19,416	68,543	42,054	46,034	274,849	218,489	26%
Woodchips sold	<i>m3 solid</i>	74,351	2,730	5,600	27,395	5,914	115,990	139,616	(17%)
Planed Products sold	<i>m3</i>	18,777	1,423	-	3,837	-	24,038	21,185	13%

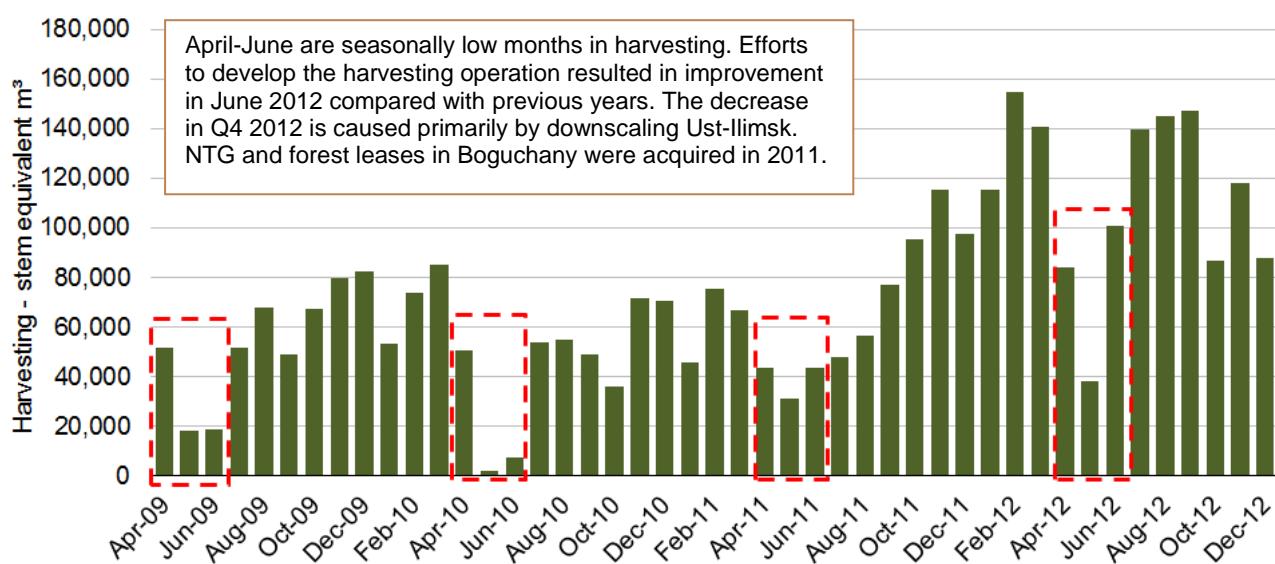
Year ended December 31, 2011, by location from West to East

	Unit	Arkhangelsk 1	Arkhangelsk 2 (Shenkursk)	Boguchany	Ust-Ilimsk	Magistralny	Consolidated 12M 2011
RusForest ownership interest		94.6% in LDK-3	100%	100%	100%	100%	
Forest leases							
Annual Allowable Cut (AAC)	<i>m3</i>	981,400	-	748,400	942,560	958,700	3,631,060
Forest area	<i>Hectares</i>	1,270,018	-	374,477	565,444	746,351	2,956,290
Utilization of AAC (annualised)	%	24%		23%	45%	24%	29%
Production							
Sawlogs harvested	<i>m3</i>	68,336	-	129,395	217,790	121,189	536,710
Sawlogs purchased	<i>m3</i>	197,109	6,255	21,519	47,195	-	272,078
Sawnwood production	<i>m3</i>	98,019	6,596	43,440	62,037	11,496	221,588
Sales volumes							
Sawlogs sold	<i>m3</i>	45,171	-	14,423	55,069	78,353	193,016
Sawnwood sold	<i>m3</i>	95,615	6,426	43,590	62,507	10,351	218,489
Woodchips sold	<i>m3 solid</i>	67,647	4,749	-	62,239	4,981	139,616
Planed Products sold	<i>m3</i>	12,306	4,464	-	4,415	-	21,185

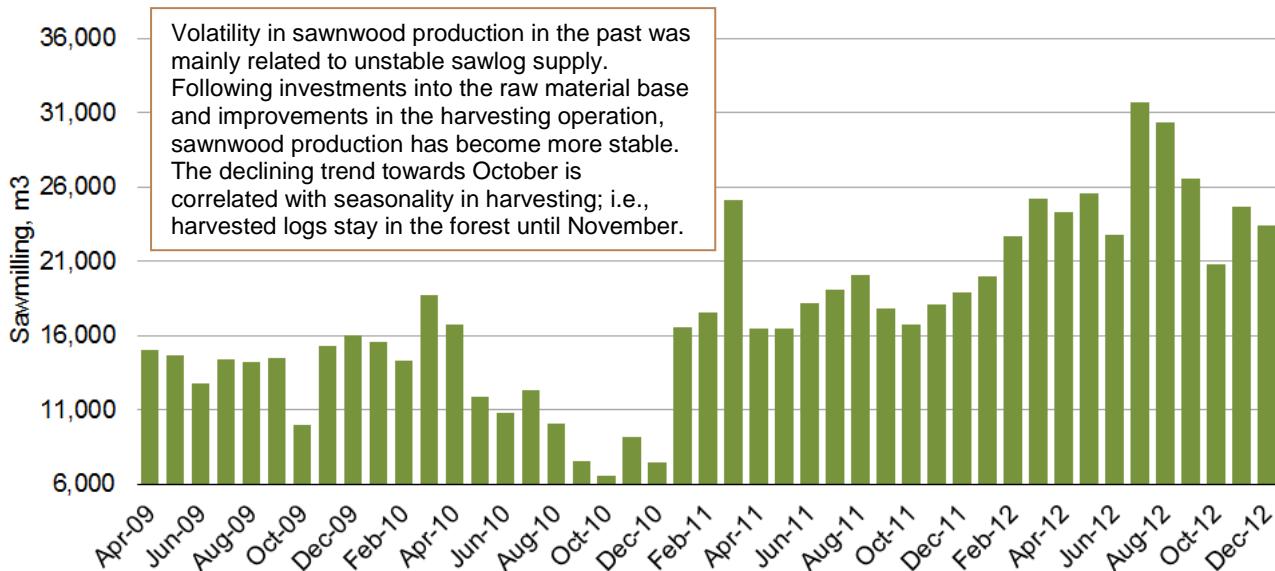
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 Arkhangelsk 2 includes the discontinued Shenkursk sawmill and Bakaritsa planing mill (both ex-NTG).
 Boguchany includes Boguchansky LPK (sawmill), RusForest Angara, Sibartles, and ADAR.
 Ust-Ilimsk includes Tuba Les forest leases and several other lease-holding companies.
 Magistralny includes RusForest Magistralny (sawmill), Lesprom and Bamlesstroj.
- There is a limited market for pulplogs inside Russia, and sales of pulplogs are not material for the Group. Therefore, pulplog production and sales volumes are not presented in the table. However, AAC utilization takes into account inevitable harvesting of pulpwood as Russian law does not allow selective harvesting and requires so called "clear cutting".

RusForest Group Harvesting Dynamics



RusForest Group Sawmilling Dynamics



Operational highlights, three months ended December 31, 2012

The Company's production in Q4 2012 was lower than Q3 2012 due to seasonal factors. Transportation of sawlogs from harvesting operations in Russia is generally limited in April-June and September-October due to weather conditions and road infrastructure.

RusForest's Q4 2012 production is not comparable to Q4 2011 due to the downsizing of Ust-Ilimsk, as well as construction and development in Boguchany and Magistralny.

Regional Update

Northwest Russia:

Arkhangelsk Harvesting

In Q4 2012, RusForest restructured the Arkhangelsk harvesting unit with new management in order to reduce cost. Management stopped utilization of Rottne harvesting groups, focusing on newer John Deere machines. In addition, previously active road construction was limited to the current needs of the operation.

Shenkursk

In November 2012, the Company shutdown the Shenkursk sawmill due to a lack of sawlogs. Management continues to evaluate strategic options for Shenkursk.

Pulpwood market deterioration in Northwest Russia

A number of pulpmills in the region (Kondopoda, Solombala, Segezha) are facing serious financial difficulties for various reasons. If the mills go bankrupt and stop purchasing pulpwood, including pulplogs from the harvesting operation and woodchips from the sawmill, it will have a negative impact on the financial results of the Arkhangelsk unit and may result in problems with residual utilization. Management is exploring alternatives to address the situation, including a biofuel operation to absorb the residuals.

Eastern Siberia:

Boguchany

The dry sorting line for sawnwood at Boguchany was launched in December 2012.

Ust-Ilimsk

In Q4 2012, RusForest completed downscaling of the Ust-Ilimsk unit so that all of the equipment in Ust-Ilimsk, including harvesting, hauling and sawmilling, was leased out to local entrepreneurs and the related employees were transferred to third party companies. Some of the harvesting equipment was relocated to Boguchany and Magistralny. RusForest continued to sell sawnwood produced by the sawmill.

Key Financial Data

	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Volumes, m3								
Sawlogs harvested	175,489	259,063	131,806	232,725	198,289	115,739	97,891	124,792
Sawlogs sold	75,239	78,647	51,976	50,009	74,069	45,548	60,341	13,058
Sawnwood produced	68,886	88,559	67,584	67,562	53,788	56,962	51,692	59,156
Sawnwood sold	78,674	73,846	78,863	43,466	52,957	82,208	42,963	40,361
In thousands of SEK								
Turnover	152,948	148,001	153,607	109,773	110,427	104,241	107,831	86,912
Cost of Sales	(187,482)	(151,746)	(194,417)	(149,114)	(141,058)	(132,456)	(123,817)	(86,165)
EBITDA	(84,426)	(32,436)	(92,222)	(69,263)	(60,784)	(55,229)	(35,478)	(25,372)
Net Loss	(675,525)	(110,142)	(184,800)	(115,661)	(97,230)	(77,546)	(69,267)	(44,656)
Operating Cash Flow	(41,227)	(19,247)	(97,182)	(55,273)	(31,186)	(48,157)	(83,807)	(21,873)
Investing Cash Flow	(168)	(20,216)	(33,242)	(23,649)	(13,319)	(142,007)	(115,796)	(35,105)
Equity/Assets Ratio	31.2%	53.4%	56.8%	47.2%	51.3%	58.0%	62.4%	79.4%

Financial performance

The Group's results were affected by the inclusion of income and expenses of the acquired subsidiaries (Kansky, Adar and the NTG companies), making the data for 2012 not comparable to the figures reported in 2011. Although the Group's EBITDA in Q4 2012 was affected by certain non-recurring items (as presented below), the Group continued to incur losses at the EBITDA (operations) level. Material non-recurring items are discussed as part of the income statement analysis.

2012 EBITDA development

	Q4 2012 SEKth	Q3 2012 SEKth	Q2 2012 SEKth	Q1 2012 SEKth	Q4 2012 USDm	Q3 2012 USDm	Q2 2012 USDm	Q1 2012 USDm
IFRS results								
Revenue (gross, at ports)	152,948	154,568	161,654	117,623	21.8	22.1	23.1	16.8
Operating profit/(loss)	(463,590)	(70,455)	(140,038)	(106,834)	(66.2)	(10.1)	(20.0)	(15.3)
add back depreciation and amortization non-cash expense	37,302	38,019	45,467	37,571	5.3	5.4	6.5	5.4
add back impairment of investment into Filial #2	-	-	2,349	-	-	-	0.3	-
add back impairment loss	341,862				48.8	-	-	-
EBITDA unadjusted	(84,426)	(32,436)	(92,222)	(69,263)	(12.1)	(4.6)	(13.2)	(9.9)
a. Write-off of loan receivable to TransNafta	-	-	7,458	-	-	-	1.1	-
b. Doubtful receivables	23,545	2,042	5,846	5,244	3.4	0.3	0.8	0.7
c. Slow-moving and obsolete non-wood materials	-	-	5,873	-	-	-	0.8	-
d. Tax, other claims and fee of bankruptcy manager (Tuba)	-	-	3,005	-	-	-	0.4	-
e. Stock adjustments in Arkhangelsk Q1, Q4	7,310	-	-	4,759	1.0	-	-	0.7
f. Unused vacation accrual Q1	-	-	-	13,102	-	-	-	1.9
g. Ust-Ilimsk restructuring Q1	-	-	-	1,711	-	-	-	0.2
h. (income) leasing payable correction NTG	-	-	(4,669)	-	-	-	(0.7)	-
i. (income) compensation of overpaid leases	-	-	(1,920)	(5,831)	-	-	(0.2)	(0.8)
j. Other items	2,240	884	3,069	(429)	0.3	0.1	0.3	(0.1)
Non-recurring items	33,095	2,925	18,662	18,556	4.7	0.4	2.6	2.7
EBITDA adjusted	(51,331)	(29,511)	(73,560)	(50,707)	(7.3)	(4.2)	(10.5)	(7.2)
Harvesting	(20,945)	(11,130)	(33,398)	(14,633)	(3.0)	(1.6)	(4.8)	(2.1)
Sawmilling	(10,464)	(3,233)	(22,200)	(19,222)	(1.5)	(0.5)	(3.2)	(2.8)
Pellets	-	(781)	(2,549)	(2,036)	-	(0.1)	(0.4)	(0.3)
Unallocated	(19,922)	(14,367)	(15,413)	(14,817)	(2.8)	(2.1)	(2.2)	(2.0)
EBITDA adjusted, by segments	(51,331)	(29,511)	(73,560)	(50,707)	(7.3)	(4.2)	(10.5)	(7.2)

In Q4 2012, the seasonality factor was notable. October was seasonally low for both harvesting and sawmilling due to still undeveloped infrastructure in the forest. In addition, extreme temperatures in December significantly affected the harvesting operations.

There were increased unallocated expenses due to severance payments to former management and increased corporate overhead related to the restructuring transaction.

Profit and loss statement

Revenue

The Group shipped 75,715 m³ of sawnwood in Q4 2012 compared with 66,895 m³ in Q3 2012. The increase is mainly due to better shipments in Arkhangelsk. The sawnwood revenue decreased in line with average price reduction from SEK 100.1 million in Q3 2012 to SEK 92.2 million in Q4 2012. This was attributable to a product mix with a large share of low-quality sawnwood grades. However, total revenue was similar between Q3 and Q4 2012 as the reduction of sawnwood revenue in Q4 was offset by increased revenue from sawlogs.

The share of pulpwood sales decreased from 15 percent in Q4 2011 to one percent in Q4 2012 due to downscaling of harvesting operations in Ust-Ilimsk and Arkhangelsk, the main regions with a local market for pulpwood, and problems with the local pulp industry in the Arkhangelsk region.

In November 2012, the Company shutdown the Shenkursk sawmill, and it was recognized as an asset held for sale at December 31, 2012. Therefore, Shenkursk revenue and shipment volumes were excluded from continued operations data.

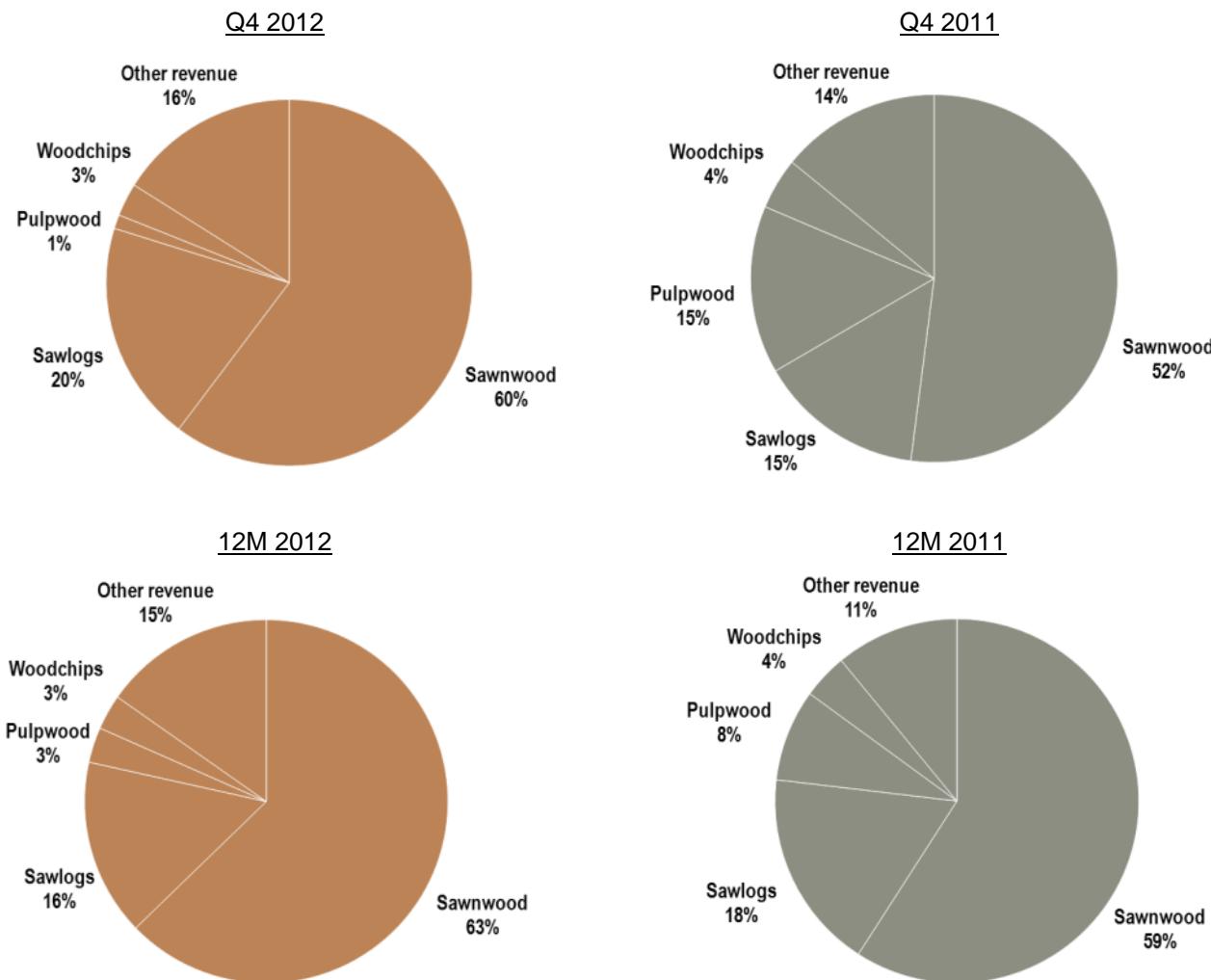
Revenue breakdown, three months ended December 31, 2012

	Sales volume (m ³)	Average price (SEK)	Q4 2012 SEKm	Q4 2011 SEKm	Change
Sawnwood	75,715	1,218	92.2	57.5	60%
Sawlogs	75,239	396	29.8	16.1	85%
Pulpwood	24,694	76	1.9	16.3	(88%)
Woodchips	27,351	163	4.5	5.0	(11%)
Other revenue (incl. planed wood)	-	-	24.6	15.6	58%
Total revenue			152.9	110.4	38%

Revenue breakdown, year ended December 31, 2012

	Sales volume (m ³)	Average price (SEK)	12M 2012 SEKm	12M 2011 SEKm	Change
Sawnwood	255,433	1,386	354.1	242.0	46%
Sawlogs	255,870	347	88.8	72.7	22%
Pulpwood	199,685	89	17.7	33.4	(47%)
Woodchips	113,260	156	17.6	16.4	7%
Other revenue (incl. planed wood)	-	-	86.1	44.9	92%
Total revenue			564.3	409.4	38%

RusForest Revenue Breakdown



Operating and Other Expenses

RusForest's cost of sales for Q4 2012 was SEK 187.5 million (Q4 2011: SEK 141.1 million) - see Note 1 to the financial statements. The Group increased shipments of sawnwood by almost 50 percent. The gross loss was 32 percent of net revenue (net of distribution expenses) in Q4 2011 and slightly improved to 28 percent in Q4 2012. The Group has still not reached good capacity utilization levels in the core operating units and continues to suffer losses from non-core units.

In Q4 2012, due to deterioration of the pulp market in Arkhangelsk, RusForest applied zero valuation to remaining stocks of pulplogs in Severny Les, attaching value only to the small share of pulplogs at the railway terminal with high probability of sales. The adjustment resulted in a SEK 7.3 million loss.

Expenses for purchases of sawnwood in the amount of SEK 6.7 million represented sawnwood purchased from the Ust-Ilimsk sawmill (leased out to a third party) and resold with a commission by RusForest Trading House.

Other expenses of SEK 27.1 million included a SEK 11.7 million provision for doubtful receivables from the pulpmills (Solombala, Kondopoga) in the Arkhangelsk region. These pulpmills are the main customers for RusForest's pulplogs and woodchips in the region. The situation with the pulpmills deteriorated significantly in Q4 2012 and Q1 2013, and it was considered prudent to establish reserves while trying to recover the receivables. In addition, a provision of SEK 8.3 million was set up for the receivable from Arkhangelsk heating

company ("ArkhCoTEK") to which LDK-3 has been selling heat. The heating company stopped payments, and there is a high probability of bankruptcy as the company does not have any significant assets or equity.

Financial Income and Expenses

Financing cost of SEK 23.7 million primarily comprised interest on bonds issued in May 2011. There was no large foreign exchange gain or loss in Q4 2012 due to relatively small fluctuations of the currencies affecting RusForest.

Income Tax

The Group generated deferred income tax credit on tax losses to be carried forward. The related gain was offset by a provision to bring deferred tax assets in line with deferred tax liabilities.

Net Result

The Group's net loss for Q4 2012 was SEK 639.2 million (Q4 2011: SEK 97.2 million). Included in the current quarter was loss of SEK 499.2 million related to the recognized impairment of assets following revision of RusForest cash generating units as described in the balance sheet analysis below.

Balance sheet

Assets, Liabilities and Investment

There were no major changes in Group composition during the reporting period.

As announced in the Q3 2012 interim report, RusForest reviewed its cash generating units for impairment. According to IAS 36, a company should evaluate at the end of each reporting period (which for RusForest is every quarterly report) if there are any indications that its non-financial assets are impaired. If there are such indications, an impairment test should be performed. A strong indication that an impairment exists is the continued lack of profitability in RusForest's operations. For earlier periods, specific bottlenecks or investment needs were identified as the reason for the low profitability, and it was expected that by addressing these, profitability would rapidly increase. Unfortunately, this has not proved sufficient in some of RusForest's business units, and a need to impair became necessary.

Impairment of assets 2012					
In thousands of SEK	Q4 2012	Q3 2012	Q2 2012	Q1 2012	12M 2012
Continued operations	341.9	-	-	-	341.9
Discontinued operations	157.3	22.6	-	-	179.9
Total	499.2	22.6	-	-	521.8

In Q4 2012, the Company recognized SEK 341.9 million impairment expenses related to continued operations. The Company impaired Severny Les forest leases for SEK 176.3 million. The previous book values for Severny Les leases were based on RusForest's share value as part of the transaction with NTG and can no longer be supported. Moreover, RusForest impaired its investment in the Boguchany and Ust-Ilimsk sawmills due to continuous non-performance.

RusForest recognized SEK 157.3 million expenses related to discontinued operations and used indicative offers from interested buyers as a basis for revised book values. In Q4 2012, the Company decided to sell its non-core Shenkursk operation and dispose of its pellets equipment. Therefore, the assets and liabilities of these business units were classified as "held for sale" at December 31, 2012.

The loans receivable balance of SEK 5.0 million as of December 31, 2012, represented short-term promissory notes pledged for the Sberbank loan signed in Q1 2012 to complete construction in Boguchany.

At the extraordinary general meeting on March 1, 2012, shareholders approved the reduction in the nominal value of shares to SEK 1 from SEK 10 per share (10 times reduction) as a result of loss coverage in the parent company. In April 2012, the Group carried out a rights issue for SEK 437 million (SEK 452 million before issue costs). These two events explain the change in the share and other capital from December 31, 2011 to December 31, 2012.

Interest bearing obligations include the 3-year unsecured corporate bond (SEK 500 million with May 2014 maturity) plus the liabilities under finance lease contracts and limited local bank borrowings.

Loans payable to related parties represented a short-term USD 5 million loan from Vostok Komi (Cyprus) Limited.

Cash Flow and Financial Position

The Group's cash balance at December 31, 2012, amounted to SEK 16.4 million, compared with SEK 21.9 million at September 30, 2012, and SEK 22.3 million at December 31, 2011. Working capital of continued operations as of December 31, 2012, amounted to SEK 52.5 million compared with SEK 118.9 million at December 31, 2011.

Consolidated cash outflow from investing activities during Q4 2012 amounted to SEK 0.2 million (Q4 2011: SEK 13.3 million). The Group finalized major reconstruction projects in Q3 2012.

Investment into equipment and harvesting areas

In millions of SEK	Q4 2012	Q4 2011	12M 2012	12M 2011
Acquisition of additional forest leases	-	-	3.4	100.2
Road construction equipment and investment into roads	2.7	-	18.7	35.6
Acquisition of Pellets	-	17.4	-	17.4
Harvesting equipment	0.8	-	13.0	8.3
Sawmilling equipment	5.3	1.1	56.2	127.6
Investment into equipment and forest leases	8.8	18.5	91.4	289.1

On November 15, 2012, RusForest secured a USD 5 million term loan from the Company's major shareholder, Vostok Komi (Cyprus) Limited, a wholly-owned subsidiary of Vostok Nafta Investment Ltd. The proceeds from the loan were used for working capital purposes while RusForest evaluated alternatives to address its long-term capital requirements.

Market Outlook

The global economic picture is still uncertain. Signs of improvement in the European market are just beginning, but we still have an unstable situation in the Middle East and North Africa. However, there are very positive signals coming from the US as housing starts continue to strengthen.

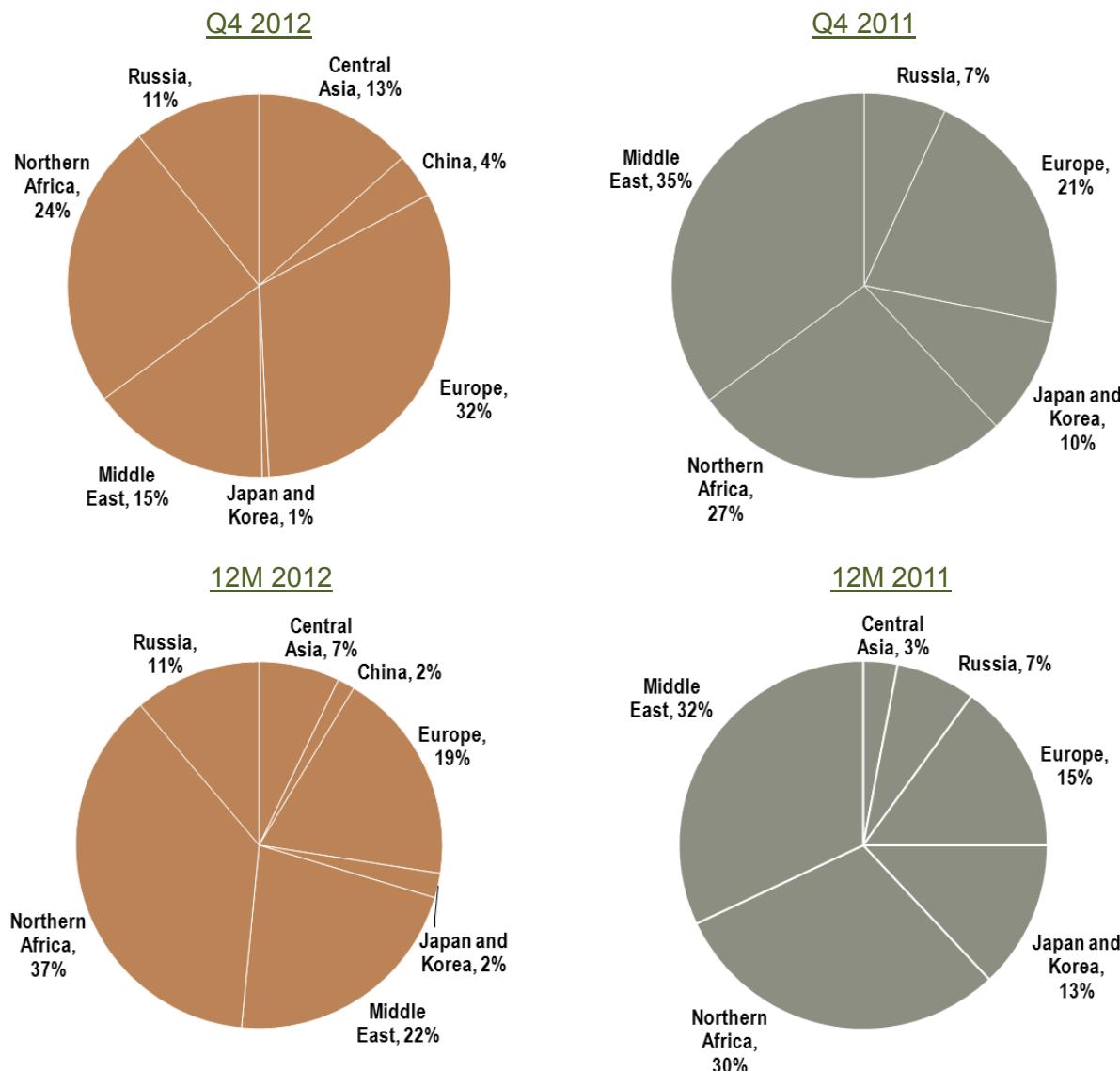
In 2012, the Chinese market continued to import sawnwood at a high level, especially from Russia and Canada. It is expected that log and sawnwood demand in China will rebound in 2013 after a slight slowdown in 2012 that was engineered by the Chinese government to cool housing prices. Russian sawnwood exports to China increased 6.3 percent in the second half of 2012 compared to the first half of the year. The very important US market continues to strengthen, and the 2013 housing start level is now forecast at an annual rate of about 950,000 units, compared to about 558,000 in 2009 and the historic average of 1.5 million per year. US structural sawnwood demand is directly correlated with housing starts and, as a result, US sawnwood prices have been strengthening since the beginning of 2012. The situation has improved greatly for Canadian and US sawnwood producers due to rising North American sawnwood demand and prices combined with continued strong demand from China. Wood product producers in the US and Canada are now making good profit as average softwood sawnwood prices increased about 20 percent in 2012 and are expected to increase by another 20-25 percent in 2013.

At the same time, most European sawnwood producers have suffered from poor results in 2012 because of high raw material prices relative to sawnwood prices. In Scandinavia, Austria and Germany, the situation is the worst since the mid-1970s. It is expected that more European production capacity reductions will take place.

It looks as if the sawnwood market will now gradually improve. Low production and increased demand in the US is expected to improve the market during the first half of 2013 as high North American and Japanese J-grade dimension sawnwood prices will encourage more European softwood sawnwood producers to produce SPF S4S dimension sawnwood for offshore markets. This is now having an effect on the European markets with indications of higher prices.

RusForest has been strengthening its sales organization to change sawnwood grading to suit the industry and specific end use. At the same time, RusForest is changing the customer base towards Europe, China and Japan and away from North Africa and the Middle East. This is a gradual change and improvements will take place over time. In Q1 2013, RusForest started to look at ways to integrate the Siberian sales with the existing Nova Capital sales organization and benefit from higher price realizations.

RusForest Sawnwood Sales by Geography (based on volumes)



The Share

ISIN: SE0001732728

Short name on NASDAQ OMX First North: RUSF

Number of shares at December 31, 2012: 479,038,470 (prior to share issues in Q1 2013)

The RusForest AB share is listed on NASDAQ OMX First North Stockholm. At the close of the period, the share price was SEK 0.10 and the Company's market capitalization was approximately SEK 47.9 million. The Company's certified adviser on First North is Pareto Öhman AB. The Company has also contracted Pareto Öhman AB as a market maker in the RusForest share.

More details can be found in the Company's Annual Report 2011, Prospectus of February 2013 and on the Company's website at www.rusforest.com.

Major Shareholders at December 31, 2012

Shareholder	Number	Percentage
Vostok Nafta Investment	140,826,045	29.4%
East Capital Fonder	51,350,615	10.7%
Alecta Pensionsförsäkring	42,320,000	8.8%
Avanza Pension	30,468,070	6.4%
JP Morgan Clearing Corp.	27,318,811	5.7%
Morgan Stanley & Co LLC.	24,384,592	5.1%
Others	162,370,337	33.9%
Total	479,038,470	100.0%

Source: Euroclear Sweden AB

Trading data, December 2011 – December 2012



Source: NASDAQ OMX Stockholm First North

Accounting policies

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and related parts of the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act chapter 9 except that it has not been prepared in the Swedish language. The Group and Parent Company have applied the same accounting and valuation principles as in the most recent Annual Report.

To improve comparability, customs duties paid related to log sales in the amounts of SEK 3.3 million, SEK 3.5 million and SEK 3.5 million were offset against the revenue in Q1 2011, Q2 2011 and Q3 2011, respectively, and the figures for comparative periods have been restated accordingly. Corporate overhead and corporate financial costs were not allocated to any operational segment and are presented as "unallocated" in the segment results disclosure.

Qualitative and Quantitative Disclosures and Market Risks

In order to continue as a going concern, the Group must generate profit from its forestry operations or secure additional funding.

RusForest's capital position at December 31, 2012, was not sufficient to cover the working capital needs over the following twelve months. Vostok Nafta granted the Company a bridge loan of SEK 25 million in Q1 2013, in addition to the bridge loan of USD 5 million provided in Q4 2012, in order to cover working capital needs until funds from the Rights Issue and Directed Issue become available (see Significant Events). The medium-term capital requirements are expected to be covered by the Rights Issue of approximately SEK 86 million and the Directed Issue to Nova Capital of approximately SEK 100 million. In the long-term, the Company plans to cover capital requirements by asset sales and by generating positive cash flow. The Rights Issue has been fully subscribed, and the funds for the Directed Issue are being held in escrow. While the Directed Issue is still to be completed at the end of March 2013, it is the Board of Directors' opinion that there are no substantial risks to closing the transaction. However, if the Directed Issue should not be completed, the Company will have to seek additional capital elsewhere or review other strategic alternatives in order to cover working capital needs over the next twelve months.

Following recognition of impairment of assets and the positive outcome of the Debt-to-Equity Swap, the Company is not in breach of the corporate bond debt-to-equity ratio covenant of 75 percent.

The Group's risk factors are described in detail in the prospectus published in February 2013.

Condensed Consolidated Income Statement

In thousands of SEK	Q4 2012	Q4 2011	12M 2012	12M 2011
Continuing operations				
Turnover	152,948	110,427	564,328	409,411
Cost of sales	(187,482)	(141,058)	(682,759)	(490,912)
Gross profit/(loss)	(34,534)	(30,631)	(118,431)	(81,501)
Other income	5,019	1,766	23,831	11,156
Distribution expenses	(27,763)	(17,222)	(120,025)	(78,535)
Administrative expenditure	(37,392)	(28,606)	(142,155)	(110,094)
Other expenses	(27,058)	(14,374)	(55,223)	(19,247)
Impairment loss	(341,862)		(341,862)	
Impairment of investments in associates	-		(2,349)	
Operating profit/(loss)	(463,590)	(89,067)	(756,214)	(278,221)
Financing income	17	132	1,277	2,081
Financing cost	(23,730)	(18,089)	(101,414)	(54,597)
Net financing income/(cost)	(23,713)	(17,957)	(100,137)	(52,516)
Loss before tax from continuing operations	(487,303)	(107,024)	(856,351)	(330,737)
<i>Income tax</i>	19,296	16,732	37,386	56,015
Loss from continuing operations	(468,007)	(90,292)	(818,965)	(274,722)
Discontinued operations				
Loss after tax from discontinued operations	(207,518)	(6,938)	(267,163)	(13,977)
Loss for the period	(675,525)	(97,230)	(1,086,128)	(288,699)
Attributable to:				
Equity holders of the parent	(673,997)	(97,431)	(1,083,148)	(284,732)
Non-controlling interests	(1,528)	201	(2,980)	(3,967)
Loss for the period	(675,525)	(97,230)	(1,086,128)	(288,699)

Per Share Data

Per Share Data	Q4 2012	Q4 2011	12M 2012	12M 2011
SEK	31/12	31/12	31/12	31/12
Earnings	(1.41)	(1.02)	(2.97)	(3.32)
Shareholders' Equity	0.87	11.13	0.87	11.13
Share Price	0.10	5.30	0.10	5.30

Number of Shares	Q4 2012	Q4 2011	12M 2012	12M 2011
Beginning of period	479,038,470	95,807,694	95,807,694	65,522,520
End of Period	479,038,470	95,807,694	479,038,470	95,807,694
Average number of shares	479,038,470	95,534,564	364,906,900	85,795,189

Earnings per share were calculated as net profit/loss after tax divided by the average number of shares during the period.

Condensed Consolidated Statement of Comprehensive Income

In thousands of SEK	Q4 2012	Q4 2011	12M 2012	12M 2011
Loss for the period	(675,525)	(97,230)	(1,086,128)	(288,699)
Other comprehensive income				
Translation difference	23,845	13,086	1,446	(57,803)
Other comprehensive income/(loss) for the period, net of tax				
	23,845	13,086	1,446	(57,803)
Total comprehensive income/(loss) for the period, net of tax				
	(651,680)	(84,144)	(1,084,682)	(346,502)
Attributable to:				
Equity holders of the parent	(650,210)	(84,345)	(1,081,773)	(342,535)
Non-controlling interests	(1,470)	201	(2,909)	(3,967)
Total comprehensive income/(loss) for the period, net of tax				
	(651,680)	(84,144)	(1,084,682)	(346,502)

The fluctuations of SEK to the Company's main currencies are presented below. RUB depreciated slightly against SEK which caused a translation loss in Q4 2012.

SEK for 1 unit of foreign currency			
	EUR	USD	RUB
December 31, 2011	8.92	6.89	0.21
March 31, 2012	8.84	6.63	0.23
June 30, 2012	8.76	7.04	0.21
September 30, 2012	8.44	6.56	0.21
December 31, 2012	8.61	6.50	0.21

Source: www.oanda.com

Condensed Consolidated Statement of Financial Position

In thousands of SEK	Dec 31, 2012	Dec 31, 2011
Assets		
Non-current assets		
Property Plant and equipment	740,856	941,725
Forest lease rights	243,266	445,520
Intangible assets	25,033	17,699
Investments in associates	-	2,349
Deferred tax asset	11,131	65,916
Total non-current assets	1,020,286	1,473,209
Current assets		
Inventory	117,720	124,861
VAT refundable	45,820	65,012
Trade and other receivables	45,481	54,629
Current tax assets	117	233
Loans receivable	5,024	8,088
Cash and cash equivalents	16,388	22,279
Total current assets	230,550	275,102
Assets classified as held for sale	89,115	329,344
Total assets	1,339,951	2,077,655
EQUITY		
Equity and reserves		
Share capital	479,038	958,077
Other capital	1,602,296	686,598
Translation reserve	(62,776)	(64,151)
Accumulated loss	(518,232)	(233,500)
Loss for the period	(1,083,148)	(284,732)
Total equity attributable to Shareholders of the Group	417,178	1,062,292
Non-controlling interest	1,128	4,037
Total Equity	418,306	1,066,329
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	576,772	574,291
Deferred tax liability	11,556	103,534
Total non-current liabilities	588,328	677,825
Current liabilities		
Interest bearing loans and borrowings	110,061	108,665
Loans payable to related companies	33,201	72,559
Trade and other payables	157,102	123,825
Current tax liabilities	1,803	1,382
Provisions	1,214	1,736
Total current liabilities	303,381	308,167
Liabilities directly associated with the assets classified as held for sale	29,936	25,334
Total liabilities	921,645	1,011,326
Total equity and liabilities	1,339,951	2,077,655

Condensed Consolidated Statement of Cash Flows

In thousands of SEK	Q4 2012	Q4 2011	12M 2012	12M 2011
Loss for the year	(675,525)	(97,230)	(1,086,128)	(288,699)
Adjustment for non-cash items	617,564	40,444	878,546	129,513
Paid income tax	(151)	(110)	(180)	(193)
Cash flow from operating activities before changes in working capital	(58,112)	(56,896)	(207,762)	(159,379)
Cash flow changes in working capital	21,187	26,328	14,674	(28,901)
Cash flow from discontinued operations	(4,302)	1,589	(13,910)	6,724
Cash flow from operating activities	(41,227)	(28,979)	(206,998)	(181,556)
Investment in equipment	(8,751)	(1,146)	(87,980)	(199,367)
Proceeds from sales of equipment	3,992	64	6,364	285
VAT refund on capital investments	3,878	6,793	11,041	15,179
Payment for purchase of subsidiaries	-	(17,355)	(3,414)	(89,592)
Interest received	851	112	869	2,003
Cash flow from discontinued operations	(138)	(1,787)	(5,240)	(14,620)
Cash flow from investing activities	(168)	(13,319)	(78,360)	(286,112)
New share issues	-	-	319,272	-
New share issues (transaction cost)	-	-	(15,553)	-
Increase/(decrease) in loans payable	33,356	(33,881)	(21,107)	439,783
Cash flow from discontinued operations	2,340	(2,969)	(4,827)	(11,000)
Cash flow from financing activities	35,696	(36,850)	277,785	428,783
Cash flow during the period	(5,699)	(79,148)	(7,573)	(38,885)
Cash and cash equivalents, beginning of period	22,355	106,362	24,209	67,898
including continuing operations	19,988	102,889	22,279	67,138
including discontinued operations	2,367	3,473	1,930	760
Exchange-rate differences on cash balance	169	(3,005)	189	(4,804)
Cash and cash equivalents, period end	16,825	24,209	16,825	24,209
including continuing operations	16,388	22,279	16,388	22,279
including discontinued operations	437	1,930	437	1,930

In thousands of SEK	Q4 2012	Q4 2011	12M 2012	12M 2011
Adjustment for non-cash items				
Depreciation of property, plant and equipment	30,118	21,351	125,107	82,397
Amortization of intangible assets	7,184	13,639	28,699	18,549
Income tax	(19,296)	(16,732)	(37,386)	(56,015)
Finance income	(17)	(132)	(1,277)	(2,081)
Finance expense	23,730	18,089	101,414	54,597
Net loss on disposal of property, plant and equipment	3,773	2,930	8,059	5,483
Bad debts	22,801	6,870	43,154	9,209
Other comprehensive loss from assets held for sale	207,518	6,938	267,163	13,977
Impairment loss	341,862	-	341,862	-
Impairment of investments in associates	-	-	2,349	-
Other non-cash items	(109)	(12,509)	(598)	3,397
Total	617,564	40,444	878,546	129,513

Condensed Consolidated Statement of Changes in Equity

Jan 1, 2012 - Dec 31, 2012

In thousands of SEK	Attributable to the equity holders of the parents					Non-controlling interest	Total
	Share capital	Share premium	Translation reserve	Retained earnings			
Opening shareholders' equity	958,077	686,598	(64,151)	(518,232)	4,037	1,066,329	
Loss for the period				(1,083,148)	(2,980)	(1,086,128)	
Other comprehensive income/(loss)			1,375		71	1,446	
Total comprehensive income/(loss)	-	-	1,375	(1,083,148)	(2,909)	(1,084,682)	
Decrease in share capital	(862,269)	862,269					-
Costs related to the rights issue		(15,553)				(15,553)	
New shares issue	383,230	68,982				452,212	
Shareholders' equity at end of period	479,038	1,602,296	(62,776)	(1,601,380)	1,128	418,306	

Jan 1, 2011 - Dec 31, 2011

In thousands of SEK	Attributable to the equity holders of the parents					Non-controlling interest	Total
	Share capital	Share premium	Translation reserve	Retained earnings			
Opening shareholders' equity	655,225	541,114	(6,348)	(214,062)	3,143	979,072	
Loss for the period	-	-	-	(284,732)	(3,967)	(288,699)	
Other comprehensive income/(loss)	-	-	(57,803)	-	-	(57,803)	
Total comprehensive income/(loss)	-	-	(57,803)	(284,732)	(3,967)	(346,502)	
Acquired non-controlling interest in subsidiaries	-	-	-	(19,438)	4,861	(14,577)	
New share issue	302,852	145,484	-	-	-	448,336	
Shareholders' equity at end of period	958,077	686,598	(64,151)	(518,232)	4,037	1,066,329	

Parent Company Income Statement

In thousands of SEK	12M 2012	12M 2011
Other income	6,820	
Administrative expenditure	(14,364)	(13,793)
Loss on disposal of investments	(1,568,193)	
Operating profit/(loss)	(1,575,737)	(13,793)
Exchange gain/loss	(17,635)	664
Financing income	42,197	76,140
Financing cost	(71,966)	(38,008)
Net financing income/(cost)	(47,404)	38,796
<i>Income tax</i>	-	-
Profit/(loss) for the period	(1,623,141)	25,003

Parent Company Balance Sheet

In thousands of SEK	Dec 31, 2012	Dec 31, 2011
Assets		
Non-current assets		
Investments in subsidiaries	485,909	2,041,385
Loans receivable from subsidiaries	511,895	202,197
Total non-current assets	997,804	2,243,582
Current assets		
Trade and other receivable	16,150	2,851
Current tax assets	6	6
Cash and cash equivalents	4,802	12,618
Total current assets	20,958	15,475
Total assets	1,018,762	2,259,057
EQUITY		
Equity and reserves		
Share capital	479,038	958,077
Other capital	740,027	686,598
Retained earnings	(766,683)	(5,811)
Total equity	452,382	1,638,864
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	498,675	491,175
Total-non current liabilities	498,675	491,175
Current liabilities		
Interest-bearing loans and borrowings	31,360	52,856
Loans payable to related companies	33,201	72,463
Trade and other payables	2,374	3,477
Provisions	770	222
Total current liabilities	67,705	129,018
Total equity and liabilities	1,018,762	2,259,057

On November 15, 2012, RusForest secured a USD 5 million term loan from the Company's major shareholder, Vostok Komi (Cyprus) Limited, a wholly-owned subsidiary of Vostok Nafta Investment Ltd. The proceeds from the loan were used for working capital purposes while RusForest evaluated alternatives to address its long-term capital requirements.

On February 1, 2013, subsequent to the end of the reporting period, the Extraordinary Shareholders' Meeting resolved on a reduction of the Company's share capital by SEK 474,248,085.30 for the purpose of securing

cover of losses. Following execution of the resolution, the share capital of the Parent Company will amount to SEK 4,790,384.70 distributed on a total of 479,038,470 shares.

Notes to the Financial Statements

The data for 2011 includes income and expenses of Sibartles (since February 2011), NTG (since May 2011), Kansky (since June 2011) and Adar (since July 2011). For this reason, the periods presented below are not comparable.

Note 1. Cost of sales

In thousands of SEK	Q4 2012	Q4 2011	12M 2012	12M 2011
Personnel costs	49,339	30,859	176,215	113,748
Purchased sawlogs	28,159	19,757	49,916	93,364
Purchased sawnwoods	6,659	1,985	46,643	10,254
Purchased woodchips	-	-	2,348	-
Depreciation of property, plant and equipment	29,882	23,309	114,037	78,292
Amortization of intangible assets	7,304	7,867	28,645	18,549
Materials	5,647	7,052	28,057	18,346
Energy and fuel	21,867	14,729	84,712	53,085
Repairs and maintenance	9,109	8,604	35,092	21,980
Harvesting services	6,868	6,981	29,438	19,583
Forest lease	6,714	8,979	32,925	27,596
Road maintenance	4,775	4,280	17,792	11,358
Other	11,159	6,655	36,939	24,758
Total	187,482	141,058	682,759	490,912

Note 1.2. Road maintenance

In thousands of SEK	Q4 2012	Q4 2011	12M 2012	12M 2011
Personnel costs	1,177	783	4,981	2,993
Depreciation of property, plant and equipment	678	757	3,211	2,614
Energy and fuel	1,114	526	4,670	2,394
Materials	361	1,191	1,461	1,430
Other	1,445	1,023	3,469	1,927
Total	4,775	4,280	17,792	11,358

Note 2. Distribution expenses

In thousands of SEK	Q4 2012	Q4 2011	12M 2012	12M 2011
Personnel costs	6,346	4,950	23,388	14,905
Railway costs	9,907	9,298	54,960	38,547
Custom duty	4,685	359	5,150	2,065
Other	6,825	2,616	36,527	23,018
Total	27,763	17,222	120,025	78,535

Note 3. Administrative expenditure

In thousands of SEK	Q4 2012	Q4 2011	12M 2012	12M 2011
Personnel costs	22,700	14,434	79,689	55,516
Audit	1,022	960	5,343	2,630
Property tax	2,364	2,469	10,803	7,146
Consulting fees	3,848	4,455	13,169	20,378
Other	7,458	6,288	33,151	24,424
Total	37,392	28,606	142,155	110,094

Note 4. Segment information

The operating segment definitions were developed by senior management in order to enable effective and efficient operating performance based on the split of the production units into harvesting, sawmilling and planing. RusForest Management LLC is located in Moscow. The Parent companies (RusForest AB, Varyag Capital Ltd, Varyag Finance GmbH and RusForest Bermuda) are not included in any of the operating segments as they do not generate any revenue. Therefore, their assets and expenses have been presented as unallocated. The Gravel segment is classified as discontinued operations. In Q3 2012, planing mills in Arkhangelsk (ALK) and Ust-Ilimsk (UIZSI) were classified as discontinued operations. In Q4 2012, Shenkursk sawmill and pellets operations were re-classified as discontinued operations.

Geographical information

The Group operates in the Russian Federation. The Group's Parent Company has a head office in Stockholm, Sweden. However, the Parent Company does not own any non-current assets and generates only financial income and expenses in addition to administration costs and director salaries. Therefore, all non-current assets are located in Russia, and all of the Group's operations are based in Russia.

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

In thousands of SEK	Inter-segment		Total revenue	Impairment loss	Loss before tax
	revenue	External revenue			
Harvesting	157,736	99,658	257,394	(176,262)	(353,725)
Sawmilling	37,030	417,672	454,702	(165,600)	(425,835)
Planing	81	46,998	47,079	-	(2,970)
Unallocated	-	-	-	-	(73,821)
Total from continuing operations	194,847	564,328	759,175	(341,862)	(856,351)
Gravel	-	81,621	81,621	(43,656)	(58,137)
ALK	110	3,241	3,351	(13,564)	(19,878)
UI ZSI	157	9,605	9,762	(9,006)	(10,345)
Shenkursk	642	17,661	18,303	(58,745)	(77,711)
Pellets	-	8,127	8,127	(54,940)	(74,114)
Total from discontinued operations	909	120,255	121,164	(179,911)	(240,185)
Total	195,756	684,583	880,339	(521,773)	(1,096,536)

Operational segments, results for twelve months ended December 31, 2011

In thousands of SEK	Inter-segment		Total revenue	Impairment loss	Loss before tax
	revenue	External revenue			
Harvesting	58,269	105,976	164,245	-	(112,356)
Sawmilling	25,345	274,764	300,110	-	(167,265)
Planing	183	28,671	28,854	-	(2,442)
Unallocated	-	-	-	-	(48,674)
Total from continuing operations	83,798	409,411	493,208	-	(330,737)
Gravel	-	59,361	59,361	-	(17,185)
ALK	83	10,243	10,326	-	(445)
UI ZSI	522	10,408	10,930	-	2,348
Shenkursk	3,463	1,732	5,195	-	(8,274)
Pellets	-	-	-	-	-
Total from discontinued operations	4,068	81,744	85,812	-	(23,556)
Total	87,866	491,155	579,021	-	(354,293)

Corporate overhead and corporate financial costs were not allocated to any operational segment and are presented as "unallocated".

Assets classified as held for sale – Gravel segment

In thousands of SEK	Dec 31, 2012	Dec 31, 2011
Non-current assets		
Property Plant and equipment	17,065	66,232
Intangible assets	9,040	10,241
Deferred tax asset	-	2,842
Total non-current assets	26,105	79,315
Current assets		
Inventory	6,491	5,347
VAT refundable	1,574	379
Trade and other receivable	3,569	6,426
Cash and cash equivalents	75	1,527
Total current assets	11,709	13,679
Total assets	37,814	92,994

Liabilities directly associated with the assets classified as held for sale – Gravel segment

In thousands of SEK	Dec 31, 2012	Dec 31, 2011
Non-current liabilities		
Interest-bearing loans and borrowings	-	1,899
Deferred tax liability	-	16
Total non-current liabilities	-	1,915
Current liabilities		
Interest-bearing loans and borrowings	8,719	5,989
Trade and other payables	9,444	4,705
Total current liabilities	18,163	10,694
Total liabilities	18,163	12,609

Consolidated statement of comprehensive income – Gravel segment

In thousands of SEK	12M 2012	12M 2011
Discontinued operations		
Turnover	81,621	59,361
Cost of sales	(45,586)	(37,817)
Gross profit	36,035	21,544
Other income	-	2,065
Distribution expenses	(42,262)	(34,392)
Administrative expenditure	(5,450)	(4,640)
Other expenses	(1,672)	-
Impairment loss	(43,656)	-
Operating profit/(loss)	(57,005)	(15,423)
Financing income	-	-
Financing cost	(1,132)	(1,762)
Net financing income/(cost)	(1,132)	(1,762)
Income tax	(2,643)	106
Loss after tax from discontinued operations	(60,780)	(17,079)

Condensed consolidated statement of cash flows – Gravel segment

In thousands of SEK	12M 2012	12M 2011
Cash flow from operating activities	4,338	4,357
Cash flow from investing activities	(1,631)	(6,181)
Cash flow from financing activities	(4,724)	(11,000)
Cash flow during the period	(2,017)	(12,824)

Assets classified as held for sale – Arkhangelsk planing mill (ALK)

In thousands of SEK	Dec 31, 2012	Dec 31, 2011
Non-current assets		
Property Plant and equipment	5,150	21,029
Intangible assets	12	17
Deferred tax asset	47	11,552
Total non-current assets	5,209	32,598
Current assets		
Inventory	-	2,691
VAT refundable	2	161
Trade and other receivable	75	354
Cash and cash equivalents	6	89
Total current assets	83	3,295
Total assets	5,292	35,893

Liabilities directly associated with the assets classified as held for sale – Arkhangelsk planing mill (ALK)

In thousands of SEK	Dec 31, 2012	Dec 31, 2011
Non-current liabilities		
Deferred tax liability	-	1,010
Total non-current liabilities	-	1,010
Current liabilities		
Trade and other payables	898	1,210
Total current liabilities	898	1,210
Total liabilities	898	2,220

Consolidated statement of comprehensive income – Arkhangelsk planing mill (ALK)

In thousands of SEK	12M 2012	12M 2011
Discontinued operations		
Turnover	3,241	10,243
Cost of sales	(6,709)	(8,375)
Gross profit	(3,468)	1,868
Other income	20	208
Distribution expenses	(293)	(724)
Administrative expenditure	(1,219)	(1,194)
Other expenses	(1,337)	(578)
Impairment loss	(13,564)	-
Operating profit/(loss)	(19,861)	(420)
Financing income	-	-
Financing cost	(17)	(25)
Net financing income/(cost)	(17)	(25)
Income tax	(10,659)	4,609
Loss after tax from discontinued operations	(30,537)	4,164

Condensed consolidated statement of cash flows – Arkhangelsk planing mill (ALK)

In thousands of SEK	12M 2012	12M 2011
Cash flow from operating activities	(1,140)	3,565
Cash flow from investing activities	-	(80)
Cash flow from financing activities	(3)	-
Cash flow during the period	(1,143)	3,485

Assets classified as held for sale – Ust-Ilimsk planing mill (UIZSI)

In thousands of SEK	Dec 31, 2012	Dec 31, 2011
Non-current assets		
Property Plant and equipment	1,789	12,080
Intangible assets	4	-
Deferred tax asset	341	1,812
Total non-current assets	2,134	13,892
Current assets		
Inventory	2,622	3,469
VAT refundable	10	103
Trade and other receivable	528	896
Cash and cash equivalents	73	291
Total current assets	3,233	4,759
Total assets	5,367	18,651

Liabilities directly associated with the assets classified as held for sale – Ust-Ilimsk planing mill (UIZSI)

In thousands of SEK	Dec 31, 2012	Dec 31, 2011
Non-current liabilities		
Deferred tax liability	-	1,835
Total non-current liabilities	-	1,835
Current liabilities		
Trade and other payables	997	1,148
Total current liabilities	997	1,148
Total liabilities	997	2,983

Consolidated statement of comprehensive income – Ust-Ilimsk planing mill (UIZSI)

In thousands of SEK	12M 2012	12M 2011
Discontinued operations		
Turnover	9,605	10,408
Cost of sales	(9,882)	(7,355)
Gross profit	(277)	3,053
Other income	1	46
Distribution expenses	(9)	(2)
Administrative expenditure	(863)	(726)
Other expenses	(184)	(13)
Impairment loss	(9,006)	-
Operating profit/(loss)	(10,338)	2,358
Financing income	-	-
Financing cost	(7)	(10)
Net financing income/(cost)	(7)	(10)
Income tax	370	1,153
Profit/(loss) after tax from discontinued operations	(9,975)	3,501

Condensed consolidated statement of cash flows – Ust-Ilimsk planing mill (UIZSI)

In thousands of SEK	12M 2012	12M 2011
Cash flow from operating activities	1,555	4,992
Cash flow from investing activities	-	-
Cash flow from financing activities	(6)	-
Cash flow during the period	1,549	4,992

Assets classified as held for sale – Shenkursk sawmill

In thousands of SEK	Dec 31, 2012	Dec 31, 2011
Non-current assets		
Property Plant and equipment	7,222	64,107
Intangible assets	10	-
Deferred tax asset	-	14,103
Total non-current assets	7,232	78,210
Current assets		
Inventory	1,410	3,816
VAT refundable	406	170
Trade and other receivable	2,828	4,144
Cash and cash equivalents	184	23
Total current assets	4,828	8,153
Total assets	12,060	86,363

Liabilities directly associated with the assets classified as held for sale – Shenkursk sawmill

In thousands of SEK	Dec 31, 2012	Dec 31, 2011
Non-current liabilities		
Deferred tax liability	-	-
Total non-current liabilities	-	-
Current liabilities		
Trade and other payables	5,264	2,524
Total current liabilities	5,264	2,524
Total liabilities	5,264	2,524

Consolidated statement of comprehensive income – Shenkursk sawmill

In thousands of SEK	12M 2012	12M 2011
Discontinued operations		
Turnover	17,661	1,732
Cost of sales	(30,299)	(7,416)
Gross profit	(12,638)	(5,684)
Other income	28	184
Distribution expenses	(877)	(478)
Administrative expenditure	(3,039)	(1,705)
Other expenses	(2,357)	(508)
Impairment loss	(58,745)	-
Operating profit/(loss)	(77,628)	(8,191)
Financing income	-	-
Financing cost	(83)	(83)
Net financing income/(cost)	(83)	(83)
Income tax	(14,046)	3,711
Loss after tax from discontinued operations	(91,757)	(4,563)

Condensed consolidated statement of cash flows – Shenkursk sawmill

In thousands of SEK	12M 2012	12M 2011
Cash flow from operating activities	(10,529)	(6,190)
Cash flow from investing activities	(3,609)	(8,359)
Cash flow from financing activities	(67)	-
Cash flow during the period	(14,205)	(14,549)

Assets classified as held for sale – Pellets

In thousands of SEK	Dec 31, 2012	Dec 31, 2011
Non-current assets		
Property Plant and equipment	23,306	56,804
Intangible assets		29,540
Total non-current assets	23,306	86,344
Current assets		
Inventory	2,994	6,278
VAT refundable	191	101
Trade and other receivable	1,992	1,830
Cash and cash equivalents	100	890
Total current assets	5,277	9,099
Total assets	28,583	95,443

Liabilities directly associated with the assets classified as held for sale – Pellets

In thousands of SEK	Dec 31, 2012	Dec 31, 2011
Current liabilities		
Trade and other payables	4,614	4,998
Total current liabilities	4,614	4,998
Total liabilities	4,614	4,998

Consolidated statement of comprehensive income – Pellets

In thousands of SEK	12M 2012	12M 2011
Discontinued operations		
Turnover	8,127	-
Cost of sales	(24,677)	-
Gross profit	(16,550)	-
Other income	-	-
Distribution expenses	(673)	-
Administrative expenditure	(381)	-
Other expenses	(1,466)	-
Impairment loss	(54,940)	-
Operating profit/(loss)	(74,010)	-
Financing income	1	-
Financing cost	(105)	-
Net financing income/(cost)	(104)	-
Income tax	-	-
Profit/(loss) after tax from discontinued operations	(74,114)	-

Condensed consolidated statement of cash flows – Pellets

In thousands of SEK	12M 2012	12M 2011
Cash flow from operating activities	(8,134)	-
Cash flow from investing activities	-	-
Cash flow from financing activities	(27)	-
Cash flow during the period	(8,161)	-

Review Report

To the Board of RusForest AB

Corporate identity number 556694-6421

Introduction

We have reviewed the Year End report for RusForest AB as of December 31, 2012, and the twelve-month reporting period ending on that date. The Board of Directors and the CEO 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.

Focus and Scope of the Review

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices in Sweden. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed on the basis of a review does not give the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared 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, March 15, 2013
KPMG AB

Carl Lindgren
Authorized Public Accountant

Reporting calendar

Annual Report 2012	April 24, 2013
Annual General Meeting	May 15, 2013
Interim Report Q1 2013	May 31, 2013
Interim Report Q2 2013	August 30, 2013
Interim Report Q3 2013	November 29, 2013

Nomination Committee

A Nomination Committee for the Annual General Meeting 2013 will be constituted in accordance with the principles adopted at the 2012 Annual General Meeting based on the outcome of the rights issue concluded on March 13, 2013. The composition of the Nomination Committee will be separately announced. The Nomination Committee can be contacted via e-mail at info@rusforest.com.

Stockholm, March 15, 2013

RusForest AB (publ)
The Board of Directors

For additional information, please contact:

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