

# Second Quarter 2012 Earnings Call

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August 31, 2012



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# Company Overview

## Summary

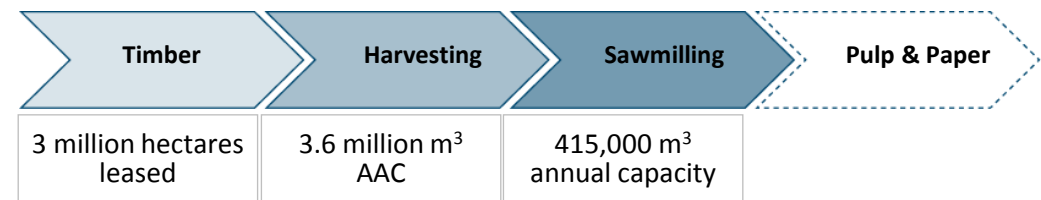
- Swedish forestry company focused on Russia
- Vertically integrated from timber leases to sawmilling
- High-quality, Siberian slow growth forests
- Self-sufficient in raw materials for sawmills
- Close proximity to main markets in Europe, China and Japan
- Scandinavian Board with extensive forestry expertise

## Corporate Information

<b>Stock Exchange Listing</b>	NASDAQ OMX Stockholm First North ticker "RUSF"
<b>Shares Outstanding</b>	479.0 million
<b>Main Shareholder</b>	Vostok Nafta (29%)
<b>Corporate Bond Listing</b>	NASDAQ OMX Stockholm ticker "RUSF 001 O2"



## Forestry Value Chain



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



# Second Quarter 2012 Income Statement

- Sawntwood sales increased 84% in volumes due to stable production in Arkhangelsk, growth in Boguchany and launch of Magistralny sawmill
- Adverse operating result due to:
  - Seasonality in harvesting in Q2 with increased harvesting operation in 2012 versus 2011
  - Issues with equipment in Magistralny and development of new areas in Q2 2012
  - Delays in finalization of Boguchany
- Bond issued in May 2011 with full quarter of interest in Q2 2012; high foreign exchange loss (SEK 13.5m) due to depreciation of SEK against USD

## Consolidated income statement, continuing operations

In millions of SEK	Q2 2012	Q2 2011	1H 2012	1H 2011
Revenue	154.2	114.3	276.9	202.6
Cost of sales	(209.1)	(129.3)	(372.2)	(216.9)
Distribution expenses	(32.9)	(24.0)	(65.6)	(42.8)
<b>Gross profit/(loss)</b>	<b>(87.8)</b>	<b>(39.0)</b>	<b>(160.9)</b>	<b>(57.2)</b>
Administrative expenses	(37.7)	(24.4)	(75.6)	(49.1)
Other income	8.5	5.1	19.3	5.5
Other expenses	(20.7)	(4.1)	(27.3)	(6.2)
Impairment of investments in associates	(2.3)	-	(2.3)	-
<b>Operating profit/(loss)</b>	<b>(140.0)</b>	<b>(62.4)</b>	<b>(246.9)</b>	<b>(106.9)</b>
Financing income	0.6	0.2	0.7	1.1
Financing cost	(43.7)	(13.4)	(61.9)	(15.5)
<b>Net financing income/(cost)</b>	<b>(43.0)</b>	<b>(13.2)</b>	<b>(61.2)</b>	<b>(14.4)</b>
<b>Loss before tax from continuing operations</b>	<b>(183.1)</b>	<b>(75.5)</b>	<b>(308.1)</b>	<b>(121.3)</b>
Income tax	(0.2)	12.8	13.4	19.3
<b>Loss from continuing operations</b>	<b>(183.3)</b>	<b>(62.7)</b>	<b>(294.7)</b>	<b>(102.0)</b>
For reference: EBITDA (non-IFRS measure)	(92.2)	(35.5)	(161.5)	(60.9)

# Second Quarter 2012 Balance Sheet

In millions of SEK	June 30, 2012	Dec 31, 2011	
Property, plant and equipment	1,090.3	1,098.1	
Forest lease rights	425.8	445.5	— 3.6 million m3 AAC leased (3.0 million hectares)
Other intangible assets	55.1	47.3	
Deferred tax asset	80.2	93.4	
Deferred tax liability	(80.2)	(106.4)	
<b>Non-current assets</b>	<b>1,571.2</b>	<b>1,577.9</b>	
Inventory	152.5	141.1	
Trade and other receivables	63.1	61.9	
VAT refundable	52.1	65.5	
Trade and other payables	(152.8)	(136.7)	
<b>Net working capital</b>	<b>114.9</b>	<b>131.8</b>	
Cash and cash equivalents	82.6	23.6	— Cash balance increased from rights issue
Borrowings and loans: non-current portion	(588.2)	(574.3)	— Corporate bond SEK 500m, 11%, maturity May 2014
Borrowings and loans: current portion	(68.6)	(108.7)	
Loans receivable	5.0	8.1	
Loans payable to related companies	-	(72.6)	
<b>Net debt</b>	<b>(569.3)</b>	<b>(723.9)</b>	
Assets classified as held for sale	92.0	93.0	
Liabilities associated with the assets held for sale	(17.7)	(12.6)	
<b>Book value of assets held for sale</b>	<b>74.3</b>	<b>80.4</b>	— Gravel business held for sale
<b>Total net assets</b>	<b>1,191.1</b>	<b>1,066.2</b>	
<b>USD in millions for reference</b>			
Non-current assets	\$ 224.5	\$ 225.4	
Net working capital	16.4	18.8	
Net debt	(81.3)	(103.4)	
Assets held for sale	10.6	11.5	
<b>Total Net assets</b>	<b>\$ 170.2</b>	<b>\$ 152.3</b>	

# Cash Balance Reconciliation

- Operations taking longer than expected to reach profitability

- Delayed capex

in millions of SEK/USD	Q2 2012 actual SEK	Q2 2012 actual USD**
<b>Cash balance, 31 March 2012</b>	<b>15.1</b>	<b>2.2</b>
Rights issue April 2012	452.2	64.6
Conversion of shareholder loans into equity	(132.9)	(19.0)
Rights issue costs	(15.6)	(2.2)
Net proceeds from the Rights issue	303.7	43.4
Bond interest 2012*	(55.0)	(7.9)
Cash outflow from operations	(97.2)	(13.9)
Cash outflow from investing activity	(33.2)	(4.7)
Repayment of loans and financial leases	(46.2)	(6.6)
Exchange rate effect	(4.6)	(0.7)
Total cash use Q2 2012	(236.2)	(33.7)
<b>Cash balance, 30 June 2012</b>	<b>82.6</b>	<b>11.8</b>

\* part of working capital need as presented in the prospectus

\*\* SEK/USD exchange rate of 7.0 for reference purposes

# Conclusion

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## Unique platform:

- Swedish forestry company focused on Russia
- Vertically integrated from timber leases to sawmilling
- High-quality, Siberian slow growth forests
- Self-sufficient in raw materials for sawmills
- Close proximity to main markets in Europe, China and Japan
- Scandinavian Board with extensive forestry expertise

## New CEO focused on:

1. Selling non-core assets to raise cash;
2. Strengthening management to deliver operational results; and
3. Exploring strategic alternatives to create shareholder value



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