

Interim Report 1 January–31 March 2015

USDm	First quarter		Full year
	2015	2014*	2014
Revenue	5.6	8.4	27.4
EBITDA adjusted**	1.9	1.3	1.5
Profit/(loss) from continuing operations	1.7	(0.9)	(2.9)
Loss from discontinued operations	-	(2.4)	(11.6)
Profit/(Loss) for the period	1.7	(3.2)	(14.5)
Net profit/(loss) per share (USD per share)	0.01	(0.02)	(0.11)
Production & sales continuing operations			
Sawlogs harvested, m ³	74,304	76,106	278,896
Sawlogs harvested, m ³ (subcontracting)	262,415	192,008	320,210
Sawnwood produced, m ³	21,778	21,711	78,826
Sawlogs sold, m ³	16,410	27,852	78,312
Sawnwood sold, m ³	19,291	22,046	78,088
	31 Mar 2015		31 Dec 2014
Cash balance	10.8		10.0
Working capital***	7.2		7.2
Net debt****	(10.4)		(9.6)

Highlights

First quarter of 2015

- Adjusted EBITDA of USD 1.9 million in Q1 2015, compared with USD 1.3 million in Q1 2014.
- Profit for the period of USD 1.7 million in Q1 2015, compared with a loss of USD 3.2 million in Q1 2014.
- 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. The first down payment of EUR 810 thousand to Hekotek for the pellet mill equipment was made in Q1 2015.
- Sawnwood production in Magistralny increased by 0.3% to 21,778 m³ of sawnwood, compared with 21,711 m³ in Q1 2014.
- The share of Magistralny sawnwood sales to the Japanese market in Q1 2015 was similar to Q1 2014 at 41%.
- An additional USD 1.0 million in asset sale proceeds from the Arkhangelsk divestment was received in Q1 2015. The remaining USD 5.2 million receivable from Arkhangelsk is expected in the remaining quarters of 2015.
- In Q1 2015 RusForest acquired and consolidated the company RusForest Management Group LLC, a previously related party entity which had employed certain specialists and had been providing management services to RusForest.

After the end of the reporting period

- In April 2015, RusForest executed the agreements for the buyout of the 49% minority shareholder in LLC «Vanavarales», one of the subsidiaries in Ust-Ilimsk controlling a forest lease of 31,838 hectares and 72,660 m³ of annual allowable cut (AAC).
- In April 2015, RusForest made an additional down payment of EUR 810 thousand to Hekotek for the pellet mill equipment.

*The Q1 2014 Profit and Loss and Cash Flow statements have been restated to show Arkhangelsk business segment, which was divested in Q4 2014, as discontinued operations. Details about Arkhangelsk result in Q1 2014 can be found in Note 4 on page 23.

**Detailed EBITDA calculation on page 5 of this report.

***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.



Management Comments

The first quarter of last year was marked by our first significant breakthrough: reaching our first positive EBITDA. This quarter we took another big step forward with our first net profit. This result validates the strategic and tactical decisions we have taken. Key factors in this improved financial performance include continuous operational optimization, administrative cost-cutting, a reduction in finance costs and the weakening of the Russian rouble.

Harvesting and sawmilling levels in Magistralny in Q1 2015 were consistent with last year while subcontracted harvesting in Ust-Ilimsk increased due to better planning and closer cooperation with all subcontractors. While the second quarter is always the weakest due to a general low point in terms of log supply, improved hauling and log flow in Q1 2015, as compared to last year, kept the sawmill running on one shift in May 2015, unlike last year when the Magistralny sawmill was completely shut down for a time because of a log shortage.

The general market situation remains challenging. RusForest decreased sales volumes both of sawnwood and sawlogs in Q1 2015 compared with the same period in 2014 due to difficult market conditions for sawnwood in Uzbekistan and Egypt as well as a continued oversupply on the Chinese market (both sawnwood and sawlogs). At the same time RusForest's share on the key Japanese market remains stable compared with Q1 2014.

In order to increase the value of the Company's Ust-Ilimsk assets we are following through with buying out minority shareholders. In April 2015, RusForest executed the agreements for the buyout of the 49% minority shareholder in LLC «Vanavarales», one of the subsidiaries in Ust-Ilimsk controlling a forest lease of 31,838 hectares and 72,660 m³ of AAC.

We continue to implement our plans to build a profitable platform.

Operational Review

RusForest operational data

Forest resources continuing operations		31 March 2015	31 December 2014
Annual Allowable Cut (AAC)	m^3	1,692,360	1,692,360
Forest area	Hectares	1,194,282	1,194,282

Continuing operations	Three months ended			Twelve months ended 31 Dec 2014	
	31 March 2015	31 March 2014	% Q1'15 vs Q1'14		
Subcontracting*					
Sawlogs harvested	m^3	262,415	192,008	37%	320,210

Production**

Sawlogs harvested	m^3	74,304	76,106	-2%	278,896
in own forest leases	m^3	74,304	76,106	-2%	199,384
in third party forest leases	m^3	-	-	-	79,512
Sawnwood production	m^3	21,778	21,711	0%	78,826

Sales volumes**

Sawlogs sold	m^3	16,410	27,852	-41%	78,312
Sawnwood sold	m^3	19,291	22,046	-12%	78,088

* Ust-Ilimsk operations

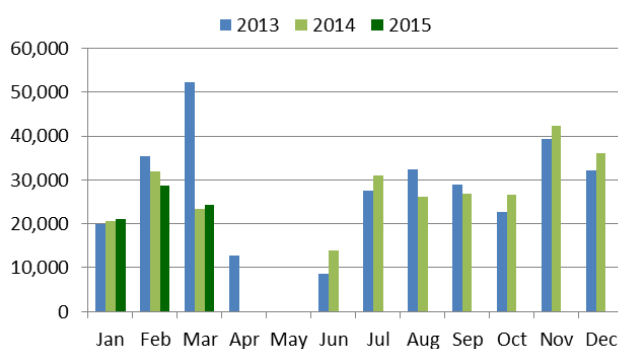
** Magistralny operations

In Q1 2015, RusForest harvested 74,304 m^3 of sawlogs, compared with 76,106 m^3 in Q1 2014 (-2.4%). Due to weather conditions, hauling at the end of Q1 2015 was hampered. Harvesting activity in Magistralny was constrained to prevent surplus log volume accumulation at cutting areas.

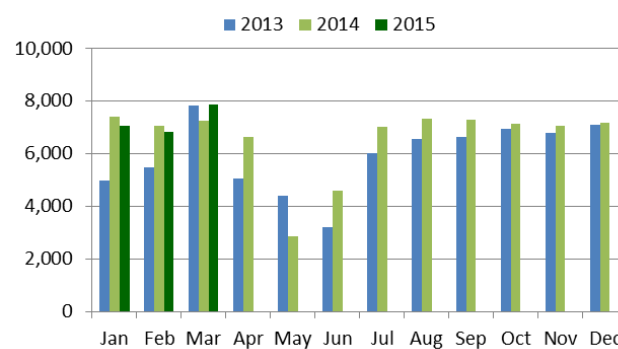
In Q1 2015, RusForest produced 21,778 m^3 of sawnwood, compared with 21,711 m^3 in Q1 2014 (+0.3%).

In Q1 2015, RusForest's subcontractors harvested 262,415 m^3 of sawlogs in Ust-Ilimsk forest lease areas, compared with 192,008 m^3 in Q1 2014 (+37%). This achievement was due to closer cooperation with all subcontractors.

Harvested sawlogs, m^3



Sawnwood production, m^3



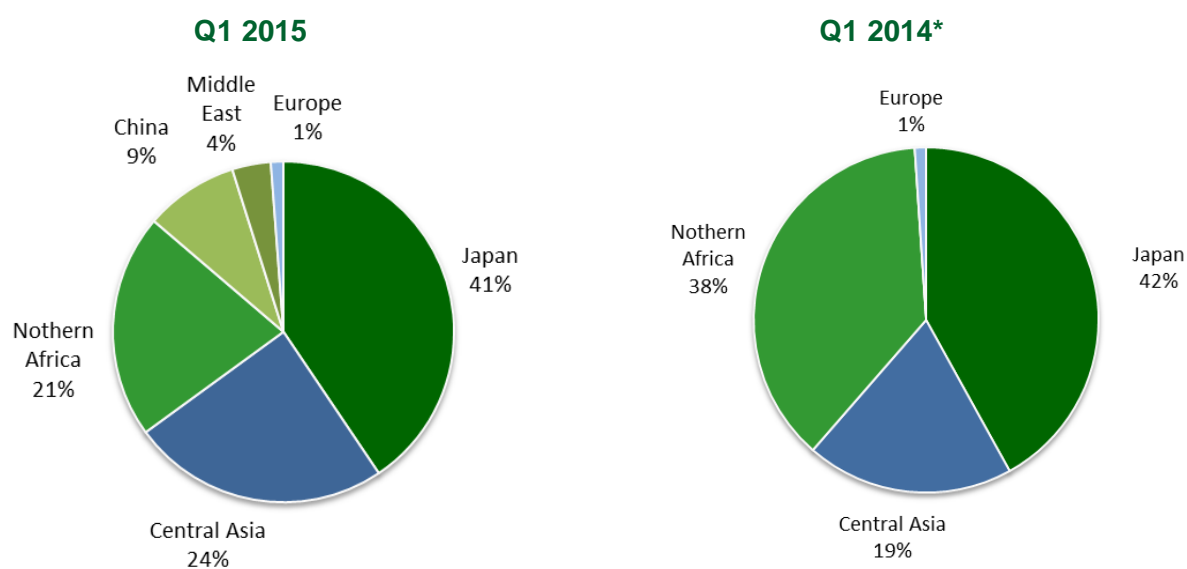
RusForest's sales

In Q1 2015 RusForest sold 19,291 m³ of sawnwood from Magistralny compared with 22,046 m³ in Q1 2014 (-12.5%). The Company also sold 16,410 m³ of sawlogs compared with 27,852 m³ in Q1 2014 (-41%).

Sales volumes of both sawnwood and sawlogs decreased in Q1 2015 compared with the same period in 2014 due to difficult market conditions for sawnwood in Uzbekistan and Egypt, as well as a continued oversupply of both sawnwood and sawlogs on the Chinese market.

As a result of difficult market conditions, the average sawnwood price realised (price "on wagon") decreased by 25% in Q1 2015 compared with Q1 2014 to USD 165.4/m³.

RusForest Magistralny sawnwood sales by region



*The proportion of Group sales to Japanese market in Q1 2014 was originally 18% when including the now divested Arkhangelsk business segment.

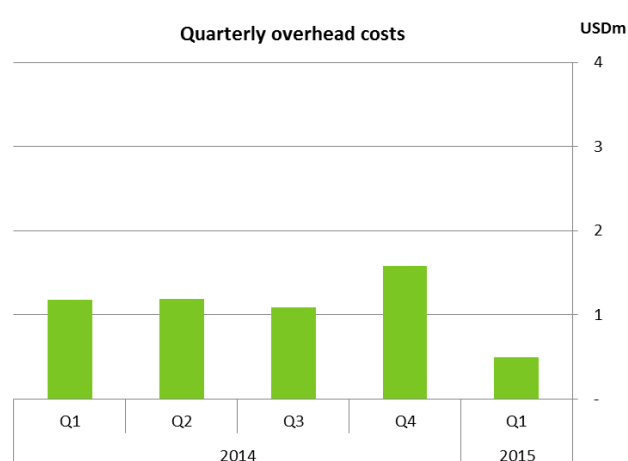
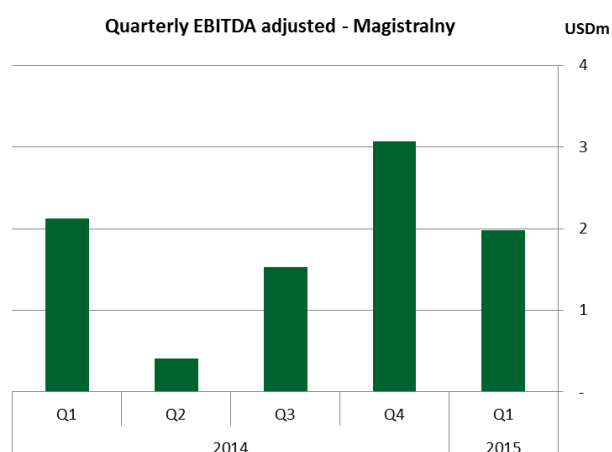
Financial Review

EBITDA development

in thousands of USD	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
IFRS results					
Continuing operations					
Revenue (gross, at ports)	5,613	7,137	7,384	4,789	8,381
Operating profit/(loss)	1,221	445	(1,501)	(4,529)	(305)
add back depreciation and amortization non-cash expense	749	966	1,576	1,712	1,689
EBITDA unadjusted, continuing operations	1,970	1,411	75	(2,817)	1,384
a. Doubtful receivables	7	27	31	360	52
b. Disposal of non-current assets	(92)	127	11	766	77
c. Non-recoverable income (Ust-Ilimsk)	-	-	-	266	(266)
d. Other items	47	(14)	9	(19)	61
Non-recurring items	(38)	140	51	1,373	(76)
EBITDA adjusted, continuing operations	1,932	1,551	126	(1,444)	1,308
Ust-Ilimsk	441	56	(314)	(666)	360
Magistralny	1,986	3,074	1,532	405	2,128
Unallocated (overhead)	(495)	(1,579)	(1,092)	(1,183)	(1,180)
EBITDA adjusted, by segments	1,932	1,551	126	(1,444)	1,308

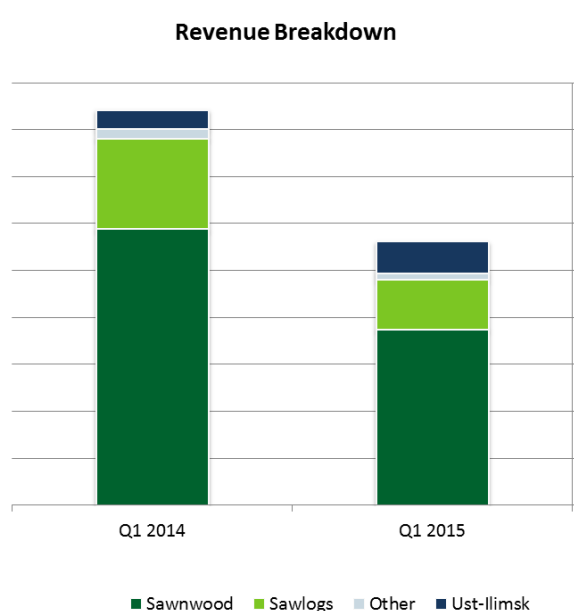
Earnings before interest, taxes, depreciation and amortisation (EBITDA) from continuing operations and EBITDA adjusted for non-recurring items (adjusted EBITDA) improved 48% year-on-year, with adjusted EBITDA of USD 1.9 million in Q1 2015 compared with USD 1.3 million in Q1 2014. Magistralny continued to deliver strong results, with an adjusted EBITDA of USD 2.0 million, compared with USD 2.1 million in Q1 2014. The Magistralny EBITDA in Q1 2015 was similar to Q1 2014 despite a significant drop in sales volumes and revenue due to improved margins from lower costs. The costs development year-on-year was helped by a weaker rouble (RUB) in Q1 2015. Ust-Ilimsk showed improved and positive earnings due to more subcontracting than last year and continuation of the active winter period, which is when the majority of harvesting activity takes place in Ust-Ilimsk.

However, the largest driver for the improved adjusted EBITDA was the significant reduction in overhead costs, which were reduced to USD 0.5 million in Q1 2015 compared with USD 1.2 million in Q1 2014. In addition to the positive effect from the weaker RUB and Swedish krona (SEK), Moscow corporate costs were down 34% year-on-year in RUB and Swedish corporate costs adjusted for intragroup transactions were down more than 50% in SEK in Q1 2015 compared with Q1 2014.



Revenue

Sales volumes of sawnwood decreased by 12% in Q1 2015 compared with Q1 2014 while sawlog volumes decreased by 41%. Sales volumes of both sawnwood and sawlogs decreased due to weakness in the market in Q1 2015. As stated on page 4 of this report, the average price for sawnwood on wagon for Magistralny in Q1 2015 decreased by 25% to USD 165.4/m³ compared with USD 222/m³ in Q1 2014. One of the reasons for the price reduction (in USD) was the Japanese yen's depreciation against the USD. 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 27% in Q1 2015, compared with Q1 2014, resulting in a 36% decrease in sawnwood revenue in Q1 2015, to USD 3.7 million, compared with USD 5.9 million in Q1 2014. Group revenue for Q1 2015 decreased by 33% compared with Q1 2014.



USD thousand	Sales volume (m ³ /tonnes)			
	Q1 2015	Q1 2014	Δ%	
9,000	Sawnwood	19,291	22,046	-12%
8,000	Sawlogs	16,410	27,852	-41%
7,000	Revenue per m3/tonne (USD)			
6,000		Q1 2015	Q1 2014	Δ%
5,000	Sawnwood	194	267	-27%
4,000	Sawlogs	65	70	-6%
3,000	Revenue (USD thousand)			
2,000		Q1 2015	Q1 2014	Δ%
1,000	Sawnwood	3,741	5,876	-36%
	Sawlogs	1,069	1,937	-45%
	Ust-Ilimsk	682	407	68%
	Other revenue	121	198	-39%
	Total	5,613	8,418	-33%

The Q1 2014 sales volume and revenue figures have been restated to exclude Arkhangelsk business segment which was divested in Q4 2014.

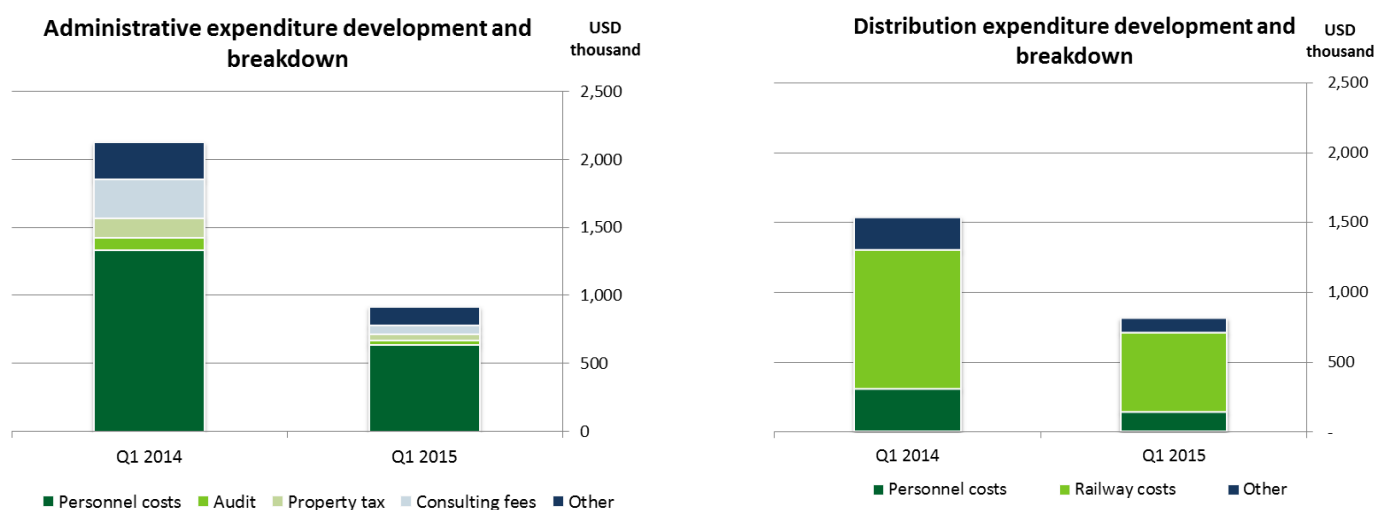
Costs

In Q1 2015 the Company continued to benefit from a weaker RUB on the cost side, as the average USD-to-RUB rate in Q1 2015 was 62.6 compared with 35.0 in Q1 2014, a weakening of RUB by 44% year-on-year. Currently the USD-to-RUB rate seems to have stabilized around 50.0 and some recent measures by the Russian government indicate that they do not want the currency to become too strong. The most significant effect from a weaker RUB is in cost of sales where the influence of change in USD average rate represents approximately USD 2.1 million of decrease in cost of sales, out of a total reduction of USD 2.7 million year-on-year. The least significant impact is in administrative costs where about 50% of a total reduction of USD 1.2 million is related to influence of change in USD average rate and the other 50% represents cost reductions in underlying currencies. However, the strengthening of the USD has also had a negative effect on the average sale price.

The cost of sales in continuing operations decreased by 50% to USD 2.7 million in Q1 2015, compared with USD 5.4 million in Q1 2014. This reduction is mainly due to a weaker RUB as stated above but also the result of efficiency improvements, such as the exclusion of external harvesting services and purchased sawlogs and managing cost inflation in the wake of the weaker RUB.

Distribution expenses in continuing operations decreased by 47% to USD 0.8 million in Q1 2015, compared with USD 1.5 million in Q1 2014. The decrease was mainly due to the reduction in the volume of sawnwood and sawlogs sold and influence of change in USD average rate.

Administrative expenses decreased by 57% to USD 0.9 million in Q1 2015, compared with USD 2.1 million for the same period in 2014. The decrease in administrative costs for the quarter was mainly driven by lower personnel expenses and consulting costs, while all other cost categories were also reduced due to both savings in underlying currencies and influence of change in USD average rate as stated above.

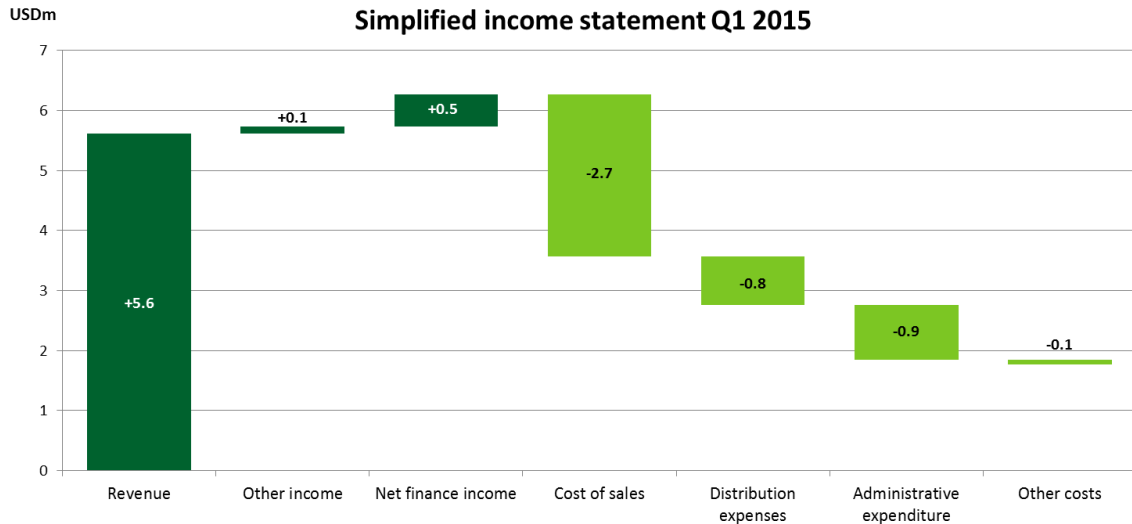


Other expenses decreased in Q1 2015, to USD 0.1 million compared with USD 0.2 million in Q1 2014.

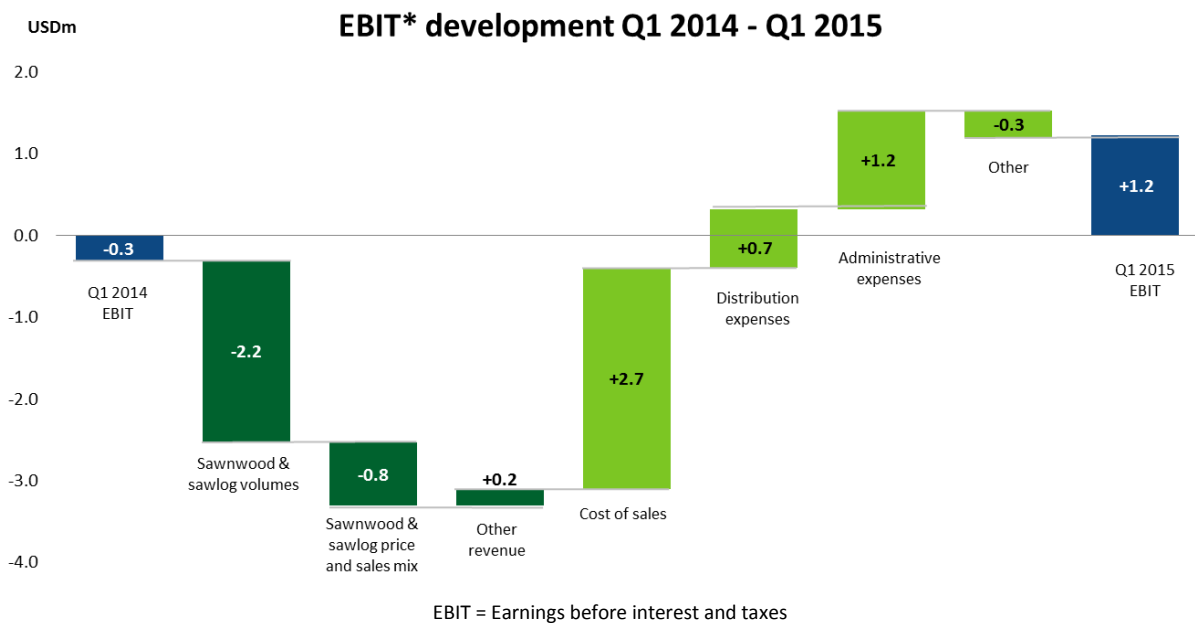
Net finance costs of USD 0.5 million in Q1 2014 became net finance income of USD 0.5 in Q1 2015 because of a significant reduction in financing costs due to repayment of virtually all interest-bearing debt in 2014 and a USD 0.5 million foreign exchange gain. The foreign exchange gain stems from large cash deposits in mainly USD which have strengthened compared to the group companies' functional currencies, which are RUB and SEK.

Earnings

The Company's continuing operations achieved a gross profit of USD 2.9 million in Q1 2015, representing a 52% gross profit margin, compared with gross profit of USD 3.0 million and gross profit margin of 35% in Q1 2014. The Company achieved positive adjusted EBITDA from continuing operations of USD 1.9 million, compared with USD 1.3 million in Q1 2014. The operating profit in continuing operations was USD 1.2 million in Q1 2015, compared with a loss of USD 0.3 million in Q1 2014. In Q1 2015 there were no discontinued operations. However, in the comparative period of Q1 2014 the discontinued operations, which consisted of Boguchany forest and harvesting operations as well as Arkhangelsk operations, generated a loss after tax of USD 2.4 million. Profit for the period in Q1 2015 amounted to USD 1.7 million, compared with a loss of USD 3.2 million in Q1 2014.



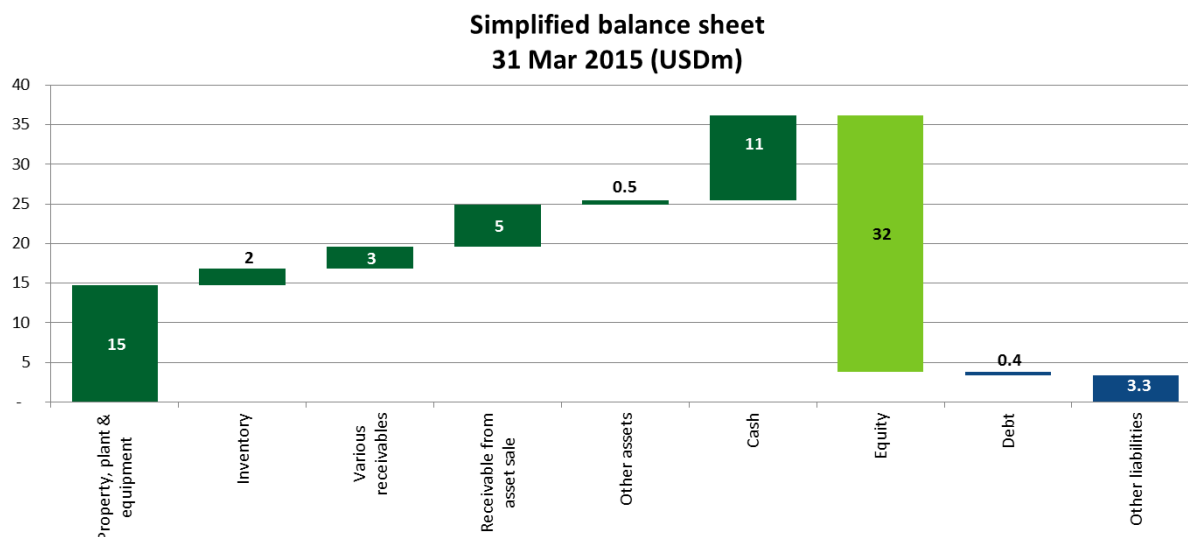
The chart below summarises positive/(negative) year-on-year changes in cost and revenue categories contributing to the positive turnaround from an operating loss of USD 0.3 million in Q1 2014 to an operating profit of USD 1.2 million in Q1 2015.



Balance Sheet and Cash Flow

At 31 March 2015, 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 March 2015, the Company recorded a receivable from asset sales of USD 5.2 million related to payments for the Arkhangelsk sale still to be received in 2015. A payment of USD 1 million for Arkhangelsk was received in Q1 2015. The balance sheet at 31 March 2015 also included an advance of USD 0.4 million for the purchase of non-controlling interest in subsidiaries, which is related to the buyout of minority interests in Ust-Ilimsk. Working capital was unchanged at USD 7.2 million at 31 March 2015, compared with 31 December 2014. The Company's cash and cash equivalents totalled USD 10.8 million at 31 March 2015, compared with USD 10.0 million at 31 December 2014.

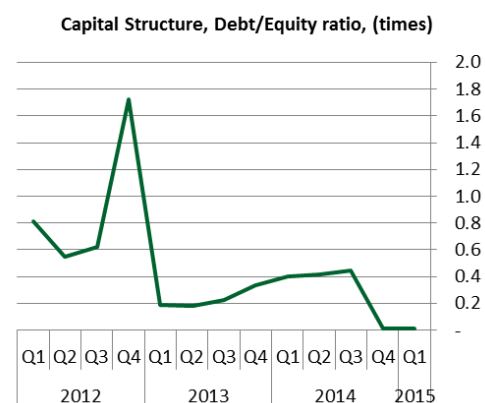
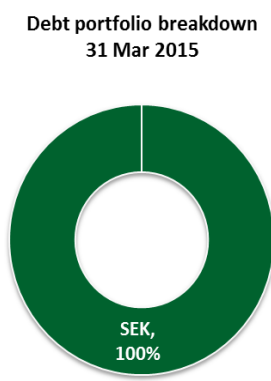
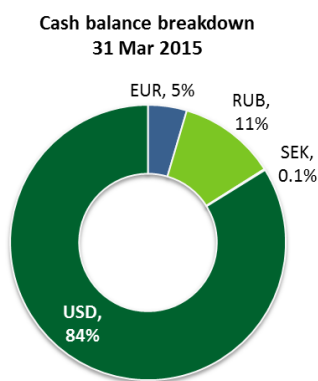
Non-current loans and borrowings amounted to USD 0.4 million at 31 March 2015, compared with USD 0.5 million at 31 December 2014. The USD 0.4 million in non-current loans and borrowings recognised at 31 March 2015 comprises the remainder of the SEK bond, a zero-coupon bond maturing in 2018. The debt-to-equity ratio at the end of Q1 2015 was 0.01.



The values in USD of Russian assets and liabilities on the balance sheet are affected by the fluctuations in the RUB. At 31 March 2015, the RUB had depreciated by 4% against the USD compared with 31 December 2014.



At 31 March 2015, the Company held its cash predominantly in USD. Given the recent depreciation and volatility of the RUB, the Company only keeps cash in RUB as required for efficient ongoing operations in Russia.



In Q1 2015, the Company again achieved positive cash flow from continuing operating activities. Cash flow from operating activities amounted to USD 1.8 million, compared with USD 1.1 million in Q1 2014. Investing activities in Q1 2015 consisted of a cash outflow of USD 0.4 million, compared with inflow of USD 2.8 million in Q1 2014. The largest items in investing activities were USD 1.0 million received from Arkhangelsk sale and investment in equipment of USD 1.2 million, mainly related to the new pellet mill to be built in Magistralny. The main item affecting cash flow from financing activities in Q1 2015 was the USD 0.4 million acquisition of non-controlling interests in subsidiaries, related to buy-out of minority interests in Ust-Ilimsk forestry companies. Total cash flow in Q1 2015 was USD 1.0 million.

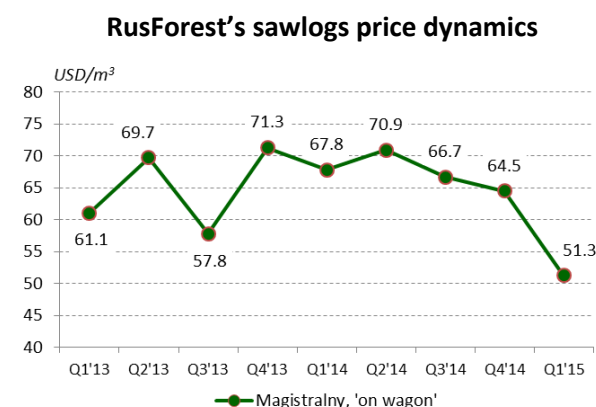
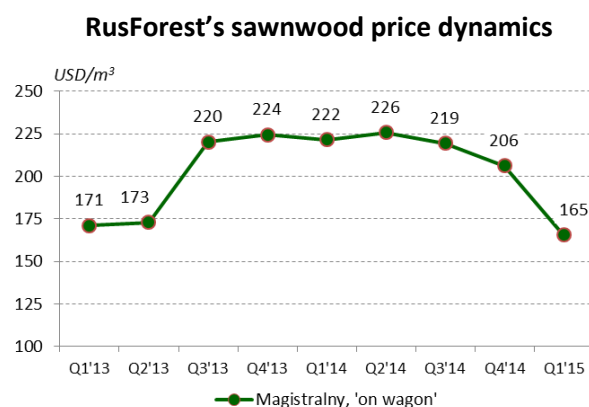
Markets in Q1 2015

Market trends

RusForest's prices

Product	Q1 2015	Q4 2014	Q1 2015 vs. Q4 2014
Sawnwood*	165.4	206.2	-19.8%
Sawlogs*	51.3	64.5	-20.4%

* Magistralny, 'on wagon', USD/m³



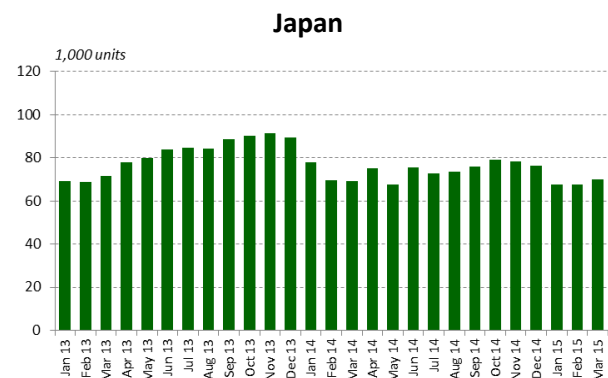
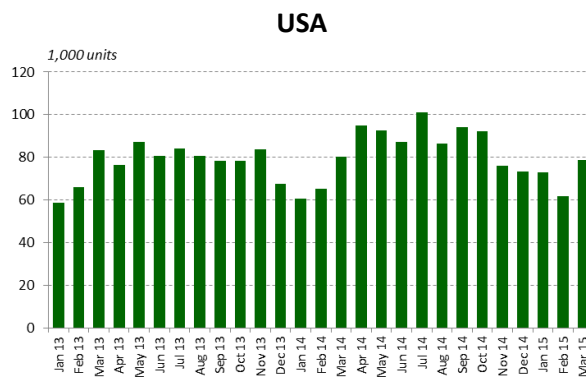
RusForest sawnwood markets

RusForest sawnwood markets were mostly declining in Q1 2015. The overall market environment for sawnwood was characterised by the following factors:

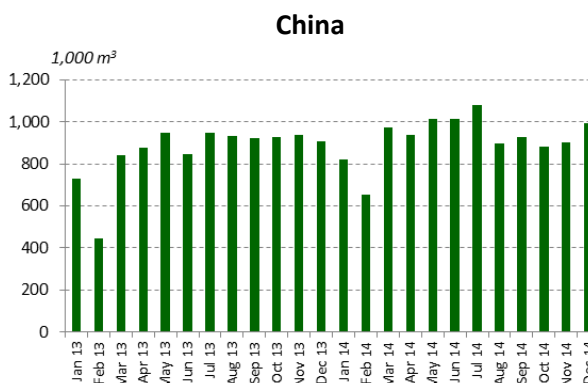
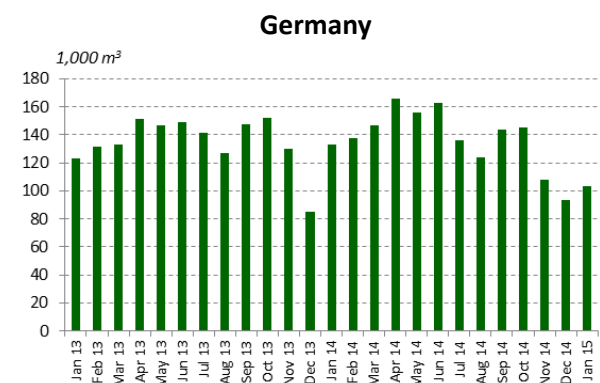
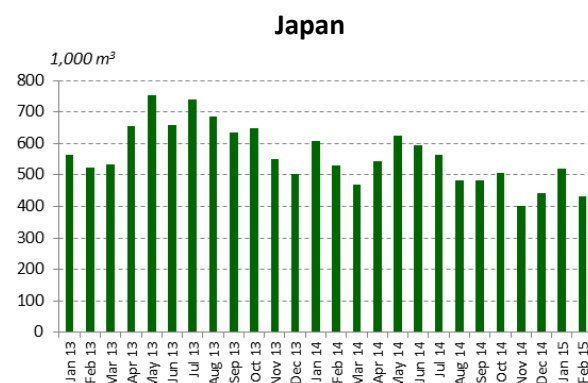
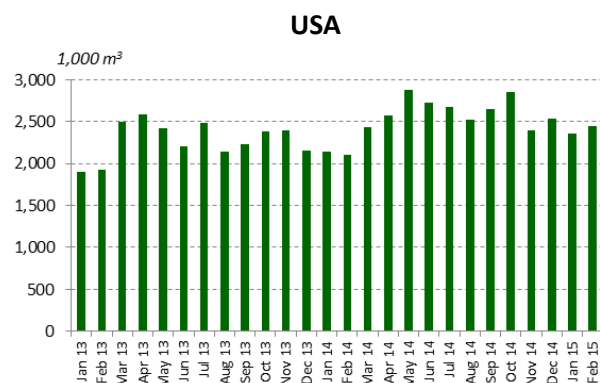
- Japan – Sawnwood imports continued to decline in Q1 2015. Deliveries from Europe decreased by 29%, from North America by 8%, from Russia by 2%. At the same time, under the overall shrinkage of Japanese imports, RusForest’s share on the market increased slightly in early 2015. One promising market signal is the decrease in sawnwood terminal inventories to biennial lows.
- MENA – At the end of Q1 there was slow growth in demand compared with the end of 2014. At the same time MENA imports in Q1 2015 compared with Q1 2014 decreased by 11%. We hope that seasonal revival will continue in Q2.
- China – In early 2015 residential building starts in China were declining and housing starts remained weak, which led to weak demand both for sawnwood and sawlogs.
- Europe – By the end of Q1 2015 prices for sawnwood were stable at a low level. Growth in demand was slow at the start of construction season.
- US – Sawnwood prices bottomed out by the end of Q1. Good housing demand and seasonal improvement will most likely lead to cautious growth in demand and prices by the end of Q2.

Our short-term outlook for Q2 2015 remains mostly negative. We do not expect any strong movement in RusForest’s key markets even with the start of the construction season. However, we hope to see improvements in Q3.

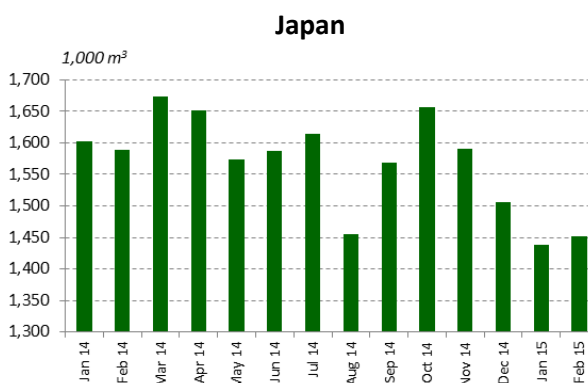
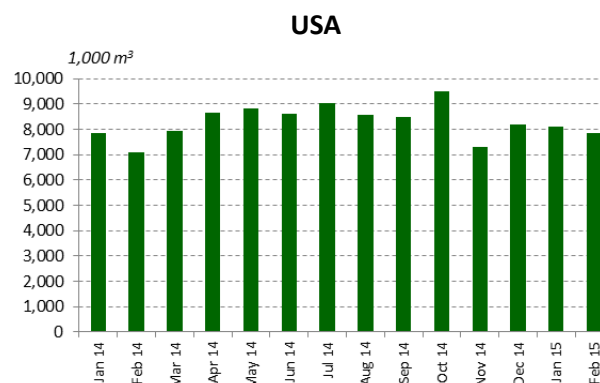
Construction - housing starts



Imports



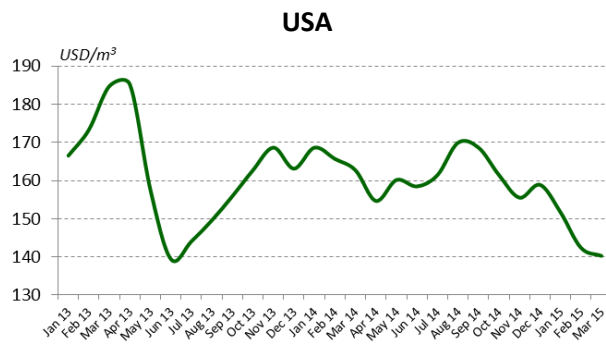
Consumption



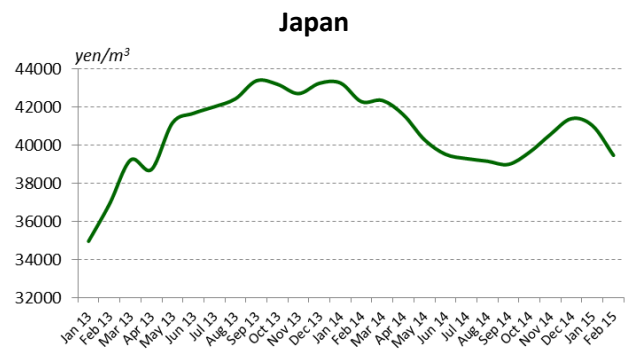
Sources: International Trade Centre (ITC), US Census Bureau, Japanese Ministry of Finance, General Customs Administration of China, Eurostat

Prices

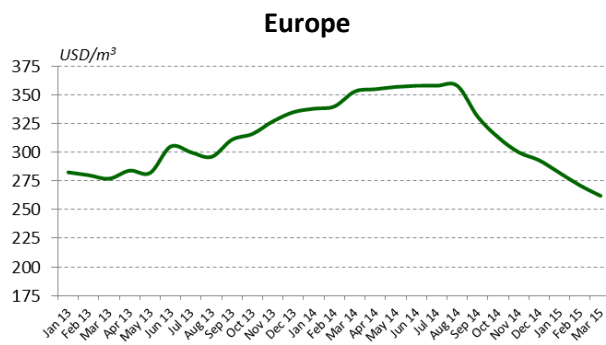
Sawnwood



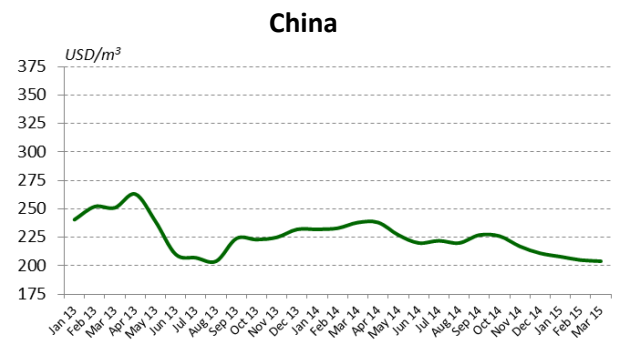
— Framing Lumber Composite Price
(weighted average of 15 key framing lumber prices)



— Russian pine sawnwood, CIF Japan ports



— Whitewood, sawfalling, KD, 47x75-225mm, CIF ARA ports



— SPF Utility, KD, 2x4", 8/20', CIF China ports

Sources: Random Lengths, Wood Markets, Japan Lumber Journal

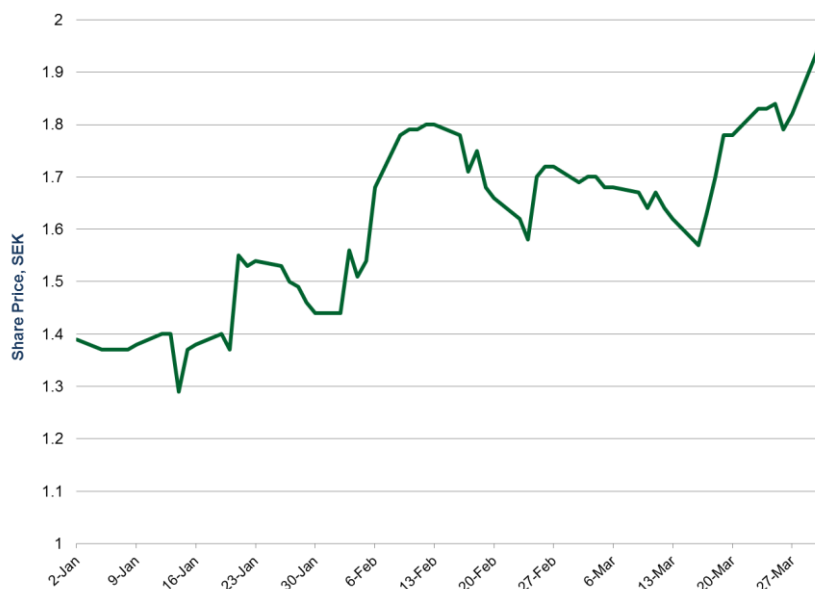
The Share

The RusForest AB shares are listed on NASDAQ First North Stockholm. At the close of the period, the share price was SEK 1.78 (0.21 USD) and the Company's market capitalisation was approximately SEK 235 million or USD 27 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			Shareholder	No. of shares	Share %
Official listing:	NASDAQ First North		Nova Capital	33,500,000	25.4%
Outstanding shares:	132,033,881		Merrill Lynch International	12,063,760	9.1%
Round lot:	1		Avanza Pension	9,937,800	7.5%
Sector:	Basic Resources		Nordnet Pension	4,133,884	3.1%
ISIN:	SE0001732728		Morgan Stanley and CO LLC, W9	3,169,996	2.4%
Short name:	RUSF		Credit Suisse Sec Europé Ltd	3,015,175	2.3%
Reuters:	RUSF.ST		Swedbank AS	2,459,689	1.9%
Bloomberg:	RUSF:SS		Jeffrey Adams secrest revokable trust	1,979,037	1.5%
			Client Long Timer Hill	1,715,204	1.3%
			Jesihemma Limited	1,379,179	1.0%
			Miura Holdings Ltd	1,297,249	1.0%
			Maxator Holding AB	923,125	0.7%
			Banque Öhman S.A.	890,156	0.7%
			Robur Försäkring	871,009	0.7%
			Livsmedelsbörsen i Stockholm AB	791,250	0.6%
			Other	53,907,368	40.8%
			Total	132,033,881	100%

3 months 2015 share data averages		
Daily Turnover (SEK)	No of Traded Shares	No of daily trades
378,123	231,310	48

RusForest share price performance in Q1 2015



Source: NASDAQ OMX First North Stockholm

RusForest share			
Price SEK/share 31 Mar 2015	Change 1 Month	Change 3 months	52 week high
1.78	3.5%	27.1%	2.15
	Change 6 Months	Change 1 year	52 week low
	31.9%	-6.8%	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. Items included in the Group's financial statements are initially measured in Russian roubles (RUB), as the currency of the primary economic environment in which the entity operates, and then translated into United States Dollars (USD). Assets and liabilities are translated at the closing rate, and income and expenses are translated at the appropriate average rate for the period. All financial information presented in USD has been rounded to the nearest thousand.

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: Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.


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 2014 annual report. The risks are indirectly the same for the parent company as for the Group.

Subsequent events

- In April 2015, RusForest executed the agreements for the buyout of the 49% minority shareholder in LLC «Vanavarales», one of the subsidiaries in Ust-Ilimsk controlling a forest lease of 31,838 hectares and 72,660 m³ of AAC.
- In April 2015, RusForest made an additional down payment of EUR 810 thousand to Hekotek for the pellet mill equipment.

Condensed Consolidated Income Statement

In thousands of USD	Q1 2015	Q1 2014*	12M 2014
Continuing operations			
Revenue	5,613	8,418	27,429
Cost of sales	(2,701)	(5,442)	(18,204)
Gross profit	2,912	2,976	9,225
Other income	116	571	422
Distribution expenses	(811)	(1,533)	(4,891)
Administrative expenditure	(915)	(2,121)	(8,477)
Other expenses	(81)	(198)	(1,526)
Operating profit/(loss)	1,221	(305)	(5,247)
Exchange gain/(loss)	531	(191)	2,878
Financing income	34	9	455
Financing cost	(23)	(344)	(969)
Net financing income/(cost)	542	(526)	2,364
Profit/(loss) before tax from continuing operations	1,763	(831)	(2,883)
<i>Income tax</i>	(30)	(36)	(26)
Profit/(loss) from continuing operations	1,733	(867)	(2,909)
Discontinued operations			
Loss after tax from discontinued operations	-	(2,370)	(11,632)
Profit/(loss) for the period	1,733	(3,237)	(14,541)
Attributable to:			
Equity holders of the parent	1,704	(3,203)	(14,493)
Non-controlling interests	29	(34)	(48)
Profit/(loss) for the period	1,733	(3,237)	(14,541)
Profit (loss) per share	0.01	(0.02)	(0.11)

*The Q1 2014 Profit and Loss and Cash Flow statements have been restated to show Arkhangelsk business segment, which was divested in Q4 2014, as discontinued operations.

Condensed Consolidated Statement of Comprehensive Income

In thousands of USD	Q1 2015	Q1 2014*	12M 2014
Profit (loss) for the period	1,733	(3,237)	(14,541)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation difference	(1,144)	(6,684)	(29,818)
Other comprehensive loss for the period, net of tax	(1,144)	(6,684)	(29,818)
Total comprehensive profit/(loss) for the period, net of tax	589	(9,921)	(44,359)
Attributable to:			
Equity holders of the parent	554	(9,852)	(44,181)
Non-controlling interests	35	(69)	(178)
Total comprehensive profit/(loss) for the period, net of tax	589	(9,921)	(44,359)
In thousands of USD	Q1 2015	Q1 2014*	12M 2014
Profit/(loss) from continuing operations	1,733	(867)	(2,909)
Attributable to:			
Equity holders of the parent	1,704	(897)	(2,850)
Non-controlling interests	29	30	(59)
Loss from discontinued operations	-	(2,370)	(11,632)
Attributable to:			
Equity holders of the parent	-	(2,306)	(11,643)
Non-controlling interests	-	(64)	11

*The Q1 2014 Profit and Loss and Cash Flow statements have been restated to show Arkhangelsk business segment, which was divested in Q4 2014, as discontinued operations.

Per Share Data

Per Share Data	Q1 2015	Q1 2014	12M 2014
USD			
Profit/(loss)	0.01	(0.02)	(0.11)
Shareholders' Equity (end of period)	0.25	0.50	0.24
Number of Shares	Q1 2015	Q1 2014	12M 2014
Beginning of period	132,033,881	132,033,881	132,033,881
End of Period	132,033,881	132,033,881	132,033,881
Average number of shares	132,033,881	132,033,881	132,033,881

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
March 31, 2014	0.028
June 30, 2014	0.030
September 30, 2014	0.025
December 31, 2014	0.018
March 31, 2015	0.017

source: www.cbr.ru

Condensed Consolidated Statement of Financial Position

In thousands of USD	31 Mar 2015	31 Dec 2014
Assets		
Non-current assets		
Property, plant and equipment	14,722	14,914
Intangible assets	93	98
Deferred tax asset	10	6
Total non-current assets	14,825	15,018
Current assets		
Inventory	2,059	1,750
Receivable from assets sale	5,242	6,242
Advance for purchase of non-controlling interest in subsidiaries	428	-
VAT refundable	1,378	1,530
Trade and other receivables	1,359	1,563
Current tax assets	2	52
Loans receivable	110	93
Cash and cash equivalents	10,752	9,987
Total current assets	21,330	21,217
Total assets	36,155	36,235
EQUITY		
Equity and reserves		
Share capital	20,683	20,683
Other paid in capital	358,448	358,448
Reserves	29	24
Translation reserve	(46,576)	(45,426)
Accumulated loss	(301,803)	(287,310)
Profit/(loss) for the period	1,704	(14,493)
Total equity attributable to Shareholders of the Group	32,485	31,926
Non-controlling interest	(71)	(106)
Total Equity	32,414	31,820
Liabilities		
Non-current liabilities		
Loans and borrowings	436	479
Deferred tax liability	10	6
Total non-current liabilities	446	485
Current liabilities		
Interest-bearing loans and borrowings	3	6
Trade and other payables	3,107	3,858
Current tax liabilities	37	42
Provisions	148	24
Total current liabilities	3,295	3,930
Total liabilities	3,741	4,415
Total equity and liabilities	36,155	36,235

Condensed Consolidated Statement of Cash Flows

In thousands of USD	Q1 2015	Q1 2014*	12M 2014
Profit/(loss) for the period	1,733	(3,237)	(14,541)
Adjustment for non-cash items	799	4,402	16,117
Paid income tax	(12)	-	(63)
Cash flow from operating activities before changes in working capital	2,520	1,165	1,513
Cash flow changes in working capital	(748)	275	1,627
Cash flow from discontinued operations	-	(346)	2,235
Cash flow from operating activities	1,772	1,094	5,375
Investment in equipment	(1,189)	(14)	(901)
Proceeds from sales of equipment	122	337	1,339
VAT refund on capital investments	-	-	49
Acquisition of shares in subsidiaries (less cash balances)	7	-	(18)
Proceeds from sale of subsidiaries	1,000	1,475	10,720
Costs related to the sale of subsidiaries	(330)	-	(832)
Repayment of the loans by related parties	-	-	4,568
Repayment of the loans by third parties	7	-	-
Interest received	30	-	6
Cash flow from discontinued operations	-	957	477
Cash flow from investing activities	(353)	2,755	15,408
Acquisition of non-controlling interest in subsidiaries	(399)	-	-
Redemption of the loans of sold subsidiaries	-	(3,941)	(3,941)
Increase/(decrease) in loans payable	(4)	(921)	(6,918)
Interest paid	(1)	(282)	(786)
Bank charges	(22)	(45)	(178)
Cash flow from discontinued operations	-	1,537	(2,205)
Cash flow from financing activities	(426)	(3,652)	(14,028)
Cash flow during the period	993	197	6,755
including continuing operations	993	(1,951)	6,248
including discontinued operations	-	2,148	507
Cash and cash equivalents, beginning of period	9,987	3,760	3,760
including continuing operations	9,987	3,637	3,637
including discontinued operations	-	123	123
Exchange-rate differences on cash balance	(228)	(340)	(528)
Cash and cash equivalents, period end	10,752	3,617	9,987
including continuing operations	10,752	3,533	9,987
including discontinued operations	-	84	-

In thousands of USD	Q1 2015	Q1 2014*	12M 2014
Adjustment for non-cash items			
Depreciation of property, plant and equipment	743	1,680	5,679
Amortization of intangible assets	6	9	39
Income tax	30	36	26
Finance income	(34)	(9)	(3,333)
Finance expense	23	344	969
Net loss on disposal of property, plant and equipment	(92)	74	926
Net income/loss on disposal of intangible assets	-	-	7
Bad debts	7	52	438
Forest restoration provision	116	-	-
Other comprehensive (profit)/loss from assets held for sale	-	2,370	11,632
Other non-cash items	-	(154)	(266)
Total	799	4,402	16,117

*The Q1 2014 Profit and Loss and Cash Flow statements have been restated to show Arkhangelsk business segment, which was divested in Q4 2014, as discontinued operations.

Condensed Consolidated Statement of Changes in Equity

1 January 2015 – 31 March 2015

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	24	(45,426)	(301,803)	(106)	31,820	
Profit/(loss) for the period					1,704	29	1,733	
Other comprehensive income/(loss)				(1,150)		6	(1,144)	
Total comprehensive income/(loss)	-	-	-	(1,150)	1,704	35	589	
Employee stock options*			5				5	
Shareholders' equity at end of period	20,683	358,448	29	(46,576)	(300,099)	(71)	32,414	

*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 2014 – 31 March 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					(3,203)	(34)	(3,237)	
Other comprehensive loss				(6,649)		(35)	(6,684)	
Total comprehensive loss	-	-	-	(6,649)	(3,203)	(69)	(9,921)	
Shareholders' equity at end of period	20,683	358,448	-	(22,387)	(290,524)	361	66,581	

1 January 2014 – 31 December 2014

In thousands of USD	Attributable to the equity holders of the parent						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 loss				(29,688)		(130)	(29,818)	
Total comprehensive loss	-	-	-	(29,688)	(14,493)	(178)	(44,359)	
Acquired non-controlling interest in subsidiaries						11	(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	

Parent Company Income Statement

In thousands of SEK	Q1 2015	Q1 2014
Administrative expenditure	(2,187)	(3,578)
Operating loss	(2,187)	(3,578)
Exchange gain/loss	(332)	(24,861)
Financing income	498	2,674
Financing cost	(263)	(893)
Reversal of bad debt provision	78,770	-
Impairment of investments and forgiveness of receivables from subsidiaries	-	(782)
Net financing income/(cost)	78,673	(23,862)
<i>Income tax</i>	-	-
Profit/(loss) for the period	76,486	(27,440)

Parent Company Balance Sheet

In thousands of SEK	31 Mar 2015	31 Dec 2014	31 Mar 2014
Assets			
Non-current assets			
Property, plant and equipment	55	60	74
Investments in subsidiaries	180,336	179,875	50,843
Loans receivable from subsidiaries	-	-	71,662
Total non-current assets	180,391	179,935	122,579
Current assets			
VAT refundable	35	257	150
Receivables from subsidiaries	77,389	33,834	210,380
Trade and other receivable	581	791	166
Current tax assets	-	221	99
Loans receivable from subsidiaries	35,452	32,794	-
Cash and cash equivalents	35,031	3,779	3,421
Total current assets	148,488	71,676	214,216
Total assets	328,879	251,611	336,795
Equity			
Equity and reserves			
<i>Restricted equity</i>			
Share capital	132,034	132,034	132,034
<i>Non-restricted equity</i>			
Share premium	1,037,511	1,037,511	1,037,511
Retained earnings	(885,221)	(961,749)	(880,762)
Total equity	284,324	207,796	288,783
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	3,745	3,745	3,745
Loans payable to Group companies	1,679	27,851	-
Total non-current liabilities	5,424	31,596	3,745
Current liabilities			
Interest-bearing loans and borrowings	-	-	32,376
Payables to Group companies	38,140	7,602	10,656
Trade and other payables	991	4,617	1,235
Total current liabilities	39,131	12,219	44,267
Total equity and liabilities	328,879	251,611	336,795

As part of an on-going internal group loan restructuring to clean the balance sheets of Cyprus companies set for termination/exclusion from the Group, internal loans between Rusforest AB and Cyprus group entities have been consolidated in Bermuda and forgiven by utilising previous bad debt provisions related to RusForest Bermuda. The income from reversal of bad debt provision will have no tax effect.

Notes to the Financial Statements

Note 1. Cost of sales

In thousands of USD	Q1 2015	Q1 2014
Personnel costs	789	1,774
Purchased sawlogs	-	200
Depreciation of property, plant and equipment	681	1,472
Amortization of intangible assets	2	9
Materials	60	160
Energy and fuel	503	1,202
Repairs and maintenance	244	331
Transportation services	149	-
Forest lease	112	233
Forest restoration	116	-
Other	45	61
Total	2,701	5,442

Note 2. Distribution expenses

In thousands of USD	Q1 2015	Q1 2014
Personnel costs	140	303
Railway costs	570	996
Other	101	234
Total	811	1,533

Note 3. Administrative expenditure

In thousands of USD	Q1 2015	Q1 2014
Personnel costs	636	1,331
Audit	31	91
Property tax	46	141
Consulting fees	61	288
Other	141	270
Total	915	2,121

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 three months ended 31 March 2015

In thousands of USD	External revenue				Total	Impairment loss	Profit/(loss) before tax
	Sawnwood	Sawlogs	Pellets	Other			
Ust-Ilimsk	-	-	-	682	682	-	527
Magistralny	3,741	1,069	-	121	4,931	-	1,274
Unallocated	-	-	-	-	-	-	(38)
Total from continuing operations	3,741	1,069	-	803	5,613	-	1,763
Total	3,741	1,069	-	803	5,613	-	1,763

Operational segments, results for three months ended 31 March 2014

In thousands of USD	External revenue				Total	Impairment loss	Profit/(loss) before tax
	Sawnwood	Sawlogs	Pellets	Other			
Ust-Ilimsk	-	-	-	407	407	-	276
Magistralny	5,876	1,937	-	198	8,011	-	230
Unallocated	-	-	-	-	-	-	(1,337)
Total from continuing operations	5,876	1,937	-	605	8,418	-	(831)
Arkhangelsk	6,833	13	-	1,734	8,580	-	(2,482)
Boguchany	2,452	350	-	85	2,887	-	141
Pellets (Sweden & Latvia)	-	-	50	-	50	-	(26)
Total from discontinued	9,285	363	50	1,819	11,517	-	(2,367)
Total	15,161	2,300	50	2,424	19,935	-	(3,198)

Note 5. Assets held for sale and the result of discontinued operations

Consolidated statement of comprehensive income, discontinued operations

In thousands of USD	Q1 2015	Q1 2014
Discontinued operations		
Revenue	-	11,517
Cost of sales	-	(10,120)
Gross profit	-	1,397
Other income	-	544
Distribution expenses	-	(2,215)
Administrative expenditure	-	(1,214)
Other expenses	-	(337)
Profit from disposal	-	1,333
Operating loss	-	(492)
Financing cost	-	(1,875)
Net financing income/(cost)	-	(1,875)
Loss before tax from discontinued operations	-	(2,367)
Income tax	-	(3)
Loss after tax from discontinued operations	-	(2,370)

Condensed consolidated statement of cash flows, discontinued operations

In thousands of USD	Q1 2015	Q1 2014
Cash flow from operating activities	-	(346)
Investment in equipment	-	(733)
Proceeds from sales of equipment	-	47
VAT refund on capital investments	-	1,643
Cash flow from investing activities	-	957
Increase/(decrease) in loans payable	-	2,204
Interest paid	-	(667)
Cash flow from financing activities	-	1,537
Cash flow during the period	-	2,148

Note 6. Related party transactions

	Q1 2015
	USD thousand
Lesresurs LLC	
Sales of goods and services	21
Purchase of goods and services	177
Rent expenses	1
Accounts receivable	43
Accounts payable	52
RMG LLC	
Management services provided to RusForest entities	47
Anton Bogdanov	
Acquisition of 100% share in RMG LLC	56

In January 2015 RusForest Management Group LLC (RMG LLC) was acquired from Anton Bogdanov at a cost of USD 56 thousand, equal to initial investment/paid in capital into RMG LLC by Anton Bogdanov, and consolidated into the Group and is now a fully owned subsidiary of RusForest AB. RMG LLC is a management service company employing certain specialists. RMG LLC continues to provide management services to one external company: LesResurs LLC. Management service fees from LesResurs are recorded as other income in the profit and loss statement of RusForest and costs related to those assignments as other expenses. Related party transactions stated above in relation to RMG LLC include transactions until date of acquisition of RMG LLC.

Financial Calendar

Interim report Jan – Jun 2015

28 August 2015

Interim report Jan – Sep 2015

27 November 2015

This report has not been subject to a review by the Company's auditors.

Stockholm, 28 May 2015

RusForest AB (publ.)
The Board of Directors

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