

## Interim Report 1 January – 30 September 2015

USDm	Third quarter		9M	
	2015	2014*	2015	2014*
Revenue	5.1	7.4	15.6	20.6
EBITDA	0.7	0.1	3.0	(1.4)
EBITDA adjusted**	0.6	0.1	2.9	(0.0)
Profit/(loss) from continuing operations	1.9	(1.5)	2.1	(7.3)
Loss from discontinued operations	(0.4)	(1.0)	(0.4)	(2.3)
Profit/(Loss) for the period	1.6	(2.5)	1.8	(9.6)
Net profit/(loss) per share (USD per share)	0.01	(0.02)	0.01	(0.07)
<b>Production &amp; sales continuing operations</b>				
Sawlogs harvested, m <sup>3</sup>	68,100	83,950	172,108	173,858
Sawlogs harvested, m <sup>3</sup> (subcontracting)	53,106	21,823	398,337	213,831
Sawnwood produced, m <sup>3</sup>	22,912	21,619	63,157	57,443
Sawlogs sold, m <sup>3</sup>	18,514	22,851	46,400	58,642
Sawnwood sold, m <sup>3</sup>	21,007	21,992	61,870	57,732
	<b>30 Sep 2015</b>		<b>31 Dec 2014</b>	
Cash balance	9.1		10.0	
Working capital***	3.0		7.2	
Net debt****	(9.0)		(9.6)	

### Highlights

#### Third quarter of 2015

- Revenue decreased by 32% to USD 5.1 million in Q3 2015, compared with USD 7.4 million in Q3 2014.
- Adjusted EBITDA of USD 0.6 million in Q3 2015, compared with USD 0.1 million in Q3 2014.
- Profit for the period of USD 1.6 million in Q3 2015, compared with a loss of USD 2.5 million in Q3 2014.
- Sawnwood production in Magistralny increased by 6% to 22,912 m<sup>3</sup> of sawnwood in Q3 2015, compared with 21,619 m<sup>3</sup> in Q3 2014.
- The share of Magistralny sawnwood sales to the Japanese market in Q3 2015 was 45% compared with 48% in Q3 2014.
- On 31 August 2015 RusForest announced plans to develop harvesting operations in Ust-Ilimsk.
- On 1 September 2015 RusForest initiated a program for synthetic buy-back of own shares.
- In August RusForest initiated a project for digital mapping and geographic information database development for its key forest areas in Magistralny and Ust-Ilimsk.
- An additional USD 1.0 million in proceeds from the Arkhangelsk divestment was received in Q3 2015.

#### After the end of the reporting period

- RusForest made significant progress in its legal structure optimisation by the elimination of several Cyprus companies from the Group. By the end of November the total amount of legal entities in the group amounted to 13 companies.
- RusForest concluded the sale of the Arkhangelsk business segment, receiving the final payment of USD 1.9 million. The final payment was reduced by RUB 25 million or USD 382 thousand due to enforcement of certain warranties to the original sale-purchase agreement. A non-recurring cost of USD 377 thousand, out of the USD 382 thousand, as adjustment of receivable from asset sale has been taken in Q3 2015. No outstanding warranties or potential liabilities remain.
- RusForest successfully initiated the first equipment tests at the Magistralny pellet mill in November.

\*The Q3 and 9M 2014 Profit and Loss and Cash Flow statements have been adjusted to show Arkhangelsk business segment, which was divested in Q4 2014, as discontinued operations. Details about Arkhangelsk result in Q3 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

Despite the unfavorable market factors in Q3 2015 we continue to deliver positive EBITDA and improve year-on-year results.

In Q3 2015 RusForest was able to increase sawmilling by 6.0%, compared with Q3 2014. Harvesting in Magistralny was lower compared with Q3 2014. Overall sales volumes of both sawnwood and sawlogs decreased due to difficult market conditions for sawnwood in Uzbekistan and Egypt as well as a continued oversupply on the Chinese market. At the same time RusForest increased sales to the Japanese market compared with last quarter and prices increased slightly.

Good cost control and benefit from the weak Russian ruble combined with strong position on the Japanese market continue to be the strengths and sources of good results for the Company in the current market environment.

Due to the continuous improvements of the core business and strong financial position, the Company initiated a synthetic buyback program on 1 September 2015, to be in force for a period up to the annual general meeting 2016, with an authorization from the ordinary general meeting on 15 May 2015 to buy a maximum of 10 per cent of all shares in the Company. As of 30 September 2015 a total of 502,913 shares had been purchased under the buyback program, at an average acquisition price of 2.01 SEK/share.

The Pellet mill construction has progressed in accordance with the project's planned schedule. By the end of November the construction had been completed and tests of the equipment had been launched.

In Q3 2015 the Company started to procure the necessary new equipment and hire additional personnel to develop its own harvesting operations in its Ust-Ilimsk forest lease areas. As previously communicated, the subcontracted volumes have been successfully increased lately but pricing levels limit the level of profitability on such activities and developing our own harvesting will increase the long term profitability of the Ust-Ilimsk assets and add strategic value to the Rusforest group.

In November the sale of the Arkhangelsk business segment, which started in December 2014, was finalized with the receipt of the last USD 1.9 million in proceeds, and despite the reduction in final payment we consider it to be a very successful transaction given the overall transaction value and the positive effect on the Company's debt and cash position. In total the Arkhangelsk sale has generated USD 11.6 million in cash proceeds as well as USD 16.5 million in reduction of corporate debt related to the Arkhangelsk operations, which were unprofitable and in immediate need of considerable CAPEX investments.

In October – November RusForest made significant progress in its legal structure optimisation by elimination of several Cyprus companies from the Group. By the end of November the total amount of legal entities in the group amounted to 13 companies.

We continue to follow through with our current projects while trying to optimise the business according to markets conditions.

## Operational Review

### RusForest operational data

Forest resources continuing operations		As at 30 September 2015	As at 30 September 2014**
Annual Allowable Cut (AAC) *	$m^3$	1,703,660	2,543,360
Forest area	Hectares	1,194,282	2,281,178

\*AAC has been updated in Q3 2015 in accordance with recent amendments to forest lease agreements in Ust-Ilimsk, which resulted in an increase in AAC by 11,300  $m^3$  compared with Q2 2015.

\*\*The comparative figures from 30 September 2014 include the Arkhangelsk business segment which was divested in Q4 2014.

Continuing operations	Three months ended			Nine months ended			
	30 Sep 2015	30 Sep 2014	% Q3'15 vs Q3'14	30 Sep 2015	30 Sep 2014	% 9M'15 vs 9M'14	
<b>Subcontracting*</b>							
Sawlogs harvested	$m^3$	53,106	21,823	143%	398,337	213,831	86%

### Production\*\*

Sawlogs harvested	$m^3$	68,100	83,950	-19%	172,108	173,858	-1%
in own forest leases	$m^3$	57,650	18,142	218%	161,658	103,925	56%
in third party forest leases	$m^3$	10,450	65,808	-84%	10,450	69,933	-85%
Sawnwood production	$m^3$	22,912	21,619	6%	63,157	57,443	10%

### Sales volumes\*\*

Sawlogs sold	$m^3$	18,514	22,851	-19%	46,400	58,642	-21%
Sawnwood sold	$m^3$	21,007	21,992	-4%	61,870	57,732	7%

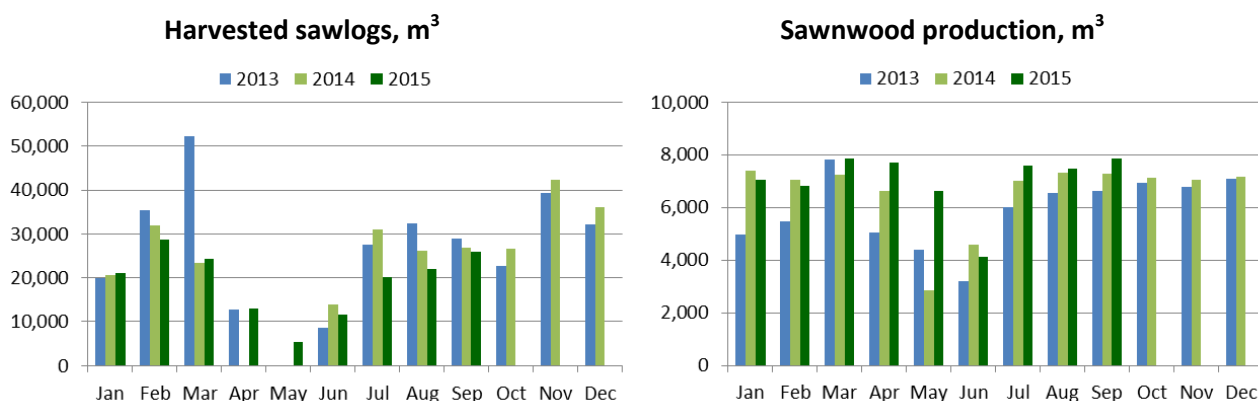
\* Ust-Ilimsk operations

\*\* Magistralny operations

In Q3 2015, RusForest harvested 68,100  $m^3$  of sawlogs, compared with 83,950  $m^3$  in Q3 2014 (-18.9%). However, the Company considerably increased the utilisation of own forest lease areas, minimising any harvesting in third party areas. This is achieved due to better planning and more efficiently run harvesting operations.

In Q3 2015, RusForest produced 22,912  $m^3$  of sawnwood, compared with 21,619  $m^3$  in Q3 2014 (+6.0%).

In Q3 2015, RusForest's subcontractors harvested 53,106  $m^3$  of sawlogs in Ust-Ilimsk forest lease areas, compared with 21,823  $m^3$  in Q3 2014 (+143%). The larger harvested volume in Q3 2015 was primarily due to favorable weather conditions.





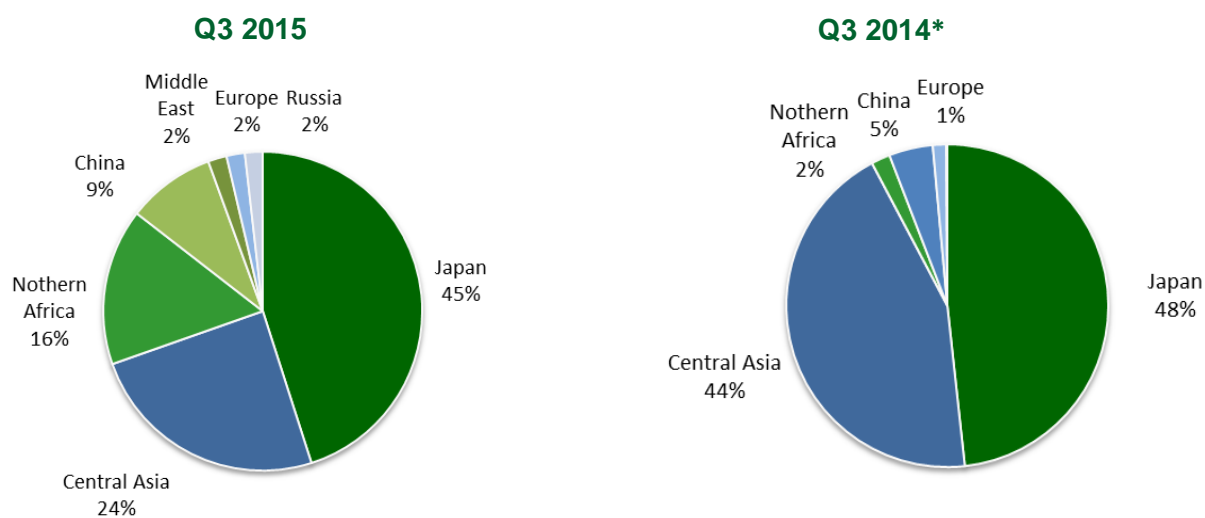
## RusForest's sales

In Q3 2015 RusForest sold 21,007 m<sup>3</sup> of sawnwood from Magistralny compared with 21,992 m<sup>3</sup> in Q3 2014 (-4.5%). Continued oversupply on the Asian sawnwood markets is the main reason for lower sales volumes. At the same time sales to Japan significantly increased in Q3 2015 compared with Q2 2015. The share of Japanese market in total sales increased from 31% in Q2 2015 to 45% in Q3 2015. In Q3 2014 the share of Japanese market in total sales was 48%.

In Q3 2015 RusForest sold 18,514 m<sup>3</sup> of sawlogs compared with 22,851 m<sup>3</sup> in Q3 2014 (-19.0%). Sales volumes of sawlogs decreased due to difficult market conditions on the Chinese market in July-August. However, sales volume in September 2015 was significantly above the same period last year.

As a result of continued difficult market conditions, the average sawnwood price realised (price 'on wagon') decreased by 23% to 169.3 USD/m<sup>3</sup> in Q3 2015 compared with Q3 2014. At the same time the average sawnwood price in Q3 2015 increased by 8.2% compared with Q2 2015.

### RusForest's sawnwood sales by region



\* The proportion of Group sales to the Japanese market in Q3 2014 was originally 20% when including the now divested Arkhangelsk business segment

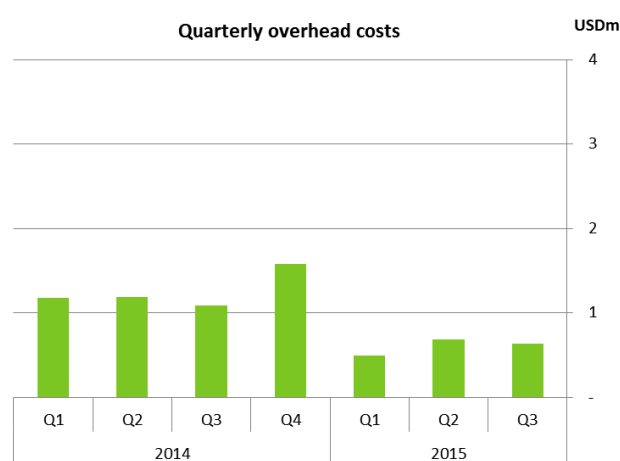
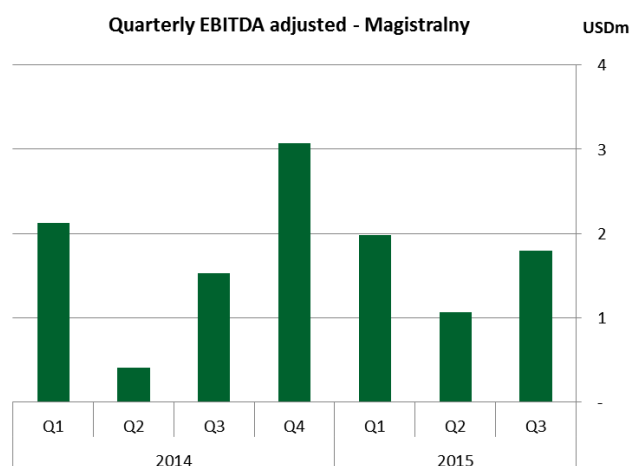
## Financial Review

### EBITDA development

in thousands of USD	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
<b>IFRS results</b>							
<b>Continuing operations</b>							
Revenue (gross, at ports)	5,053	4,932	5,613	7,137	7,384	4,789	8,381
Operating profit/(loss)	(14)	(739)	1,221	445	(1,501)	(4,529)	(305)
add back depreciation and amortization non-cash expense	694	1,045	749	966	1,576	1,712	1,689
<b>EBITDA unadjusted, continuing operations</b>	<b>680</b>	<b>306</b>	<b>1,970</b>	<b>1,411</b>	<b>75</b>	<b>(2,817)</b>	<b>1,384</b>
a. Doubtful receivables	(6)	121	7	27	31	360	52
b. Disposal of non-current assets	(54)	24	(92)	127	11	766	77
c. Non-recoverable income (Ust-Ilimsk)	-	-	-	-	-	266	(266)
d. Other items	(44)	(50)	47	(14)	9	(19)	61
Non-recurring items	(104)	95	(38)	140	51	1,373	(76)
<b>EBITDA adjusted, continuing operations</b>	<b>576</b>	<b>401</b>	<b>1,932</b>	<b>1,551</b>	<b>126</b>	<b>(1,444)</b>	<b>1,308</b>
Ust-Ilimsk	(585)	16	441	56	(314)	(666)	360
Magistralny	1,792	1,067	1,986	3,074	1,532	405	2,128
Unallocated	(631)	(682)	(495)	(1,579)	(1,092)	(1,183)	(1,180)
<b>EBITDA adjusted, by segments</b>	<b>576</b>	<b>401</b>	<b>1,932</b>	<b>1,551</b>	<b>126</b>	<b>(1,444)</b>	<b>1,308</b>

Earnings before interest, taxes, depreciation and amortisation (EBITDA) from continuing operations and adjusted for non-recurring items (adjusted EBITDA) improved significantly year-on-year, with adjusted EBITDA of USD 0.6 million in Q3 2015 compared with USD 0.1 million in Q3 2014. Magistralny improved its results despite the weak markets, with an adjusted EBITDA of USD 1.8 million, compared with USD 1.5 million in Q3 2014. The average sawnwood price decreased substantially year-on-year, and volumes were also lower, therefore the improved EBITDA comes from lower costs. Ust-Ilimsk showed a negative EBITDA in Q3 2015 and even more negative than same period last year, which was due to significant reduction in pricing and certain increase in costs in preparation for the launch of own harvesting operations. Another driver for the overall improved adjusted EBITDA was the significant reduction in overhead costs, which were reduced to USD 0.6 million in Q3 2015 compared with USD 1.1 million in Q3 2014. The overhead cost development year-on-year was helped by a weaker rouble (RUB) in Q3 2015 compared with Q3 2014.

The improvement was even more significant for the first nine months of the year, for which the adjusted EBITDA amounted to USD 2.9 million compared with a negative adjusted EBITDA of USD -0.01 million for the same period in 2014. In addition to the significant improvements in Magistralny and Ust-Ilimsk, the aggregate overhead costs for the first nine months of 2015 were reduced by 48% compared with the same period in 2014.

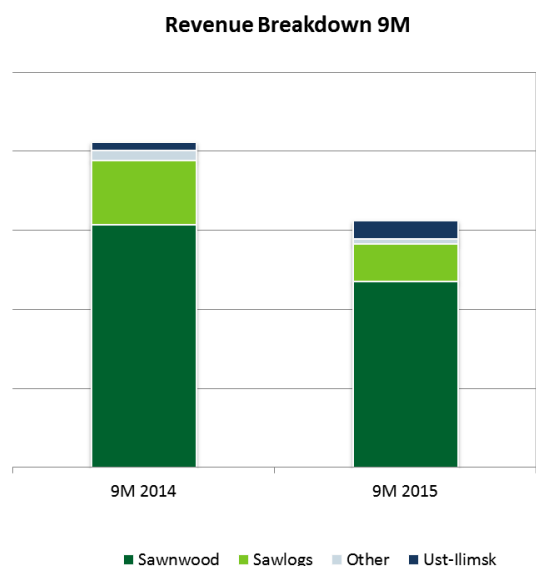


## Revenue

		Sales volume (m <sup>3</sup> /tonnes)			Revenue per m <sup>3</sup> /tonne (USD)			Revenue (USD thousand)				
		2015	2014	Δ%	2015	2014	Δ%	2015	2014	Δ%		
Q3	Sawnwood	21,007	21,992	-4%	Sawnwood	193	255	-25%	Sawnwood	4,045	5,612	-28%
	Sawlogs	18,514	22,851	-19%	Sawlogs	41	67	-40%	Sawlogs	750	1,540	-51%
9M	Sawnwood	61,870	57,732	7%	Sawnwood	190	266	-28%	Sawnwood	11,772	15,341	-23%
	Sawlogs	46,400	58,642	-21%	Sawlogs	51	70	-27%	Sawlogs	2,377	4,091	-42%

Sales volumes of sawnwood decreased by 4% in Q3 2015 compared with Q3 2014 and sawlog volumes decreased by 19%. Sales volumes of both sawnwood and sawlogs decreased mainly due to difficult market conditions on the Chinese and MENA markets. As stated on page 4 of this report, the average price for sawnwood “on wagon” for Magistralny in Q3 2015 decreased by 23% to USD 169/m<sup>3</sup> compared with USD 195/m<sup>3</sup> in Q3 2014. The reduction in average price is due to both general market weakness and sales mix, with a reduction in sales to the premium Japanese market from 48% in Q3 2014 to 45% in Q3 2015. 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 25% in Q3 2015, compared with Q3 2014. The decrease in volumes and decrease in price resulted in a 28% decrease in sawnwood revenue in Q3 2015, to USD 4.0 million, compared with USD 5.6 million in Q3 2014. Group revenue in Q3 2015 decreased by 32% compared with Q3 2014.

For the first nine months of 2015, revenue from sawnwood decreased by 23% compared with the same period in 2014 because of lower prices. Sawlog revenue in the first nine months of 2015 decreased by 42% due to both lower prices and volumes, while Ust-Ilimsk revenue increased substantially because of increased subcontracting activity.



		Revenue (USD thousand)		
		Q3 2015	Q3 2014	Δ%
USD thousand	Sawnwood	4,045	5,612	-28%
	Sawlogs	750	1,540	-51%
	Ust-Ilimsk	146	127	15%
	Other revenue	112	105	7%
	<b>Total</b>	<b>5,053</b>	<b>7,384</b>	<b>-32%</b>

		Revenue (USD thousand)		
		9M 2015	9M 2014	Δ%
	Sawnwood	11,772	15,341	-23%
	Sawlogs	2,377	4,091	-42%
	Ust-Ilimsk	1,148	504	128%
	Other revenue	301	618	-51%
	<b>Total</b>	<b>15,598</b>	<b>20,554</b>	<b>-24%</b>

The Q3 and 9M 2014 sales volume and revenue figures have been adjusted to exclude the Arkhangelsk business segment which was divested in Q4 2014.

## Costs

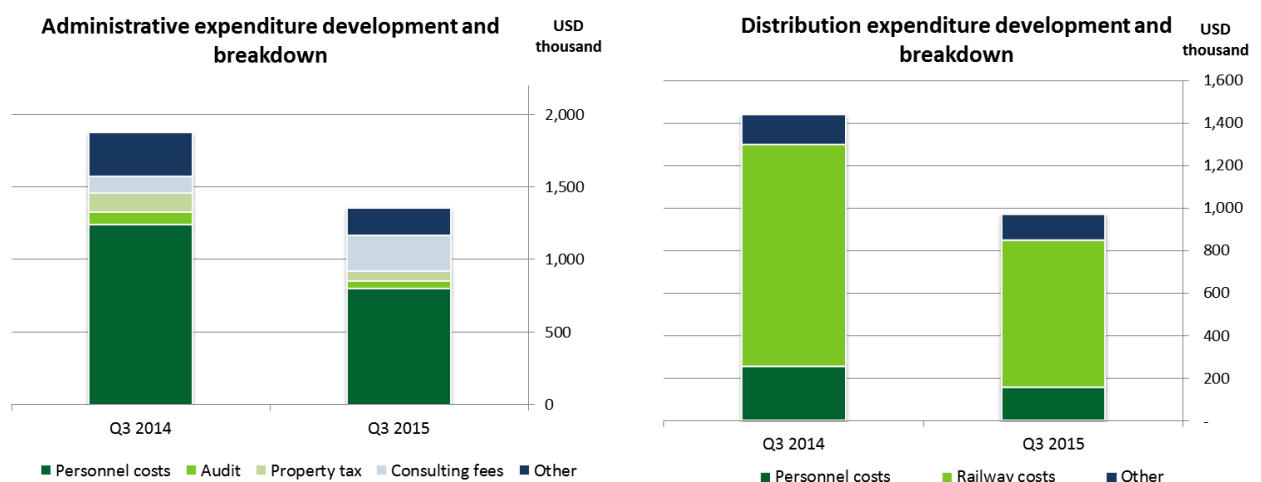
In Q3 2015 the Company continued to benefit from a weaker RUB on the cost side, as the average USD-to-RUB rate in Q3 2015 was 63.0 compared with 36.2 in Q3 2014, a weakening of the RUB by 43% year-on-year. The average USD-to-RUB rate for first nine months of 2015 was 59.6 compared with 35.5 in the same period in 2014, a weakening of the RUB by 41% year-on-year. The most significant effect from a weaker RUB in Q3 2015 is in cost of sales, where the influence of change in the USD average rate represents a decrease in cost of sales of approximately USD 2.1 million, out of a total reduction of USD 2.6 million year-on-year.



The cost of sales in continuing operations decreased by 48% to USD 2.9 million in Q3 2015, compared with USD 5.5 million in Q3 2014. This reduction is mainly due to a weaker RUB as stated above, but also the result of efficiency improvements, such as increased and improved own harvesting in Magistralny and other efficiency improvements and personnel optimisation

Distribution expenses in continuing operations decreased by 33% to USD 1.0 million in Q3 2015, compared with USD 1.4 million in Q3 2014, due to lower volumes sold and weaker RUB, while local tariff unit costs etc. in RUB had increased. For the first nine months of 2015 distribution expenses decreased by 31%, mainly due to a weaker RUB.

Administrative expenses decreased by 28% to USD 1.4 million in Q3 2015, compared with USD 1.9 million for the same period in 2014. The decrease in administrative costs for the quarter was mainly driven by lower personnel expenses, while all other cost categories except consulting were also reduced in the quarter due to the influence of change in the USD average rate as stated above. Consulting increased due to costs related to the project of digital mapping of forest lease areas and also costs connected with the process of acquiring minority interests in Ust-Ilimsk subsidiaries. In Q3 2015, out of a total reduction year-on-year of USD 0.5 million, about USD 0.8 million was positive impact related to change in the USD average rate and USD 0.3 million was increase in expenses in underlying currencies. For first nine months of 2015 the administrative costs were reduced by 40% compared with same period in 2014, corresponding figures of change from the USD rate and positive change in underlying currencies were USD 2.1 million and USD 0.3 million out of the total reduction of USD 2.4 million year-on-year.



Other expenses decreased significantly in Q3 2015, to USD 0.01 million compared with USD 0.1 million in Q3 2014.

Net finance costs of USD 0.02 million in Q3 2014 turned to a net finance income of USD 2.1 million in Q3 2015. The increase was mainly due to foreign exchange gains of USD 2.1 million, while finance costs decreased considerably due to repayment of virtually all interest-bearing debt in 2014. The foreign exchange gains stems from large cash deposits in USD mainly, which strengthened in the quarter compared to the group companies' functional currencies, which are RUB and SEK. The newly implemented synthetic buyback program contributed to finance income in the amount of USD 5 thousand, due to positive development of the underlying RusForest shares as per market value on 30 September 2015, compared with average acquisition price.

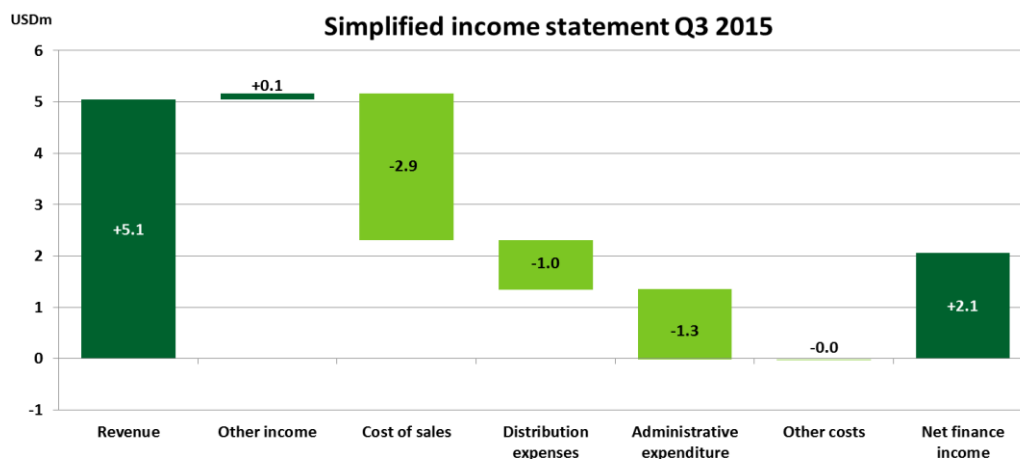
For the first nine months of 2015, the Company shows a net finance income of USD 1.8 million compared with a net finance cost of USD 1.0 million in the same period in 2014, mainly due to exchange gains and reduction of finance costs.



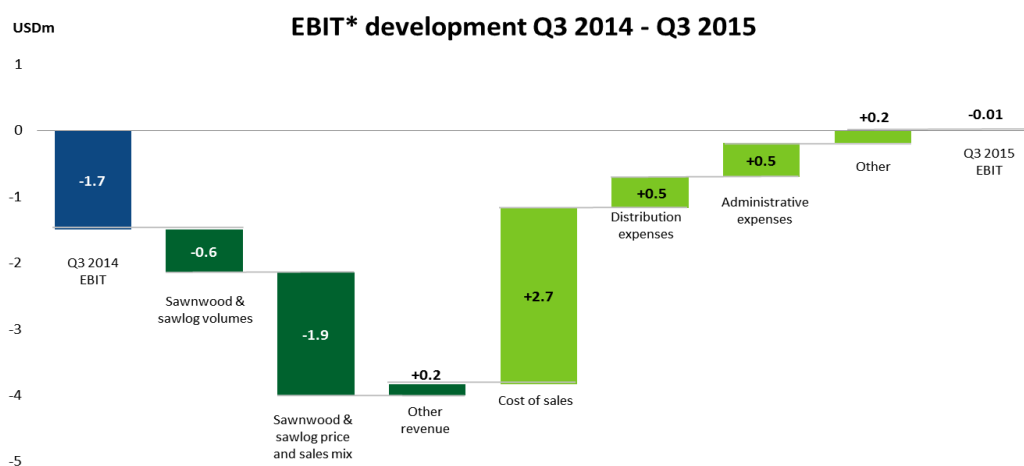
## Earnings

The company's continuing operations achieved a gross profit of USD 2.2 million in Q3 2015. Thus representing a 44% gross profit margin, compared with gross profit of USD 1.9 million and a gross profit margin of 25% in Q3 2014. The company achieved a positive adjusted EBITDA from continuing operations of USD 0.6 million, representing an EBITDA margin of 11%, compared with an adjusted EBITDA of USD 0.1 million in Q3 2014. The operating loss in continuing operations was USD 0.01 million in Q3 2015, compared with a loss of USD 1.5 million in Q3 2014. In Q3 2015, there was a loss after tax from discontinued operations of USD 377 thousand related to adjustment of the previously recorded receivable from sale of Arkhangelsk assets. In the comparative period of Q3 2014 the discontinued operations, which consisted of Boguchany forest and harvesting operations as well as Arkhangelsk operations, generated a loss after tax of USD 1.0 million. Profit for the period in Q3 2015 amounted to USD 1.6 million, compared with a loss of USD 2.5 million in Q3 2014.

For the first nine months of 2015 gross profit amounted to USD 6.8 million, representing a gross profit margin of 44%, compared with a gross profit of USD 4.9 million and gross profit margin of 24% in first nine months of 2014. For the first nine months of 2015, the company achieved an adjusted EBITDA of USD 2.9 million, representing an EBITDA margin of 19%, compared with a negative EBITDA of USD 0.01 million in the same period in 2014. For the first nine months of 2015, the company generated a net profit of USD 1.8 million, compared with a net loss of USD 9.6 million in the same period in 2014.



The chart below summarises positive/(negative) year-on-year changes in cost and revenue categories contributing to the turnaround from an operating loss of USD 1.5 million in Q3 2014 to an operating loss of just USD 0.01 million in Q3 2015. As evident, the reductions in costs are the drivers for the improved results while both volume and price parameters had a negative effect on EBIT year-on-year.



EBIT = Earnings before interest and taxes

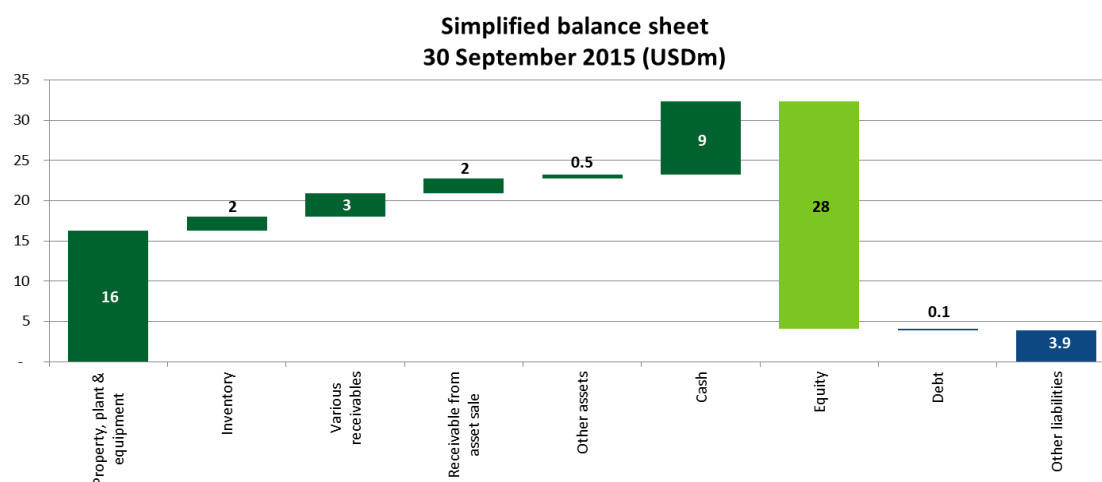




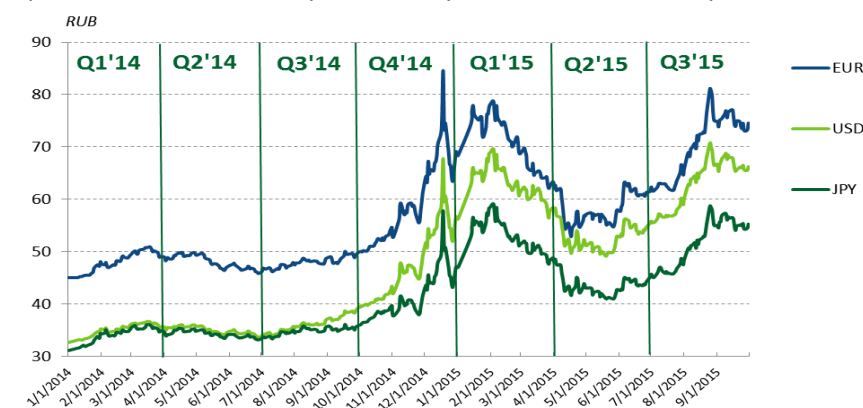
## Balance Sheet and Cash Flow

As of 30 September 2015, the company's total assets amounted to USD 32.3 million. Property, plant and equipment constituted the largest component of assets at USD 16.3 million and include addition of value in 2015 of USD 3.9 million related to capital expenditures for the construction of the pellet mill in Magistralny. As of 30 September 2015, the company recorded a receivable from asset sales of USD 1.9 million related to payments for the Arkhangelsk sale, which was still to be received in 2015, and also was received in November as stated previously in the report. The amount of USD 1.9 million is after a downward adjustment of USD 377 thousand related to a reduction in final payment following claims under warranties brought forward by the buyers. The balance sheet as of 30 September 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. In current assets there is also a recorded call option in the amount of USD 5 thousand, which represents the difference between market value on 30 September 2015 and average acquisition price for the amount of shares acquired under the Synthetic buyback program as of 30 September 2015. Working capital was USD 3.0 million as of 30 September 2015, compared with USD 7.2 million as of 31 December 2014. The company's cash and cash equivalents totalled USD 9.1 million as of 30 September 2015, compared with USD 10.0 million as of 31 December 2014. The cash position on 30 September 2015 includes restricted cash balances in the amount of USD 178 thousand, which are pledged as security under the swap agreement for synthetic buy-backs.

Non-current loans and borrowings amounted to USD 0.1 million as of 30 September 2015, compared with USD 0.5 million as of 31 December 2014. The USD 0.1 million in non-current loans and borrowings recognised on 30 September 2015, comprises the remainder of the SEK bond, a zero-coupon bond maturing in 2018. In Q3 2015, the company repurchased bonds to a nominal value of SEK 1.0 million or USD 0.1 million at a 30% discount on the nominal value.



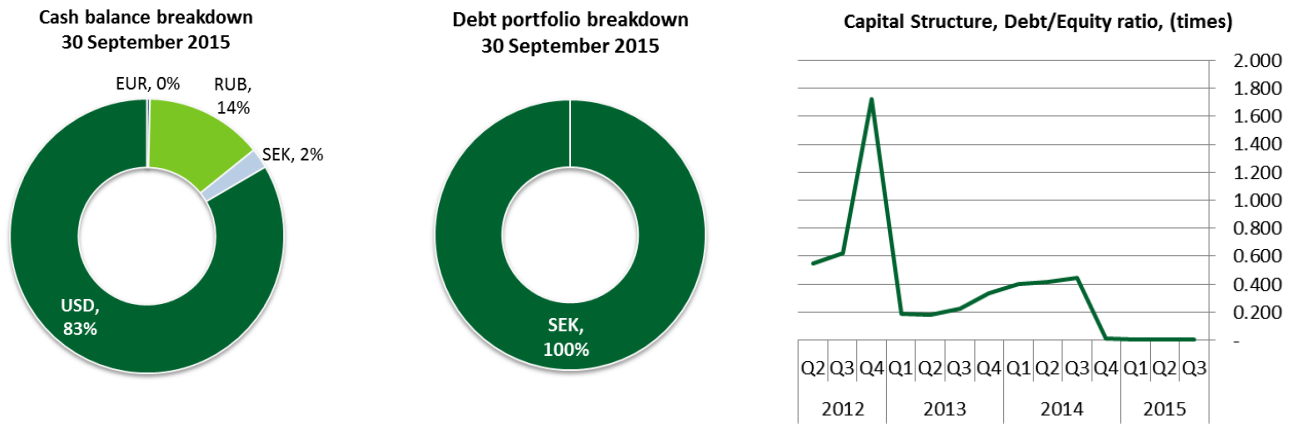
The values in USD of Russian assets and liabilities on the balance sheet are affected by the fluctuations in the RUB. At 30 Sep 2015, the RUB had depreciated by 15% to the USD compared with 31 Dec 2014.



Source: Russian Central Bank



As at 30 September 2015, the company held its cash predominantly in USD (83%), given the recent depreciation and volatility of the RUB.





In Q3 2015, the company generated positive cash flow from continuing operating activities of USD 1.3 million, compared with USD 3.3 million in Q3 2014. Investing activities in Q3 2015 consisted of a cash outflow of USD 2.2 million, compared with an inflow of USD 2.7 million in Q3 2014. The largest items in investing activities were USD 1.0 million received from the Arkhangelsk sale and investment in equipment of USD 3.2 million, mainly related to the new pellet mill being built in Magistralny and investments in new equipment for the Ust-Ilimsk own harvesting operations. The main item affecting cash flow from financing activities in Q3 2015 was USD 0.1 million decrease in loans payable. Total cash flow in Q3 2015 was an outflow of USD 0.9 million.

In the first nine months of 2015 cash flow from operating activities amounted to USD 3.9 million. A total of USD 7.3 million was invested in the pellet mill project and additional machinery for Magistralny and Ust-Ilimsk operations, a total of USD 4.0 million in proceeds were received from the Arkhangelsk divestment and a total of USD 0.7 million was used for buying out minority interests in Ust-Ilimsk.

## Markets in Q3 2015

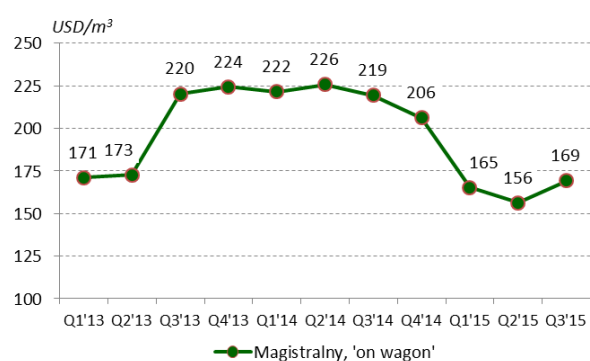
### Market trends

#### RusForest's prices

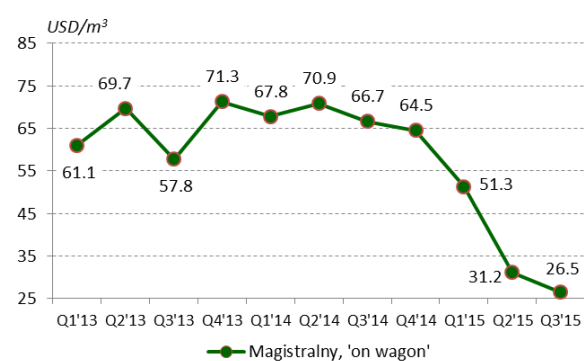
Product	Q3 2015	Q2 2015	Q3 2015 vs. Q2 2015
Sawnwood*	169.3	156.4	+8.2% 
Sawlogs*	26.5	31.2	-14.9% 

\* Magistralny, 'on wagon', USD/m<sup>3</sup>

RusForest's sawnwood price dynamics



RusForest's sawlogs price dynamics



### RusForest sawnwood markets

- Japan – Reduced the sawnwood imports in Jan-Sep 2015, from Europe by 11%, North America by 4% and Russia by 3%, which gradually has led to a decrease in inventories of sawnwood in ports. In turn, taking out of extra volumes from the market led to price stabilization. An increasing demand from the construction sector has had an additional positive impact on the sawnwood market – housing starts in Japan in Q3 2015 increased by 6.2% compared with Q3 2014. We expect the demand for softwood sawnwood in Q4 2015 to be higher compared with Q2-Q3 2015.
- MENA – During Q3 2015 MENA markets were firstly characterized by declining selling prices on all regional markets and secondly by difficulties in processing exports on account of liquidity problems among importers (especially in Egypt). At the same time imported volumes for the period Jan-Aug 2015 increased by 3% compared with 2014. Russia continues to increase its market share. Deliveries from Russia increased by 28%, while deliveries from for example Sweden decreased by 13%.
- China – During Jan-Sep 2015 China decreased sawnwood imports by 2%. Chinese buyers skilfully force down prices of imported sawnwood primarily from Russia, taking advantage of significant weakening of the RUB to USD. Falling prices have made Russian sawnwood more competitive, which allowed Russia to increase its market share – deliveries from Russian grew by 14% in Jan-Sep 2015. By the end of Q3 2015 sawnwood prices on the Chinese market were still low despite significant reduction in inventories at ports – by the end of September the inventories fell by 11% in comparison with August and by 30% in comparison with the period April-May.
- Europe – The inflated supply during Q3 2015 coincided with sluggish demand from buyers, most of who were only buying their immediate need. There has not been any upswing in demand since the end of the summer holiday season. Moreover, there are no signs of sawnwood markets movement right now and in

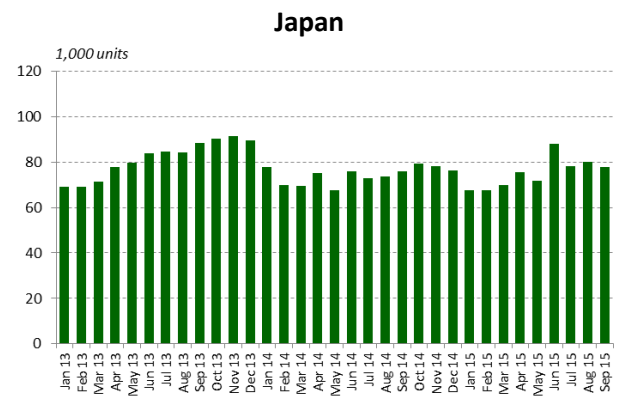
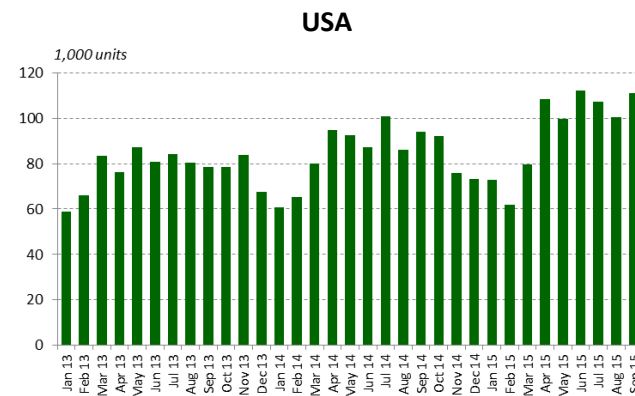


the nearest future. Demand is expected to remain stable at the present level until the beginning of new construction season in spring 2016.

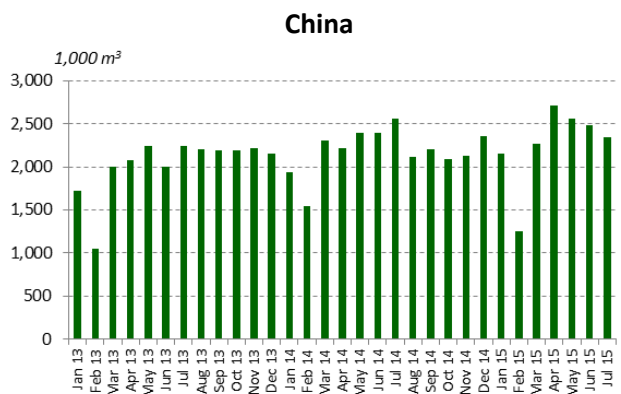
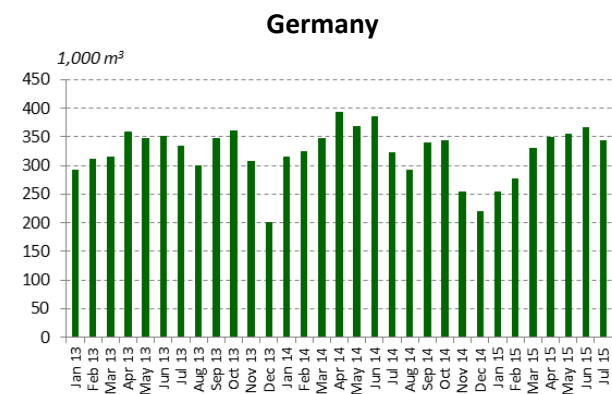
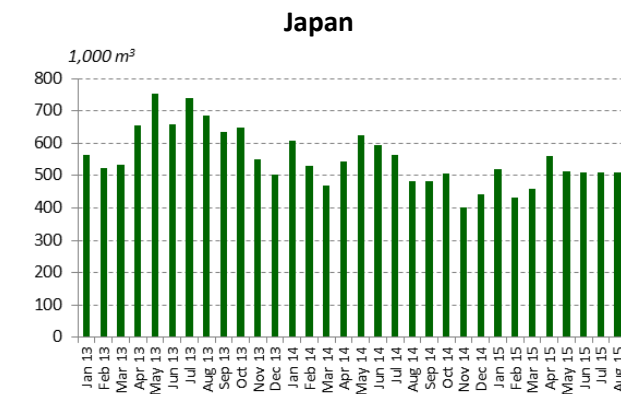
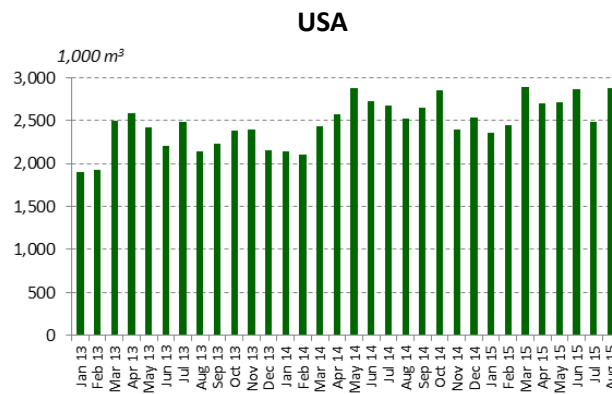
- US – After the seasonal rise in demand at the end of Q2, sawnwood prices in Q3 2015 fell back to levels not seen since early 2012. Pessimism has been abundant on the sawnwood market during Q3 with the expiration of the Softwood Lumber Agreement (SLA) and a slowdown in China stoking fears.

Our short-term outlook for Q4 2015 is cautiously optimistic. We do not expect any further decline in RusForest’s key sawnwood markets. As for the sawlog market we are of the opinion that the market bottom already passed. Given the seasonal revival we expect prices to increase till the end of the year.

### Construction - housing starts

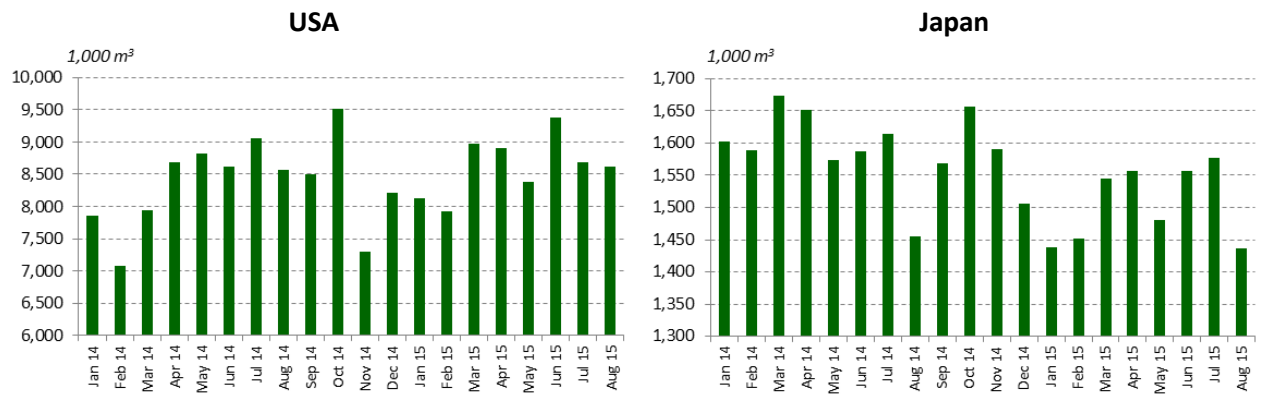


### Imports





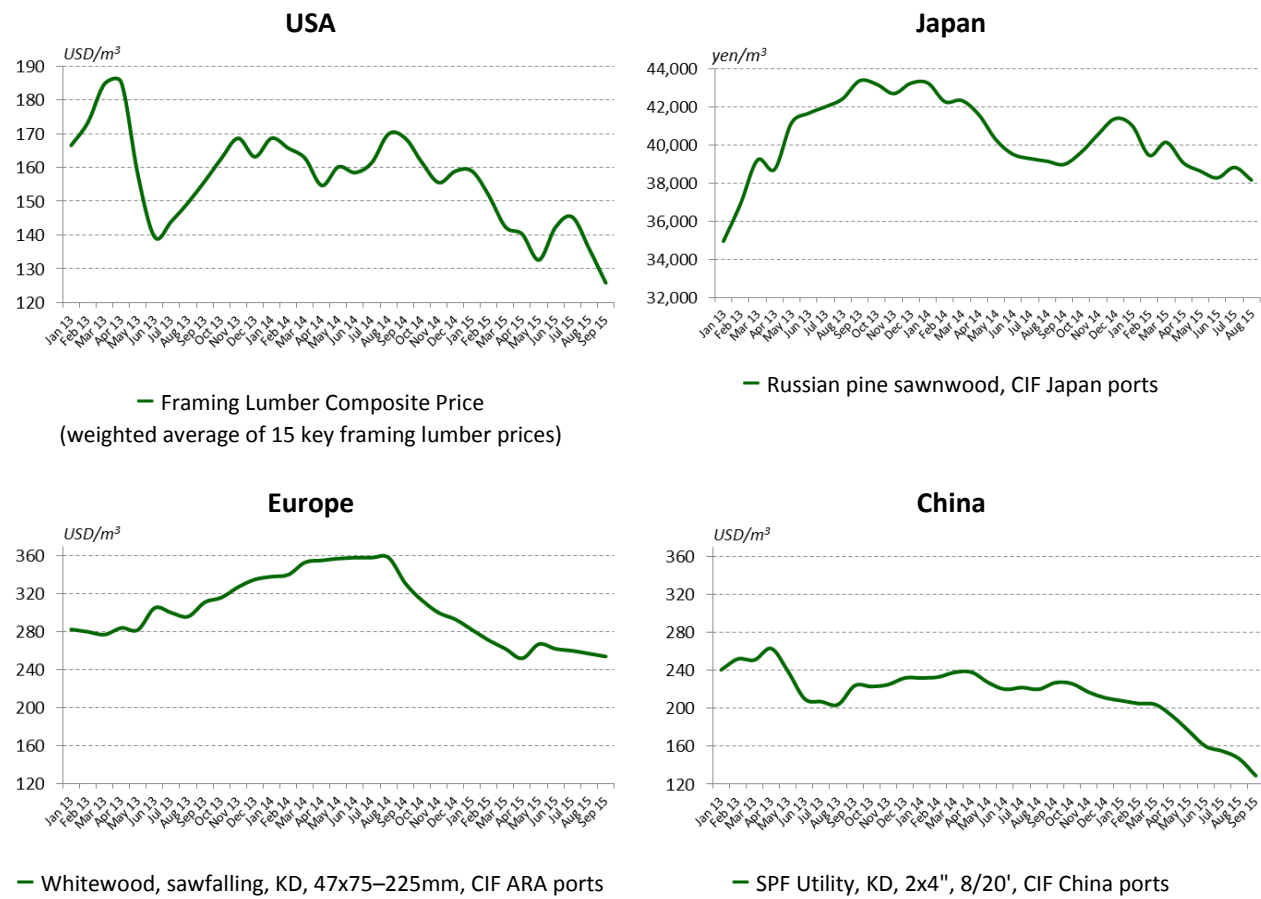
## Consumption



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

## Prices

### Sawnwood



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 2.09 (0.25 USD) and the Company's market capitalisation was approximately SEK 276 million or USD 33 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	13,709,208	10.4%	
Round lot:	1		Avanza pension	10,984,469	8.3%	
Sector:	Basic Resources		Nordnet Pension	3,602,396	2.7%	
ISIN:	SE0001732728		Credit Suisse Sec Europé Ltd	3,015,175	2.3%	
Short name:	RUSF		Swedbank AS	2,739,689	2.1%	
Reuters:	RUSF.ST		Morgan Stanley and CO LLC, W9	2,484,161	1.9%	
Bloomberg:	RUSF:SS		Client Long Timer Hill	2,057,304	1.6%	
9 months 2015 share data averages			Jeffrey Adams secret revokable trust	1,979,037	1.5%	
Daily Turnover (SEK)	No of Traded Shares	No of daily trades	Banque Carnegie Luxembourg	1,936,405	1.5%	
416,920	226,509	46	Jesihemma Limited	1,935,409	1.5%	
Synthetically repurchased shares			Miura Holdings Ltd	1,297,249	1.0%	
Date	Synthetically repurchased shares	Average price	% of outstanding shares	Alexander Rudik	1,095,454	0.8%
30 Sep 2015	502,913	2.01	0.40%	Berner-Eyde Benedict	1,063,782	0.8%
			UBS Switzerland Client Acc	1,000,600	0.8%	
			Other	49,633,543	37.6%	
			<b>Total</b>	<b>132,033,881</b>	<b>100%</b>	

RusForest share price performance 9M 2015



Source: NASDAQ OMX First North Stockholm

RusForest share			
Price SEK/share 30 Sep 2015	Change 1 Month	Change 3 months	52 week high
<b>2.09</b>	4.0%	5.6%	2.42
	Change 6 Months	Change 1 year	52 week low
	17.4%	54.8%	1.11



## 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:** Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### Purchases and sales of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

### Financial instruments – key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

**Derivative financial instruments:** Such financial instruments are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

**Non-derivative financial instruments:** Such financial instruments are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments 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

- RusForest made significant progress in its legal structure optimisation by elimination of several Cyprus companies from the Group. By the end of November the total amount of legal entities in the group amounted to 13 companies.
- RusForest concluded the sale of the Arkhangelsk business segment, receiving the final payment of USD 1.9 million. The final payment was reduced by RUB 25 million or USD 382 thousand due to enforcement of certain warranties to the original sale-purchase agreement. No outstanding warranties or potential liabilities remain.
- RusForest successfully initiated the first equipment tests at the Magistralny pellet mill in November.



## Condensed Consolidated Income Statement

In thousands of USD	Q3 2015	Q3 2014	9M 2015	9M 2014	12M 2014
<b>Continuing operations</b>					
Revenue	5,053	7,384	15,598	20,554	27,429
Cost of sales	(2,854)	(5,508)	(8,785)	(15,636)	(18,204)
<b>Gross profit</b>	<b>2,199</b>	<b>1,876</b>	<b>6,813</b>	<b>4,918</b>	<b>9,225</b>
Other income	109	27	268	211	422
Distribution expenses	(968)	(1,440)	(2,798)	(4,034)	(4,891)
Administrative expenditure	(1,353)	(1,875)	(3,602)	(6,021)	(8,477)
Other expenses	(1)	(89)	(213)	(1,409)	(1,526)
<b>Operating profit/(loss)</b>	<b>(14)</b>	<b>(1,501)</b>	<b>468</b>	<b>(6,335)</b>	<b>(5,247)</b>
Exchange gain/loss	2,050	158	1,703	(413)	2,878
Financing income	63	144	188	344	455
Financing cost	(54)	(325)	(102)	(895)	(969)
<b>Net financing income/(cost)</b>	<b>2,059</b>	<b>(23)</b>	<b>1,789</b>	<b>(964)</b>	<b>2,364</b>
<b>Profit/(loss) before tax from continuing operations</b>	<b>2,045</b>	<b>(1,524)</b>	<b>2,257</b>	<b>(7,299)</b>	<b>(2,883)</b>
<i>Income tax</i>	(97)	3	(129)	(13)	(26)
<b>Profit/(loss) from continuing operations</b>	<b>1,948</b>	<b>(1,521)</b>	<b>2,128</b>	<b>(7,312)</b>	<b>(2,909)</b>
<b>Discontinued operations</b>					
Loss after tax from discontinued operations	(377)	(972)	(377)	(2,257)	(11,632)
<b>Profit/(loss) for the period</b>	<b>1,571</b>	<b>(2,493)</b>	<b>1,751</b>	<b>(9,569)</b>	<b>(14,541)</b>
Attributable to:					
Equity holders of the parent	1,679	(2,520)	1,822	(9,581)	(14,493)
Non-controlling interests	(108)	27	(71)	12	(48)
<b>Profit/(loss) for the period</b>	<b>1,571</b>	<b>(2,493)</b>	<b>1,751</b>	<b>(9,569)</b>	<b>(14,541)</b>
Profit/(loss) per share	0.01	(0.02)	0.01	(0.07)	(0.11)

\*The Q3 and 9M 2014 Income Statement and Cash Flow statements have been adjusted to show the Arkhangelsk business segment, which was divested in Q4 2014, as discontinued operations.

## Condensed Consolidated Statement of Comprehensive Income

In thousands of USD	Q3 2015	Q3 2014	9M 2015	9M 2014	12M 2014
Profit/(loss) for the period	1,571	(2,493)	1,751	(9,569)	(14,541)
<b>Other comprehensive income</b>					
Items that may be reclassified subsequently to profit or loss:					
Currency translation difference	(5,435)	(9,717)	(5,022)	(11,984)	(29,818)
<b>Other comprehensive income/(loss) for the period</b>	<b>(5,435)</b>	<b>(9,717)</b>	<b>(5,022)</b>	<b>(11,984)</b>	<b>(29,818)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>(3,864)</b>	<b>(12,210)</b>	<b>(3,271)</b>	<b>(21,553)</b>	<b>(44,359)</b>
Attributable to:					
Equity holders of the parent	(3,774)	(12,179)	(3,215)	(21,494)	(44,181)
Non-controlling interests	(90)	(31)	(56)	(59)	(178)
<b>Total comprehensive income/(loss) for the period</b>	<b>(3,864)</b>	<b>(12,210)</b>	<b>(3,271)</b>	<b>(21,553)</b>	<b>(44,359)</b>

In thousands of USD	Q3 2015	Q3 2014	9M 2015	9M 2014	12M 2014
<b>Profit/(loss) from continuing operations</b>	<b>1,948</b>	<b>(1,521)</b>	<b>2,128</b>	<b>(7,312)</b>	<b>(2,909)</b>
Attributable to:					
Equity holders of the parent	2,056	(1,497)	2,199	(7,224)	(2,850)
Non-controlling interests	(108)	(24)	(71)	(88)	(59)
<b>Loss from discontinued operations</b>	<b>(377)</b>	<b>(972)</b>	<b>(377)</b>	<b>(2,257)</b>	<b>(11,632)</b>
Attributable to:					
Equity holders of the parent	(377)	(1,023)	(377)	(2,357)	(11,643)
Non-controlling interests	0	51	0	100	11

\*The Q3 and 9M 2014 Income Statement and Cash Flow statements have been adjusted to show the Arkhangelsk business segment, which was divested in Q4 2014, as discontinued operations.

## Per Share Data

Per Share Data	Q3 2015	Q3 2014	9M 2015	9M 2014	12M 2014
<b>USD</b>					
Earnings	0.01	(0.02)	0.01	(0.07)	(0.11)
Earnings from continuing operations	0.02	(0.01)	0.02	(0.05)	(0.02)
Shareholders' Equity (end of period)	0.22	0.41	0.22	0.41	0.24
<b>Number of Shares</b>	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>9M 2015</b>	<b>9M 2014</b>	<b>12M 2014</b>
Beginning of period	132,033,881	132,033,881	132,033,881	132,033,881	132,033,881
End of Period	132,033,881	132,033,881	132,033,881	132,033,881	132,033,881
Average number of shares	132,033,881	132,033,881	132,033,881	132,033,881	132,033,881

USD for 1 unit of foreign currency	RUB
March 31, 2014	0.028021
June 30, 2014	0.029735
September 30, 2014	0.025389
December 31, 2014	0.017775
March 31, 2015	0.017104
June 30, 2015	0.018010
September 30, 2015	0.015097

source: www.cbr.ru

## Condensed Consolidated Statement of Financial Position

In thousands of USD	30 Sep 2015	31 Dec 2014
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment*	16,261	14,914
Intangible assets	58	98
Deferred tax asset	8	6
<b>Total non-current assets</b>	<b>16,327</b>	<b>15,018</b>
<b>Current assets</b>		
Inventory	1,740	1,750
Receivable from assets sale	1,865	6,242
Advance for purchase of non-controlling interest in subsidiaries	377	-
Call option	5	-
VAT refundable	1,970	1,530
Trade and other receivables	909	1,563
Current tax assets	18	52
Loans receivable	26	93
Cash and cash equivalents**	9,092	9,987
<b>Total current assets</b>	<b>16,002</b>	<b>21,217</b>
<b>Total assets</b>	<b>32,329</b>	<b>36,235</b>
<b>EQUITY</b>		
<b>Equity and reserves</b>		
Share capital	20,683	20,683
Other paid in capital	358,448	358,448
Reserves	39	24
Translation reserve	(50,463)	(45,426)
Accumulated loss	(302,139)	(287,310)
Profit/(loss) for the period	1,822	(14,493)
<b>Total equity attributable to Shareholders of the Group</b>	<b>28,390</b>	<b>31,926</b>
<b>Non-controlling interest</b>	<b>(126)</b>	<b>(106)</b>
<b>Total Equity</b>	<b>28,264</b>	<b>31,820</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	132	479
Deferred tax liability	8	6
<b>Total non-current liabilities</b>	<b>140</b>	<b>485</b>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	-	6
Trade and other payables	3,147	3,858
Current tax liabilities	132	42
Provisions	646	24
<b>Total current liabilities</b>	<b>3,925</b>	<b>3,930</b>
<b>Total liabilities</b>	<b>4,065</b>	<b>4,415</b>
<b>Total equity and liabilities</b>	<b>32,329</b>	<b>36,235</b>

\* Including addition of USD 3.9 million in 2015 related to capital expenditures for the construction of the pellet mill in Magistralny.

\*\* including restricted cash balances in the amount of thousand 178 USD, connected with the Synthetic buyback program.

## Condensed Consolidated Statement of Cash Flows

In thousands of USD	Q3 2015	Q3 2014	9M 2015	9M 2014	12M 2014
Profit/(loss) for the period	1,571	(2,493)	1,751	(9,569)	(14,541)
Adjustment for non-cash items	(545)	2,528	1,813	9,350	16,117
Paid income tax	(5)	(8)	(25)	(57)	(63)
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,021</b>	<b>27</b>	<b>3,539</b>	<b>(276)</b>	<b>1,513</b>
Cash flow changes in working capital	310	2,121	333	3,465	1,627
Cash flow from discontinued operations	-	1,152	-	2,305	2,235
<b>Cash flow from operating activities</b>	<b>1,331</b>	<b>3,300</b>	<b>3,872</b>	<b>5,494</b>	<b>5,375</b>
Investment in equipment	(3,236)	(11)	(7,334)	(714)	(901)
Proceeds from sales of equipment	59	190	358	959	1,339
VAT refund on capital investments	4	-	4	-	49
Acquisition of shares in subsidiaries (less cash balances)	-	(15)	8	(18)	(18)
Proceeds from sale of subsidiaries	1,000	558	4,000	2,033	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	-	-	69	1	6
Cash flow from discontinued operations	-	1,973	-	1,032	477
<b>Cash flow from investing activities</b>	<b>(2,173)</b>	<b>2,695</b>	<b>(3,218)</b>	<b>3,293</b>	<b>15,408</b>
Acquisition of non-controlling interest in subsidiaries	-	-	(699)	-	-
Redemption of loans	-	-	-	(3,941)	(3,941)
Increase/(decrease) in loans payable	(89)	(900)	(231)	(2,226)	(7,096)
Interest paid	-	(279)	(1)	(737)	(786)
Cash flow from discontinued operations	-	(2,907)	-	(1,605)	(2,205)
<b>Cash flow from financing activities</b>	<b>(89)</b>	<b>(4,086)</b>	<b>(931)</b>	<b>(8,509)</b>	<b>(14,028)</b>
<b>Cash flow during the period</b>	<b>(931)</b>	<b>1,909</b>	<b>(277)</b>	<b>278</b>	<b>6,755</b>
including continuing operations	(931)	1,691	(277)	(1,454)	6,248
including discontinued operations	-	218	-	1,732	507
<b>Cash and cash equivalents, beginning of period</b>	<b>10,274</b>	<b>1,938</b>	<b>9,987</b>	<b>3,760</b>	<b>3,760</b>
including continuing operations	10,274	1,874	9,987	3,637	3,637
including discontinued operations	-	64	-	123	123
Exchange-rate differences on cash balance	(251)	(456)	(618)	(647)	(528)
<b>Cash and cash equivalents, period end</b>	<b>9,092</b>	<b>3,391</b>	<b>9,092</b>	<b>3,391</b>	<b>9,987</b>
including continuing operations	9,092	3,386	9,092	3,386	9,987
including discontinued operations	-	5	-	5	-

In thousands of USD	Q3 2015	Q3 2014	9M 2015	9M 2014	12M 2014
<b>Adjustment for non-cash items</b>					
Depreciation of property, plant and equipment	689	1,563	2,475	4,944	5,679
Amortization of intangible assets	5	13	13	33	39
Income tax	97	(3)	129	13	26
Exchange gain/loss	(2,050)	(158)	(1,703)	413	(2,878)
Finance income	(63)	(144)	(188)	(344)	(455)
Finance expense	54	325	102	895	969
Net loss on disposal of property, plant and equipment	(72)	11	(161)	846	926
Net income/loss on disposal of intangible assets	(1)	-	20	8	7
Bad debts	(6)	31	122	443	438
Forest restoration provision	432	-	683	-	-
Other comprehensive (profit)/loss from assets held for sale	377	972	377	2,257	11,632
Other non-cash items	(7)	(82)	(56)	(158)	(266)
<b>Total</b>	<b>(545)</b>	<b>2,528</b>	<b>1,813</b>	<b>9,350</b>	<b>16,117</b>

\*The Q3 and 9M 2014 Income Statement and Cash Flow statements have been adjusted to show the Arkhangelsk business segment, which was divested in Q4 2014, as discontinued operations.

## Condensed Consolidated Statement of Changes in Equity

### 1 January 2015 – 30 September 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					1,822	(71)	1,751
Other comprehensive income/(loss)				(5,037)		15	(5,022)
<b>Total comprehensive income/(loss)</b>	-	-	-	<b>(5,037)</b>	<b>1,822</b>	<b>(56)</b>	<b>(3,271)</b>
Acquired non-controlling interest in subsidiaries*					(336)	36	(300)
Employee stock options**			15				15
<b>Shareholders' equity at end of period</b>	<b>20,683</b>	<b>358,448</b>	<b>39</b>	<b>(50,463)</b>	<b>(300,317)</b>	<b>(126)</b>	<b>28,264</b>

\*In 2015, the Company acquired an additional interest in Vanavarales LLC for USD 300 thousand in cash, increasing its ownership from 51 to 100 percent.

\*\*Related to employee stock option programme 2013/2016 implemented at the AGM 2013. Accumulated reserves based on distribution of value Black & Scholes valuation as per date of issue.

### 1 January 2014 – 30 September 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					(9,581)	12	(9,569)
Other comprehensive loss				(11,913)		(71)	(11,984)
<b>Total comprehensive loss</b>	-	-	-	<b>(11,913)</b>	<b>(9,581)</b>	<b>(59)</b>	<b>(21,553)</b>
Acquired non-controlling interest in subsidiaries					11	(25)	(14)
Employee stock options			43				43
<b>Shareholders' equity at end of period</b>	<b>20,683</b>	<b>358,448</b>	<b>43</b>	<b>(27,651)</b>	<b>(296,891)</b>	<b>346</b>	<b>54,978</b>

### 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)
<b>Total comprehensive loss</b>	-	-	-	<b>(29,688)</b>	<b>(14,493)</b>	<b>(178)</b>	<b>(44,359)</b>
Acquired non-controlling interest in subsidiaries					11	(25)	(14)
Disposed non-controlling interest in subsidiaries						(333)	(333)
Employee stock options			24				24
<b>Shareholders' equity at end of period</b>	<b>20,683</b>	<b>358,448</b>	<b>24</b>	<b>(45,426)</b>	<b>(301,803)</b>	<b>(106)</b>	<b>31,820</b>

## Parent Company Income Statement

In thousands of SEK	Q3 2015	Q3 2014	9M 2015	9M 2014
Administrative expenditure	(3,086)	(4,222)	(8,374)	(9,853)
<b>Operating loss</b>	<b>(3,086)</b>	<b>(4,222)</b>	<b>(8,374)</b>	<b>(9,853)</b>
Exchange gain/loss	(19,988)	(16,473)	(31,490)	(15,216)
Financing income	865	1,360	2,444	5,157
Financing cost	(44)	(1,185)	(335)	(2,936)
Reversal of bad debt provision	-	-	231,813	-
Impairment of investments and forgiveness of receivables from subsidiaries	(159)	(11,436)	(359)	(12,353)
<b>Net financing income/(cost)</b>	<b>(19,326)</b>	<b>(27,734)</b>	<b>202,073</b>	<b>(25,348)</b>
<b>Profit/(loss) for the period</b>	<b>(22,412)</b>	<b>(31,956)</b>	<b>193,699</b>	<b>(35,201)</b>

## Parent Company Balance Sheet

In thousands of SEK	30 Sep 2015	31 Dec 2014	30 Sep 2014
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	45	60	38
Investments in subsidiaries	184,619	179,875	220,756
Loans receivable from subsidiaries	-	-	67,658
<b>Total non-current assets</b>	<b>184,664</b>	<b>179,935</b>	<b>288,452</b>
<b>Current assets</b>			
VAT refundable	105	257	71
Receivables from subsidiaries	129,720	33,834	213,695
Trade and other receivable	120	791	162
Current tax assets	-	221	181
Loans receivable from subsidiaries	53,032	32,794	-
Other financial assets	1,500	-	-
Cash and cash equivalents	41,452	3,779	1,517
<b>Total current assets</b>	<b>225,929</b>	<b>71,676</b>	<b>215,626</b>
<b>Total assets</b>	<b>410,593</b>	<b>251,611</b>	<b>504,078</b>
<b>Equity</b>			
<b>Equity and reserves</b>			
<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	(767,923)	(961,749)	(888,523)
<b>Total equity</b>	<b>401,622</b>	<b>207,796</b>	<b>281,022</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	1,108	3,745	3,745
Loans payable to Group companies	1,695	27,851	2,083
<b>Total non-current liabilities</b>	<b>2,803</b>	<b>31,596</b>	<b>5,828</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	-	-	36,283
Payables to Group companies	4,722	7,602	178,324
Trade and other payables	1,446	4,617	2,621
<b>Total current liabilities</b>	<b>6,168</b>	<b>12,219</b>	<b>217,228</b>
<b>Total equity and liabilities</b>	<b>410,593</b>	<b>251,611</b>	<b>504,078</b>

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	Q3 2015	Q3 2014	9M 2015	9M 2014
Personnel costs	1,101	1,685	3,020	4,723
Purchased sawlogs	42	160	42	566
Depreciation of property, plant and equipment	641	1,480	2,313	4,595
Amortization of intangible assets	3	7	7	21
Materials	67	265	281	608
Energy and fuel	371	831	1,274	2,520
Repairs and maintenance	209	716	710	1,525
Transportation services	23	57	248	58
Forest lease	113	222	380	696
Other	284	85	510	324
<b>Total</b>	<b>2,854</b>	<b>5,508</b>	<b>8,785</b>	<b>15,636</b>

### Note 2. Distribution expenses

In thousands of USD	Q3 2015	Q3 2014	9M 2015	9M 2014
Personnel costs	156	254	451	757
Railway costs	691	1,043	1,999	2,765
Other	121	143	348	512
<b>Total</b>	<b>968</b>	<b>1,440</b>	<b>2,798</b>	<b>4,034</b>

### Note 3. Administrative expenditure

In thousands of USD	Q3 2015	Q3 2014	9M 2015	9M 2014
Personnel costs	799	1,239	2,311	3,810
Audit	49	86	108	343
Property tax	68	131	187	407
Consulting fees	247	117	458	596
Other	190	302	538	865
<b>Total</b>	<b>1,353</b>	<b>1,875</b>	<b>3,602</b>	<b>6,021</b>

### 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 nine months ended 30 September 2015

In thousands of USD	External revenue				Total	Impairment loss	Profit/(loss) before tax
	Sawnwood	Sawlogs	Pellets	Other			
Ust-Ilimsk	-	-	-	1,148	1,148	-	(45)
Magistralny	11,772	2,377	-	301	14,450	-	2,574
Unallocated	-	-	-	-	-	-	(272)
<b>Total from continuing operations</b>	<b>11,772</b>	<b>2,377</b>	<b>-</b>	<b>1,449</b>	<b>15,598</b>	<b>-</b>	<b>2,257</b>
<b>Total</b>	<b>11,772</b>	<b>2,377</b>	<b>-</b>	<b>1,449</b>	<b>15,598</b>	<b>-</b>	<b>2,257</b>

#### Operational segments, results for nine months ended 30 September 2014

In thousands of USD	External revenue				Total	Impairment loss	Profit/(loss) before tax
	Sawnwood	Sawlogs	Pellets	Other			
Ust-Ilimsk	-	-	-	504	504	-	(2,202)
Magistralny	15,341	4,091	-	618	20,050	-	(1,046)
Unallocated	-	-	-	-	-	-	(4,051)
<b>Total from continuing operations</b>	<b>15,341</b>	<b>4,091</b>	<b>-</b>	<b>1,122</b>	<b>20,554</b>	<b>-</b>	<b>(7,299)</b>
Arkhangelsk	22,424	258	4,767	3,584	31,033	-	(2,612)
Boguchany	2,452	934	-	402	3,788	-	1,214
Pellets (Sweden & Latvia)	-	-	59	-	59	(853)	(855)
<b>Total from discontinued operations</b>	<b>24,876</b>	<b>1,192</b>	<b>4,826</b>	<b>3,986</b>	<b>34,880</b>	<b>(853)</b>	<b>(2,253)</b>
<b>Total</b>	<b>40,217</b>	<b>5,283</b>	<b>4,826</b>	<b>5,108</b>	<b>55,434</b>	<b>(853)</b>	<b>(9,552)</b>

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

### Consolidated statement of comprehensive income, discontinued operations

In thousands of USD	9M 2015	9M 2014
<b>Discontinued operations</b>		
Revenue	-	34,880
Cost of sales	-	(28,773)
<b>Gross profit</b>	<b>-</b>	<b>6,107</b>
Other income	-	4,415
Distribution expenses	-	(5,706)
Administrative expenditure	-	(3,277)
Other expenses	-	(501)
Impairment loss	-	(853)
Profit from disposal	-	1,325
Remeasurement of receivable from asset sale	(377)	-
Operating loss	(377)	1,510
<b>Financing income</b>	<b>-</b>	<b>1</b>
Financing cost	-	(3,764)
Net financing income/(cost)	-	(3,763)
<b>Loss before tax from discontinued operations</b>	<b>(377)</b>	<b>(2,253)</b>
Income tax	-	(4)
<b>Loss after tax from discontinued operations</b>	<b>(377)</b>	<b>(2,257)</b>

### Condensed consolidated statement of cash flows, discontinued operations

In thousands of USD	9M 2015	9M 2014
<b>Cash flow from operating activities</b>	<b>-</b>	<b>2,305</b>
Investment in equipment	-	(3,371)
Proceeds from sales of forest lease rights	-	477
Proceeds from sales of equipment	-	1,444
VAT refund on capital investments	-	2,482
<b>Cash flow from investing activities</b>	<b>-</b>	<b>1,032</b>
Increase/(decrease) in loans payable	-	411
Interest paid	-	(2,016)
<b>Cash flow from financing activities</b>	<b>-</b>	<b>(1,605)</b>
<b>Cash flow during the period</b>	<b>-</b>	<b>1,732</b>

## Note 6. Related party transactions

	9M 2015
	USD thousand
<b>Lesresurs LLC</b>	
Management services provided by RMG LLC	348
Sales of goods and other services	67
Purchase of goods and services	280
Rent expenses	2
Accounts receivable	3
Accounts payable	5
<b>RMG LLC</b>	
Management services provided to RusForest entities	47
<b>Anton Bogdanov</b>	
Acquisition of 100% share in RMG LLC	56

In January 2015 RusForest Management Group LLC (RMG LLC) was acquired from Anton Bogdanov – CEO of the Management Company 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. All contracts have been scrutinized for arm's length and approved by members of the Board.





### **Note 7. Commitments**

As at 30 September 2015 RusForest had capital commitments related to (a) pellet mill in Magistralny for USD 161 thousand (b) the project for development of own harvesting in Ust-Ilimsk in the amount of USD 1,652 thousand. The amounts stated here do not include VAT, which will be anyway recovered.

### **Note 8. Synthetic buybacks**

The annual meeting of shareholders on 15 May 2015 resolved to authorize the Board of Directors of RusForest AB ("RusForest") to perform synthetic buybacks of RusForest shares with the aggregate number of own shares synthetically bought back at all times not exceeding 10 per cent of all shares in the Company. The Board of Directors has for this purpose entered into a swap agreement with Pareto Securities AB ("Pareto"). The program for synthetic buyback of own shares commenced on Tuesday 1 September 2015 and will be in force for a period up to the annual general meeting 2016.

The swap agreement means that Pareto purchases RusForest shares on the market and RusForest will pay a fixed fee and interest on the purchase amount in exchange for the return on the shares of RusForest, based on share price development from the date of purchase and until settlement date at the annual general meeting 2016. The agreement also allows for the parties to settle the difference between Pareto's purchase price of the shares and the market price of the shares through a RusForest shareholders meeting resolution to reduce the share capital of the company, in which case the original purchase price of the shares will be paid to Pareto. RusForest has an account with Pareto to where the Company transfers money before any purchases, however, that is solely for the purpose of ensuring RusForest capacity to cover future settlement under the swap agreement and the amount on the account is therefore restricted by a separate pledge agreement to the swap agreement.

RusForest recognizes the difference between the current share price and the price paid by Pareto in the balance sheet as either an asset/call option (if the current market price is higher than the purchase price) or liability (if the current market price is lower than the purchase price) and changes are recognised in profit or loss under the line item finance income/expense. The asset/call option or liability that initially arises is in subsequent quarters revalued at fair value, with any changes in fair value recognized in profit or loss. The amount on the account with Pareto is presented as restricted cash in the balance sheet line item Cash and cash equivalents.

If and when the shareholders meeting decides to redeem the shares to reduce the share capital this transaction is accounted for in the following manner; the share capital is reduced with a nominal amount corresponding to the number of redeemed shares. The residual amount between the fair value of the underlying shares reduced by the nominal amount of the share capital reduces the share premium reserve.

Fee expenses that accrue to Pareto for the services of purchasing RusForest shares on the market are recognised when services have been provided, i.e. when share have been purchased on the market by Pareto.



## Report of Review of Interim Financial Information

### Introduction

We have reviewed the condensed interim financial information (interim report) of RusForest AB as of 30 September 2015 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 26 November 2015

Öhrlings PricewaterhouseCoopers

Bo Lagerström

Authorized Public Accountant

The review report is a translation from the Swedish version



## Financial Calendar

Year-end Report 2015	31 March 2016
Annual Report 2015	22 April 2016
Annual General Meeting 2016	16 May 2016
Interim report Jan – Mar 2016	31 May 2016
Interim report Jan – Jun 2016	30 August 2016
Interim report Jan – Sep 2016	29 November 2016

## Nomination Committee

The Nomination Committee for the Annual General Meeting 2016 is comprised of Olga Spiridonova (Nova Capital), Dag Rolander (appointed by investors controlling in excess of 5 percent of the shares) and with Anders Börjesson as secretary (CEO of RusForest AB publ).

The Nomination Committee can be contacted via e-mail at [info@rusforest.com](mailto:info@rusforest.com) .

Stockholm, 26 November 2015

RusForest AB (publ.)  
*The Board of Directors*

### For additional information, please contact:

Gustav Wetterling, Group CFO, telephone: +46 8 771 85 00



#### **RusForest AB (publ)**

Hovslagargatan 5  
SE-111 48 Stockholm, Sweden  
Telephone: +46 8 771 85 00  
E-mail: [info@rusforest.com](mailto:info@rusforest.com)  
Website: [www.rusforest.com](http://www.rusforest.com)