

Year End Report 2015

USDm	Fourth quarter		12M	
	2015	2014	2015	2014
Revenue	6.4	7.1	22.0	27.4
EBITDA	1.7	1.4	4.7	0.1
EBITDA adjusted*	1.7	1.6	4.6	1.5
Profit/(loss) from continuing operations	1.5	3.1	3.6	(2.9)
Loss from discontinued operations	0.0	(8.1)	(0.4)	(11.6)
Profit/(Loss) for the period	1.5	(5.0)	3.2	(14.5)
Net profit/(loss) per share (USD per share)	0.01	(0.04)	0.02	(0.11)
Production & sales continuing operations				
Sawlogs harvested, m ³	115,757	105,038	287,865	278,896
Sawlogs harvested, m ³ (subcontracting)	216,829	106,379	615,166	320,210
Sawnwood produced, m ³	22,488	21,368	85,645	78,826
Pellets produced, ton	1,847	-	1,847	-
Sawlogs sold, m ³	22,995	19,670	69,397	78,312
Sawnwood sold, m ³	22,589	20,355	84,459	78,088
Pellets sold, ton	1,722	-	1,722	-
	31 Dec 2015		31 Dec 2014	
Cash balance	8.4		10.0	
Working capital**	2.5		7.2	
Net debt***	(8.3)		(9.6)	

Highlights

Fourth quarter of 2015 highlights

- Adjusted EBITDA of USD 1.7 million in Q4 2015, compared with USD 1.6 million in Q4 2014.
- Adjusted EBITDA margin of 27% in Q4 2015 compared with 22% in Q4 2014.
- Profit for the period of USD 1.5 million in Q4 2015, compared with a loss of USD 5.0 million in Q4 2014.
- Sawnwood production in Magistralny increased by 5% to 22,488 m³ of sawnwood in Q4 2015, compared with 21,368 m³ in Q4 2014.
- The share of Magistralny sawnwood sales to the Japanese market in Q4 2015 was 62% compared with 53% in Q4 2014, however, besides normal premium products lower quality products were also sold to Japan in the quarter.
- Both the new pellet mill in Magistralny and the new harvesting operations in Ust-Ilimsk were launched in Q4 2015 and are working to gradually ramp up production.
- RusForest made significant progress in its legal structure optimisation by the elimination of several Cyprus companies from the Group. By the end of the year the total amount of legal entities in the group amounted to 13 companies, compared with 23 companies at the beginning of 2015.
- On 24 November 2015, RusForest announced receipt of the final payment of USD 1.9 million and conclusion of the transaction for the sale of the Arkhangelsk business unit.

After the end of the reporting period

- The Company divested the Kachugskoe non-core forest lease area belonging to the Magistralny unit, consisting of 233,000 AAC. The forest leases were carried at 0 book value and a profit of USD 564 thousand will be recognized in Q1 2016.

*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

We are happy to report continued good EBITDA results in Q4 2015 and the first annual net profit for RusForest in 2015!

RusForest finished the year on a strong note in terms of production, with increased sawmilling and harvesting in Q4 2015 compared with the same period in 2014. Both the new pellet mill in Magistralny and the new harvesting operations in Ust-Ilimsk were launched in Q4 2015 and are working to gradually ramp up production. At the same time all of our sawnwood markets except for Japan were very challenging in Q4 2015, with a year-on-year decline in average price received as a consequence. The Company still showed much improved operational profitability in Q4 2015 compared with same period in 2014, largely due to the successful efforts to reduce overhead costs and eliminate losses in Ust-Ilimsk through increased cooperation with key subcontractors.

For the full year 2015, increased efficiencies generated higher sawnwood production and sales volumes from Magistralny which helped to mitigate the reduction in market prices in 2015. The decrease of the Russian rouble rate has helped to reduce costs in USD terms throughout the year and it continues to be weak, however, domestic input prices are slowly catching up to the new currency environment through increased price inflation, especially in imported equipment and materials.

We managed to conclude the transaction for the sale of Arkhangelsk and collect total proceeds of USD 5.9 million in 2015, after a reduction of entitled final payment by USD 0.4 million, due to enforcement of certain warranties of the sales contract. 2015 was also a year of investment and RusForest reinvested the Arkhangelsk proceeds and more thereto into RusForest's remaining assets. A total of USD 10.5 million was invested into the Magistralny pellet mill, Ust-Ilimsk harvesting and other capital improvements in Magistralny

Price visibility further into 2016 for all markets remains difficult, however, we continue to follow through with our current projects while trying to optimise the business according to current markets conditions. All things considered we look with optimism to the future for RusForest and contemplate the next strategic and tactical steps for the Company.

Sincerely,

Anton Bogdanov

CEO RusForest Management Company

Operational Review

RusForest operational data

Forest resources continuing operations		As at December 31, 2015	As at December 31, 2014
Annual Allowable Cut (AAC) *	m^3	1,703,660	1,692,360
Forest area	Hectares	1,194,282	1,194,282

*AAC was last updated in Q3 2015 due to amendments to forest lease agreements in Ust-Ilimsk, which resulted in an increase in AAC by 11,300 m^3 .

Continuing operations		Three months ended			Twelve months ended		
		Dec 31, 2015	Dec 31, 2014	% Q4'15 vs Q4'14	Dec 31, 2015	Dec 31, 2014	% 12M'15 vs 12M'14
Subcontracting*							
Sawlogs harvested	m^3	216,829	106,379	104%	615,166	320,210	92%

Production

Sawlogs harvested	m^3	115,757	105,038	10%	287,865	278,896	3%
Ust-Ilimsk	m^3	13,076	-	-	13,076	-	-
Magistralny	m^3	102,681	105,038	-2%	274,789	278,896	-1%
in own forest leases	m^3	102,681	95,459	8%	264,339	199,384	33%
in third party forest leases	m^3	-	9,579	-100%	10,450	79,512	-87%
Sawnwood production	m^3	22,488	21,368	5%	85,645	78,826	9%
incl. Japanese specification	m^3	10,089	10,661	-5%	33,903	36,562	-7%
Pellet production	t	1,847	-	-	1,847	-	-

Sales volumes

Sawlogs sold	m^3	22,995	19,670	17%	69,397	78,312	-11%
Sawnwood sold	m^3	22,589	20,355	11%	84,459	78,088	8%
Pellet sold	t	1,772	-	-	1,772	-	-

* Ust-Ilimsk operations

In Q4 2015, RusForest harvested 115,757 m^3 of sawlogs, compared with 105,038 m^3 in Q4 2014 (+10%), which included 13,076 m^3 of own harvesting in Ust-Ilimsk. Harvesting operations in Ust-Ilimsk began ahead of schedule in November.

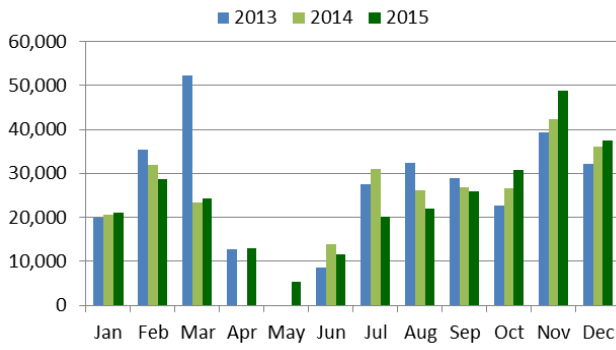
In Q4 2015, RusForest produced 22,488 m^3 of sawnwood, compared with 21,368 m^3 in Q4 2014 (+5%). The Magistralny sawmill has in 2015 been successfully running around its practical maximum annual capacity.

In Q4 2015, RusForest started production of pellets in Magistralny and managed to produce a total of 1,847 tonnes in Q4 2015.

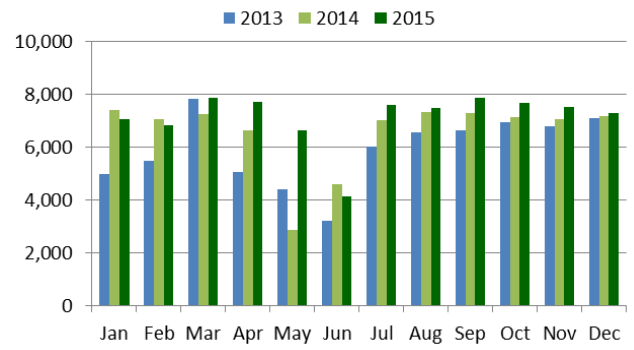
In Q4 2015, RusForest's subcontractors harvested 216,829 m^3 of sawlogs in Ust-Ilimsk forest lease areas, compared with 106,379 m^3 in Q4 2014 (+104%). RusForest has worked to maximise the AAC utilisation through subcontracting in the non-core southern Ust-Ilimsk areas, which RusForest is looking to divest.



Harvested sawlogs, m³



Sawnwood production, m³



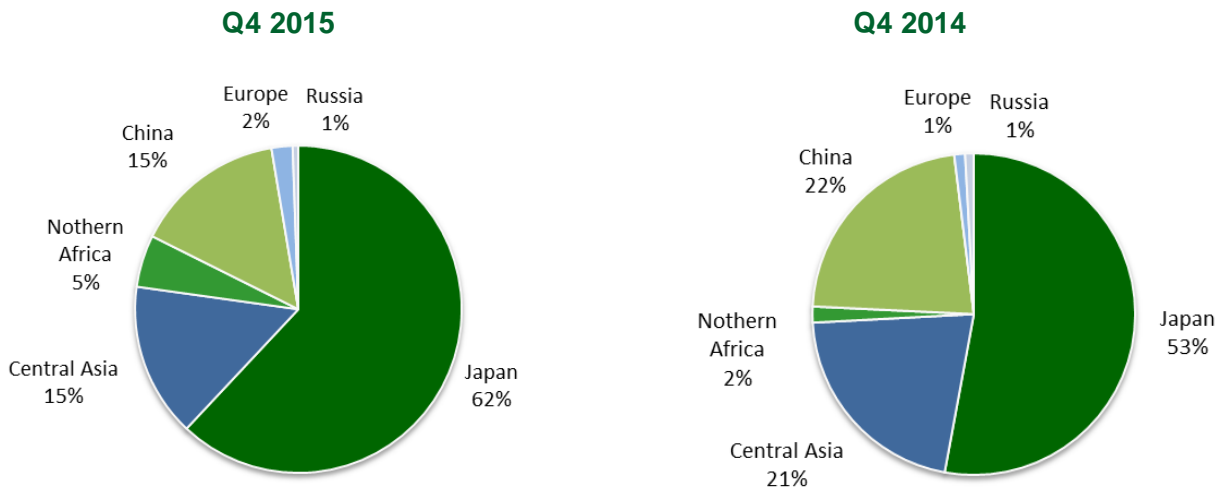
RusForest's sales

In Q4 2015 RusForest sold 22,589 m³ of sawnwood from Magistralny compared with 20,355 m³ in Q4 2014 (+11%). The share of Japanese market in total sales increased from 53% in Q4 2014 to 62% in Q4 2015. At the same time, better situation on the Japanese market was coupled with very difficult sales and extremely low prices on other markets (Egypt, Uzbekistan). As a result in Q4 2015 about 3,000 m³ of low-grade sawnwood were successfully redirected from other markets to Japanese, however, still at lower prices than normal premium products for Japanese market.

In Q4 2015 RusForest sold 22,995 m³ of sawlogs compared with 19,670 m³ in Q4 2014 (+17%). Sales volumes of sawlogs increased due to better demand on the Chinese market in the quarter.

A total of 1,772 tonnes of wood pellets were sold from Magistralny in Q4 2015. As a result of continued difficult market conditions, the average sawnwood price realised (price 'on wagon') decreased by 14.6% in Q4 2015 compared with Q4 2014 to 176.1 USD/m³. At the same time the average sawnwood price in Q4 increased by 4.0% compared with Q3 2015.

RusForest's sawnwood sales by region



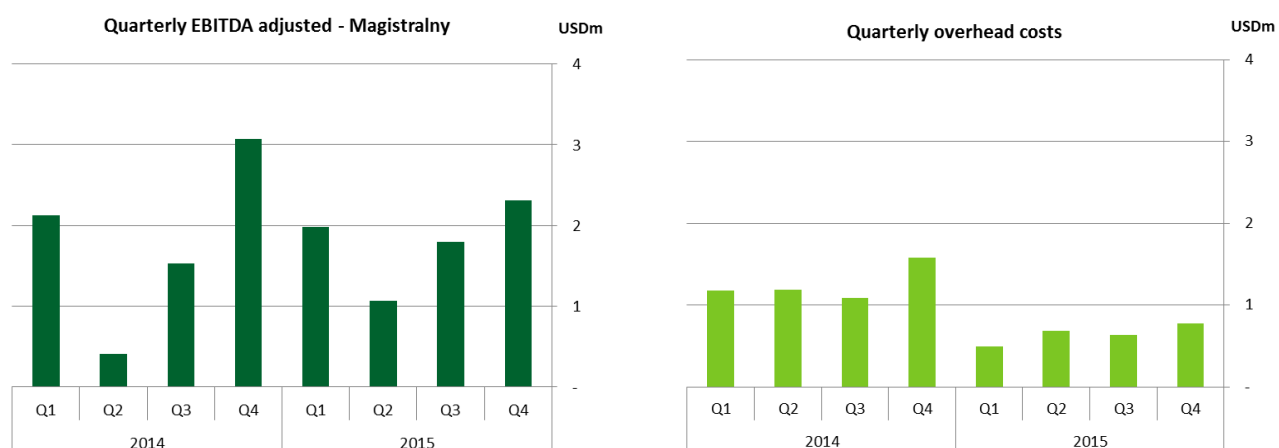
Financial Review

EBITDA development

in thousands of USD	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
IFRS results								
Continuing operations								
Revenue (gross, at ports)	6,399	5,053	4,932	5,613	7,137	7,384	4,789	8,381
Operating profit/(loss)	992	(14)	(739)	1,221	445	(1,501)	(4,529)	(305)
add back depreciation and amortization non-cash expense	713	694	1,045	749	966	1,576	1,712	1,689
EBITDA unadjusted, continuing operations	1,705	680	306	1,970	1,411	75	(2,817)	1,384
a. Doubtful receivables	5	(6)	121	7	27	31	360	52
b. Disposal of non-current assets	76	(54)	24	(92)	127	11	766	77
c. Non-recoverable income (Ust-Ilimsk)	-	-	-	-	-	-	266	(266)
d. Other items	(47)	(44)	(50)	47	(14)	9	(19)	61
Non-recurring items	34	(104)	95	(38)	140	51	1,373	(76)
EBITDA adjusted, continuing operations	1,739	576	401	1,932	1,551	126	(1,444)	1,308
Ust-Ilimsk	212	(585)	16	441	56	(314)	(666)	360
Magistralny	2,306	1,792	1,067	1,986	3,074	1,532	405	2,128
Unallocated	(779)	(631)	(682)	(495)	(1,579)	(1,092)	(1,183)	(1,180)
EBITDA adjusted, by segments	1,739	576	401	1,932	1,551	126	(1,444)	1,308

Earnings before interest, taxes, depreciation and amortisation (EBITDA) from continuing operations and adjusted for non-recurring items (adjusted EBITDA) improved 12% year-on-year, with adjusted EBITDA of USD 1.7 million in Q4 2015 compared with USD 1.6 million in Q4 2014. However, the adjusted EBITDA margin in Q4 2015 improved to 27% compared with 22% in Q4 2014. Magistralny adjusted EBITDA of USD 2.3 million in Q4 2015 was lower compared with USD 3.1 million in Q4 2014. The average sawnwood price decreased year-on-year while volumes were higher. Ust-Ilimsk showed progress and a positive EBITDA of USD 0.2 million in Q4 2015, compared with USD 0.1 million in Q4 2014. Another driver for the overall improved adjusted EBITDA was the significant reduction in overhead costs, which were reduced to USD 0.8 million in Q4 2015 compared with USD 1.6 million in Q4 2014. The overhead cost development year-on-year was helped by a weaker rouble (RUB) in Q4 2015 compared with Q4 2014.

The improvement of the financial result was much more significant for full year 2015, for which the adjusted EBITDA amounted to USD 4.6 million compared with an adjusted EBITDA of USD 1.5 million for the same period in 2014, a 202% increase. Magistralny result was marginally better than 2014 in absolute terms, despite higher production and sawnwood sales volumes, however the margins significantly improved. The higher volumes were among other offset by lower average price in 2015 than 2014, which was a consequence of market weakness and somewhat lower portion of sales to Japan. However, the significant improvements in EBITDA came from Ust-Ilimsk and reduction in overhead costs.

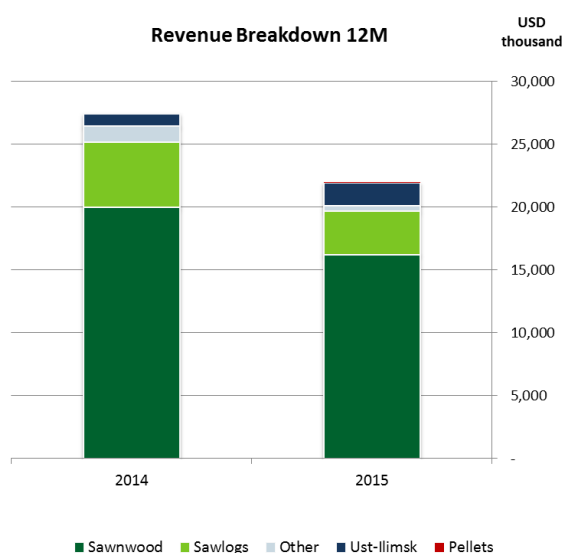


Revenue

		Sales volume (m ³ /tonnes)			Revenue per m ³ /tonne (USD)			Revenue (USD thousand)				
		2015	2014	Δ%	2015	2014	Δ%	2015	2014	Δ%		
Q4	Sawnwood	22,589	20,355	11%	Sawnwood	198	242	-18%	Sawnwood	4,468	4,917	-9%
	Sawlogs	22,995	19,670	17%	Sawlogs	47	62	-24%	Sawlogs	1,086	1,217	-11%
12M	Sawnwood	84,459	78,088	8%	Sawnwood	192	256	-25%	Sawnwood	16,240	19,974	-19%
	Sawlogs	69,397	78,312	-11%	Sawlogs	50	67	-25%	Sawlogs	3,463	5,212	-34%

Sales volumes of sawnwood increased by 11% in Q4 2015 compared with Q4 2014 and sawlog volumes increased by 17%. However, as stated on page 4 of this report, the average price for sawnwood “on wagon” for Magistralny in Q4 2015 decreased by 14.6% to 176.1 USD/m³ compared with USD 206.2 USD/m³ in Q4 2014. The reduction in average price is due to both general market weakness and sales mix. Total sales volumes to the premium Japanese market actually increased to 62% in Q4 2014, compared with 53% in Q4 2015, however, total sales to Japan in this quarter also included some low quality – low price products that normally are sold to other secondary markets. 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 18% in Q4 2015, compared with Q4 2014. The increase in volumes and decrease in price resulted in a 9% decrease in sawnwood revenue in Q4 2015, to USD 4.5 million, compared with USD 4.9 million in Q4 2014. Group revenue in Q4 2015 decreased by 10% compared with Q4 2014.

For full year 2015, revenue from sawnwood decreased by 19% compared with 2014 because of lower prices. Sawlog revenue for full year 2015 decreased by 34% due to both lower prices and volumes, while Ust-Ilimsk revenue increased substantially because of increased subcontracting activity. Revenue in Ust-Ilimsk from the newly launched own harvesting operations amounted to USD 92 thousand in 2015.



Revenue (USD thousand)			
	Q4 2015	Q4 2014	Δ%
Sawnwood	4,468	4,917	-9%
Sawlogs	1,086	1,217	-11%
Ust-Ilimsk	668	497	34%
Pellets	70	-	-
Other revenue	107	506	-79%
Total	6,399	7,137	-10%

Revenue (USD thousand)			
	2015	2014	Δ%
Sawnwood	16,240	19,974	-19%
Sawlogs	3,463	5,212	-34%
Ust-Ilimsk	1,816	957	90%
Pellets	70	-	-
Other revenue	408	1,286	-68%
Total	21,997	27,429	-20%

Costs

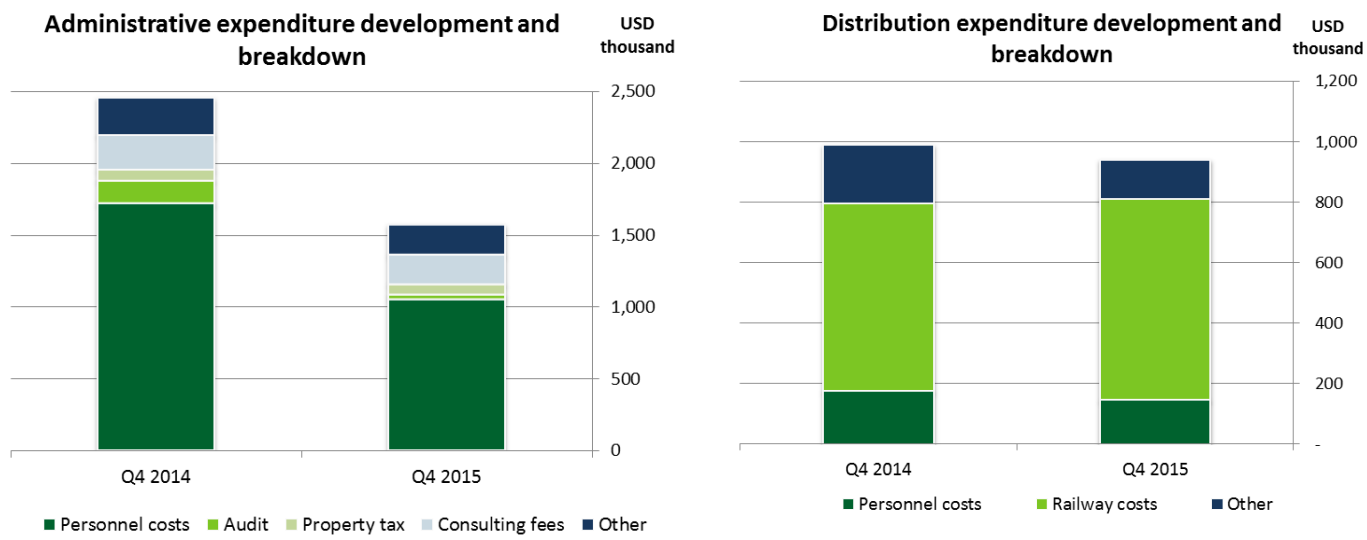
In Q4 2015 the Company continued to benefit from a weaker RUB on the cost side, as the average USD-to-RUB rate in Q4 2015 was 66.1 compared with 47.6 in Q4 2014, a weakening of the RUB by 28% year-on-year. The average USD-to-RUB rate for full year 2015 was 66.1 compared with 38.6 in 2014, a weakening of the RUB by 37% year-on-year. The most significant effect from a weaker RUB in Q4 2015 is in cost of sales. However, domestic input prices are slowly catching up to the new currency environment through increased RUB price inflation, especially in imported equipment and materials.



The cost of sales in continuing operations decreased by 11% to USD 2.9 million in Q4 2015, compared with USD 3.2 million in Q4 2014. This reduction is mainly due to a weaker RUB as stated above, but also the result of efficiency improvements and personnel optimisation and thereby savings contribution in personnel costs, materials and fuel etc.

Distribution expenses decreased by 5% to USD 0.9 million in Q4 2015, compared with USD 1.0 million in Q4 2014, due to a weaker RUB, while local tariffs, unit costs etc. in RUB had increased. For full year 2015 distribution expenses decreased by 24%, mainly due to a weaker RUB.

Administrative expenses decreased by 36% to USD 1.6 million in Q4 2015, compared with USD 2.5 million for the same period in 2014. All cost categories were reduced in the quarter, however, the large difference was mainly due to lower personnel and audit costs. For full year 2015 the administrative costs were reduced by 39% compared with 2014.



Net finance income of USD 2.7 million in Q4 2014 became a net finance income of USD 0.6 million in Q4 2015. The decrease was mainly due to lower foreign exchange gains, due to more significant currency movements in Q4 2014 than in same period in 2015. In Q4 2015 The synthetic buyback program generated a USD 5 thousand finance cost, due to negative development of the underlying RusForest shares as per market value on 31 December 2015, compared with average acquisition price.

For the full year 2015 the net finance income is slightly higher than in 2014 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 compared to the group companies' functional currencies, which are RUB and SEK.

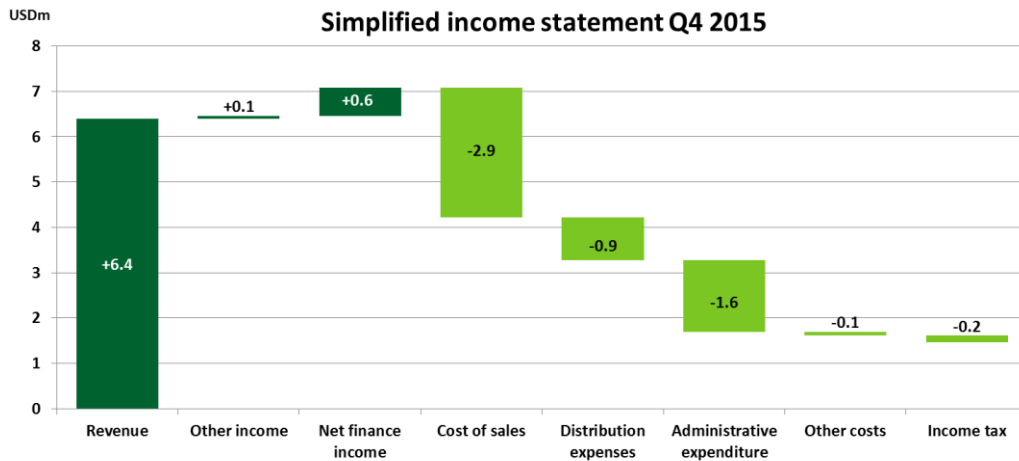
Earnings

The company's continuing operations achieved a gross profit of USD 3.5 million in Q4 2015. Thus representing a 55% gross profit margin, compared with gross profit of USD 3.9 million but a similar gross profit margin of 55% in Q4 2014. The company achieved a positive adjusted EBITDA from continuing operations of USD 1.7 million, representing an EBITDA margin of 27%, compared with an adjusted EBITDA of USD 1.6 million, and EBITDA margin of 22% in Q4 2014. Mainly due to the reduced administrative expenses, operating profit in Q4 2015 increased to USD 1.0 million, compared with a profit of USD 0.4 million in Q4 2014. Profit for the period in Q4 2015 amounted to USD 1.5 million, compared with a loss of USD 5.0 million in Q4 2014.

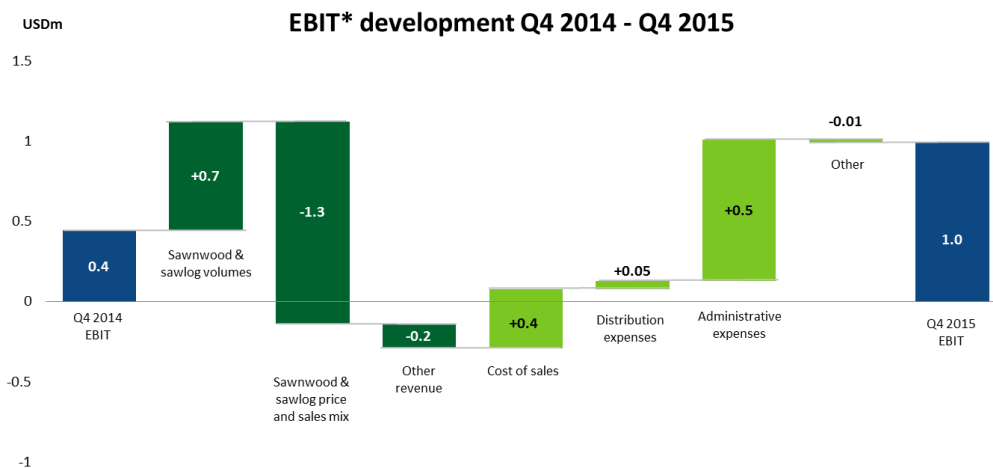
For full year 2015 gross profit amounted to USD 10.3 million, representing a gross profit margin of 47%, compared with a gross profit of USD 9.2 million and gross profit margin of 34% in 2014.



For the full year 2015, the company achieved an adjusted EBITDA of USD 4.6 million, representing an adjusted EBITDA margin of 21%, compared with an adjusted EBITDA of USD 1.5 million, and EBITDA margin of 6% in 2014. In 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 2014 the discontinued operations, which consisted of Boguchany forest and harvesting operations as well as Arkhangelsk operations, generated a loss after tax of USD 11.6 million. For the full year 2015, the company generated a net profit of USD 3.2 million, compared with a net loss of USD 14.5 million in 2014.



The chart below summarises positive/(negative) year-on-year changes in cost and revenue categories contributing to the improved operating profit of USD 1.0 million in Q4 2015 compared with USD 0.4 million in Q4 2014. As evident, the reductions in costs and increased sales volumes are the positive drivers for the improved results while price had a significant negative effect on EBIT year-on-year.



EBIT = Earnings before interest and taxes

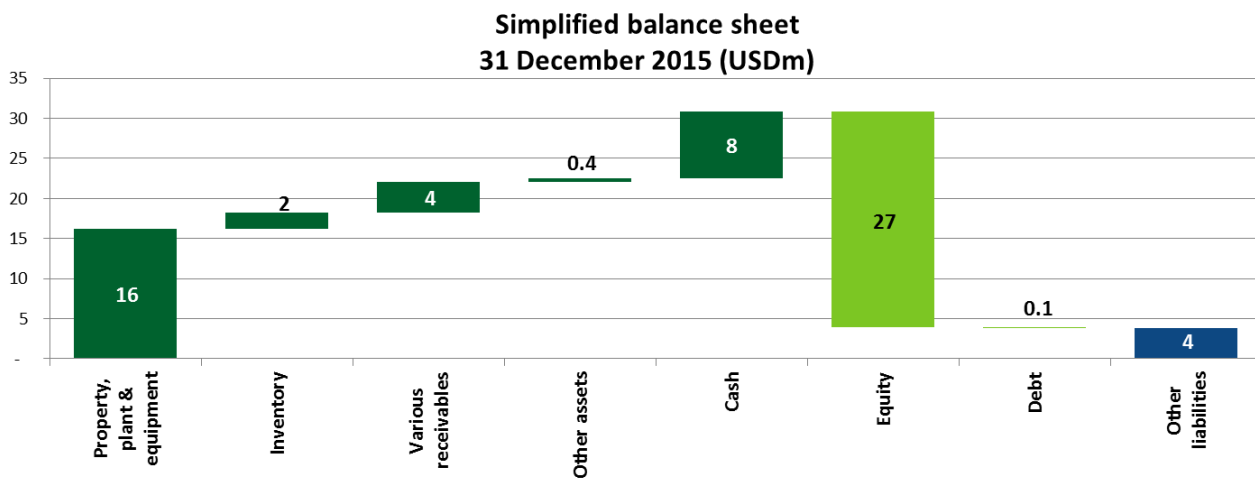
Balance Sheet and Cash Flow

As of 31 December 2015, the company's total assets amounted to USD 30.9 million. Property, plant and equipment constituted the largest component of assets at USD 16.2 million. As of 31 December 2015, the company had received everything related to the sale of the Arkhangelsk asset and hence no receivable from asset sale remained. During 2015 the receivable from asset sale was also adjusted downward with USD 377 thousand related to a reduction in final payment following claims under warranties brought forward by the buyers. The balance sheet as of 31 December 2015 also included an advance of USD 0.3 million for the purchase of non-controlling interest in subsidiaries, which is related to the buyout of minority interests in Ust-Ilimsk.

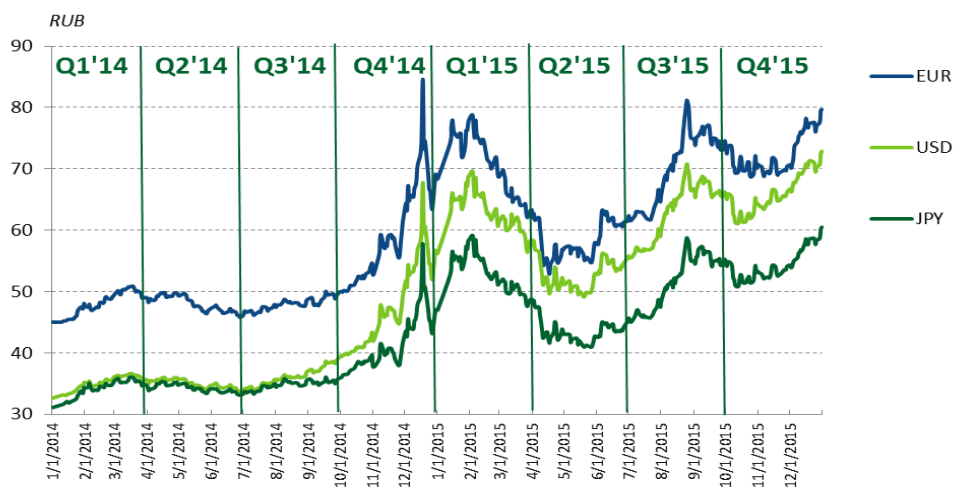


Working capital, as current assets excluding cash, less current liabilities, was USD 2.5 million as of 31 December 2015, compared with USD 7.2 million as of 31 December 2014. The main reason for the reduction in working capital compared with 31 December 2014 is the USD 6.2 million receivable from asset sale which was received as cash and then invested into fixed asset during 2015. The company's cash and cash equivalents totalled USD 8.4 million as of 31 December 2015, compared with USD 10.0 million as of 31 December 2014. The cash position on 31 December 2015 includes restricted cash balances in the amount of USD 239 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 31 December 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 31 December 2015, comprises the remainder of the SEK bond, a zero-coupon bond maturing in 2018. In current liabilities there is also a recorded call option in the amount of USD 5 thousand, which represents the difference between market value on 31 December 2015 and average acquisition price for the amount of shares acquired under the Synthetic buyback program as of 31 December 2015.



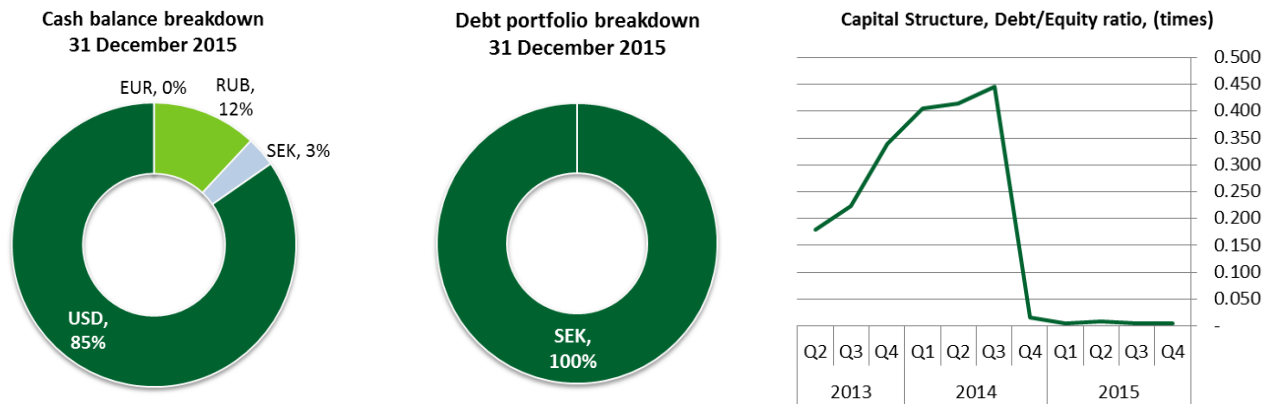
The values in USD of Russian assets and liabilities on the balance sheet are affected by the fluctuations in the RUB. At 31 Dec 2015, the RUB had depreciated by 23% to the USD compared with 31 Dec 2014.



Source: Russian Central Bank



As at 31 December 2015, the company held its cash predominantly in USD (85%), given the recent depreciation and volatility of the RUB.



In Q4 2015, the company generated positive cash flow from continuing operating activities of USD 0.5 million, compared with USD 0.4 million in Q4 2014. Investing activities in Q4 2015 consisted of a cash outflow of USD 1.2 million, compared with an inflow of USD 12.0 million in Q4 2014. The largest items in investing activities were USD 1.9 million received from the Arkhangelsk sale and investment in equipment of USD 3.1 million, mainly related to investments in new equipment for the Ust-Ilimsk own harvesting operations. In Q4 2015 there was no cash flow from financing activities, while in the same period in Q4 there was USD 5.7 million of financing cash flow mainly related to the USD 5.0 million decrease in loans payable. Total cash flow in Q4 2015 was an outflow of USD 0.6 million.

For the full year 2015 cash flow from operating activities amounted to USD 4.4 million. A total of USD 10.5 million was invested in the pellet mill project, additional machinery for Magistralny and Ust-Ilimsk new harvesting operations, a total of USD 6.3 million in proceeds were received from the sales of subsidiaries and equipment and a total of USD 0.7 million was spent towards buying out minority interests in Ust-Ilimsk.

Markets in Q4 2015

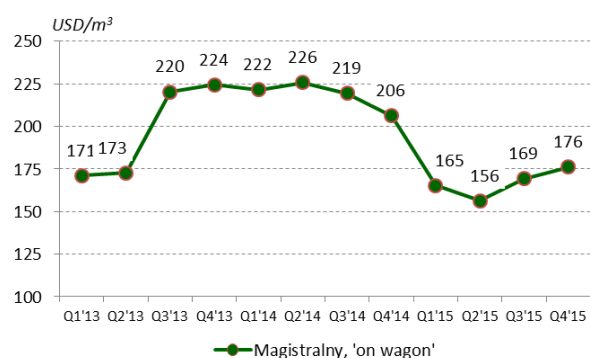
Market trends

RusForest's prices

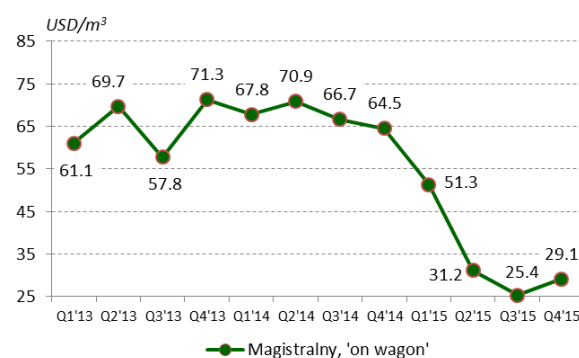
Product	Q4 2015	Q3 2015	Q4 2015 vs. Q3 2015
Sawnwood*	176.1	169.3	+4.0% ↗
Sawlogs*	29.1	25.4	+15.0% ↗

* Magistralny, 'on wagon', USD/m³

RusForest's sawnwood price dynamics



RusForest's sawlogs price dynamics



RusForest sawnwood markets

- Japan – In Q4 2015 an easing of the sawnwood market was observed in Japan. Due to lower inventories of sawnwood at producers and traders, the volume of imported sawnwood increased in Q4 2015. At the same time housing starts in Japan in Q4 2015 decreased by 0.7% compared with Q4 2014, which limits the potential for further demand growth. In Q1 2016 we expect mainly stable demand for softwood sawnwood coupled with possible high volatility in prices.
- MENA – Problems with obtaining foreign currencies are leading to restricted purchasing not only amongst importers in Egypt but also on other markets in North Africa and the Middle East. As a result USD-prices during Q4 2015 remained extremely low. In these circumstances Russia continues to increase its market share. Deliveries from Russia to Egypt increased by 38% in 2015, while deliveries from Europe decreased.
- China – In 2015 with a slowing of the construction market China decreased sawnwood imports by 1%. Deliveries from Russian grew by 20% in 2015 while deliveries from Canada, U.S. and Chile decreased by 20-30%. Russian lumber became more competitive in price with improving quality and consistency as compared to previous years. The amount of floor space of residential buildings sold was larger than the amount of new floor space started during 2015, which is a change from previous years' trend. Thus, the very large stock of unsold homes is decreasing.
- Europe – There were mostly downward changes in lumber prices at European market during Q4 2015. As for now there are still no any signs of sawnwood market movement. Demand is expected to remain unchanged until the beginning of new construction season at the end of Q1 2016.
- US – The only major market that showed sizeable demand growth in 2015 was the U.S. – about +4.5%. Both the U.S. economy and housing starts continue to improve, though at a relatively slow pace.

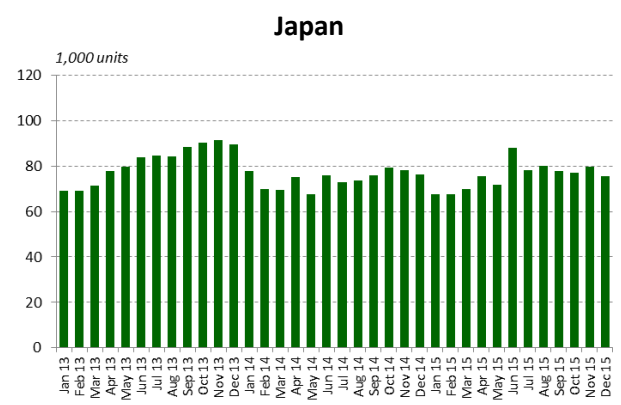
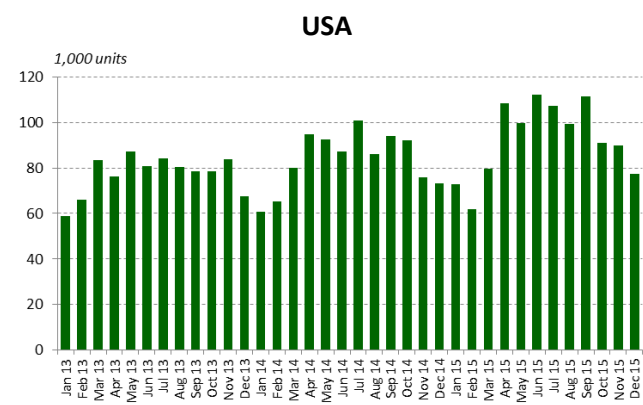


Our short-term outlook for Q1 2016 is cautiously optimistic but at the same time very uncertain. We do not expect any decline in RusForest’s key sawnwood markets especially with the start of construction season at the end of Q1. As for the sawlog market we expect slow demand in Q1 2016 due to Chinese New Year.

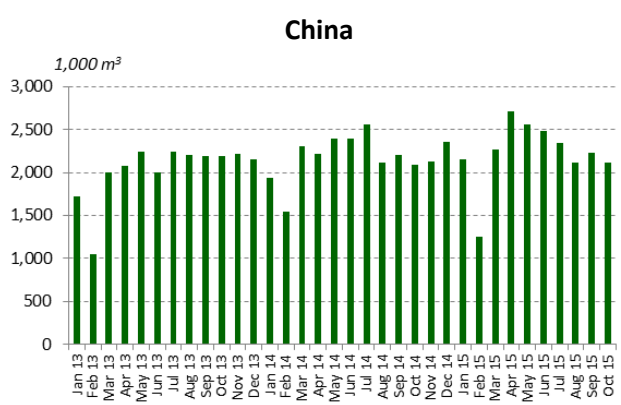
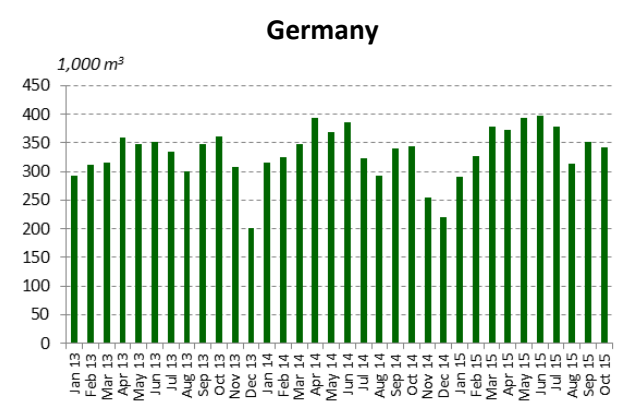
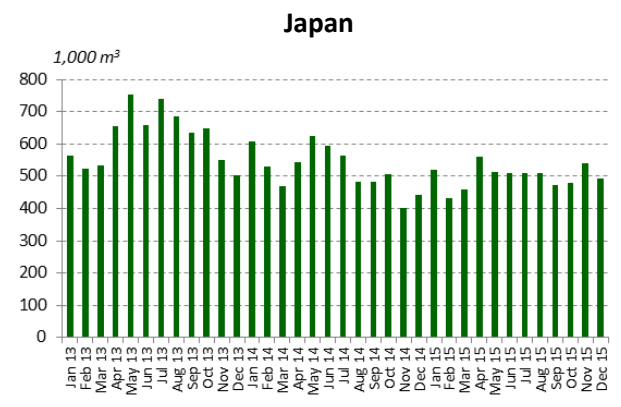
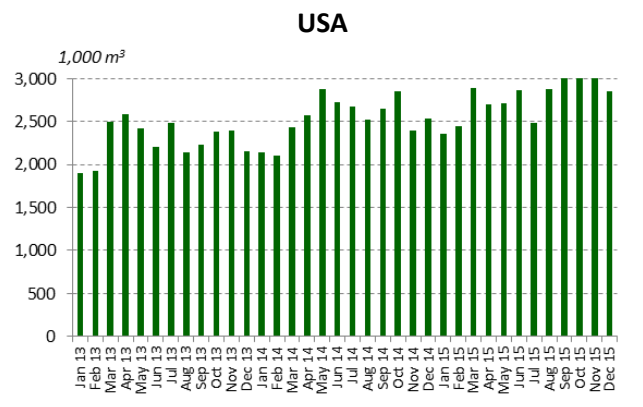
Wood pellets

RusForest’s production of wood pellets is sold on fixed contract for one year to a European trading partner and is currently being supplied to European industrial end clients.

Construction - housing starts

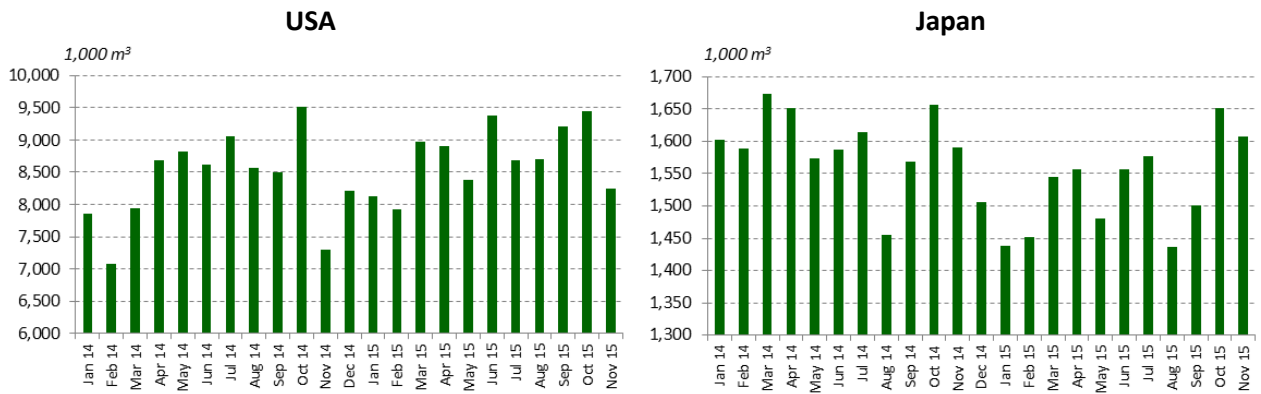


Imports





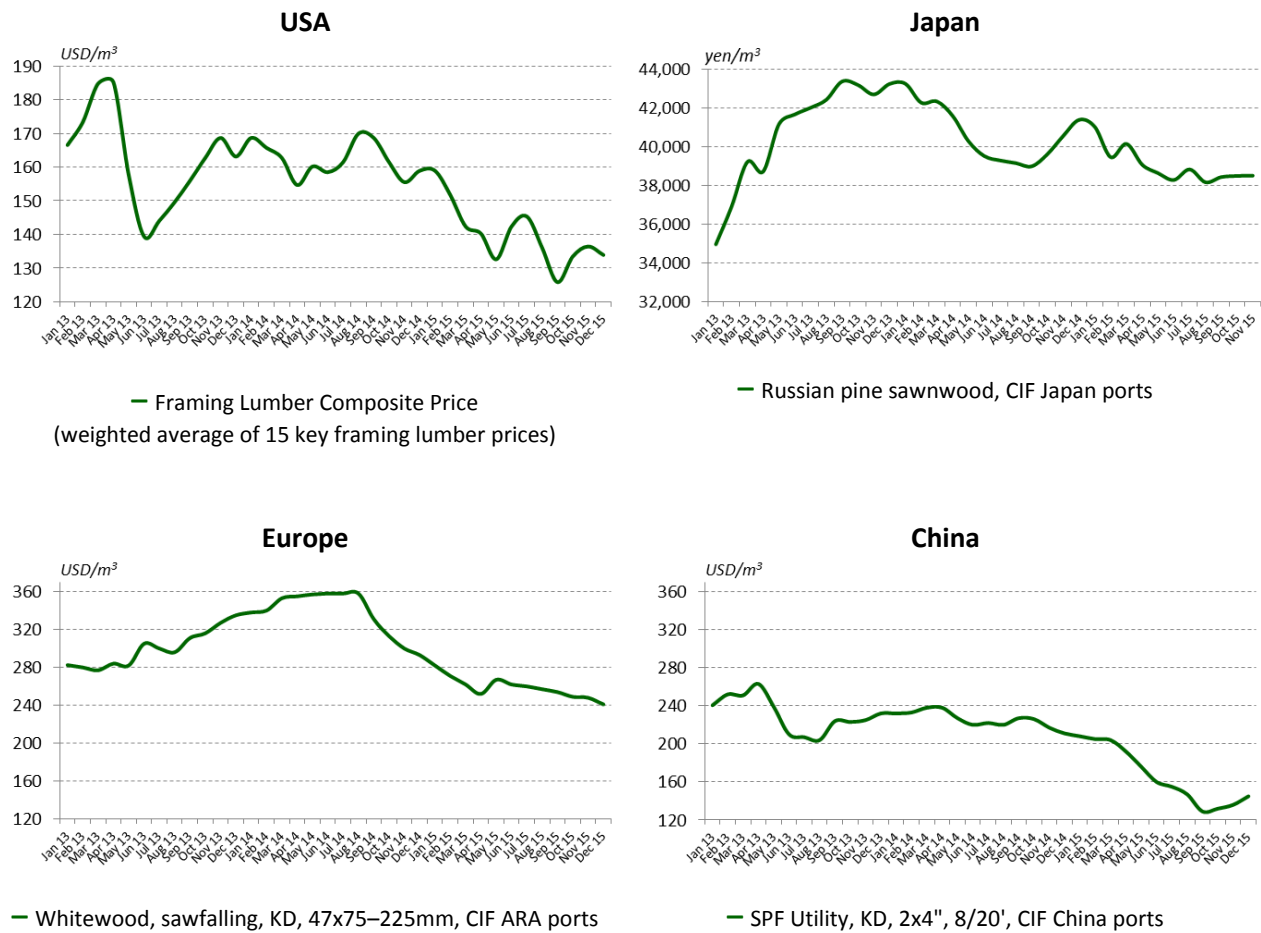
Consumption



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

Prices

Sawnwood



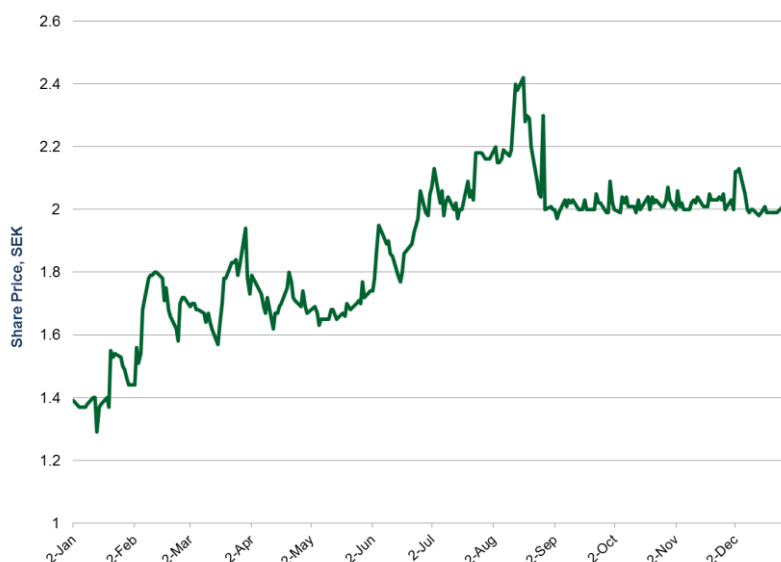
Sources: Random Lengths, Wood Markets, Japan Lumber Journal

The Share

The RusForest AB shares are listed on NASDAQ First North Stockholm. At the close of the period, the share price was SEK 1.97 (0.24 USD) and the Company's market capitalisation was approximately SEK 260 million or USD 31 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	15,517,896	11.8%		
Round lot:	1	Avanza pension	11,707,023	8.9%		
Sector:	Basic Resources	Nordnet Pension	3,475,240	2.6%		
ISIN:	SE0001732728	Credit Suisse Sec Europé Ltd	3,015,175	2.3%		
Short name:	RUSF	Swedbank AS	2,741,490	2.1%		
Reuters:	RUSF.ST	Jesihemma Limited	2,505,200	1.9%		
Bloomberg:	RUSF:SS	Morgan Stanley and CO LLC, W9	2,484,161	1.9%		
12 months 2015 share data averages		Client Long Timer Hill	2,102,916	1.6%		
Daily Turnover (SEK)	No of Traded Shares	No of daily trades	Jeffrey Adams secrest revokable trust	2,061,009	1.6%	
204,182	106,618	41	Alexander Rudik	1,857,471	1.4%	
Synthetically repurchased shares		Banque Carnegie Luxembourg	1,405,020	1.1%		
Date	Synthetically repurchased shares	Average price	% of outstanding shares	Miura Holdings Ltd	1,297,249	1.0%
31 Dec 2015	986,970	2.01	0.75%	Berner-Eyde Benedict	1,063,782	0.8%
		UBS Switzerland Client Acc	1,000,600	0.8%		
		Other	46,299,649	35.1%		
		Total	132,033,881	100%		

RusForest share price performance 12M 2015



Source: NASDAQ OMX First North Stockholm

RusForest share			
Price SEK/share 31 Dec 2015	Change 1 Month	Change 3 months	52 week high
1.97	-3.0%	-5.7%	2.48
	Change 6 Months	Change 1 year	52 week low
	-0.5%	41.7%	1.21



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

- The Company divested the Kachugskoe non-core forest lease area belonging to the Magistralny unit, consisting of 233,000 AAC. The forest leases were carried at 0 book value and a profit of USD 564 thousand will be recognized in Q1 2016.

Condensed Consolidated Income Statement

In thousands of USD	Q4 2015	Q4 2014	12M 2015	12M 2014
Continuing operations				
Revenue	6,399	7,137	21,997	27,429
Cost of sales	(2,869)	(3,241)	(11,654)	(18,204)
Gross profit	3,530	3,896	10,343	9,225
Other income	59	192	250	422
Distribution expenses	(940)	(989)	(3,738)	(4,891)
Administrative expenditure	(1,573)	(2,455)	(5,175)	(8,477)
Other expenses	(84)	(199)	(220)	(1,526)
Operating profit/(loss)	992	445	1,460	(5,247)
Exchange gain/loss	669	2,689	2,372	2,878
Financing income	19	112	202	455
Financing cost	(66)	(126)	(163)	(969)
Net financing income/(cost)	622	2,675	2,411	2,364
Profit/(loss) before tax from continuing operations	1,614	3,120	3,871	(2,883)
Income tax	(155)	(11)	(284)	(26)
Profit/(loss) from continuing operations	1,459	3,109	3,587	(2,909)
Discontinued operations				
Loss after tax from discontinued operations	-	(8,081)	(377)	(11,632)
Profit/(loss) for the period	1,459	(4,972)	3,210	(14,541)
Attributable to:				
Equity holders of the parent	1,416	(4,912)	3,238	(14,493)
Non-controlling interests	43	(60)	(28)	(48)
Profit/(loss) for the period	1,459	(4,972)	3,210	(14,541)
Profit/(loss) per share, basic and diluted, in USD	0.01	(0.04)	0.02	(0.11)

Condensed Consolidated Statement of Comprehensive Income

In thousands of USD	Q4 2015	Q4 2014	12M 2015	12M 2014
Profit/(loss) for the period	1,459	(4,972)	3,210	(14,541)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation difference	(2,778)	(17,834)	(7,800)	(29,818)
Other comprehensive income/(loss) for the period	(2,778)	(17,834)	(7,800)	(29,818)
Total comprehensive income/(loss) for the period	(1,319)	(22,806)	(4,590)	(44,359)
Attributable to:				
Equity holders of the parent	(1,365)	(22,687)	(4,580)	(44,181)
Non-controlling interests	46	(119)	(10)	(178)
Total comprehensive income/(loss) for the period	(1,319)	(22,806)	(4,590)	(44,359)

In thousands of USD	Q4 2015	Q4 2014	12M 2015	12M 2014
Profit/(loss) from continuing operations	1,459	3,109	3,587	(2,909)
Attributable to:				
Equity holders of the parent	1,416	3,080	3,615	(2,850)
Non-controlling interests	43	29	(28)	(59)
Loss from discontinued operations	-	(8,081)	(377)	(11,632)
Attributable to:				
Equity holders of the parent	-	(7,992)	(377)	(11,643)
Non-controlling interests	0	(89)	0	11

Per Share Data

Per Share Data	Q4 2015	Q4 2014	12M 2015	12M 2014
USD				
Basic and diluted earnings	0.01	(0.04)	0.02	(0.11)
Basic and diluted earnings from continuing operations	0.01	0.02	0.03	(0.02)
Shareholders' Equity (end of period)	0.20	0.24	0.20	0.24
Number of Shares	Q4 2015	Q4 2014	12M 2015	12M 2014
Beginning of period	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
Average number of shares	132,033,881	132,033,881	132,033,881	132,033,881

USD for 1 unit of foreign currency	RUB
March 31, 2014	0.0280
June 30, 2014	0.0297
September 30, 2014	0.0254
December 31, 2014	0.0178
March 31, 2015	0.0171
June 30, 2015	0.0180
September 30, 2015	0.0151
December 31, 2015	0.0137

source: www.cbr.ru

Condensed Consolidated Statement of Financial Position

In thousands of USD	31 Dec 2015	31 Dec 2014
Assets		
Non-current assets		
Property, plant and equipment*	16,152	14,914
Intangible assets	49	98
Deferred tax asset	5	6
Total non-current assets	16,206	15,018
Current assets		
Inventory	2,134	1,750
Receivable from assets sale	-	6,242
Advance for purchase of non-controlling interest in subsidiaries	343	-
VAT refundable	2,278	1,530
Trade and other receivables	1,483	1,563
Current tax assets	24	52
Loans receivable	12	93
Cash and cash equivalents**	8,404	9,987
Total current assets	14,678	21,217
Total assets	30,884	36,235
EQUITY		
Equity and reserves		
Share capital	20,683	20,683
Other paid in capital	358,448	358,448
Reserves	44	24
Translation reserve	(53,244)	(45,426)
Accumulated loss	(302,139)	(287,310)
Profit/(loss) for the period	3,238	(14,493)
Total equity attributable to Shareholders of the Group	27,030	31,926
Non-controlling interest	(80)	(106)
Total Equity	26,950	31,820
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	133	479
Deferred tax liability	5	6
Total non-current liabilities	138	485
Current liabilities		
Call option	5	-
Interest-bearing loans and borrowings	-	6
Trade and other payables	3,041	3,858
Current tax liabilities	76	42
Provisions	674	24
Total current liabilities	3,796	3,930
Total liabilities	3,934	4,415
Total equity and liabilities	30,884	36,235

* Including addition of approximately USD 4,5 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 239 USD, connected with the Synthetic buyback program.

Condensed Consolidated Statement of Cash Flows

In thousands of USD	Q4 2015	Q4 2014	12M 2015	12M 2014
Profit/(loss) for the period	1,459	(4,972)	3,210	(14,541)
Adjustment for non-cash items	388	6,353	2,201	16,117
Paid income tax	(208)	(10)	(233)	(63)
Cash flow from operating activities before changes in working capital	1,639	1,371	5,178	1,513
Cash flow changes in working capital	(1,093)	(1,134)	(760)	1,627
Cash flow from discontinued operations	-	147	-	2,235
Cash flow from operating activities	546	384	4,418	5,375
Investment in equipment	(3,149)	(206)	(10,483)	(901)
Proceeds from sales of equipment	45	381	403	1,339
VAT refund on capital investments	2	8	6	49
Acquisition of shares in subsidiaries (less cash balances)	-	-	8	(18)
Proceeds from sale of subsidiaries	1,862	8,687	5,862	10,720
Costs related to the sale of subsidiaries	-	(832)	(330)	(832)
Repayment of the loans by related parties	-	4,568	-	4,568
Repayment of the loans by third parties	18	-	25	-
Interest received	38	5	107	6
Cash flow from discontinued operations	-	(591)	-	477
Cash flow from investing activities	(1,184)	12,020	(4,402)	15,408
Acquisition of non-controlling interest in subsidiaries	-	-	(699)	-
Redemption of the loans	-	-	-	(3,941)
Increase/(decrease) in loans payable	-	(5,004)	(231)	(7,096)
Interest paid	-	(90)	(1)	(786)
Cash flow from discontinued operations	-	(639)	-	(2,205)
Cash flow from financing activities	-	(5,733)	(931)	(14,028)
Cash flow during the period	(638)	6,671	(915)	6,755
including continuing operations	(638)	7,754	(915)	6,248
including discontinued operations	-	(1,083)	-	507
Cash and cash equivalents, beginning of period	9,092	3,391	9,987	3,760
including continuing operations	9,092	3,386	9,987	3,637
including discontinued operations	-	5	-	123
Exchange-rate differences on cash balance	(50)	(75)	(668)	(528)
Cash and cash equivalents, period end	8,404	9,987	8,404	9,987
including continuing operations	8,404	9,987	8,404	9,987
including discontinued operations	-	-	-	-

In thousands of USD	Q4 2015	Q4 2014	12M 2015	12M 2014
Adjustment for non-cash items				
Depreciation of property, plant and equipment	709	958	3,184	5,679
Amortization of intangible assets	4	8	17	39
Income tax	155	11	284	26
Exchange gain/loss	(669)	(2,689)	(2,372)	(2,878)
Finance income	(19)	(112)	(202)	(455)
Finance expense	66	126	163	969
Net loss on disposal of property, plant and equipment	77	127	(84)	926
Net income/loss on disposal of intangible assets	-	-	20	7
Bad debts	5	27	127	438
Forest restoration provision	86	-	769	-
Other comprehensive (profit)/loss from assets held for sale	-	8,081	377	11,632
Other non-cash items	(26)	(184)	(82)	(266)
Total	388	6,353	2,201	16,117

Condensed Consolidated Statement of Changes in Equity

1 January 2015 – 31 December 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					3,238	(28)	3,210
Other comprehensive income/(loss)				(7,818)		18	(7,800)
Total comprehensive income/(loss)	-	-	-	(7,818)	3,238	(10)	(4,590)
Acquired non-controlling interest in subsidiaries*					(336)	36	(300)
Employee stock options**			20				20
Shareholders' equity at end of period	20,683	358,448	44	(53,244)	(298,901)	(80)	26,950

*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 – 31 December 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					(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	(25)	(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	Q4 2015	Q4 2014	12M 2015	12M 2014
Administrative expenditure	(4,335)	(13,505)	(12,709)	(23,358)
Operating loss	(4,335)	(13,505)	(12,709)	(23,358)
Exchange gain/loss	(12,136)	(21,004)	(43,626)	(36,220)
Financing income	1,068	462	3,512	5,619
Financing cost	(86)	(918)	(421)	(3,854)
Profit/(loss) on disposal of investments	-	1,549	-	1,549
Reversal of bad debt provision	-	-	231,813	-
Impairment of investments and forgiveness of receivables from subsidiaries	(102,670)	(39,974)	(103,029)	(52,327)
Net financing income/(cost)	(113,824)	(59,885)	88,249	(85,233)
Profit/(loss) for the period	(118,159)	(73,390)	75,540	(108,591)

Parent Company Balance Sheet

In thousands of SEK	31 Dec 2015	31 Dec 2014
Assets		
Non-current assets		
Property, plant and equipment	40	60
Investments in subsidiaries	218,158	179,875
Total non-current assets	218,198	179,935
Current assets		
VAT refundable	96	257
Receivables from subsidiaries	2,547	33,834
Trade and other receivable	843	791
Current tax assets	-	221
Loans receivable from subsidiaries	33,119	32,794
Other financial assets	2,000	-
Cash and cash equivalents	36,377	3,779
Total current assets	74,982	71,676
Total assets	293,180	251,611
Equity		
Equity and reserves		
<i>Restricted equity</i>		
Share capital	132,034	132,034
<i>Non-restricted equity</i>		
Share premium	1,037,511	1,037,511
Retained earnings	(886,039)	(961,749)
Total equity	283,506	207,796
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	1,108	3,745
Loans payable to Group companies	1,714	27,851
Total non-current liabilities	2,822	31,596
Current liabilities		
Payables to Group companies	4,205	7,602
Trade and other payables	2,647	4,617
Total current liabilities	6,852	12,219
Total equity and liabilities	293,180	251,611

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	Q4 2015	Q4 2014	12M 2015	12M 2014
Personnel costs	1,009	1,078	4,029	5,620
Purchased sawlogs	17	22	59	591
Depreciation of property, plant and equipment	664	894	2,977	5,280
Amortization of intangible assets	3	4	10	17
Materials	68	102	349	679
Energy and fuel	584	633	1,858	3,069
Repairs and maintenance	252	267	962	1,716
Transportation services	72	2	320	50
Forest lease	85	151	465	818
Other	115	88	625	364
Total	2,869	3,241	11,654	18,204

Note 2. Distribution expenses

In thousands of USD	Q4 2015	Q4 2014	12M 2015	12M 2014
Personnel costs	145	174	596	903
Railway costs	663	622	2,662	3,280
Other	132	193	480	708
Total	940	989	3,738	4,891

Note 3. Administrative expenditure

In thousands of USD	Q4 2015	Q4 2014	12M 2015	12M 2014
Personnel costs	1,053	1,718	3,364	5,563
Audit	29	160	137	508
Property tax	73	74	260	461
Consulting fees	205	241	663	837
Other	213	262	751	1,108
Total	1,573	2,455	5,175	8,477

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 twelve months ended 31 December 2015

In thousands of USD	External revenue					Impairment loss	Profit/(loss) before tax
	Sawnwood	Sawlogs	Pellets	Other	Total		
Ust-Ilimsk	-	92	-	1,724	1,816	-	117
Magistralny	16,240	3,463	70	408	20,181	-	4,396
Unallocated	-	-	-	-	-	-	(642)
Total from continuing operations	16,240	3,555	70	2,132	21,997	-	3,871
Total	16,240	3,555	70	2,132	21,997	-	3,871

Operational segments, results for twelve months ended 31 December 2014

In thousands of USD	External revenue					Impairment loss	Profit/(loss) before tax
	Sawnwood	Sawlogs	Pellets	Other	Total		
Ust-Ilimsk	-	-	-	957	957	-	(2,177)
Magistralny	19,974	5,212	-	1,286	26,472	-	2,136
Unallocated	-	-	-	-	-	-	(2,842)
Total from continuing operations	19,974	5,212	-	2,243	27,429	-	(2,883)
Arkhangelsk	26,618	291	8,055	3,920	38,884	-	(12,107)
Boguchany	2,452	1,118	-	494	4,064	-	1,333
Pellets (Sweden & Latvia)	-	-	59	-	59	(853)	(855)
Total from discontinued operations	29,070	1,409	8,114	4,414	43,007	(853)	(11,629)
Total	49,044	6,621	8,114	6,657	70,436	(853)	(14,512)

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

Consolidated statement of comprehensive income, discontinued operations

In thousands of USD	12M 2015	12M 2014
Discontinued operations		
Revenue	-	43,007
Cost of sales	-	(34,828)
Gross profit	-	8,179
Other income	-	4,513
Distribution expenses	-	(7,549)
Administrative expenditure	-	(4,047)
Other expenses	-	(491)
Impairment loss	-	(853)
Profit from disposal	-	1,893
Loss from disposal	-	(6,322)
Remeasurement of receivable from asset sale	(377)	-
Operating loss	(377)	(4,677)
Financing income	-	2
Financing cost	-	(6,954)
Net financing income/(cost)	-	(6,952)
Loss before tax from discontinued operations	(377)	(11,629)
Income tax	-	(3)
Loss after tax from discontinued operations	(377)	(11,632)

Condensed consolidated statement of cash flows, discontinued operations

In thousands of USD	12M 2015	12M 2014
Cash flow from operating activities	-	2,235
Investment in equipment	-	(4,181)
Proceeds from sales of forest lease rights	-	460
Proceeds from sales of equipment	-	1,386
VAT refund on capital investments	-	2,812
Cash flow from investing activities	-	477
Increase/(decrease) in loans payable	-	161
Interest paid	-	(2,366)
Cash flow from financing activities	-	(2,205)
Cash flow during the period	-	507

Note 6. Related party transactions

	12M 2015
	USD thousand
Lesresurs LLC	
Management services provided by RMG LLC	458
Sales of goods and other services	65
Purchase of goods and services	339
Rent expenses	3
Accounts receivable	7
Accounts payable	51
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 – 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 31 December 2015 RusForest had capital commitments in the amount of USD 837 thousand. The amount stated here does not include VAT, which will be 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's 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.

Updated Financial Calendar

Annual Report 2015	2 May 2016
Annual General Meeting 2016	1 Jun 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

Annual General Meeting and Annual Report

The Annual General Meeting of shareholders in RusForest AB (publ) will be held at 1 p.m. on Wednesday, 1 June 2016, after release of the Q1 2016 report, at Näringslivets Hus, Storgatan 19, 114 51 Stockholm, Sweden. To be entitled to participate at the Annual General Meeting, shareholders must be registered in the share register maintained by Euroclear Sweden AB (Swedish Securities Register Centre) no later than 26 May 2016 and notify their intention to attend the Annual General Meeting by 26 May 2016. Information on RusForest's AGM will also be available from its website www.rusforest.com. RusForest's Annual Report for 2015 will be available on the Company's website and at the company's head office, Hovslagargatan 5, Stockholm, Sweden, by 2 May 2016.

Dividend

The Board of Directors proposes that no dividend be paid for the 2015 financial year.

This year-end report has not been subject to a review by the company's auditors.

Stockholm, 31 March 2016

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
Website: www.rusforest.com