

Interim Report 1 January – 31 March 2016

USDm	First quarter		Full year
	2016	2015	2015
Revenue	7.3	5.6	22.0
EBITDA	3.0	2.0	4.7
Operating profit	2.2	1.2	1.5
Profit/(Loss) for the period	1.2	1.7	3.2
Net profit/(loss) per share (USD per share)	0.01	0.01	0.02

<i>Production & sales continuing operations</i>			
Sawlogs harvested, m ³	121,121	74,304	287,865
Sawlogs harvested, m ³ (subcontracting)	273,933	262,415	615,166
Sawnwood produced, m ³	23,021	21,778	85,645
Pellets produced	6,225	-	1,847
Sawlogs sold, m ³	43,163	16,410	69,397
Sawnwood sold, m ³	21,656	19,291	84,459
Pellets sold	6,219	-	1,722

	31 Mar 2016	31 Dec 2015
Cash balance	10.9	8.4
Working capital*	1.8	2.5
Net debt**	(10.7)	(8.3)

Highlights

First quarter of 2016

- Revenue increased by 31% to USD 7.3 million in Q1 2016 compared with USD 5.6 million in Q1 2015.
- EBITDA of USD 3.0 million in Q1 2016, compared with USD 2.0 million in Q1 2015. EBITDA margin of 40% in Q1 2016 compared with 35% in Q1 2015.
- Profit for the period of USD 1.2 million in Q1 2016, compared with a profit of USD 1.7 million in Q1 2015.
- Sawnwood production in Magistralny increased by 6% to 23,021 m³ of sawnwood, compared with 21,778 m³ in Q1 2015.
- New pellet mill in Magistralny and new harvesting activity in Ust-Ilimsk both performed well.
- In Q1 2016 RusForest divested the Kachugskoe non-core forest lease area belonging to the Magistralny unit, consisting of 233,000 AAC.

*Calculated as inventory, trade & other current receivables and receivable from asset sale, less trade and other current payables.

**Calculated as loans and borrowings less interest bearing loan receivables and cash.



Management Comments

The first quarter of 2016 was a good quarter operationally and we are happy to report that quarterly sawnwood production in Magistralny for the first time exceeded 23,000 m³ in Q1 2016. Harvesting in Magistralny also increased significantly, by 24%, to 92,328 m³ in Q1 2016 compared with Q1 2015, and the new own harvesting operations in Ust-Ilimsk also added 28,793 m³ of harvested volume in Q1 2016. The new pellet mill in Magistralny performed well in Q1 2016 and produced a total of 6,225 tons. While these new business activities are developing well, they are still in a ramp-up phase.

Financially Q1 2016 was also a good quarter with a 77% improved operating profit and 51% increased EBITDA compared with the same period last year. The new projects also contributed to the improved profitability. The average rouble rate in Q1 2016 was lower than in Q1 2015 and thereby continued to add benefit on the cost side, however, the rouble did strengthen in Q1 2016, and the Company recorded a currency exchange loss in the quarter on USD and other foreign currency holdings. Because of the currency loss, net profit in Q1 2016 was lower than Q1 2015.

The Central Asian and Northern African markets remained difficult during the quarter, however, the Company managed to redirect more low quality product sales to the Japanese market instead. The average sawnwood price realised (price 'on wagon') in Q1 2016 was largely unchanged compared with Q1 2015, but still lower than Q4 2015. RusForest's firm position on the stable Japanese market continues to be one of the Company's strengths.

We continue to work with optimization of the forest portfolio and as recently announced we already completed one transaction this year with the non-core area in Magistralny, and are working on more transactions with non-core leases in the short term. Otherwise short term focus is mainly on continuous improvement of Ust-Ilimsk harvesting and pellet mill performance.

We now close the book on a successful quarter, but I just want to remind everyone that Q2 that follows is always the weakest quarter in the year due to the seasonality characteristics of Siberian forestry.

Sincerely,

Anton Bogdanov

CEO RusForest Management Company

Operational Review

RusForest operational data

Forest resources continuing operations		As at March 31, 2016	As at March 31, 2015
Annual Allowable Cut (AAC)	m^3	1,470,660	1,692,360
Forest area	Hectares	962,728	1,194,282

In Q1 2016 RusForest divested the Kachugskoe non-core forest lease area belonging to Magistralny unit, consisting of 233,000 AAC.

Continuing operations	Three months ended			
	Mar 31, 2016	Mar 31, 2015	% Q1'16 vs Q1'15	
Subcontracting*				
Total harvested	m ³	273,933	262,415	4%

Production

Sawlogs harvested	m^3	121,121	74,304	63%
Ust-Ilimsk	m^3	28,793	-	-
Magistralny	m^3	92,328	74,304	24%
in own forest leases	m^3	92,328	74,304	24%
in third party forest leases	m^3	-	-	-
Sawnwood production	m^3	23,021	21,778	6%
incl. Japanese specification	m^3	8,353	7,986	5%
Pellet production	t	6,225	-	-

Sales volumes

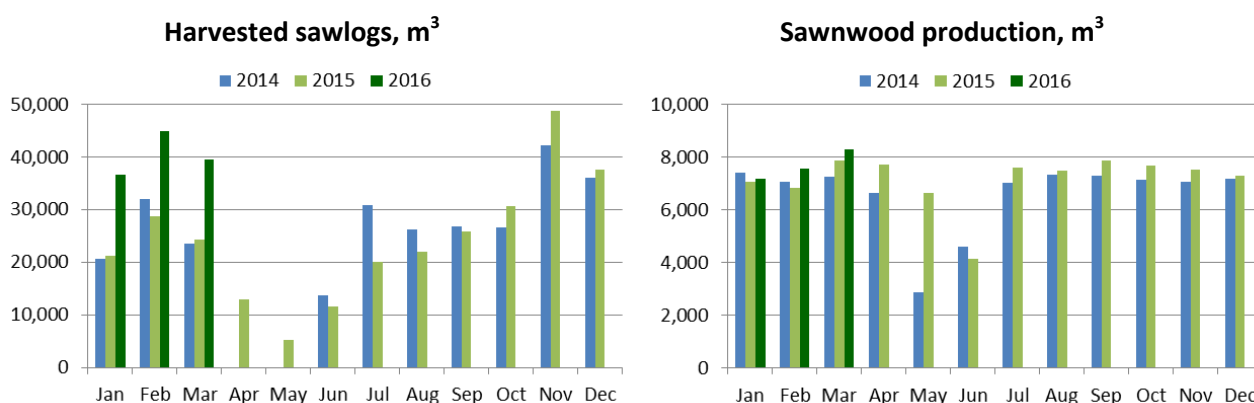
Sawlogs sold	m^3	43,163	16,410	163%
Ust-Ilimsk	m^3	26,823	-	-
Magistralny	m^3	16,340	16,410	0%
Sawnwood sold	m^3	21,656	19,291	12%
Pellet sold	t	6,219	-	-

* Ust-Ilimsk operations

In Q1 2016, RusForest harvested 121,121 m^3 of sawlogs, compared with 74,304 m^3 in Q1 2015 (+63%), which included 28,793 m^3 of own harvesting in Ust-Ilimsk. Harvesting operations in Magistralny increased by 24% in Q1 2016 to 92,328 m^3 .

In Q1 2016, RusForest produced 23,021 m^3 of sawnwood, compared with 21,778 m^3 in Q1 2015 (+6%).

In Q1 2015, RusForest's subcontractors harvested 273,933 m^3 in Ust-Ilimsk forest lease areas, compared with 262,415 m^3 in Q1 2015 (+4%).



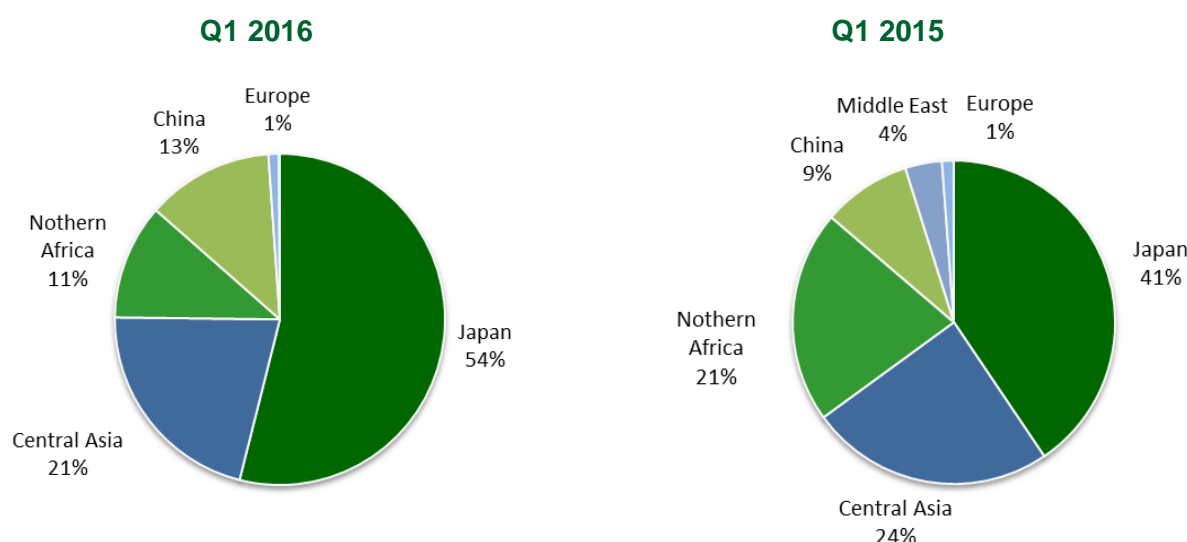
RusForest's sales

In Q1 2016 RusForest sold 21,656 m³ of sawnwood from Magistralny compared with 19,291 m³ in Q1 2015 (+12%). The share of Japanese market in total sales increased from 41% in Q1 2015 to 54% in Q1 2016, because the Company managed to redirect more low quality product sales to the Japanese market. High volume of sawnwood was also sold to China. At the same time, Central Asian and Northern African market environments were still difficult and the share of these markets in total RusForest's sales decreased from 45% in Q1 2015 to 32% in Q1 2016.

In Q1 2016 RusForest Magistralny sold 16,340 m³ of sawlogs compared with 16,410 m³ in Q1 2015 (-0%). Sawlogs sales on the Chinese market were hampered at the beginning of the year. In Q1 2016 RusForest also delivered 26,823 m³ of sawlogs from own harvesting in Ust-Ilimsk to local market. Sawlog prices have recovered somewhat from the very low price points last few quarters, but were still lower in Q1 2016 than in Q1 2015. Wood pellets from the Company's new pellet mill were successfully delivered to RusForest's European trading partner.

As a result of still difficult market conditions and low prices on the Central Asian and Northern African markets, the average sawnwood price realised (price 'on wagon') decreased by 7% in Q1 2016 compared with Q4 2015 to 163.6 USD/m³. Also, the average sawnwood price in Q1 2016 decreased by 1% compared with Q1 2015 level.

RusForest's sawnwood sales by region



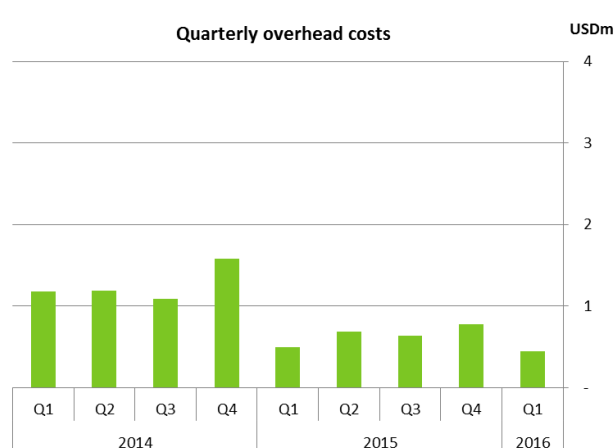
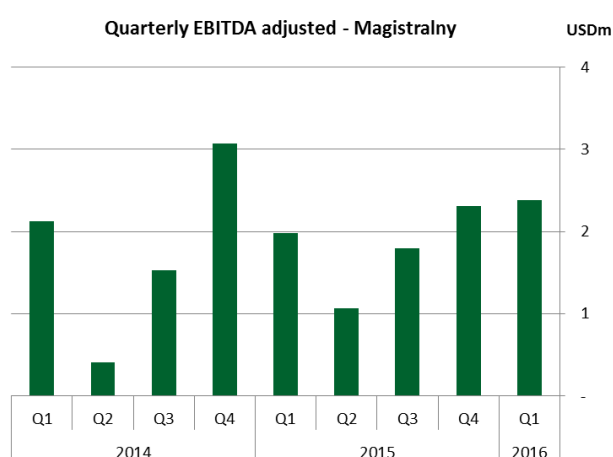
Financial Review

EBITDA development

in thousands of USD	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
IFRS results					
Continuing operations					
Revenue (gross, at ports)	7,340	6,399	5,053	4,932	5,613
Operating profit/(loss)	2,159	992	(14)	(739)	1,221
add back depreciation and amortization non-cash expense	807	713	694	1,045	749
EBITDA unadjusted, continuing operations	2,966	1,705	680	306	1,970
a. Doubtful receivables	-	5	(6)	121	7
b. Disposal of non-current assets	(577)	76	(54)	24	(92)
c. Other items	(3)	(47)	(44)	(50)	47
Non-recurring items	(577)	34	(104)	95	(38)
EBITDA adjusted, continuing operations	2,386	1,739	576	401	1,932
Ust-Ilimsk	641	212	(585)	16	441
Magistralny	2,187	2,306	1,792	1,067	1,986
Unallocated	(443)	(779)	(631)	(682)	(495)
EBITDA adjusted, by segments	2,386	1,739	576	401	1,932

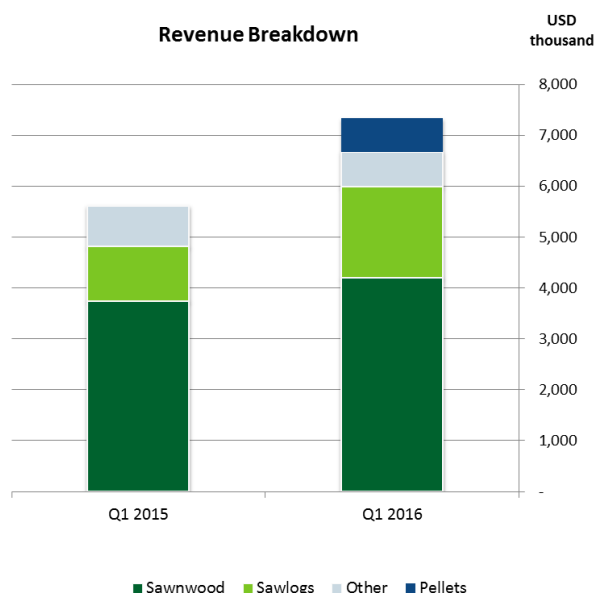
Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved 51% year-on-year, and amounted to USD 3.0 million in Q1 2016 compared with USD 2.0 million in Q1 2015. Magistralny continued to deliver strong results, with an EBITDA of USD 2.2 million, compared with USD 2.0 million in Q1 2015, the new pellet factory positively contributed to the results. Ust-Ilimsk showed improved and positive earnings due to more subcontracting than last year but especially due to the newly launched own harvesting operations which generated new revenue.

Overhead costs in Q1 2016 were 11% lower than in Q1 2015, USD 0.4 million compared with USD 0.5 million. In Q1 2016 RusForest divested the non-core forest lease asset - Kachugskoe, with a positive effect on the result of USD 577 thousand and of a non-recurring nature.



Revenue

Sales volumes of sawnwood increased by 12% in Q1 2016 compared with Q1 2015 while sawlog volumes increased by as much as 41%. Sales volumes of sawnwood increased due to efficient operations in Magistralny in Q1 and sawlogs increased for the same reason but also due to the newly launched own harvesting operations in Ust-Ilimsk. The price for sawlogs recovered some in Q1 2016 compared to previous quarters but was still lower than Q1 2015. As stated on page 4 of this report, the average price for sawnwood on wagon for Magistralny in Q1 2016 decreased by 1% to USD 163.6/m³ compared with USD 165.4/m³ in Q1 2015. Sawnwood revenue per cubic meter for Magistralny, as the average generated revenue across all types of contracts and sales terms per cubic meter was largely the same in Q1 2016 as in Q1 2015. Besides the increased revenue from sawnwood and sawlog the new pellet mill also contributed USD 676 thousand of revenue in the quarter, thereby, Group revenue for Q1 2016 increased by 31% compared with Q1 2015.



Sales volume (m ³ /tonnes)			
	Q1 2016	Q1 2015	Δ%
Sawnwood	21,656	19,291	12%
Sawlogs	43,163	16,410	163%

Revenue per m3/tonne (USD)			
	Q1 2016	Q1 2015	Δ%
Sawnwood	194	194	0%
Sawlogs	42	65	-36%

Revenue (USD thousand)			
	Q1 2016	Q1 2015	Δ%
Sawnwood	4,197	3,741	12%
Sawlogs	1,792	1,069	68%
Pellets	676	-	-
Other revenue	674	803	-16%
Total	7,340	5,613	31%

Other income

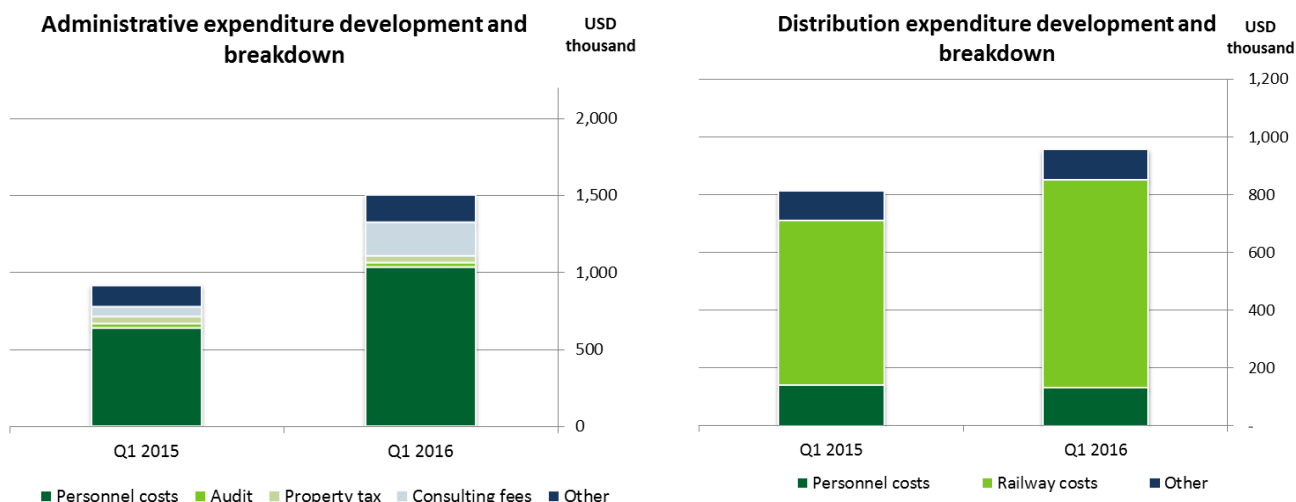
Other income increased significantly in Q1 2016 compared with Q1 2015, which is due to the sale of the non-core Kachugskoe forest lease asset in Magistralny, which generated a profit of USD 577 thousand.

Costs

In Q1 2016 the Company continued to benefit from a weak RUB on the cost side, the average USD-to-RUB rate in Q1 2016 was 74.9 compared with 63.2 in Q1 2015, a weakening of average quarterly RUB by 16% year-on-year. The year-on-year difference in RUB rate is less significant than in previous couple of quarters. However, the RUB did strengthened by 8% in the first quarter of 2016. The most significant effect from a weaker RUB is in cost of sales.

The cost of sales increased by 21% to USD 3.3 million in Q1 2016, compared with USD 2.7 million in Q1 2015. The increase is mainly related to increase in sales volumes; 12% increased sales volumes of sawnwood, 163% increase in volumes of sawlogs sold and as well as new wood pellets sales. Distribution expenses increased by 18% to USD 1.0 million in Q1 2016, compared with USD 0.8 million in Q1 2015, the main reason being increased sales volumes and therefore increased railway costs.

Administrative expenses increased by 64% to USD 1.5 million in Q1 2016, compared with USD 0.9 million for the same period in 2015. The increase in administrative costs for the quarter was mainly driven by higher personnel expenses. The organisation has been strengthened with new personnel for the newly launched pellet factory in Magistralny and own harvesting operations in Ust-Ilimsk and it is natural that admin cost will increase as a result of these, essentially two new business units.

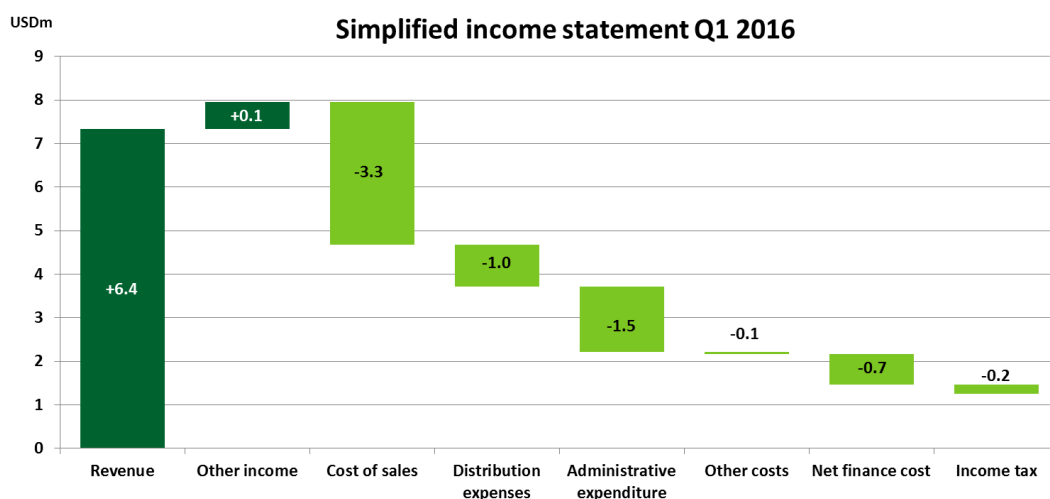


Other expenses decreased in Q1 2016, to USD 57 thousand compared with USD 81 thousand in Q1 2015.

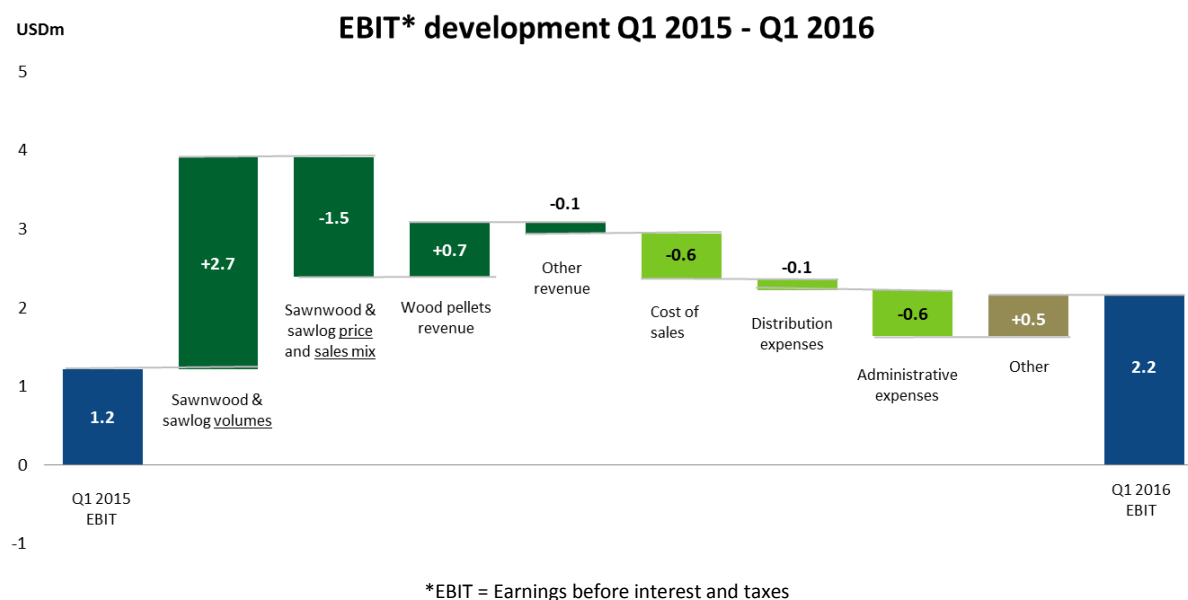
Net finance income of USD 0.5 million in Q1 2015 became net finance cost of USD 0.7 in Q1 2016 mainly because of the foreign exchange loss recorded in Q1 2016 which stems from large cash deposits in mainly USD which have depreciated in value compared to the group companies' functional currencies, which are RUB and SEK.

Earnings

The Company's continuing operations achieved a gross profit of USD 4.1 million in Q1 2016, representing a 55% gross profit margin, compared with gross profit of USD 2.9 million and gross profit margin of 52% in Q1 2015. The operating profit in continuing operations was USD 2.2 million in Q1 2016, compared with USD 1.2 million in Q1 2015. In Q1 2016 there were no discontinued operations. Profit for the period in Q1 2016 amounted to USD 1.2 million, compared with USD 1.7 million in Q1 2015. Considering that operational profitability had improved in Q1 2016 the main reason for the lower net profit is net finance cost and specifically the currency exchange loss due to a Russian rouble which strengthened in Q1 2016.



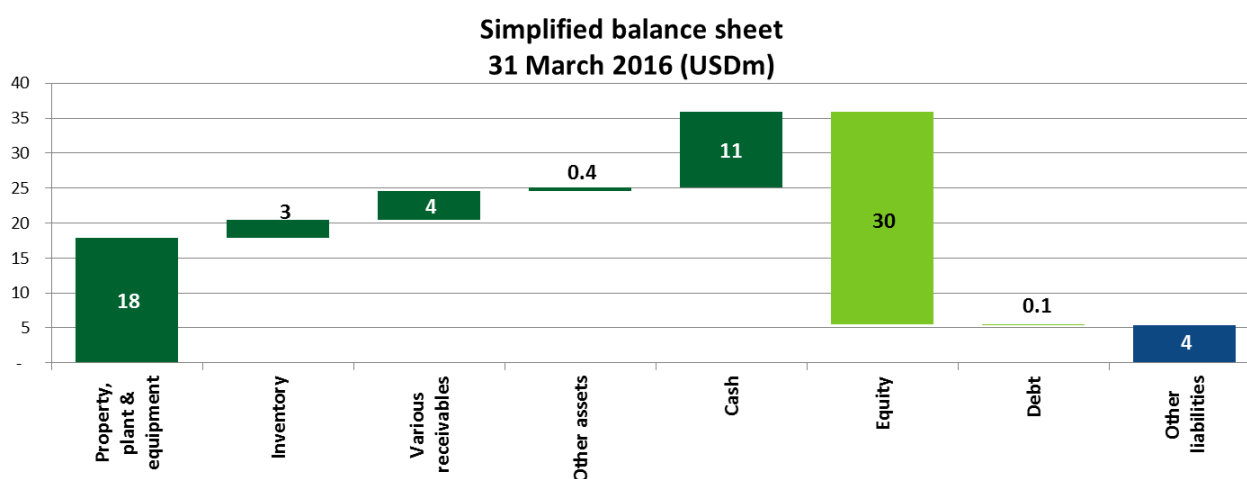
The chart below summarises positive/(negative) year-on-year changes in cost and revenue categories contributing to the positive development from an operating profit of USD 1.2 million in Q1 2015 to an operating profit of USD 2.2 million in Q1 2016. One can see that it is revenue driven improvement, mainly derived from increased sales volumes of sawnwood, sawlogs and pellets.



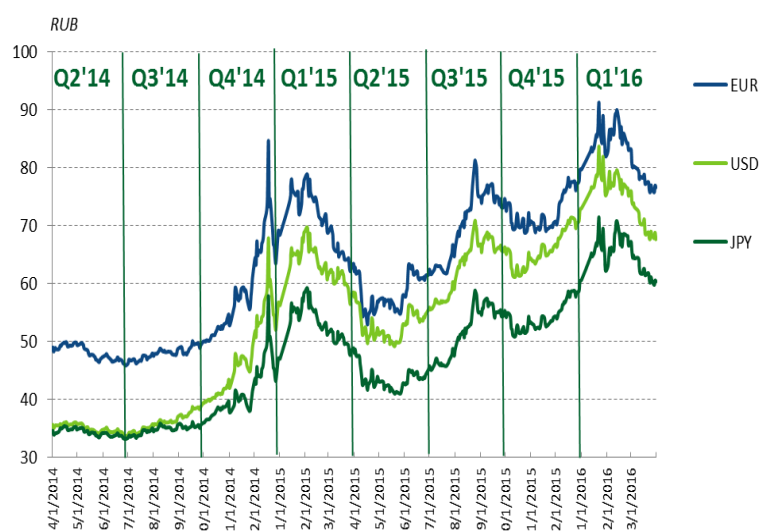
Balance Sheet and Cash Flow

At 31 March 2016, the Company's total assets amounted to USD 35.9 million. Property, plant and equipment constituted the largest component of assets at USD 17.8 million. The balance sheet at 31 March 2016 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 Q1 2016 RusForest as reported sold the intangible asset of Kachugskoe forest lease. The asset was recorded at 0 value on the balance sheet prior to sale so the affect was only positive influence on the result and cash position. Working capital amounted to USD 1.8 million at 31 March 2016, compared with USD 2.5 million at 31 December 2015. The Company's cash and cash equivalents totalled USD 10.9 million at 31 March 2016, compared with USD 8.4 million at 31 December 2015.

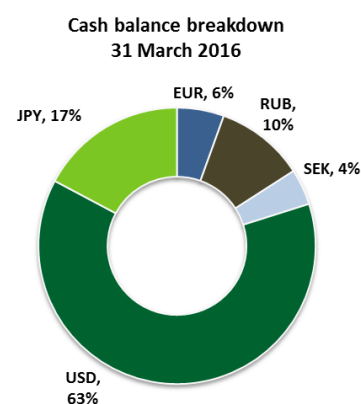
Non-current loans and borrowings amounted to USD 0.1 million at 31 March 2016, same level as 31 December 2015. This sum comprises the remainder of the SEK bond, a zero-coupon bond maturing in 2018. The debt-to-equity ratio at the end of Q1 2016 was 0.01.



The values in USD of Russian assets and liabilities on the balance sheet are affected by the fluctuations in the RUB. At 31 March 2016, the RUB had appreciated by 8% against the USD compared with 31 December 2015.



Source: Russian Central Bank





At 31 March 2016, the Company held its cash predominantly in USD. Given the recent depreciation and volatility of the RUB, the Company only keeps cash in RUB as required for efficient ongoing operations in Russia.

In Q1 2016, the Company again achieved positive cash flow from continuing operating activities. Cash flow from operating activities amounted to USD 3.1 million, compared with USD 1.8 million in Q1 2015. Investing activities in Q1 2016 consisted of a cash outflow of USD 0.7 million and the largest items were: investment in equipment of USD 1.5 million, mainly related to Ust-Ilimsk new harvesting operation, and cash inflow of USD 0.7 million related to the sale of the Kachugskoe forest lease asset. Total cash flow in Q1 2016 was inflow of USD 2.4 million, compared with an inflow of USD 1.0 in Q1 2015.

Markets in Q1 2016

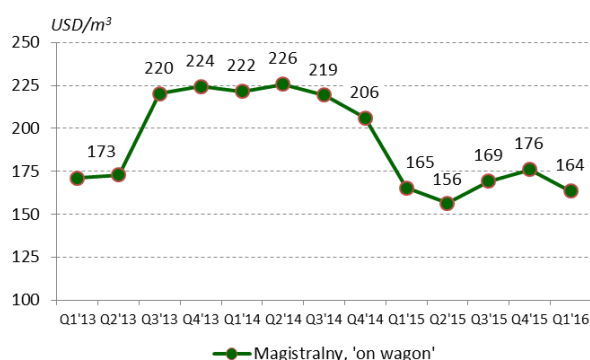
Market trends

RusForest's prices

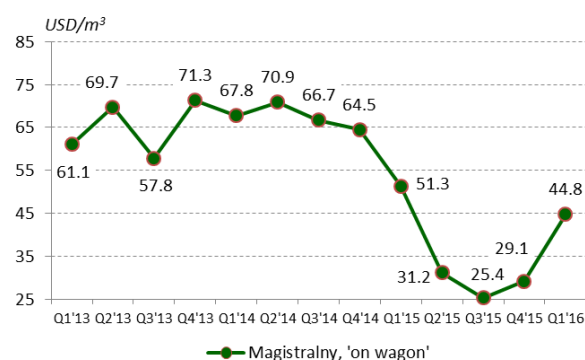
Product	Q1 2016	Q4 2015	Q1 2016 vs. Q4 2015
Sawnwood*	163.6	176.1	-7.1% 
Sawlogs*	44.8	29.1	+54.0% 

* Magistralny, 'on wagon', USD/m³

RusForest's sawnwood price dynamics



RusForest's sawlogs price dynamics



RusForest sawnwood markets

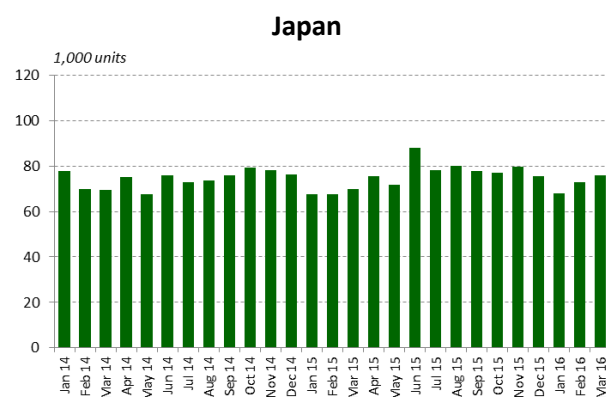
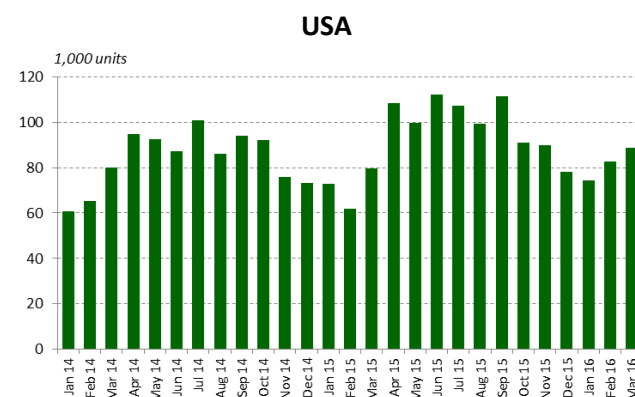
- Japan –In Q1 2016 housing starts in Japan increased by 5.5% compared with Q1 2015 to 216,390 units. Also sawnwood prices at the beginning of the year remained stable. In Q1 2016 Japan imported 1.5 million m³ of sawnwood (+12%). Japan increased imported volumes both from Europe (+33%) and Russia (+12%), but decreased from Canada (-4%).
- MENA –Difficult situation on the pine market in Egypt in the Q4 2015 has eased a little since February 2016, but prices remained low.
- China – In Q1 2016 market situation on the Chinese sawnwood has improved slightly. In Q1 2016 China imported 4.35 million m³ of softwood lumber (+21% compared to 2015). Deliveries from Russia increased by 32% to 2.16 million m³. New residential buildings in China in Q1 2016 amounted 193 million m² (+14.8% compared with Q1 2015). Sales of residential buildings increased by 36% compared to 2015.
- Europe – In Q1 2016 demand was still sluggish on the majority of European markets. Owing to the surplus supply, no significant price increases for pine sawnwood were registered. At the same time situation on the larch market to the end of Q1 has improved. Lack of supply pushed prices for larch sawnwood slightly up.
- US – In Q1 2016 US imported 10.5 million m³ of softwood lumber (+44% compared to 2015). The softwood lumber agreement between Canada and the United States ended in October 2015 and a new agreement has not yet been signed. Sawnwood from Canada are now exported without duties.

Our short-term outlook for Q2 2016 remains cautiously optimistic. A further increase in residential building activity on our main markets is expected to generate a corresponding rise in consumption.

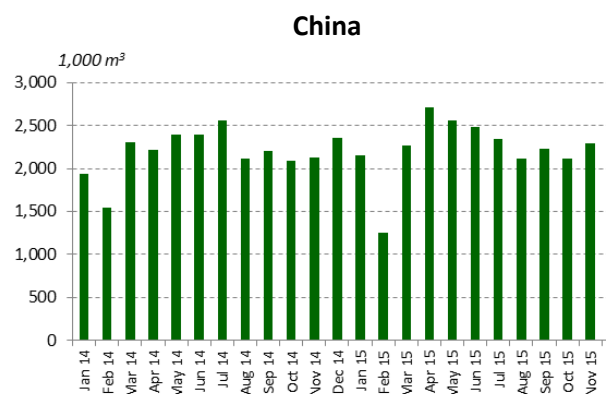
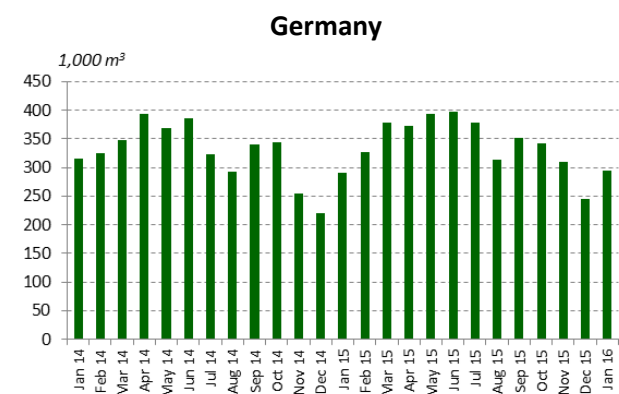
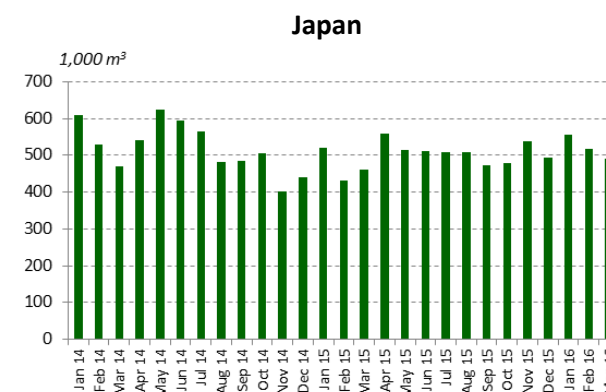
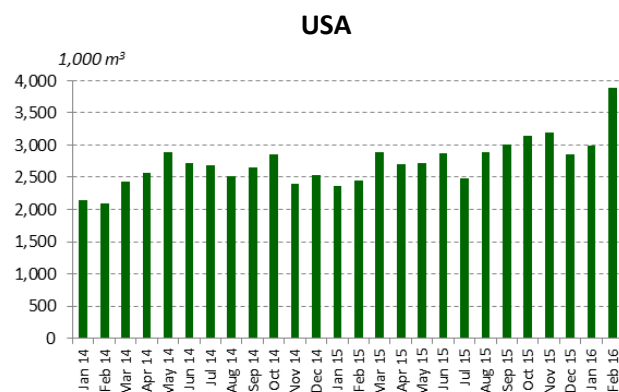
We expect Japanese sawnwood market will remain stable in Q2 2016 with volumes and prices more or less on par with last year's level or even slightly higher.

Log inventories at Chinese ports at the end of Q1 were 3.3 million m³, 30% lower compared with Q1 2015, which more likely will boost the demand for sawlogs and support prices.

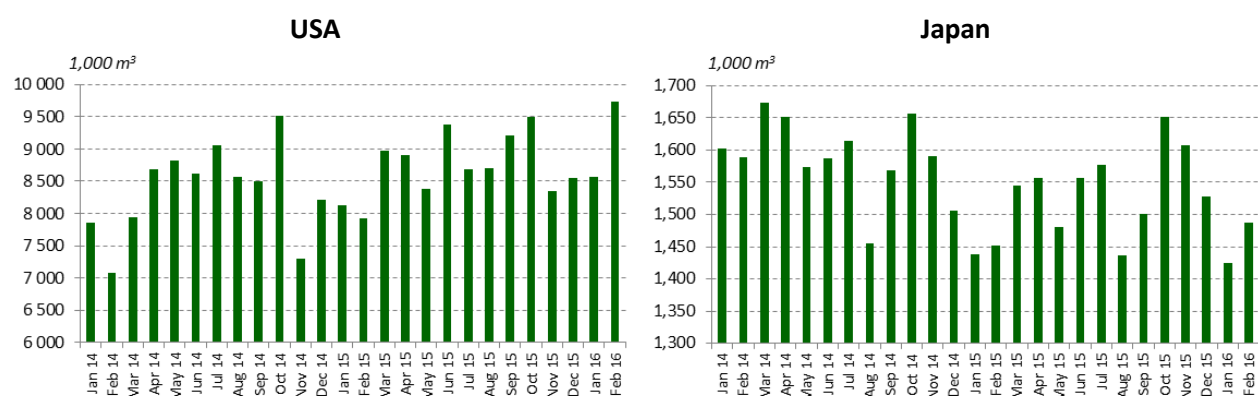
Construction - housing starts



Imports



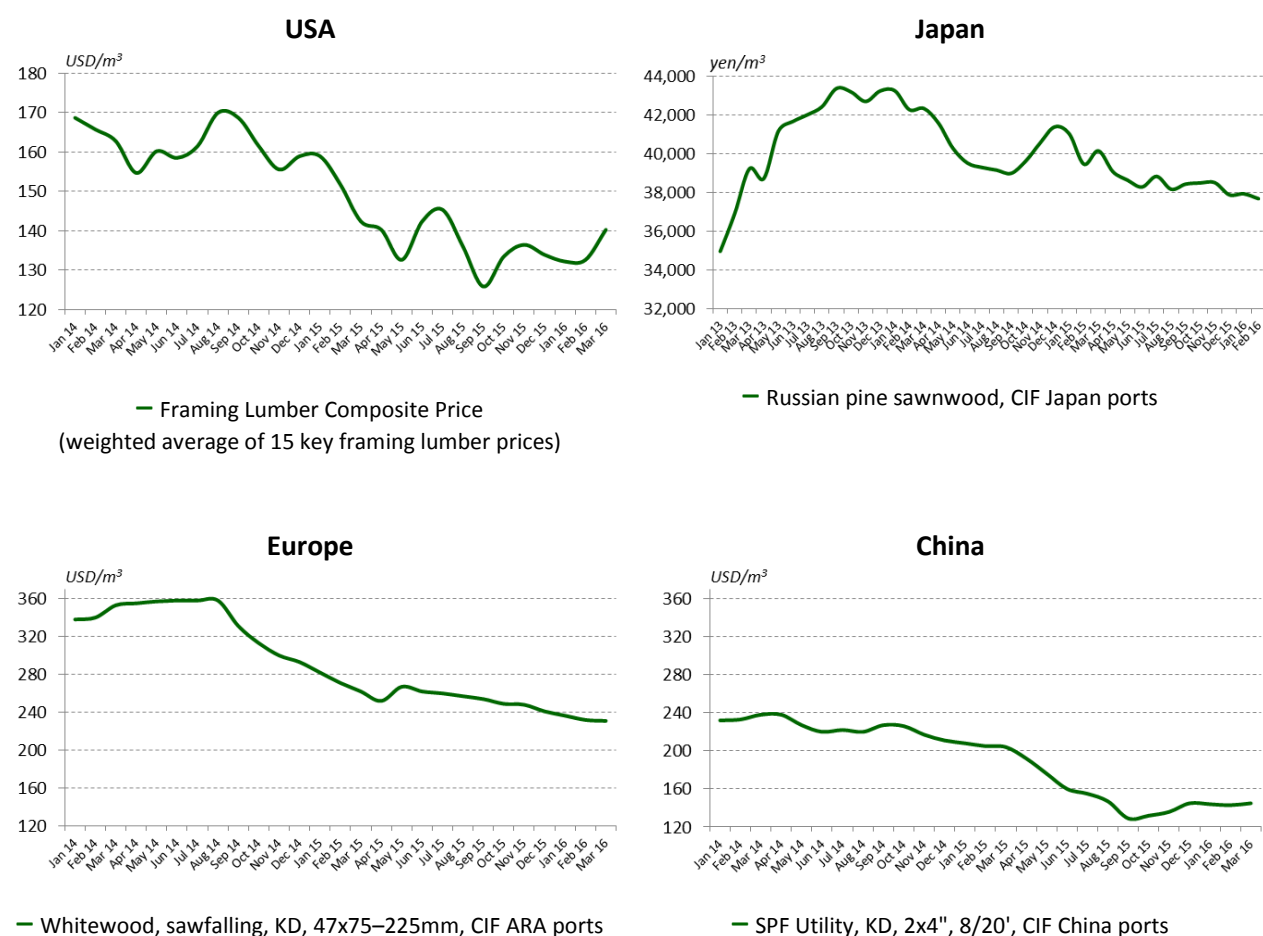
Consumption



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

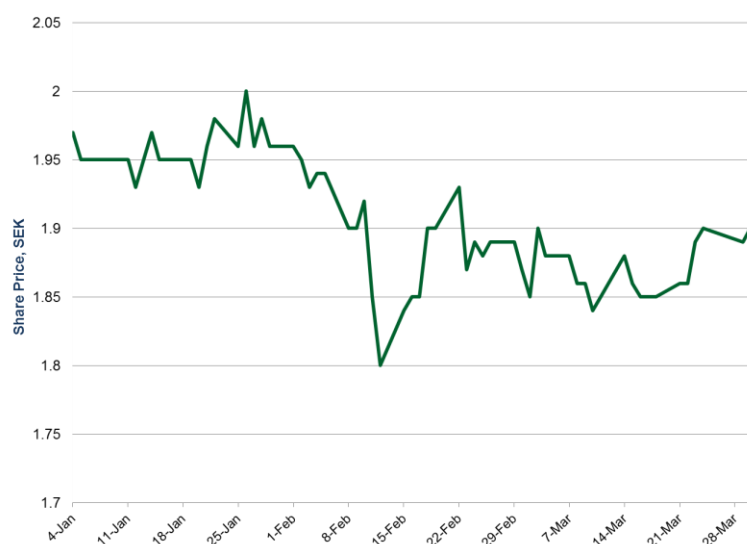
The Share

The RusForest AB shares are listed on NASDAQ First North Stockholm. At the close of the period, the share price was SEK 1.90 (0.23 USD) and the Company's market capitalisation was approximately SEK 251 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. During Q1 2016 the Company synthetically repurchased 269,439 shares.

Summary shareholder information			
Official listing:	NASDAQ First North		
Outstanding shares:	132,033,881		
Round lot:	1		
Sector:	Basic Resources		
ISIN:	SE0001732728		
Short name:	RUSF		
Reuters:	RUSF.ST		
Bloomberg:	RUSF:SS		
3 months 2016 share data averages			
Daily Turnover (SEK)	No of Traded Shares	No of daily trades	
164,840	140,221	24	
Synthetically repurchased shares			
Date	Synthetically repurchased shares	Average price	% of outstanding shares
31 Mar 2016	1,256,409	2.00	0.95%

Shareholder	No. of shares	Share %
Nova Capital	33,500,000	25.4%
Merrill Lynch International	18,921,588	14.3%
Avanza Pension	11,433,400	8.7%
Nordnet Pensionsförsäkring	3,232,673	2.4%
Swedbank AS	3,121,680	2.4%
Credit Suisse Sec. Europe LTD	3,015,175	2.3%
Jesihemma Limited	2,505,200	1.9%
Morgan Stanley And co Llc	2,484,161	1.9%
Alexander Rudik	2,122,287	1.6%
Jeffrey Adams Secrest Revokable Trus	1,930,846	1.5%
Banque Carnegie Luxembourg	1,405,020	1.1%
Berner-Eyde Benedict	1,169,342	0.9%
UBS Switzerland Client Acc	981,595	0.7%
Lars Sjögren	925,000	0.7%
Miura Holdings Ltd	818,461	0.6%
Other	44,467,453	33.7%
Total	132,033,881	100%

RusForest share price performance in Q1 2016



Source: NASDAQ OMX First North Stockholm

RusForest share			
Price SEK/share 31 Mar 2016	Change 1 Month	Change 3 months	52 week high
1.90	0.5%	-3.6%	2.48
	Change 6 Months	Change 1 year	52 week low
	-9.1%	6.7%	1.6



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 2015 annual report. The risks are indirectly the same for the parent company as for the Group.

Condensed Consolidated Income Statement

In thousands of USD	Q1 2016	Q1 2015	12M 2015
Continuing operations			
Revenue	7,340	5,613	21,997
Cost of sales	(3,277)	(2,701)	(11,654)
Gross profit	4,063	2,912	10,343
Other income	610	116	250
Distribution expenses	(955)	(811)	(3,738)
Administrative expenditure	(1,501)	(915)	(5,175)
Other expenses	(57)	(81)	(220)
Operating profit/(loss)	2,160	1,221	1,460
Exchange gain/loss	(679)	531	2,372
Financing income	18	34	202
Financing cost	(38)	(23)	(163)
Net financing income/(cost)	(699)	542	2,411
Profit/(loss) before tax from continuing operations	1,461	1,763	3,871
<i>Income tax</i>	(216)	(30)	(284)
Profit/(loss) from continuing operations	1,245	1,733	3,587
Discontinued operations			
Loss after tax from discontinued operations	-	-	(377)
Profit/(loss) for the period	1,245	1,733	3,210
Attributable to:			
Equity holders of the parent	1,232	1,704	3,238
Non-controlling interests	13	29	(28)
Profit/(loss) for the period	1,245	1,733	3,210
Profit/(loss) per share, basic and diluted, in USD	0.01	0.01	0.02

Condensed Consolidated Statement of Comprehensive Income

In thousands of USD	Q1 2016	Q1 2015	12M 2015
Profit/(loss) for the period	1,245	1,733	3,210
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation difference	(2,249)	(1,144)	(7,800)
Other comprehensive income/(loss) for the period	(2,249)	(1,144)	(7,800)
Total comprehensive income/(loss) for the period	(1,004)	589	(4,590)
Attributable to:			
Equity holders of the parent	(1,011)	554	(4,580)
Non-controlling interests	7	35	(10)
Total comprehensive income/(loss) for the period	(1,004)	589	(4,590)

In thousands of USD	Q1 2016	Q1 2015	12M 2015
Profit/(loss) from continuing operations	1,245	1,733	3,587
Attributable to:			
Equity holders of the parent	1,232	1,704	3,615
Non-controlling interests	13	29	(28)
Loss from discontinued operations	-	-	(377)
Attributable to:			
Equity holders of the parent	-	-	(377)
Non-controlling interests	0	0	0

Per Share Data

Per Share Data USD	Q1 2016	Q1 2015	12M 2015
Basic and diluted earnings	0.01	0.01	0.02
Basic and diluted earnings from continuing operations	0.01	0.01	0.03
Shareholders' Equity (end of period)	0.23	0.25	0.20

Number of Shares	Q1 2016	Q1 2015	12M 2015
Beginning of period	132,033,881	132,033,881	132,033,881
End of Period	132,033,881	132,033,881	132,033,881
Average number of shares	132,033,881	132,033,881	132,033,881

USD for 1 unit of foreign currency	RUB
March 31, 2015	0.017
June 30, 2015	0.018
September 30, 2015	0.015
December 31, 2015	0.014
March 31, 2016	0.015

source: www.cbr.ru

Condensed Consolidated Statement of Financial Position

In thousands of USD	31 Mar 2016	31 Dec 2015
Assets		
Non-current assets		
Property, plant and equipment	17,849	16,152
Intangible assets	47	49
Deferred tax asset	4	5
Total non-current assets	17,900	16,206
Current assets		
Inventory	2,623	2,134
Receivable from assets sale	-	-
Advance for purchase of non-controlling interest in subsidiaries	370	343
VAT refundable	2,423	2,278
Trade and other receivables	1,714	1,483
Current tax assets	9	24
Loans receivable	11	12
Cash and cash equivalents*	10,854	8,404
Total current assets	18,004	14,678
Total assets	35,904	30,884
EQUITY		
Equity and reserves		
Share capital	20,683	20,683
Other paid in capital	358,448	358,448
Reserves	49	44
Translation reserve	(50,995)	(53,244)
Accumulated loss	(298,929)	(302,139)
Profit/(loss) for the period	1,232	3,238
Total equity attributable to Shareholders of the Group	30,488	27,030
Non-controlling interest	(73)	(80)
Total Equity	30,415	26,950
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	136	133
Deferred tax liability	5	5
Total non-current liabilities	141	138
Current liabilities		
Call option	16	5
Interest-bearing loans and borrowings	-	-
Trade and other payables	4,434	3,041
Current tax liabilities	173	76
Provisions	725	674
Total current liabilities	5,348	3,796
Total liabilities	5,489	3,934
Total equity and liabilities	35,904	30,884

* including restricted cash balances in the amount of USD 0.3 million, connected with the Synthetic buyback program.

Condensed Consolidated Statement of Cash Flows

In thousands of USD	Q1 2016	Q1 2015	12M 2015
Profit/(loss) for the period	1,245	1,733	3,210
Adjustment for non-cash items	1,142	268	2,201
Paid income tax	(117)	(12)	(233)
Cash flow from operating activities before changes in working capital	2,270	1,989	5,178
Cash flow changes in working capital	815	(239)	(760)
Cash flow from operating activities	3,085	1,750	4,418
Investment in equipment	(1,453)	(1,189)	(10,483)
Proceeds from sales of equipment	20	121	403
VAT refund on capital investments	-	-	6
Acquisition of shares in subsidiaries (less cash balances	-	7	8
Proceeds from the sale of subsidiaries	-	1,000	5,862
Proceeds from sale of intangible assets	681	-	-
Costs related to the sale of subsidiaries	-	(330)	(330)
Repayment of the loans by third parties	-	7	25
Interest received	18	30	107
Cash flow from investing activities	(734)	(353)	(4,402)
Acquisition of non-controlling interest in subsidiaries	-	(399)	(699)
Increase/(decrease) in loans payable	-	(4)	(231)
Interest paid	-	(1)	(1)
Cash flow from financing activities	-	(404)	(931)
Cash flow during the period	2,351	993	(915)
including continuing operations	2,350	993	(915)
Cash and cash equivalents, beginning of period	8,404	9,987	9,987
including continuing operations	8,404	9,987	9,987
Exchange-rate differences on cash balance	99	(228)	(668)
Cash and cash equivalents, period end	10,854	10,752	8,404

In thousands of USD	Q1 2016	Q1 2015	12M 2015
Adjustment for non-cash items			
Depreciation of property, plant and equipment	799	743	3,184
Amortization of intangible assets	8	6	17
Income tax	216	30	284
Exchange gain/loss	679	(531)	(2,372)
Finance income	(18)	(34)	(202)
Finance expense	38	23	163
Net loss on disposal of property, plant and equipment	-	(92)	(84)
Net income/loss on disposal of intangible assets	(577)	-	20
Bad debts	-	7	127
Forest restoration provision	-	116	769
Other comprehensive (profit)/loss from assets held for sale	-	-	377
Other non-cash items	(3)	-	(82)
Total	1,142	268	2,201

Condensed Consolidated Statement of Changes in Equity

1 January 2016 – 31 March 2016

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	44	(53,244)	(298,901)	(80)	26,950
Profit/(loss) for the period					1,232	13	1,245
Other comprehensive income/(loss)				2,249		(6)	2,243
Total comprehensive income/(loss)	-	-	-	2,249	1,232	7	3,488
Acquired non-controlling interest in subsidiaries						(28)	(28)
Employee stock options			5				5
Shareholders' equity at end of period	20,683	358,448	49	(50,995)	(297,697)	(73)	30,415

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

1 January 2015 – 31 March 2015

In thousands of USD	Attributable to the equity holders of the parents					Non-controlling interest	Total
	Share capital	Other paid in capital	Reserves	Translation reserve	Accumulated loss		
Opening shareholders' equity	20,683	358,448	24	(45,426)	(301,803)	(106)	31,820
Profit/(loss) for the period					1,704	29	1,733
Other comprehensive income/(loss)				(1,150)		6	(1,144)
Total comprehensive income/(loss)	-	-	-	(1,150)	1,704	35	589
Employee stock options			5				5
Shareholders' equity at end of period	20,683	358,448	29	(46,576)	(300,099)	(71)	32,414

1 January 2015 – 31 December 2015

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	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

Parent Company Income Statement

In thousands of SEK	Q1 2016	Q1 2015	12M 2015
Administrative expenditure	(4,884)	(2,187)	(12,709)
Operating loss	(4,884)	(2,187)	(12,709)
Exchange gain/loss	719	(332)	(43,626)
Financing income	464	498	3,512
Financing cost	(111)	(263)	(421)
Reversal of bad debt provision	-	78,770	231,813
Impairment of investments and forgiveness of receivables from subsidiaries	-	-	(103,029)
Net financing income/(cost)	(3,812)	78,673	88,249
Profit/(loss) for the period	(3,812)	76,486	75,540

In 2015 as part of 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 were 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.

Parent Company Balance Sheet

In thousands of SEK	31 Mar 2016	31 Dec 2015
Assets		
Non-current assets		
Property, plant and equipment	35	40
Investments in subsidiaries	218,158	218,158
Total non-current assets	218,193	218,198
Current assets		
VAT refundable	307	96
Receivables from subsidiaries	2,634	2,547
Trade and other receivable	587	843
Loans receivable from subsidiaries	43,631	33,119
Other financial assets	2,550	2,000
Cash and cash equivalents	22,590	36,377
Total current assets	72,299	74,982
Total assets	290,492	293,180
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	(889,851)	(886,039)
Total equity	279,694	283,506
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	1,108	1,108
Loans payable to Group companies	1,734	1,714
Total non current liabilities	2,841	2,822
Current liabilities		
Payables to Group companies	6,462	4,205
Trade and other payables	1,495	2,647
Total current liabilities	7,957	6,852
Total equity and liabilities	290,492	293,180

Notes to the Financial Statements

Note 1. Cost of sales

In thousands of USD	Q1 2016	Q1 2015
Personnel costs	1,264	789
Purchased sawlogs	9	-
Depreciation of property, plant and equipment	768	681
Amortization of intangible assets	6	2
Materials	75	60
Energy and fuel	661	503
Repairs and maintenance	289	244
Transportation services	73	149
Forest lease	102	112
Other	30	161
Total	3,277	2,701

Note 2. Distribution expenses

In thousands of USD	Q1 2016	Q1 2015
Personnel costs	131	140
Railway costs	720	570
Other	104	101
Total	955	811

Note 3. Administrative expenditure

In thousands of USD	Q1 2016	Q1 2015
Personnel costs	1,035	636
Audit	28	31
Property tax	43	46
Consulting fees	216	61
Other	179	141
Total	1,501	915

Note 4. Segment information

The Group's Parent Company has its head office in Stockholm, Sweden. All of the Group's operating companies are located in the Russian Federation.

Operational segments, results for three months ended 31 March 2016

In thousands of USD	External revenue					Impairment loss	Profit/(loss) before tax
	Sawnwood	Sawlogs	Pellets	Other	Total		
Ust-Ilimsk	-	935	-	620	1,554	-	419
Magistralny	4,197	857	676	55	5,785	-	1,660
Unallocated	-	-	-	-	-	-	(619)
Total from continuing operations	4,197	1,792	676	674	7,340	-	1,460
Total	4,197	1,792	676	674	7,340	-	1,460

Operational segments, results for three months ended 31 March 2015

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

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

Consolidated statement of comprehensive income, discontinued operations

In thousands of USD	3M 2016	12M 2015
Discontinued operations		
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Remeasurement of receivable from asset sale	-	(377)
Operating loss	-	(377)
Net financing income/(cost)	-	-
Loss before tax from discontinued operations	-	(377)
Income tax	-	-
Loss after tax from discontinued operations	-	(377)

There was no cash flow affect from discontinued operations in Q1 2016 or 2015.

Note 6. Related party transactions

	Q1 2016 USD thousand	12M 2015 USD thousand
Lesresurs LLC		
Management services provided by RMG LLC	155	458
Sales of goods and other services	576	65
Purchase of goods and services	5	339
Rent expenses	1	3
Accounts receivable	120	7
Accounts payable	0	51


The Group company - RusForest Management Group ("RMG LLC") is a management service company employing certain specialists. RMG LLC provides management services internally but also 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. In addition the Ust-Ilimsk business unit has had sales of sawlogs to LesResurs LLC which constitute the largest related party transactions.

Note 7. Commitments

As at 31 March 2016 RusForest had no material capital commitments.

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.



Financial Calendar

Interim report Jan – Jun 2016

30 August 2016

Interim report Jan – Sep 2016

29 November 2016

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

Stockholm, 31 May 2016

RusForest AB (publ.)
The Board of Directors

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