

## Interim Report 1 January – 30 September 2016

USDm	Third quarter		Nine months	
	2016	2015	2016	2015
Revenue	6.4	5.1	19.6	15.6
EBITDA	1.7	0.7	7.7	3.0
Operating profit	1.0	(0.0)	5.1	0.5
Profit/(Loss) for the period	1.3	1.6	3.9	1.8
Net profit/(loss) per share (USD per share)	0.01	0.01	0.03	0.01

<b>Production &amp; sales</b>				
Logs harvested, m <sup>3</sup>	109,618	68,100	262,509	172,108
Sawnwood produced, m <sup>3</sup>	23,356	22,912	64,215	63,157
Pellets produced	8,387	-	21,270	-
Sawlogs sold, m <sup>3</sup>	35,657	18,514	109,052	46,400
Sawnwood sold, m <sup>3</sup>	19,844	21,007	62,150	61,870
Pellets sold	7,696	-	20,184	-

	30 Sep 2016	31 Dec 2015
Cash balance	14.1	8.4
Working capital*	1.5	2.5
Net debt**	(14.0)	(8.3)

### Highlights

#### Third quarter of 2016

- Revenue increased by 26% to USD 6.4 million in Q3 2016 compared with USD 5.1 million in Q3 2015.
- EBITDA of USD 1.7 million in Q3 2016, including income from non-core forest lease sales of USD 0.5 million, compared with USD 0.7 million in Q3 2015. EBITDA margin of 26% in Q3 2016 compared with 13% in Q3 2015.
- Profit for the period of USD 1.3 million in Q3 2016, compared with a profit of USD 1.6 million in Q3 2015.
- Sawnwood production in Magistralny increased by 2% to 23,356 m<sup>3</sup> of sawnwood, compared with 22,912 m<sup>3</sup> in Q3 2015.
- In Q3 2016 RusForest concluded a sale for 39,885 hectares and annual allowable cut of 53,400 m<sup>3</sup>, in the Ust-Ilimsk production unit. The sale resulted in a USD 451 thousand profit, recognised as other income in Q3 2016.

#### After the end of the reporting period

- On 24 October 2016, Dimesilia Holdings Ltd ("Dimesilia" or the "Offeror") announced an unsolicited public offer to the shareholders in RusForest to transfer all of their shares in RusForest to Dimesilia at a price of SEK 2.12 in cash per share. As of the end of the acceptance period on 21 November 2016 Dimesilia was effectively the owner of 84.8% of the outstanding shares of RusForest AB.
- In November the Company concluded the buyout of the remaining minority shareholder in one of its Ust-Ilimsk subsidiaries which started in 2015, however, the Company will spend additionally RUB 25 million or approximately USD 389 thousand, at current RUB/USD rate, to what is already recorded as advance for purchase of non-controlling interest in subsidiary to conclude the transaction.

\*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

RusForest has a new majority shareholder in Dimesilia Holdings Ltd, which as at 21 November 2016 holds 84.8% of RusForest outstanding shares, out of which it acquired 69.2% as part of an unsolicited public offer to the shareholders in RusForest which was announced on 24 October 2016 and effectively ended on 21 November 2016. The previous majority shareholder of Nova Capital sold all its shares as part of the Offer.

As previously reported, the increased volumes of sawlogs from Ust-Ilimsk and wood pellets from Magistralny contributed to increased revenue and gross profit in Q3 2016, compared with Q3 2015. The Company also experienced higher average sawnwood and sawlog prices in Q3 2016 than in the previous quarter and compared with Q3 2015. Our short-term outlook assumes a mostly unchanged market situation in Q4 compared with Q3 2016.

The financial result in Q3 2016 and especially for nine months 2016 significantly benefitted from non-recurring income related to the sale of non-core forest leases, for nine months 2016 the non-recurring income from such sales amounted to USD 3.0 million while the Russian rouble continues to strengthen and gave rise to foreign exchange losses in Q3 2016 and for nine months 2016. Q3 2016 profit also benefitted from a USD 0.5 million positive income tax item following an updated and less conservative approach for the recognition of previous deferred tax assets on losses, given the group Companies now stable profitability.

Operationally, both harvesting and sawmilling volumes increased in the Magistralny unit in Q3 2016, compared with the same period last year. Harvesting in Ust-Ilimsk developed well and a second harvesting complex was launched in Ust-Ilimsk in August. By the end of autumn 2016 we expect to reach full harvesting capacity in accordance with the business-plan. The pellet mill in Magistralny increased output in Q3 2016 compared with the previous quarter.

The wood pellet spot price has continued to fall in Q3 2016 and although RusForest has been selling on a fixed annual contract, the current weak market will have an impact on the sales-contract for 2017. The contract will be based on a formula with some flexibility but is likely nonetheless to be some 15% lower than in 2016. However, higher expected output pellet volumes in 2017 will mitigate some of the price drop.

Optimization of the Company's corporate structure continued in Q3 2016 with the previously reported sale of 53,400 m<sup>3</sup> of non-core forest lease AAC in Ust-Ilimsk. Merger-consolidation of the Group's Russian legal entities continued and in late November the Company concluded the buyout of the remaining minority shareholder in one of its Ust-Ilimsk subsidiaries which started in 2015, however, the Company spent additionally RUB 25 million or USD 389 thousand to what was already recorded as advance for purchase of non-controlling interest in subsidiary to conclude the transaction. RusForest now has no minority shareholders in any of its Group companies.

The Company continues to evaluate options for a necessary modernisation of the Magistralny sawline.

Sincerely,

Anton Bogdanov

CEO RusForest Management Company

# Operational Review

## RusForest operational data

Forest resources continuing operations		As at 30 September 2016	As at 30 September 2015
Annual Allowable Cut (AAC)	$m^3$	1,063,860	1,703,660
Forest area	Hectares	716,987	1,194,282

In Q3 2016 RusForest sold non-core forest lease areas with total AAC of 53,400  $m^3$ , belonging to Ust-Ilimsk unit.

Continuing operations	Three months ended			Nine months ended		
	30 Sep 2016	30 Sep 2015	% Q3'16 vs Q3'15	30 Sep 2016	30 Sep 2015	% 9M'16 vs 9M'15

### Production

Logs harvested	$m^3$	109,618	68,100	61%	262,509	172,108	53%
Ust-Ilimsk	$m^3$	31,224	-	-	84,653	-	-
Magistralny	$m^3$	78,394	68,100	15%	177,856	172,108	3%
Sawnwood production	$m^3$	23,356	22,912	2%	64,215	63,157	2%
incl. Japanese specification	$m^3$	9,812	8,903	10%	25,107	24,029	4%
Pellet production	t	8,387	-	-	21,270	-	-

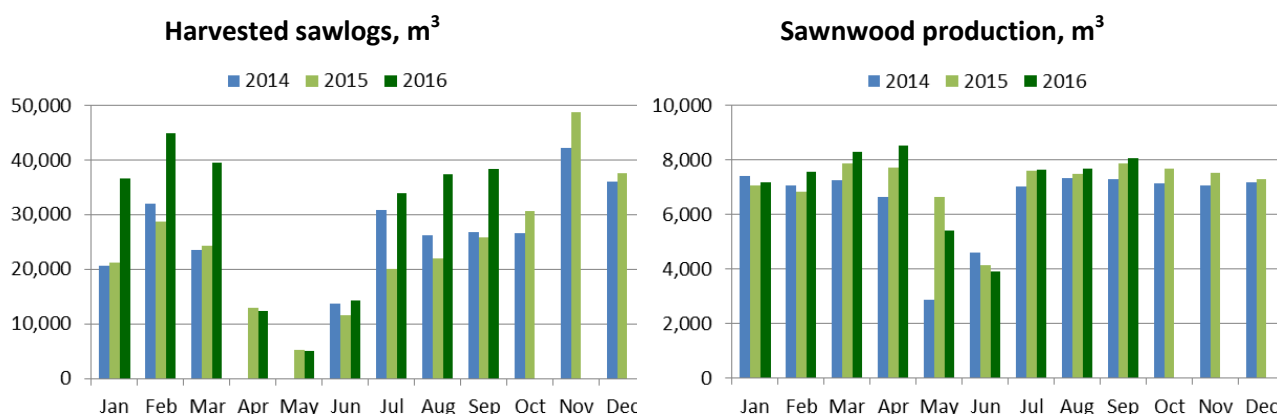
### Sales volumes

Sawlogs sold	$m^3$	35,657	18,514	93%	109,052	46,400	135%
Ust-Ilimsk	$m^3$	14,426	-	-	60,117	-	-
Magistralny	$m^3$	21,231	18,514	15%	48,935	46,400	5%
Sawnwood sold	$m^3$	19,844	21,007	-6%	62,150	61,870	0%
Pellet sold	t	7,696	-	-	20,184	-	-

In Q3 2016, RusForest harvested 109,618  $m^3$  of logs, compared with 68,100  $m^3$  in Q3 2015 (+61%), which included 31,224  $m^3$  of own harvesting in Ust-Ilimsk. Harvesting operations in Magistralny increased by 15% in Q3 2016 to 78,394  $m^3$ . Harvested volumes in Magistralny for 9m 2016 increased by 3% compared with 9m 2015. The Company is planning to modernize part of the harvesting and hauling fleet in Magistralny in the short term to maintain and improve the level of harvesting.

In Q3 2016, RusForest produced 23,356  $m^3$  of sawnwood, compared with 22,912  $m^3$  in Q3 2015 (+2%). Sawmilling volumes for 9m 2016 also increased by 2% compared with 9m 2015. Magistralny sawmill is currently performing around its max capacity.

In Q3 2016, RusForest produced 8,387 tonnes of pellets. For 9m 2016 RusForest produced 21,270 tonnes of pellets.



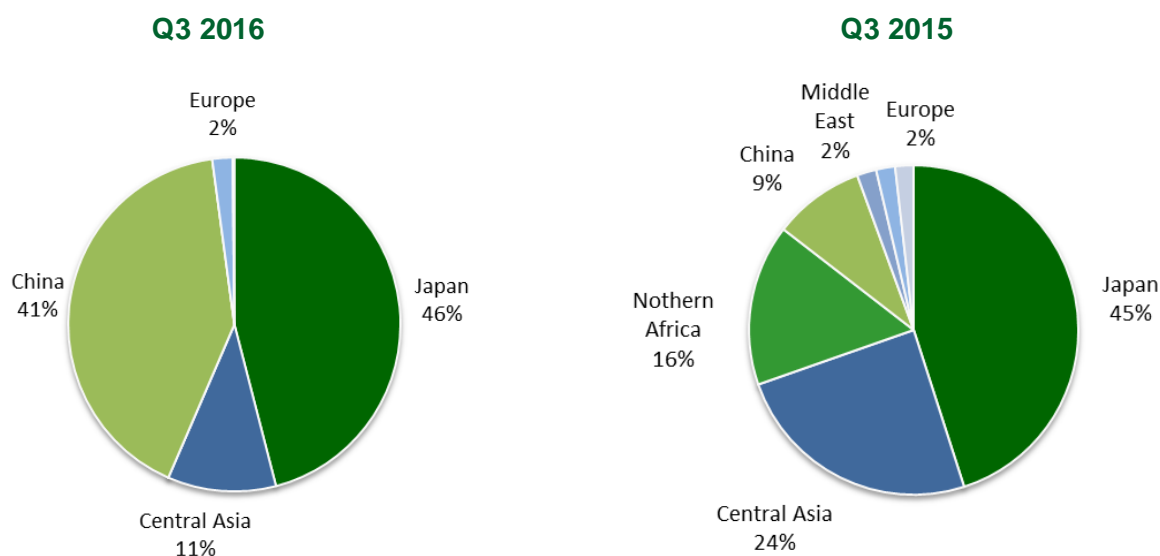
## RusForest's sales

In Q3 2016, RusForest sold 19,844 m<sup>3</sup> of sawnwood compared with 21,007 m<sup>3</sup> in Q3 2015 (-5%). Due to still difficult situation on the North African market there were no RusForest's sales in Q3 2016 here (compared with 3,328 m<sup>3</sup> in Q3 2015). Also the share of low-priced Central Asian market decreased from 24% in Q3 2015 to 11% in Q3 2016. Volumes from these two markets were partly redirected to China, where prices also have recovered some recently. The share of Chinese market in total sales increased from 9% in Q3 2015 to 41% in Q3 2016. The share of Japanese market in total sales remained stable - 46% in Q3 2016 compared with 45% in Q3 2015.

In Q3 2016, RusForest sold 21,231 m<sup>3</sup> of sawlogs from Magistralny compared with 18,514 m<sup>3</sup> in Q3 2015 (+15%). In Q3 2016 RusForest also delivered 14,287 m<sup>3</sup> of sawlogs from own harvesting in Ust-Ilimsk to local market. In September there were first export sales of sawlogs from Ust-Ilimsk to Chinese market (139 m<sup>3</sup>).

A total of 7,696 tonnes of wood pellets were sold from Magistralny in Q3 2016.

### RusForest's sawnwood sales by region



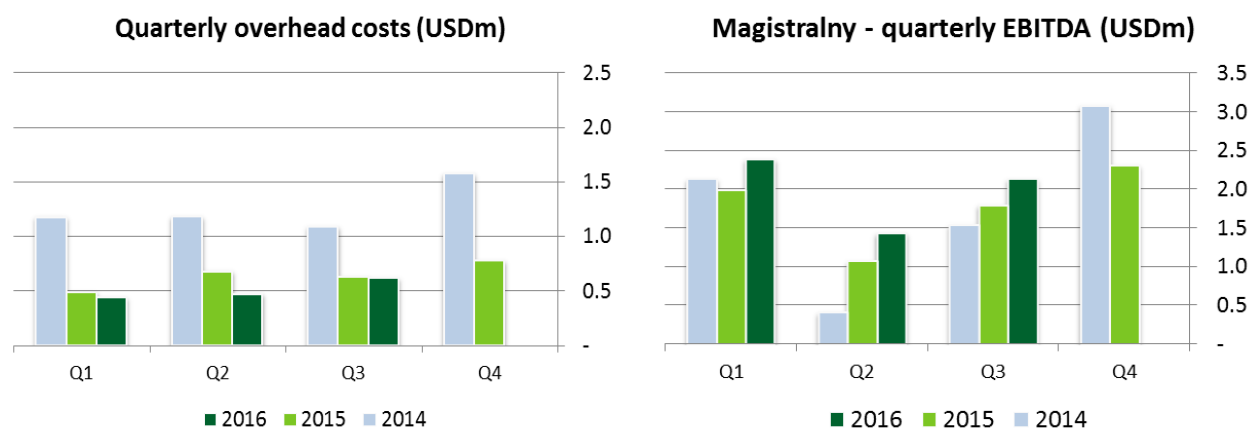
## Financial Review

### EBITDA development

in thousands of USD	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
<b>IFRS results</b>							
<b>Continuing operations</b>							
Revenue (gross, at ports)	6,424	5,838	7,340	6,399	5,053	4,932	5,613
Operating profit/(loss)	990	1,950	2,159	992	(14)	(739)	1,221
add back depreciation and amortization non-cash expense	748	1,045	807	713	694	1,045	749
<b>EBITDA unadjusted, continuing operations</b>	<b>1,738</b>	<b>2,995</b>	<b>2,966</b>	<b>1,705</b>	<b>680</b>	<b>306</b>	<b>1,970</b>
a. Doubtful receivables	354	1	-	5	(6)	121	7
b. Disposal of non-current assets	(443)	(2,015)	(577)	76	(54)	24	(92)
c. Non-recoverable income (Ust-Ilimsk)	-	-	-	-	-	-	-
d. Other items	-	(3)	(3)	(47)	(44)	(50)	47
Non-recurring items	(89)	(2,017)	(580)	34	(104)	95	(38)
<b>EBITDA adjusted, continuing operations</b>	<b>1,649</b>	<b>978</b>	<b>2,386</b>	<b>1,739</b>	<b>576</b>	<b>401</b>	<b>1,932</b>
Ust-Ilimsk	84	22	641	212	(585)	16	441
Magistralny	2,128	1,431	2,187	2,306	1,792	1,067	1,986
Unallocated	(562)	(476)	(443)	(779)	(631)	(682)	(495)
<b>EBITDA adjusted, by segments</b>	<b>1,649</b>	<b>978</b>	<b>2,386</b>	<b>1,739</b>	<b>576</b>	<b>401</b>	<b>1,932</b>

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved significantly year-on-year, and amounted to USD 1.7 million in Q3 2016 compared with USD 0.7 million in Q3 2015. The large improvement in EBITDA was influenced by the sale of non-core forest leases in the amount of USD 0.5 million. However, also adjusted for this non-recurring income the EBITDA result significantly improved year-on-year. Magistralny continued to deliver strong results, with an adjusted EBITDA of USD 2.1 million, compared with USD 1.8 million in Q3 2015, the new pellet factory positively contributed to the results. Ust-Ilimsk result improved significantly compared to the same period in 2015, due to the increased harvesting. Overhead costs in Q3 2016 were similar to Q3 2015.

EBITDA for nine months 2016 improved 158% compared with same period in 2015. Adjusted for the non-recurring income from forest lease sales EBITDA increased by 72%. In percentage of increase Ust-Ilimsk represented the biggest component in EBITDA for nine months 2016.



## Revenue

	Sales volume (m <sup>3</sup> /tonnes)			Revenue per m <sup>3</sup> /tonne (USD)			Revenue (USD thousand)					
	2016	2015	Δ%	2016	2015	Δ%	2016	2015	Δ%			
<b>Q3</b>	Sawnwood	19,844	21,007	-6%	Sawnwood	188	193	-3%	Sawnwood	3,722	4,045	-8%
	Sawlogs	35,657	18,514	93%	Sawlogs	50	41	23%	Sawlogs	1,776	750	137%
	Pellets	7,696	-	n/a	Pellets	84	-	n/a	Pellets	650	-	n/a
<b>9M</b>	Sawnwood	62,150	61,870	0.5%	Sawnwood	191	190	1%	Sawnwood	11,889	11,772	1%
	Sawlogs	109,052	46,400	135%	Sawlogs	43	51	-16%	Sawlogs	4,713	2,377	98%
	Pellets	20,184	-	n/a	Pellets	97	-	n/a	Pellets	1,954	-	n/a

Sales volumes of sawnwood decreased by 6% in Q3 2016 compared with Q3 2015 while sawlog volumes increased by as much as 93%. Sales volumes of sawlogs increased due to the new own harvesting operations in Ust-Ilimsk. The price for sawlogs recovered some in Q3 2016 compared to previous quarters. The average price for sawnwood on wagon for Magistralny in Q3 2016 increased by 9% to USD 184.6/m<sup>3</sup> compared with USD 169.3/m<sup>3</sup> in Q3 2015. Sawnwood revenue per cubic meter for Magistralny, as the average generated revenue across all types of contracts and sales terms per cubic meter decreased by 3% Q3 2016 compared with Q3 2015. Total revenue from sawnwood sales in Q3 2016 decreased compared with same period in 2015, while sawlog revenue significantly increased due to additional volumes from Ust-Ilimsk. Besides the significantly increased revenue from sawlog sales, the new pellet mill also contributed USD 650 thousand of revenue in the quarter, while sawnwood revenue decreased. Altogether, Group revenue for Q3 2016 increased by 27% compared with Q3 2015.

Nine months of 2016 shows a similar picture of significantly increased sawlog and pellets revenue, while revenue from sawnwood increased by just 1% which altogether resulted in a 26% increase in revenue for nine months of 2016.

## Other income

Other income increased significantly in Q3 2016 compared with Q3 2015, which is due to the sale of non-core forest lease areas of AAC of 53,400 m<sup>3</sup> belonging to the Ust-Ilimsk unit which generated income of USD 451 thousand in Q3 2016. For the first nine months of 2016 income from the sales of non-core forest leases of USD 3.0 million contributed to a total other income of USD 3.5 million.

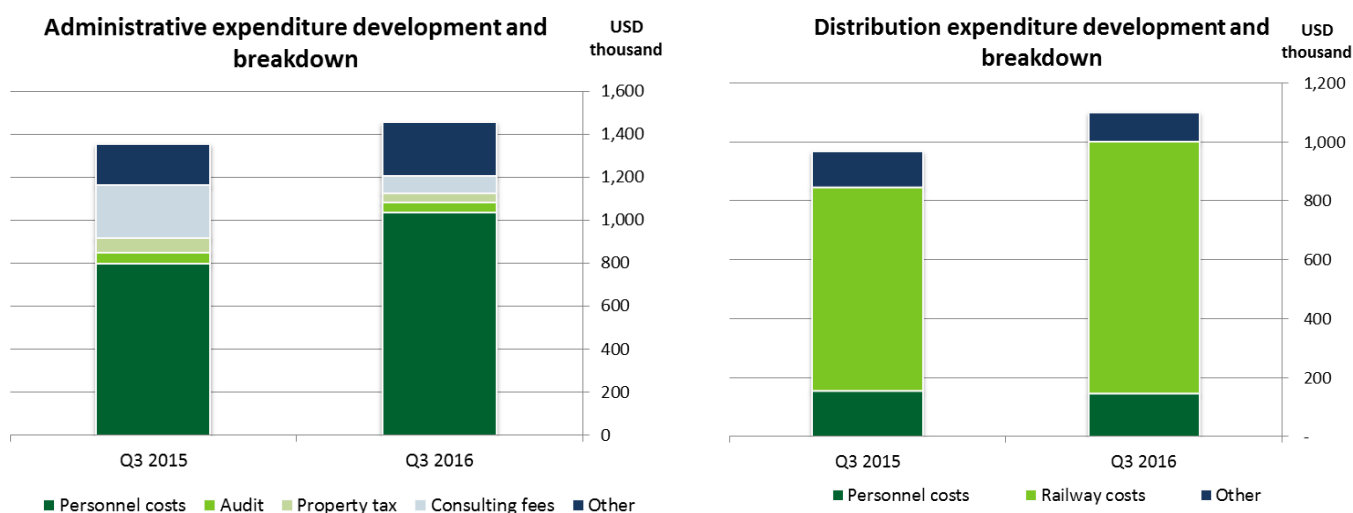
## Costs

In Q3 2016 the Company benefitted from a weak RUB on the cost side, the average USD-to-RUB rate in Q3 2016 was 64.6 compared with 63.0 in Q3 2015, a weakening of average quarterly RUB by 2% year-on-year. However, the RUB did strengthen by 2% in the third quarter of 2016 and 15% compared with beginning of the year. The most significant effect from a weaker RUB is in cost of sales.

The cost of sales increased by 15% to USD 3.3 million in Q3 2016, compared with USD 2.9 million in Q3 2015. The third quarter 2016 contained some increased third party purchases of sawlogs, personnel expenses also included quarterly reserve for the employee cash bonus system which were minimal in Q3 2015. As a result of recent sales of non-core forest leases certain forest restoration reserves connected with those land plots were reversed and therefore "other costs" in the table in Note 1 to the financial statements significantly decreased.

Distribution expenses increased by 14% to USD 1.1 million in Q3 2016, compared with USD 1.0 million in Q3 2015, the main reason being increased sales volumes of pellets and sawlogs and therefore increased delivery costs, such as railway.

Administrative expenses increased by 8% to USD 1.5 million in Q3 2016, compared with USD 1.4 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. Furthermore personnel expenses include reserve for RusForest's employee cash bonus system. For the first nine months of 2016 administrative expenses increased by 20% or USD 734 thousand, the majority of which constitute reserve for employee cash bonus system, such reserves were minimal in nine months 2015.



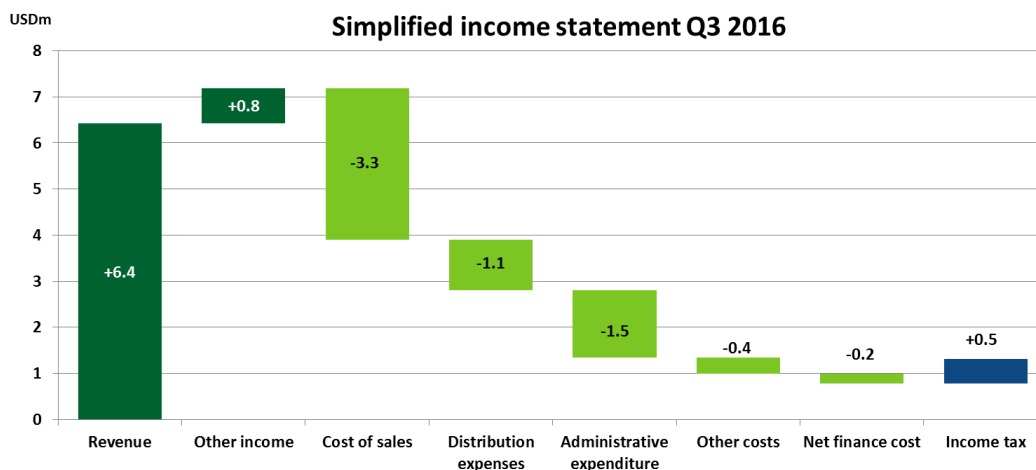
Other expenses increased in Q3 2016, to USD 353 thousand compared with USD 1 thousand in Q3 2015.

Q3 2016 showed a net finance cost USD 0.2 million, compared with a net finance income of USD 2.1 million in Q3 2015. The largest finance item was a USD 0.3 million foreign exchange loss, which however, in same period in 2015 was a USD 2.1 million foreign exchange gain. For the first nine months of 2016 the Company recorded a net finance cost of USD 1.4 million due to significant FX loss of USD 1.4 million. The foreign exchange losses are connected with the strengthening of the Russian Rouble in the first nine months of 2016.

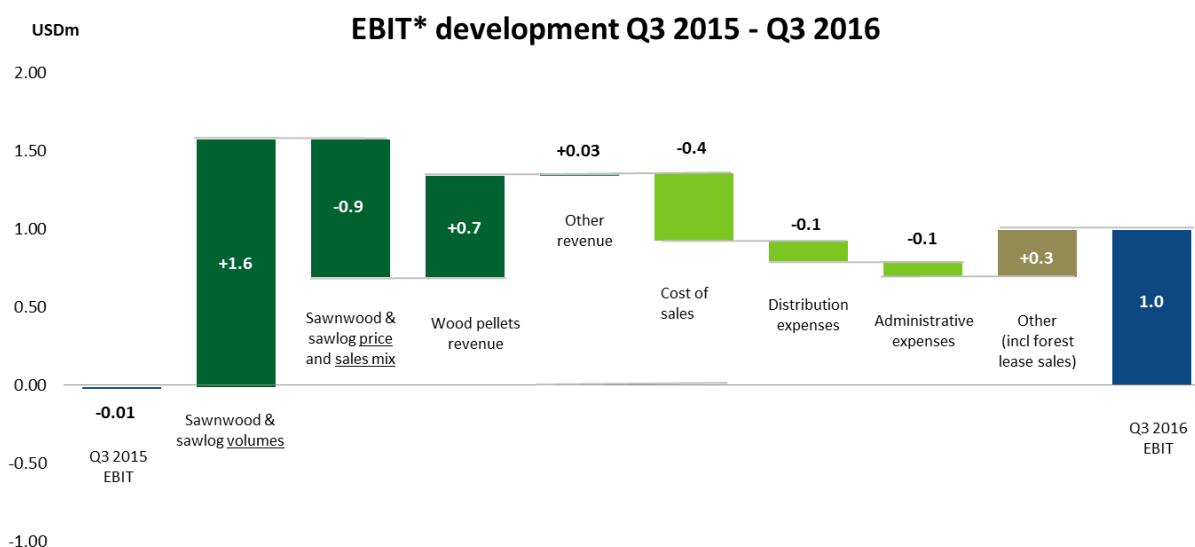
## Earnings

The Company achieved a gross profit of USD 3.1 million in Q3 2016, representing a 49% gross profit margin, compared with gross profit of USD 2.2 million and gross profit margin of 44% in Q3 2015. The operating profit was USD 1.0 million in Q3 2016, compared with a loss of USD 0.01 million in Q3 2015. Profit for the period in Q3 2016 amounted to USD 1.3 million, compared with a profit of USD 1.6 million in Q3 2015.

For the nine months of 2016 the profit amounted to USD 3.9 million compared with a profit for the period of USD 1.8 million in 2015. If adjusting for the non-recurring income from the sale of non-core forest leases, EBITDA and operating profit still increased for nine months of 2016 compared with 2015, while profit for the period decreased due to FX losses in 2016. Q3 2016 profit also benefited from a USD 0.5 million positive income tax item following an updated and less conservative approach for the recognition of previous deferred tax assets on losses, given the group Companies now stable profitability.



The chart below summarises positive/(negative) year-on-year changes in cost and revenue categories contributing to the positive development from an operating loss of USD 0.01 million in Q3 2015 to an operating profit of USD 1.0 million in Q3 2016. The year-on-year improvement is revenue driven, mainly derived from increased sales volumes of sawnwood, sawlogs and pellets, as well as income from non-core forest lease sales.



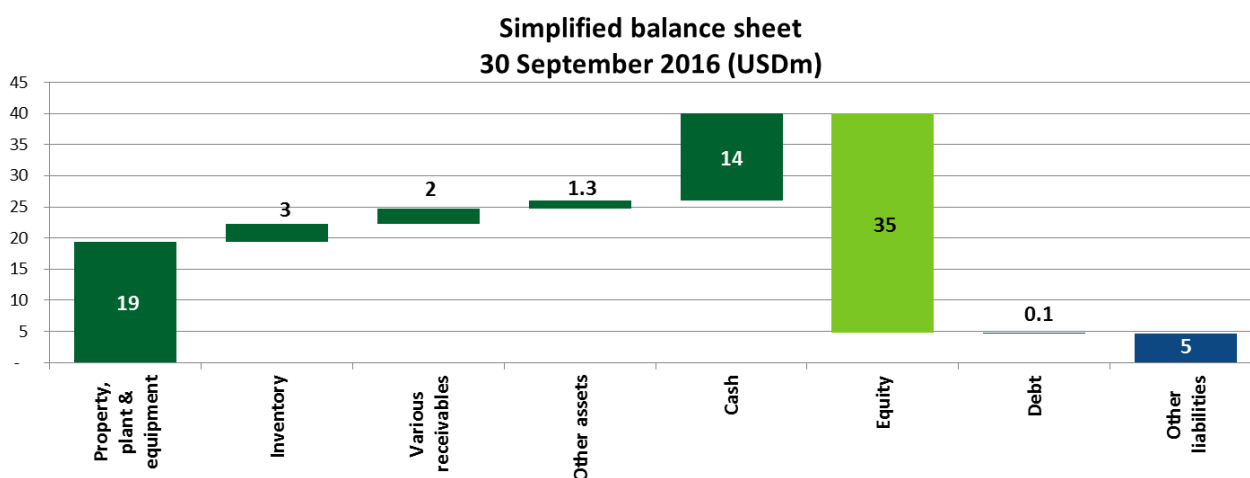
\*EBIT = Earnings before interest and taxes

## Balance Sheet and Cash Flow

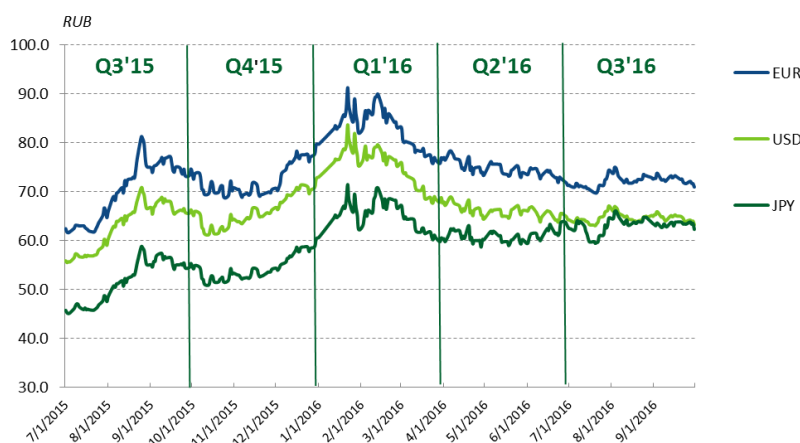
At 30 September 2016, the Company's total assets amounted to USD 40.1 million. Property, plant and equipment constituted the largest component of assets at USD 19.4 million. The balance sheet at 30 September 2016 still included an advance of USD 0.4 million for the purchase of non-controlling interest in subsidiaries, which is related to the buyout of minority interests in Ust-Ilimsk, which as reported was completed after the end of Q3 2016. In Q3 2016 RusForest as reported sold an intangible asset consisting of forest lease agreement in Ust-Ilimsk. The asset was recorded at 0 value on the balance sheet prior to sale so the affect was positive influence on the result and cash position. Working capital amounted to USD 1.5 million at 30 September 2016, compared with USD 2.5 million at 31 December 2015. The Company's cash and cash equivalents totalled USD 14.1 million at 30 September 2016, compared with USD 8.4 million at 31 December 2015.



Non-current loans and borrowings amounted to USD 0.1 million at 30 September 2016, same level as 31 December 2015. This debt comprises the remainder of the SEK bond, a zero-coupon bond maturing in 2018. The debt-to-equity ratio at the end of Q3 2016 was 0.01.

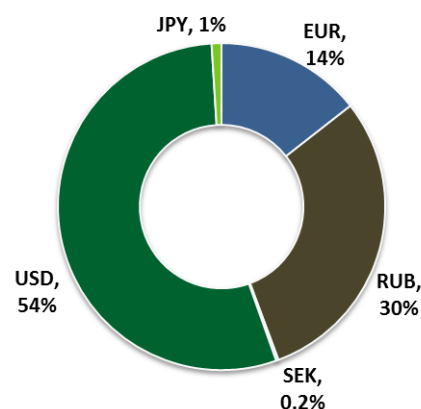


The values in USD of Russian assets and liabilities on the balance sheet are affected by the fluctuations in the RUB. At 30 September 2016, the RUB had appreciated by 15% against the USD compared with 31 December 2015.



Source: Russian Central Bank

**Cash balance breakdown  
30 September 2016**





At 30 September 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.

Cash flow from operating activities in Q3 2016 amounted to USD 1.9 million, compared with USD 1.3 million in Q3 2015. Investing activities in Q3 2016 summed up to a cash outflow of USD 0.5 million and the largest items were: investment in equipment of USD 1.0 million, mainly related to additional machinery for Ust-Ilimsk new harvesting operation and Magistralny boiler improvement and cash inflow of USD 0.5 million related to the sale of the non-core forest lease assets. Total cash flow in Q3 2016 was inflow of USD 1.5 million, compared with an outflow of USD 0.9 million in Q3 2015.

## Markets in Q3 2016

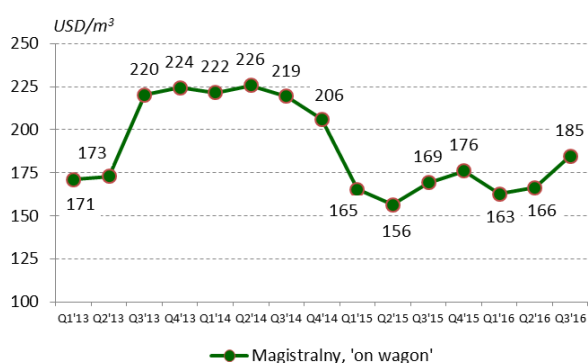
### Market trends

#### RusForest's prices

Product	Q3 2016	Q2 2016	Q3 2016 vs. Q2 2016
Sawnwood*	184.6	166.3	+11.0% 
Sawlogs*	52.6	47.4	+11.2% 

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

#### RusForest's sawnwood price dynamics



#### RusForest's sawlogs price dynamics



### RusForest sawnwood markets

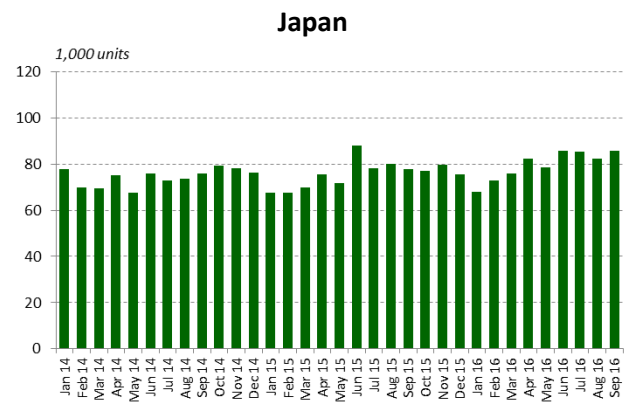
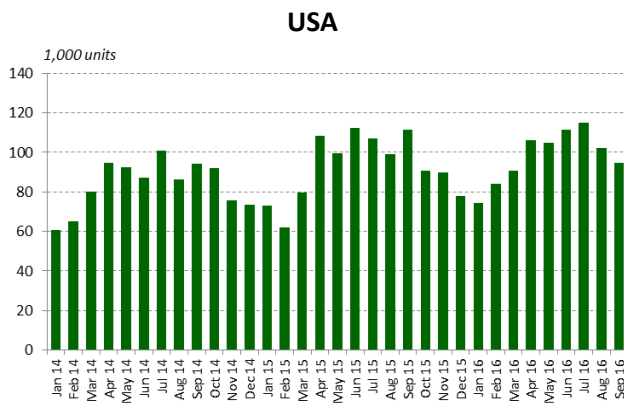
- Japan – In Q3 2016 housing starts in Japan increased by 7.1% compared with Q3 2015 (and by 5.8% in 9m 2016 compared with 9m 2015). At the same time sawnwood prices on Japanese market in Q3 2016 declined against the large supply volumes.
- MENA – demand on the Egyptian sawnwood market in Q3 2016 remained weak. Imported volumes decreased by 20% compared with Q3 2015 and deliveries from Russia decreased by 30%. Sawnwood prices remained extremely low.
- China – In Q3 2016 China continued to increase sawnwood imports. During 9m 2016 China imported 15.8 million m<sup>3</sup> of softwood sawnwood (+21% compared to 2015). Deliveries from Russia increased by 42% to 8.7 million m<sup>3</sup>. Also sawnwood prices during Q3 2016 were increasing. At the same time, by the end of Q3 2016 there was marked a slowdown in new residential building in China that can have a negative impact on the demand for sawnwood.
- Europe – new orders in European housing construction were increasing in Q3 2016. The construction confidence indicator was highest since 2008.
- US – Despite the huge shipments of sawnwood from Canada prices in Q3 remained at a high level. With the expiry of the U.S.-Canada Softwood Lumber Agreement the market is preparing for the introduction of duties on Canadian sawnwood, and the most likely reduction of imported volumes.

Our short-term outlook for Q4 2016 assumes that the market situation will be mostly unchanged compared with Q3. We expect the prices on our key Japanese market will be at the average Q3 level.

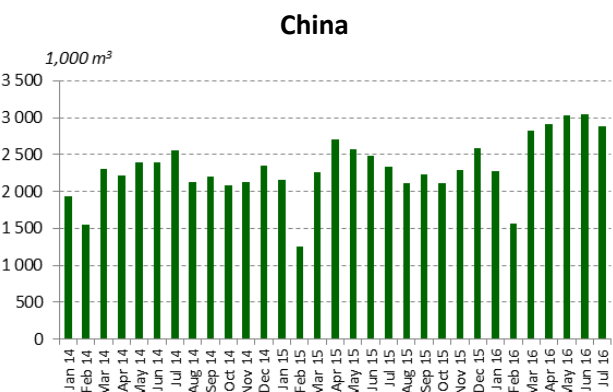
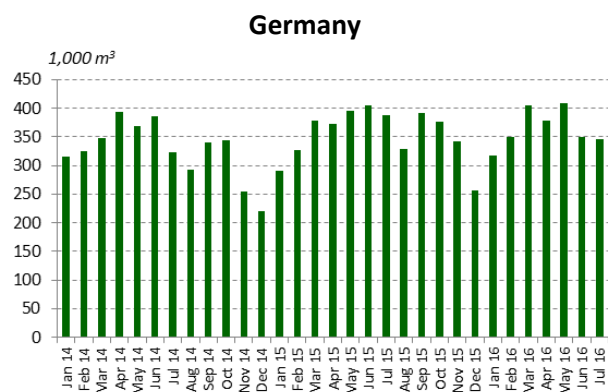
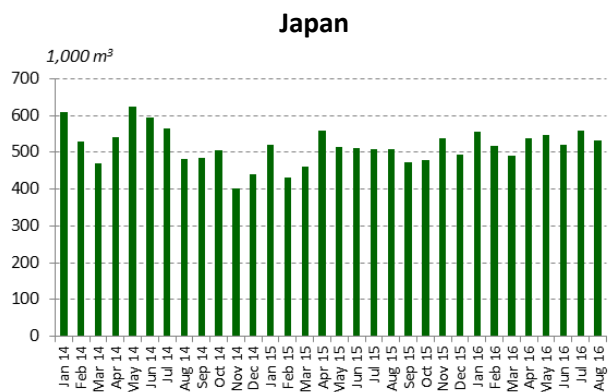
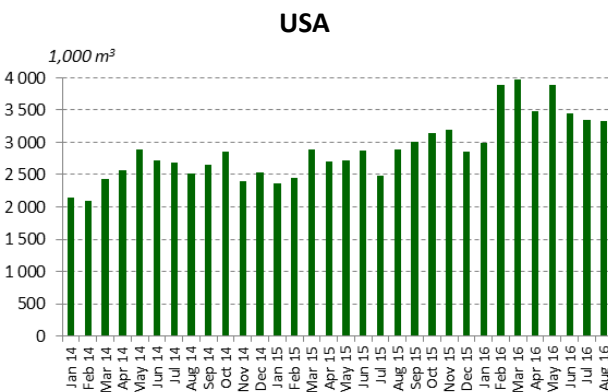
We also expect still high demand on Chinese market till the end of year, which will be supported by the growing residential building. At the same time the uncertainty of the US-Canada Softwood Lumber Agreement most likely will lead to the imposition of duties on softwood sawnwood from Canada to US. As consequence, some of Canadian sawnwood, as expected, will be redirected from US to Chinese market.

The situation on other markets (MENA, Central Asia) is expected to remain uncertain.

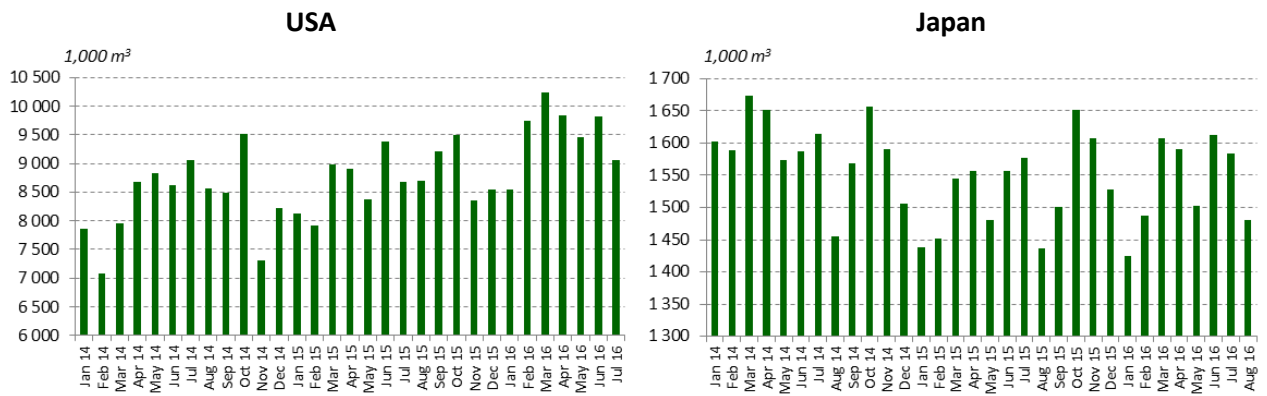
### Construction - housing starts



### Imports



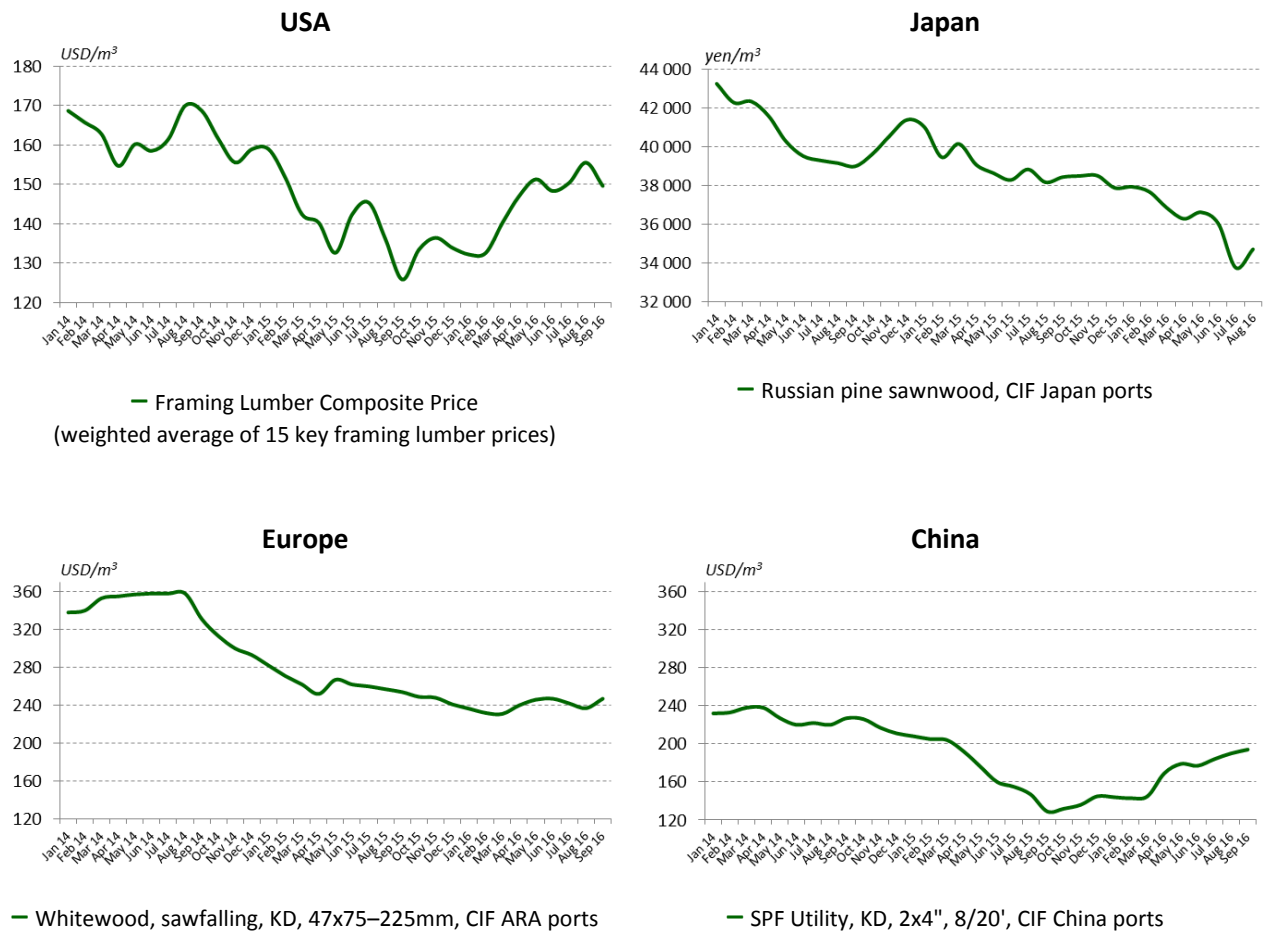
## Consumption



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

## Prices

### Sawnwood



Sources: Random Lengths, Wood Markets, Japan Lumber Journal

## The Share

The RusForest AB shares are listed on NASDAQ First North Stockholm. At the close of the period, the share price was SEK 2.13 (0.25 USD) and the Company's market capitalisation was approximately SEK 278 million or USD 32 million. As of 21 November 2016 RusForest has a new majority shareholder in Dimesilia Holdings Ltd, which as at 21 November 2016 held 84.8% of RusForest outstanding shares, out of which it acquired 69.2% as part of an unsolicited public offer to the shareholders in RusForest which was announced on 24 October 2016 and effectively ended on 21 November 2016. The previous majority shareholder of Nova Capital sold all its shares as part of the Offer. 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	
Official listing:	NASDAQ First North
Outstanding shares:	130,655,471
Round lot:	1
Sector:	Basic Resources
ISIN:	SE0001732728
Short name:	RUSF
Reuters:	RUSF.ST
Bloomberg:	RUSF:SS

9 months 2016 share data averages

Daily Turnover (SEK)	No of Traded Shares	No of daily trades
231,056	120,364	19

Shareholder	No. of shares	Share %
Nova Capital	33,500,000	25.6%
Merrill Lynch International	19,027,500	14.6%
Avanza Pension	11,975,560	9.2%
Banque Carnegie Luxembourg	3,910,220	3.0%
Swedbank AS	3,595,305	2.8%
Client Long Timer Hill	3,103,941	2.4%
Nordnet Pensionsförsäkring	3,083,374	2.4%
Credit Suisse AG, Dublin	3,015,175	2.3%
Alexander Rudik	2,959,589	2.3%
Morgan Stanley And co Llc	2,076,573	1.6%
Banque Öhman	1,626,195	1.2%
Berner-Eyde Benedict	1,390,000	1.1%
Lars Sjögren	999,890	0.8%
UBS Switzerland Client Acc	981,595	0.8%
Connys Alltransporter	825,000	0.6%
Other	38,585,554	29.5%
<b>Total</b>	<b>130,655,471</b>	<b>100%</b>

RusForest share price performance for nine months 2016



Source: NASDAQ OMX First North Stockholm

RusForest share			
Price SEK/share 30 Sep 2016	Change 1 Month	Change 3 months	52 week high
<b>2.13</b>	7.6%	9.2%	2.35
	Change 6 Months	Change 1 year	52 week low
	12.1%	1.9%	1.71



## 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.

## Significant events after the reporting period

- On 24 October 2016, Dimesilia Holdings Ltd ("Dimesilia" or the "Offeror") announced an unsolicited public offer to the shareholders in RusForest to transfer all of their shares in RusForest to Dimesilia at a price of SEK 2.12 in cash per share. As of the end of the acceptance period on 21 November 2016 Dimesilia was effectively the owner of 84.8% of the outstanding shares of RusForest AB.
- In November the Company concluded the buyout of the remaining minority shareholder in one of its Ust-Ilimsk subsidiaries which started in 2015, however, the Company will spend additionally RUB 25 million or approximately USD 389 thousand, at current RUB/USD rate, to what was already recorded as advance for purchase of non-controlling interest in subsidiary to conclude the transaction.

## Condensed Consolidated Income Statement

In thousands of USD	Q3 2016	Q3 2015	9M 2016	9M 2015
<b>Continuing operations</b>				
Revenue	6,424	5,053	19,602	15,598
Cost of sales	(3,289)	(2,854)	(10,065)	(8,785)
<b>Gross profit</b>	<b>3,135</b>	<b>2,199</b>	<b>9,537</b>	<b>6,813</b>
Other income	764	109	3,463	268
Distribution expenses	(1,101)	(968)	(3,207)	(2,798)
Administrative expenditure	(1,455)	(1,353)	(4,336)	(3,602)
Other expenses	(353)	(1)	(358)	(213)
<b>Operating profit/(loss)</b>	<b>990</b>	<b>(14)</b>	<b>5,099</b>	<b>468</b>
Exchange gain/(loss)	(261)	2,050	(1,437)	1,703
Financing income	70	63	133	188
Financing cost	(19)	(54)	(89)	(102)
<b>Net financing income/(cost)</b>	<b>(210)</b>	<b>2,059</b>	<b>(1,393)</b>	<b>1,789</b>
<b>Profit before tax from continuing operations</b>	<b>780</b>	<b>2,045</b>	<b>3,706</b>	<b>2,257</b>
<i>Income tax</i>	539	(97)	220	(129)
<b>Profit from continuing operations</b>	<b>1,319</b>	<b>1,948</b>	<b>3,926</b>	<b>2,128</b>
Discontinued operations				
Loss after tax from discontinued operations	-	(377)	-	(377)
<b>Profit for the period</b>	<b>1,319</b>	<b>1,571</b>	<b>3,926</b>	<b>1,751</b>
Attributable to:				
Equity holders of the parent	1,276	1,679	3,828	1,822
Non-controlling interests	43	(108)	98	(71)
<b>Profit for the period</b>	<b>1,319</b>	<b>1,571</b>	<b>3,926</b>	<b>1,751</b>
Profit per share, basic and diluted, in USD	0.01	0.01	0.03	0.01



## Condensed Consolidated Statement of Comprehensive Income

In thousands of USD	Q3 2016	Q3 2015	9M 2016	9M 2015
Profit/(loss) for the period	1,319	1,571	3,926	1,751
<b>Other comprehensive income</b>				
Items that may be reclassified subsequently to profit or loss:				
Currency translation difference	833	(5,435)	4,741	(5,022)
<b>Other comprehensive income/(loss) for the period</b>	<b>833</b>	<b>(5,435)</b>	<b>4,741</b>	<b>(5,022)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>2,152</b>	<b>(3,864)</b>	<b>8,667</b>	<b>(3,271)</b>
Attributable to:				
Equity holders of the parent	2,104	(3,774)	8,570	(3,215)
Non-controlling interests	48	(90)	97	(56)
<b>Total comprehensive income/(loss) for the period</b>	<b>2,152</b>	<b>(3,864)</b>	<b>8,667</b>	<b>(3,271)</b>
In thousands of USD	Q3 2016	Q3 2015	9M 2016	9M 2015
<b>Profit/(loss) from continuing operations</b>	<b>1,319</b>	<b>1,948</b>	<b>3,926</b>	<b>2,128</b>
Attributable to:				
Equity holders of the parent	1,276	2,056	3,828	2,199
Non-controlling interests	43	(108)	98	(71)
<b>Loss from discontinued operations</b>	<b>-</b>	<b>(377)</b>	<b>-</b>	<b>(377)</b>
Attributable to:				
Equity holders of the parent	-	(377)	-	(377)
Non-controlling interests	-	-	-	-

## Per Share Data

Per Share Data (USD)	Q3 2016	Q3 2015	9M 2016	9M 2015	12M 2015
Earnings	0.01	0.01	0.03	0.01	0.02
Earnings from continuing operations	0.01	0.02	0.03	0.02	0.03
Shareholders' Equity (end of period)	0.27	0.22	0.27	0.22	0.20
Number of Shares	Q3 2016	Q3 2015	9M 2016	9M 2015	12M 2015
Beginning of period	132,033,881	132,033,881	132,033,881	132,033,881	132,033,881
End of Period	130,655,471	132,033,881	130,655,471	132,033,881	132,033,881
Average number of shares	130,655,471	132,033,881	131,574,411	132,033,881	132,033,881

As a result of the redemption of the amount of shares that Pareto Securities AB owned as part of the Company's synthetic buy-back program, the number of issued and outstanding shares of the Company officially decreased to 130,655,471 common shares with voting rights as at 29 June 2016. Share capital amounts to 132,055,471 SEK as from 29 June 2016.

USD for 1 unit of foreign currency	RUB
31 March 2015	0.017
30 June 2015	0.018
30 September 2015	0.015
31 December 2015	0.014
31 March 2016	0.015
30 June 2016	0.016
30 September 2016	0.016

source: [www.cbr.ru](http://www.cbr.ru)

## Condensed Consolidated Statement of Financial Position

In thousands of USD	30 Sep 2016	31 Dec 2015
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	19,395	16,152
Intangible assets	36	49
Deferred tax asset	430	5
<b>Total non-current assets</b>	<b>19,861</b>	<b>16,206</b>
<b>Current assets</b>		
<b>Inventory</b>		
Inventory	2,895	2,134
Advance for purchase of non-controlling interest in subsidiaries	396	343
VAT refundable	1,363	2,278
Trade and other receivables	1,054	1,483
Current tax assets	406	24
Loans receivable	2	12
Cash and cash equivalents	14,101	8,404
<b>Total current assets</b>	<b>20,217</b>	<b>14,678</b>
<b>Total assets</b>	<b>40,078</b>	<b>30,884</b>
<b>EQUITY</b>		
<b>Equity and reserves</b>		
Share capital	20,752	20,683
Other paid in capital	358,068	358,448
Reserves	59	44
Translation reserve	(48,502)	(53,244)
Accumulated loss	(298,901)	(302,139)
Profit for the period	3,828	3,238
<b>Total equity attributable to Shareholders of the Group</b>	<b>35,304</b>	<b>27,030</b>
<b>Non-controlling interest</b>	<b>17</b>	<b>(80)</b>
<b>Total Equity</b>	<b>35,321</b>	<b>26,950</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	129	133
Deferred tax liability	2	5
<b>Total non-current liabilities</b>	<b>131</b>	<b>138</b>
<b>Current liabilities</b>		
Call option	-	5
Trade and other payables	4,143	3,041
Current tax liabilities	33	76
Provisions	450	674
<b>Total current liabilities</b>	<b>4,626</b>	<b>3,796</b>
<b>Total liabilities</b>	<b>4,757</b>	<b>3,934</b>
<b>Total equity and liabilities</b>	<b>40,078</b>	<b>30,884</b>

## Condensed Consolidated Statement of Cash Flows

In thousands of USD	Q3 2016	Q3 2015	9M 2016	9M 2015
Profit for the period	1,318	1,571	3,926	1,751
Adjustment for non-cash items	349	(545)	836	1,813
Paid income tax	(2)	(5)	(548)	(25)
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,665</b>	<b>1,021</b>	<b>4,214</b>	<b>3,539</b>
Cash flow changes in working capital	261	310	1,845	333
<b>Cash flow from operating activities</b>	<b>1,926</b>	<b>1,331</b>	<b>6,059</b>	<b>3,872</b>
Investment in equipment	(1,056)	(3,236)	(3,814)	(7,334)
Proceeds from sales of equipment	(2)	59	28	358
VAT refund on capital investments	-	4	-	4
Byuback redemption	3	-	(311)	-
Acquisition of shares in subsidiaries (less cash balances of acquired subsidiaries)	-	-	-	8
Proceeds from sale of forest lease rights	533	-	3,268	-
Proceeds from sale of subsidiaries	-	1,000	-	4,000
Costs related to the sale of subsidiaries	-	-	-	(330)
Repayment of the loans by third parties	-	-	-	7
Interest received	70	-	133	69
<b>Cash flow from investing activities</b>	<b>(452)</b>	<b>(2,173)</b>	<b>(696)</b>	<b>(3,218)</b>
Acquisition of non-controlling interest in subsidiaries	-	-	-	(699)
Increase/(decrease) in loans payable	-	(89)	-	(231)
Interest paid	-	-	-	(1)
<b>Cash flow from financing activities</b>	<b>-</b>	<b>(89)</b>	<b>-</b>	<b>(931)</b>
<b>Cash flow during the period</b>	<b>1,474</b>	<b>(931)</b>	<b>5,363</b>	<b>(277)</b>
including continuing operations	1,473	(931)	5,363	(277)
<b>Cash and cash equivalents, beginning of period</b>	<b>12,501</b>	<b>10,274</b>	<b>8,404</b>	<b>9,987</b>
including continuing operations	-	10,274	8,404	9,987
Exchange-rate differences on cash balance	126	(251)	334	(618)
<b>Cash and cash equivalents, period end including continuing operations</b>	<b>14,101</b>	<b>9,092</b>	<b>14,101</b>	<b>9,092</b>

In thousands of USD	Q3 2016	Q3 2015	9M 2016	9M 2015
<b>Adjustment for non-cash items</b>				
Depreciation of property, plant and equipment	745	689	2,589	2,475
Amortization of intangible assets	3	5	11	13
Income tax	(540)	97	(220)	129
Exchange gain/loss	261	(2,050)	1,437	(1,703)
Finance income	(70)	(63)	(133)	(188)
Finance expense	19	54	89	102
Net loss on disposal of property, plant and equipment	-	(72)	-	(161)
Net income/loss on disposal of intangible assets	(425)	(1)	(3,017)	20
Bad debts	354	(6)	355	122
Forest restoration provision	2	432	(269)	683
Other comprehensive (profit)/loss from assets held for sale	-	377	-	377
Other non-cash items	-	(7)	(6)	(56)
<b>Total</b>	<b>349</b>	<b>(545)</b>	<b>836</b>	<b>1,813</b>

## Condensed Consolidated Statement of Changes in Equity

### 1 January 2016 – 30 September 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	-	-	-	-	3,828	98	3,926
Other comprehensive income/(loss)	-	-	-	4,742	-	(1)	4,741
<b>Total comprehensive income/(loss)</b>	-	-	-	<b>4,742</b>	<b>3,828</b>	<b>97</b>	<b>8,667</b>
Redemption of synthetically repurchased shares	(99)	(212)	-	-	-	-	(311)
Bonus issue	168	(168)	-	-	-	-	-
Employee stock options	-	-	15	-	-	-	15
<b>Shareholders' equity at end of period</b>	<b>20,752</b>	<b>358,068</b>	<b>59</b>	<b>(48,502)</b>	<b>(295,073)</b>	<b>17</b>	<b>35,321</b>

\*As a result of the redemption of the amount of shares that Pareto Securities AB owned as part of the Company's synthetic buy-back program, the number of issued and outstanding shares of the Company has officially decreased to 130,655,471 common shares with voting rights as at June 29, 2016.

### 1 January 2015 – 30 September 2015

In thousands of USD	Attributable to the equity holders of the parents					Non-controlling interest	Total
	Share capital	Other paid in capital	Reserves	Translation reserve	Accumulated loss		
Opening shareholders' equity	20,683	358,448	24	(45,426)	(301,803)	(106)	31,820
Profit for the period	-	-	-	-	1,822	(71)	1,751
Other comprehensive income/(loss)	-	-	-	(5,037)	-	15	(5,022)
<b>Total comprehensive income/(loss)</b>	-	-	-	<b>(5,037)</b>	<b>1,822</b>	<b>(56)</b>	<b>(3,271)</b>
Acquired non-controlling interest in subsidiaries*	-	-	-	-	(336)	36	(300)
Employee stock options	-	-	15	-	-	-	15
<b>Shareholders' equity at end of period</b>	<b>20,683</b>	<b>358,448</b>	<b>39</b>	<b>(50,463)</b>	<b>(300,317)</b>	<b>(126)</b>	<b>28,264</b>

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

### 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)
<b>Total comprehensive income/(loss)</b>	-	-	-	<b>(7,818)</b>	<b>3,238</b>	<b>(10)</b>	<b>(4,590)</b>
Acquired non-controlling interest in subsidiaries*	-	-	-	-	(336)	36	(300)
Employee stock options	-	-	20	-	-	-	20
<b>Shareholders' equity at end of period</b>	<b>20,683</b>	<b>358,448</b>	<b>44</b>	<b>(53,244)</b>	<b>(298,901)</b>	<b>(80)</b>	<b>26,950</b>

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

## Parent Company Income Statement

In thousands of SEK	Q3 2016	Q3 2015	9M 2016	9M 2015
Administrative expenditure	(5,434)	(3,086)	(13,378)	(8,374)
<b>Operating loss</b>	<b>(5,434)</b>	<b>(3,086)</b>	<b>(13,378)</b>	<b>(8,374)</b>
Exchange gain/loss	1,166	(19,988)	7,762	(31,490)
Financing income	611	865	1,651	2,444
Financing cost	167	(44)	(1,901)	(335)
Reversal of bad debt provision	-	-	-	231,813
Impairment of investments and forgiveness of receivables from subsidiaries	-	(159)	-	(359)
<b>Net financing income/(cost)</b>	<b>1,944</b>	<b>(19,326)</b>	<b>7,512</b>	<b>202,073</b>
<b>Profit/(loss) for the period</b>	<b>(3,490)</b>	<b>(22,412)</b>	<b>(5,866)</b>	<b>193,699</b>

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	30 Sep 2016	31 Dec 2015
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	25	40
Investments in subsidiaries	218,158	218,158
<b>Total non-current assets</b>	<b>218,183</b>	<b>218,198</b>
<b>Current assets</b>		
VAT refundable	10	96
Receivables from subsidiaries	2,853	2,547
Trade and other receivable	128	843
Loans receivable from subsidiaries	44,336	33,119
Other financial assets	-	2,000
Cash and cash equivalents	19,110	36,377
<b>Total current assets</b>	<b>66,437</b>	<b>74,982</b>
<b>Total assets</b>	<b>284,620</b>	<b>293,180</b>
<b>Equity</b>		
<b>Equity and reserves</b>		
<i>Restricted equity</i>		
Share capital	132,055	132,034
<i>Non-restricted equity</i>		
Share premium	1,034,938	1,037,511
Retained earnings	(891,905)	(886,039)
<b>Total equity</b>	<b>275,088</b>	<b>283,506</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	1,108	1,108
Loans payable to Group companies	1,774	1,714
<b>Total non-current liabilities</b>	<b>2,882</b>	<b>2,822</b>
<b>Current liabilities</b>		
Payables to Group companies	5,060	4,205
Trade and other payables	1,590	2,647
<b>Total current liabilities</b>	<b>6,650</b>	<b>6,852</b>
<b>Total equity and liabilities</b>	<b>284,620</b>	<b>293,180</b>

## Notes to the Financial Statements

### Note 1. Cost of sales

In thousands of USD	Q3 2016	Q3 2015	9M 2016	9M 2015
Personnel costs	1,180	1,101	3,504	3,020
Purchased sawlogs	302	42	663	42
Depreciation of property, plant and equipment	719	641	2,504	2,313
Amortization of intangible assets	2	3	5	7
Materials	202	67	545	281
Energy and fuel	446	371	1,558	1,274
Repairs and maintenance	326	209	1,009	710
Transportation services	1	23	142	248
Forest lease	52	113	231	380
Other*	59	284	(96)	510
<b>Total</b>	<b>3,289</b>	<b>2,854</b>	<b>10,065</b>	<b>8,785</b>

\*As a result of sales of forest lease rights and due to the changes in forest exploitation plans for 2016, significant amount of reforestation provision accrued as at 31 December 2015 has been released within other cost of sales line.

### Note 2. Distribution expenses

In thousands of USD	Q3 2016	Q3 2015	9M 2016	9M 2015
Personnel costs	146	156	409	451
Railway costs	856	691	2,517	1,999
Other	99	121	281	348
<b>Total</b>	<b>1,101</b>	<b>968</b>	<b>3,207</b>	<b>2,798</b>

### Note 3. Administrative expenditure

In thousands of USD	Q3 2016	Q3 2015	9M 2016	9M 2015
Personnel costs	1,037	799	3,084	2,311
Audit	44	49	127	108
Property tax	45	68	149	187
Consulting fees	79	247	298	458
Other	250	190	678	538
<b>Total</b>	<b>1,455</b>	<b>1,353</b>	<b>4,336</b>	<b>3,602</b>

### Note 4. Segment information

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

### Operational segments, results for nine months ended 30 September 2016

In thousands of USD	External revenue				Total	Profit/(loss) before tax
	Sawnwood	Sawlogs	Pellets	Other		
Ust-Ilimsk	-	2,319	-	823	3,142	2,197
Magistralny	11,889	2,394	1,954	165	16,402	3,282
Unallocated	-	-	-	58	58	(1,773)
<b>Total from continuing operations</b>	<b>11,889</b>	<b>4,713</b>	<b>1,954</b>	<b>1,046</b>	<b>19,602</b>	<b>3,706</b>

### Operational segments, results for nine months ended 30 September 2015

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

## Note 5. Related party transactions

	9M 2016 USD thousand	9M 2015 USD thousand
<b>Lesresurs LLC</b>		
Management services provided by RMG LLC	402	348
Sales of goods and other services	1,532	67
Purchase of goods and services	71	280
Rent expenses	2	2
Accounts receivable	97	3
Accounts payable	6	5
<b>RMG LLC</b>		
Management services provided to RusForest entities		47
<b>Anton Bogdanov</b>		
Acquisition of 100% share in RMG LLC		56

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 6. Commitments

As at 30 September 2016 RusForest had no significant capital commitments.

## Note 7. Synthetic buybacks and bonus issue

The annual meeting of shareholders on 15 May 2016 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").

As a result of the redemption of the amount of shares that Pareto Securities AB owned as part of the Company's synthetic buy-back program, the number of issued and outstanding shares of the Company has officially decreased by 1,378,410 shares or 1.0% of outstanding shares, to 130,655,471 common shares with voting rights as at 29 June 2016. The share capital was reduced by a nominal amount corresponding to the number of redeemed shares. The difference between the purchase price of the redeemed shares and their nominal value reduced the share premium reserve.

In order to enable this redemption without reduction of the share capital, the annual general meeting resolved on a simultaneous bonus issue whereby the share capital was increased by SEK 1,400,000 by transferring funds from the share premium. No new shares were issued in connection with the bonus issue. Thereby the company's share capital equals to 132,055,471 SEK (USD 20 752 thousand) as at 30 September 2016.



## Report of Review of Interim Financial Information

### Introduction

We have reviewed the condensed interim financial information (interim report) of Rusforest AB (publ) as of 30 September 2016 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

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

### Conclusion

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

Stockholm, 29 November 2016

Öhrlings PricewaterhouseCoopers

Bo Lagerstöm

Authorized Public Accountant

The review report is a translation from the Swedish version.



## Financial Calendar

Year-end Report 2016	31 March 2017
Annual Report 2016	21 April 2017
Annual General Meeting 2017	15 May 2017
Interim report Jan – Mar 2017	31 May 2017
Interim report Jan – Jun 2017	29 August 2017
Interim report Jan – Sep 2017	29 November 2017

## Nomination Committee

At the Company's AGM on 15 May 2015 it was resolved to establish a practice of nomination committee consisting of representatives of the three largest shareholders of the Company, to prepare proposals for the following resolutions at the AGM: (i) election of the chairman of the AGM, (ii) election of Board members, (iii) election of the Chairman of the Board, (iv) remuneration to the directors, (v) election of auditors and their remuneration, and (vi) proposals on the nomination process for the following AGM.

A Nomination Committee for the Annual General Meeting 2017 will be formed based on the new ownership of the company following the public offer from Dimesilia Holdings Limited and communicated separately.

Stockholm, 29 November 2016

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

### For additional information, please contact:

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