

Second Quarter 2016 Report Earnings Call

30 August 2016



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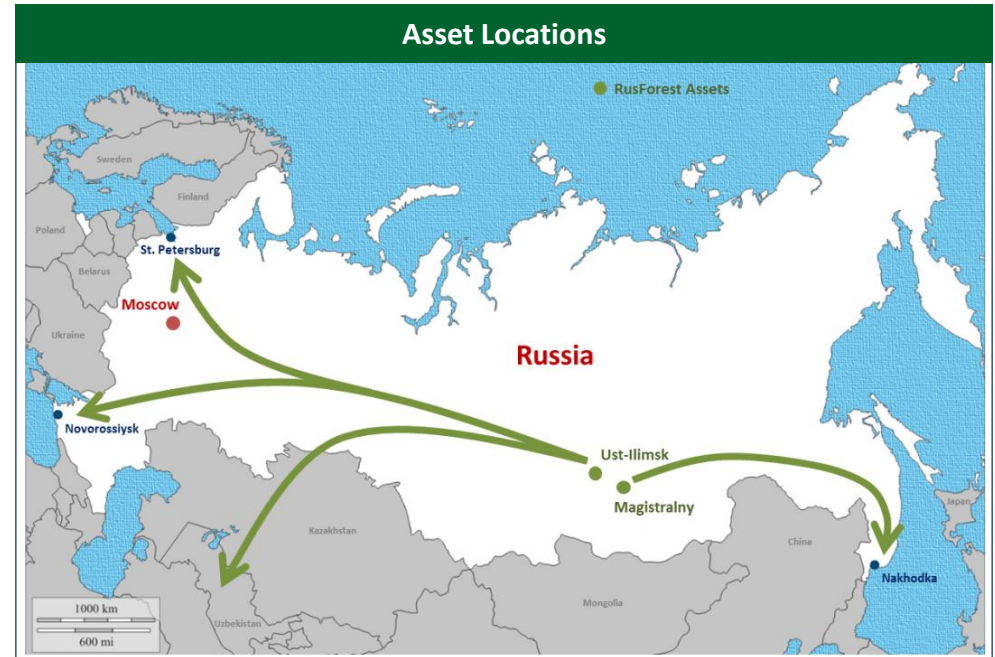
Company Overview

Summary

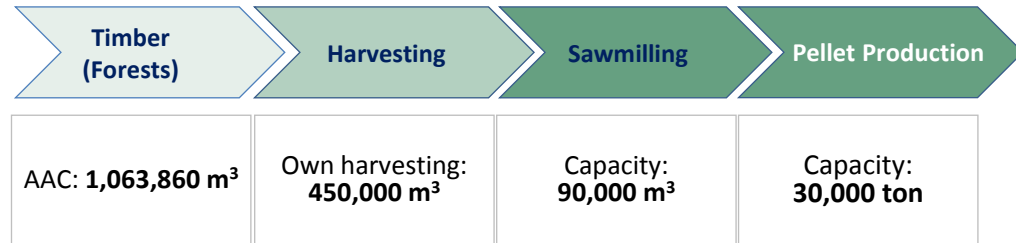
- Swedish forestry company operating in Russia
- Vertically integrated from timber leases to sawmilling and wood pellets
- High-quality, slow-growth forests
- Close proximity to main growth markets in Asia
- Strong management team
- Experienced Board members

Corporate Information

Stock Exchange Listing	NASDAQ First North ticker "RUSF"
Share Price *	SEK 1.92
Shares Outstanding	130,655,471
Market Capitalization	USD 29.5 million
Net Debt**	USD -12.4 million
Enterprise Value	USD 17.1 million
Main Shareholder	Nova Capital (25.4%)



Forestry value chain & annual capacities



*Share price at closing on 29 August 2016. **Net debt at 30 June 2016.

AAC = Annual Allowable Cut; m³ = cubic meters

Second Quarter 2016 Production and Sales

➤ Ust-Ilimsk harvesting continue to ramp-up and contributed 24,636 m³ of harvested logs in Q2 2016. In august a second harvester chain was launched. Magistralny harvesting lower because of both planned reduction after strong Q1 and some weather issues in April.

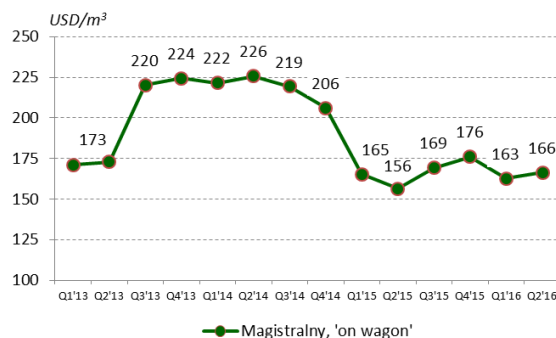
➤ Magistralny pellet mill performed according to plan and is expected to reach max output by end of year.

➤ Ust-Ilimsk contributed to significantly increased sawlog sales in Q2 2016 compared with Q2 2015.

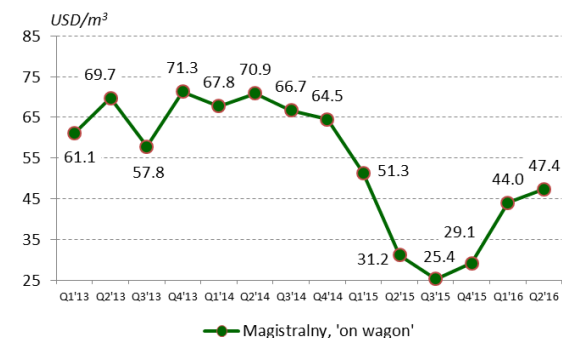
➤ Situation still difficult in MENA markets, however, the Company managed to increase volumes to the Japanese and Chinese markets in Q2 2016, with increased average price as a result.

	Second quarter		Six months	
	2016	2015	2016	2015
Production & sales continuing operations				
Logs harvested, m ³	31,770	29,704	152,891	104,008
Logs harvested, m ³ (subcontracting)	714	82,816	274,647	345,231
Sawnwood produced, m ³	17,838	18,467	40,859	40,245
Pellets produced	6,658	-	12,883	-
Sawlogs sold, m ³	30,232	11,476	73,395	27,886
Sawnwood sold, m ³	20,651	21,572	42,306	40,863
Pellets sold	6,269	-	12,488	-

RusForest's sawnwood price dynamics



RusForest's sawlogs price dynamics



Second Quarter 2016 Financial Highlights

- Revenue increased by 18% to USD 5.8 million in Q2 2016, compared with USD 4.9 million in Q2 2015, due to increased sales volumes, especially more logs sold and new revenue from pellets.
- Continued strong and improved EBITDA results of USD 3.0 million in Q2 2016 compared with USD 0.3 million in Q2 2015. However, contribution of USD 2.1 million from non-recurring sales of non-core forest leases.
- Net profit of USD 1.4 million in Q2 2016 compared with loss of USD 1.6 million in Q2 2015.
- Cash balance of USD 12.5 million at 30 June 2016, compared with USD 8.4 million at 31 December 2015.

USDm	Second quarter		Six months	
	2016	2015	2016	2015
Revenue	5.8	4.9	13.2	10.5
EBITDA	3.0	0.3	6.0	2.3
Operating profit	1.9	(0.7)	4.1	0.5
Profit/(Loss) for the period	1.4	(1.6)	2.6	0.2
Net profit/(loss) per share (USD per share)	0.01	(0.01)	0.02	0.00

	30 Jun 2016	31 Dec 2015
Cash balance	12.5	8.4
Working capital*	1.8	2.5
Net debt**	(12.4)	(8.3)

*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.

Second Quarter 2016 Income Statement

- Revenue increased by 18% quarter-on-quarter
 - Sawnwood revenue largely unchanged.
 - Sawlog revenue up 105% due to Ust-Ilimsk.
 - Pellets added USD 628 thousand of revenue.
- Large profit on sale of non-core forest lease in Ust-Ilimsk, recorded as other income.
- Cost categories increased due to the increased sales volumes and new business activities, and also reservations for employee bonus program.
- Operating profit in Q2 2016 was USD 1.9 million compared with a loss of USD 0.7 million in Q2 2015.
- Due to a strengthening RUB in Q2 2016 the Company continued to recognize FX losses in this quarter.
- Net profit in Q2 2016 of USD 1.4 million compared with USD 1.6 million loss in Q2 2015.

In thousands of USD	Q2 2016	Q2 2015	6M 2016	6M 2015
Revenue	5,838	4,932	13,178	10,545
Cost of sales	(3,499)	(3,230)	(6,776)	(5,931)
Gross profit	2,339	1,702	6,402	4,614
Other income	2,146	57	2,699	170
Distribution expenses	(1,151)	(1,019)	(2,106)	(1,830)
Administrative expenditure	(1,380)	(1,334)	(2,881)	(2,249)
Other expenses	(5)	(145)	(5)	(223)
Operating profit/(loss)	1,949	(739)	4,109	482
Exchange gain/loss	(497)	(878)	(1,176)	(347)
Financing income	45	92	63	126
Financing cost	(32)	(25)	(70)	(48)
Net financing income/(cost)	(484)	(811)	(1,183)	(269)
Profit/(loss) before tax	1,465	(1,550)	2,926	213
Income tax	(103)	(2)	(319)	(32)
Profit/(loss)	1,362	(1,552)	2,607	181
Attributable to:				
Equity holders of the parent	1,320	(1,560)	2,552	144
Non-controlling interests	42	8	55	37
Profit/(loss) for the period	1,362	(1,552)	2,607	181
Profit/(loss) per share	0.01	(0.01)	0.02	0.00

Second Quarter 2016 Balance Sheet

- Compared with 31 Dec 2015 the RUB strengthened by 13% at 30 June 2016 which has general positive effect on valuation of RUB based fixed assets.
- Property, plant and equipment increased significantly from new investments and RUB appreciation.
- Cash balance of USD 12.5 million at 30 June 2016.
- Unchanged debt of USD 0.1 million at 30 June 2016, consists of zero-coupon bonds maturing in 2018.

In thousands of USD	30 Jun 2016	31 Dec 2015
Assets		
Property, plant and equipment	18,917	16,152
Intangible assets	51	49
Deferred tax asset	5	5
Total non-current assets	18,973	16,206
Inventory	2,450	2,134
Advance for purchase of non-controlling interest in subsidiaries	389	343
VAT refundable	1,532	2,278
Trade and other receivables	1,586	1,483
Current tax assets	221	24
Loans receivable	2	12
Cash and cash equivalents	12,501	8,404
Total current assets	18,681	14,678
Total assets	37,654	30,884
EQUITY		
Total Equity	33,131	26,950
Liabilities		
Interest-bearing loans and borrowings	130	133
Deferred tax liability	5	5
Total non-current liabilities	135	138
Call option		5
Trade and other payables	4,035	3,041
Current tax liabilities	34	76
Provisions	319	674
Total current liabilities	4,388	3,796
Total liabilities	4,523	3,934
Total equity and liabilities	37,654	30,884

Second Quarter 2016 Cash Balance Reconciliation

- Positive cash flow from operating activities.
- Net investment in equipment of USD 1.3 million in Q2 2016, related to Ust-Ilimsk harvesting machinery and Magistralny boiler improvements.
- Redemption of the synthetically repurchased shares generated cash out-flow of USD 314 thousand.
- Proceeds from sale of non-core forest lease in Ust-Ilimsk area added USD 2.1 million.
- Total cash flow for the period of USD 1.5 million.

in thousands of USD		Q2 2016
Cash balance 31 Mar 2016		10,854
Cash flow from operating activities		1,049
Net Investment in equipment		(1,295)
Proceeds from sale of forest lease		2,054
Buy-back redemption		(314)
Interest received		45
Cash flow from investing		490
Cash flow from financing activities		-
Cash flow during the period		1,539
Exchange-rate differences on cash balance		108
Cash balance 30 June 2016		12,501

Conclusion

Summary:

- Swedish forestry company operating in Russia
- Vertically integrated from timber leases to sawmilling and wood pellet production
- High-quality, slow-growth forests
- Close proximity to main markets in Japan and China
- Strong management team
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New John Deere unit in Ust-Ilimsk

Next operational steps:

- Continuous improvement of Ust-Ilimsk harvesting operations
- Further simplification of the corporate structure
- Magistralny unit strategy overhaul

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