# Pareto Securities Natural Resources Day

**Stockholm, May 21, 2014**

RusForest

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# Company Overview



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# RusForest Overview

**Summary**

- Swedish forestry company focused on Russia.
- Vertically integrated from timber leases to sawmilling and wood pellet production.
- High-quality, slow-growth forests.
- Close proximity to main markets in Europe, Japan, and China.
- Extensive Russian forestry experience from new management and major shareholder.

| Corporate Information | |
|---|---|
| **Stock Exchange Listing** | NASDAQ OMX Stockholm First North ticker “RUSF” |
| **Shares Outstanding** | 132.0 million |
| **Share Price*** | SEK 1.76 |
| **Market Capitalization** | USD 35.8 million |
| **Net Debt**** | USD 22.4 million |
| **Enterprise Value** | USD 58.2 million |
| **Main Shareholder** | Nova Capital (25.4%) |

**Share price at closing on May 16, 2014. ** Net Debt on December 31, 2013.*

*Log yard at the Magistralny sawmill*



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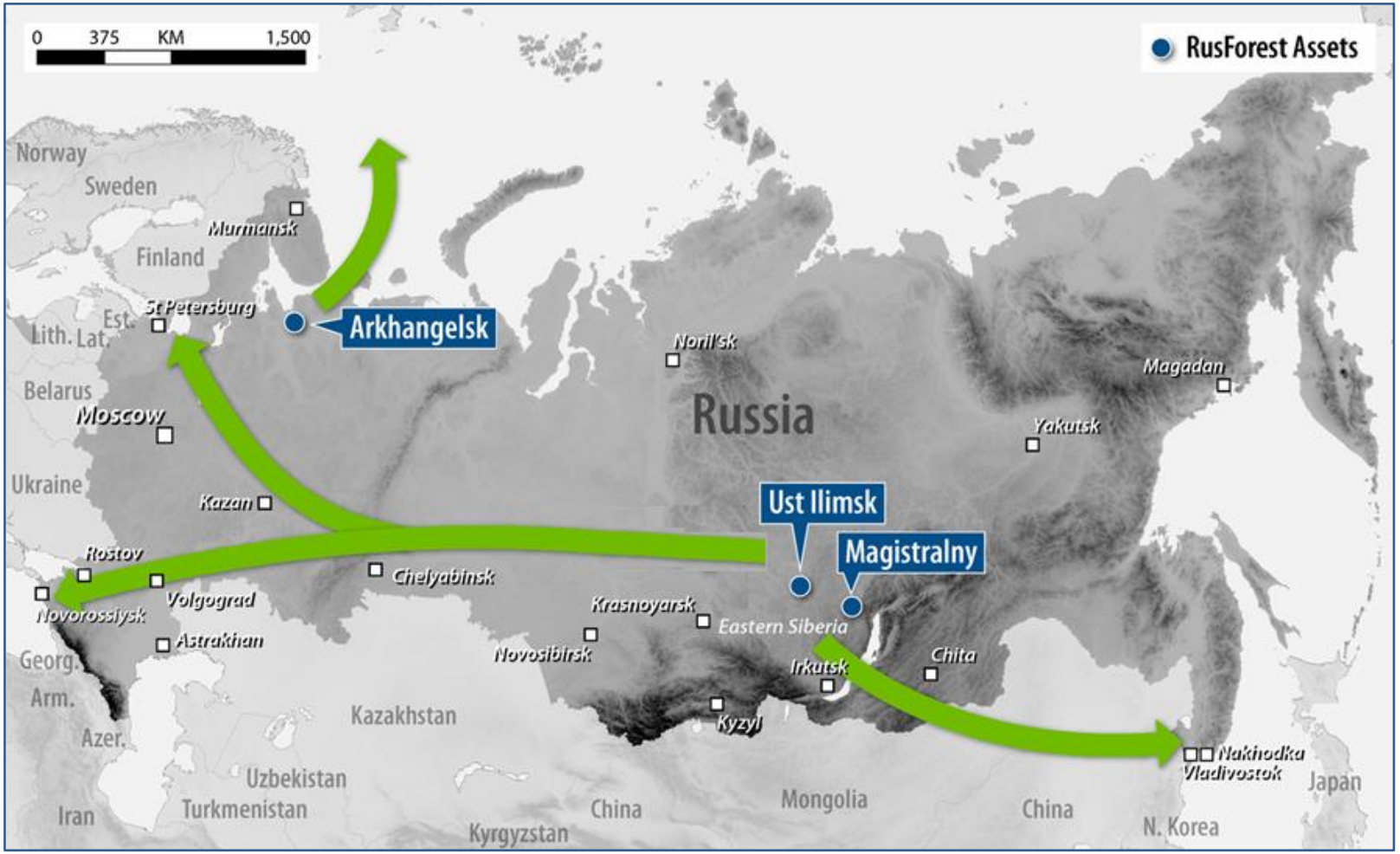
# Forestry Value Chain

| Timber | Harvesting | Sawmilling | Pellet production |
|---|---|---|---|
| 2.5 million ha leased | 2.6 million $m^3$ AAC | 210,000 $m^3$ annual capacity | 100,000 t annual capacity |

- Significant asset base.
- Forest Stewardship Council (FSC) certification across the full value chain.

*AAC = Annual Allowable Cut; $m^3$ = cubic meters; t = tons.*

# Asset Locations




*Arrows indicate sawnwood transportation routes by rail and ship*



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# Significant Events

**2013**

**Financial restructuring**

- Debt-equity swap and new share issue.

**New strategic shareholder**

- Nova Capital (25.4% ownership).
- Russian investor with extensive experience in Russian forestry.

**New management**

- Significant changes to senior management, including new CEO, COO, CFO and local CEOs.

**Divestment of non-core assets**

- Non-core asset sales of USD 7 million in 2013.
- On-going Forest lease (AAC) optimization.

**New Markets**

- Realized first important sales to the premium Japanese market, which has grown to 21% of sales in Q4 2013.

**Corporate simplification**

- Initiated a simplification of legal structure.
- Significant reduction of corporate costs.
- Improving Company's corporate governance, internal controls and tax efficiency.

**2014**

**Arkhangelsk pellet mill**

- Completed construction of 100,000 tons/year pellet mill in Arkhangelsk.

**Divestment of Boguchany**

- Boguchany business segment divested for gross USD 13.8 million, net USD 4 million in cash to RusForest plus significant loss reduction.

➢ RusForest is on track to reach positive results.



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# New RusForest Shareholder – Nova Capital

## Selected Investments

- **Forestry**
  - OOO Lesresurs.
  - RusForest AB (25.4%).
- **Agriculture**
  - OOO Berezovka.
- **Real Estate**
  - Regional residential/commercial real estate.
  - Total area of c. 32,000 $m^2$.

## Key Personnel

- **Alexander Rudik**, Owner and President, former Vice Governor of constituent entity of the Russian Federation and former member of the Forestry Board of the Russian Federation Ministry of Natural Resources.

- **Anton Bogdanov**, former Head of Industrial Asset Management and CEO the management company for Lesresurs, 10+ years of managerial experience, previously served as CEO of Russian Timber Group.

LESRESURS

- **Sector –** Forestry.
- **Location –** Irkutsk Region, Eastern Siberia, Russia.
- **Area under lease –** 140,600 ha.
- **AAC** – 372,000 $m^3$.
- **Sawmilling capacity** – 170,000 $m^3$ p.a.
- **Key 2013 financials:**
  - **Sales** $83 million.
  - **EBITDA** $15 million.

- **Highlights:**
  - Strong sales growth combined with robust EBITDA (18% margin) and positive bottom-line.
  - Debt/EBITDA – less than 1x.
  - One of the largest Russian exporters of sawn products to Japan.



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# Competition

- RusForest ranks about 6th among Russian forestry companies in terms of annual allowable cut (AAC).
- RusForest ranks in TOP-20 among Russian sawmilling companies in terms of capacity.
- RusForest ranks 3rd among Russian pellet producers in terms of capacity.

| AAC (estimated) | | |
|---|---|---|
| # | Company | mln m³ |
| 1 | Ilim Group | 8,0 |
| 2 | Mondi | 5,0 |
| 3 | RFP Group | 4,5 |
| 4 | Investlesprom | 4,5 |
| 5 | Altailes | 2,8 |
| **6** | **RusForest** | **2,6** |
| 7 | Russian Timber Group | 2,3 |
| 8 | Terneyles | 1,9 |
| 9 | Vologodskie Lesopromyshlenniki | 1,9 |
| 10 | Titan | 1,7 |

| Sawnwood capacity | | |
|---|---|---|
| # | Company | 1,000 m³ |
| 1 | Investlesprom | 760 |
| 2 | Russian Timber Group | 700 |
| 3 | Lesosibirsky LDK №1 | 550 |
| 4 | Novoeniseisky LHK | 470 |
| 5 | Ilim Timber | 460 |
| 6 | Titan Group | 450 |
| 7 | Stora Enso | 400 |
| 8 | Mayr-Melnhof Holz | 350 |
| 9 | Arkaim | 350 |
| 10 | LIK (former UPM) | 320 |
| | … | |
| **17** | **RusForest** | **210** |

| Wooden Pellet capacity | | |
|---|---|---|
| # | Company | 1,000 t |
| 1 | Vyborgskaja Lesnaja Kompanija | 1,000 |
| 2 | SP Arkaim | 250 |
| **3** | **RusForest** | **100** |
| 4 | Novoenisejskij LHK | 80 |
| 5 | DOK-Enisej | 80 |
| 6 | Lesozavod-25 | 75 |
| 7 | Swedwood Tikhvin | 75 |
| 8 | Setnovo | 70 |
| 9 | Talion Terra | 60 |
| 10 | Severo-Zapadnyj Holding | 60 |



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# Market Overview



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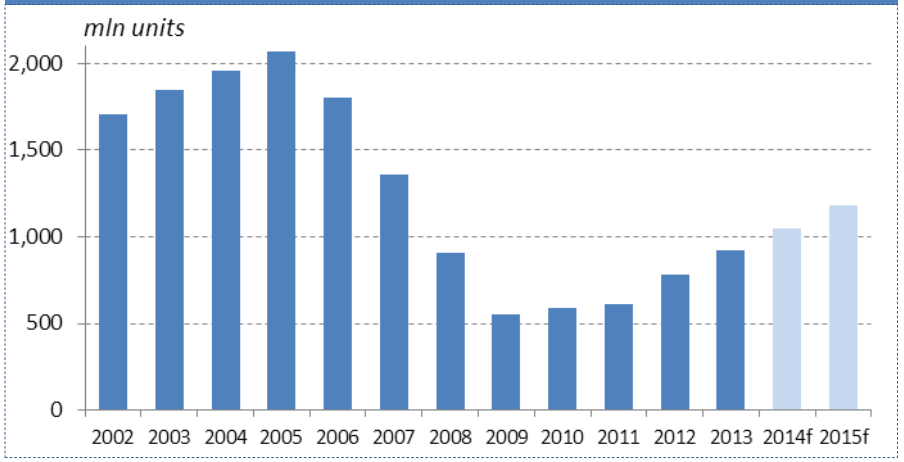
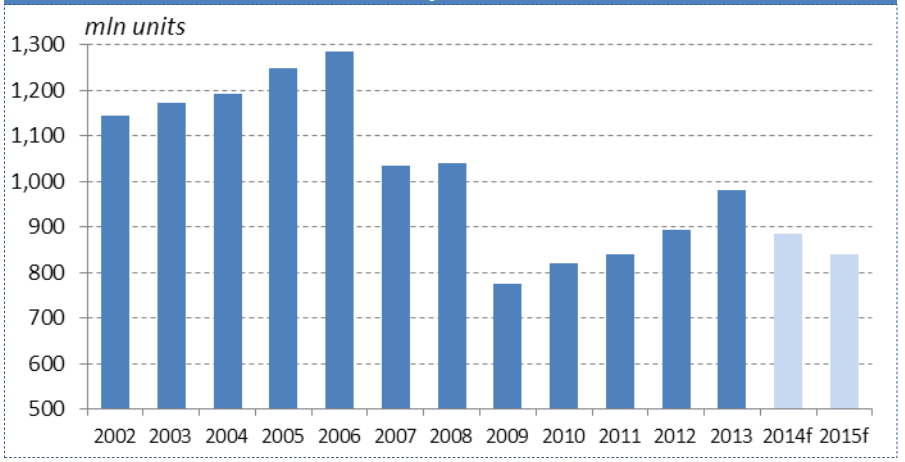
# Housing Starts

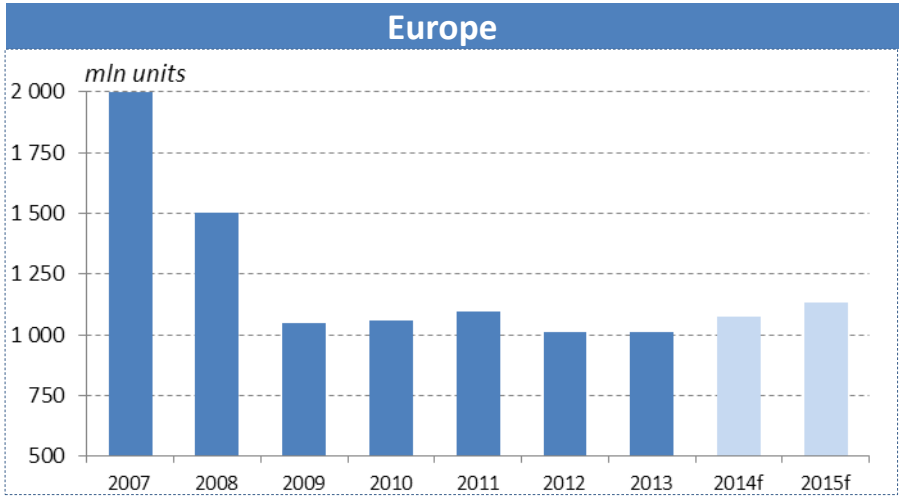
## USA



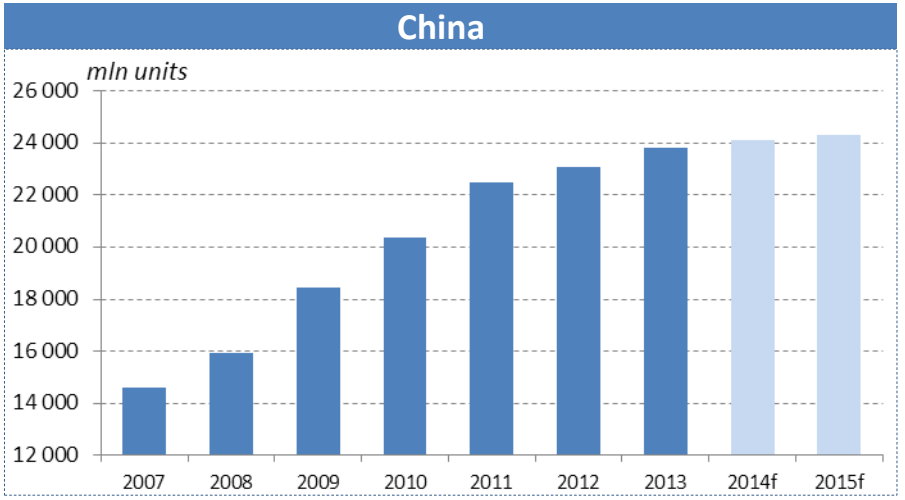

## Japan




## Europe




## China




*Sources: Euroconstruct (Europe* - 19 countries)*; U.S. Census Bureau; Ministry of Land, Infrastructure, Transport and Tourism of Japan*



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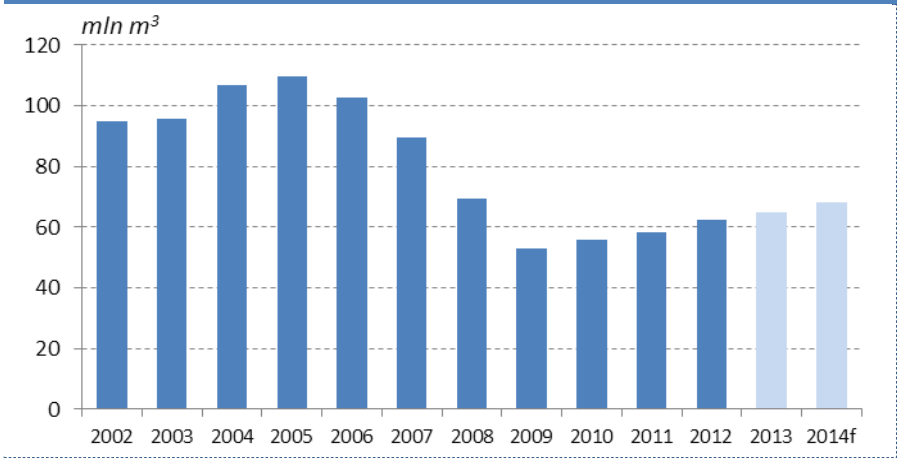
# Softwood Sawnwood Consumption

## USA

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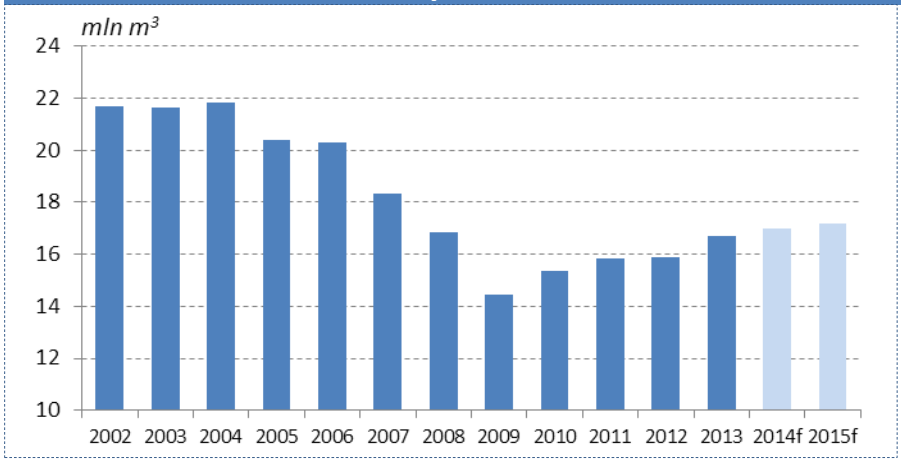


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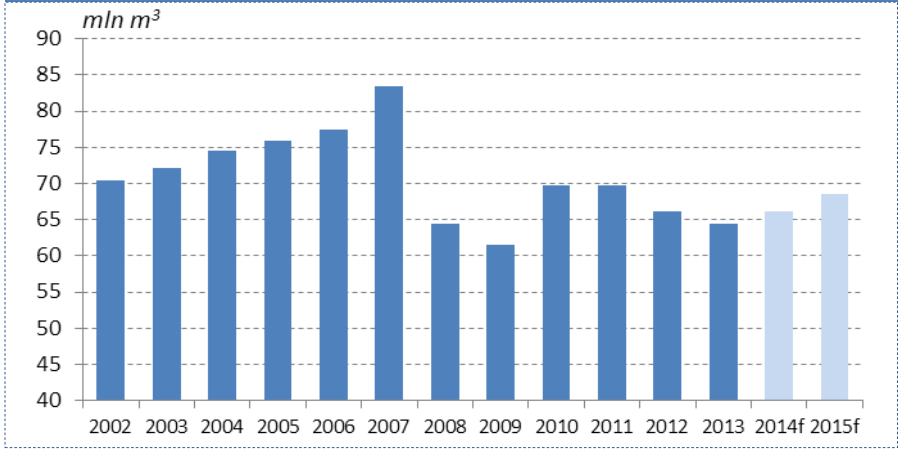
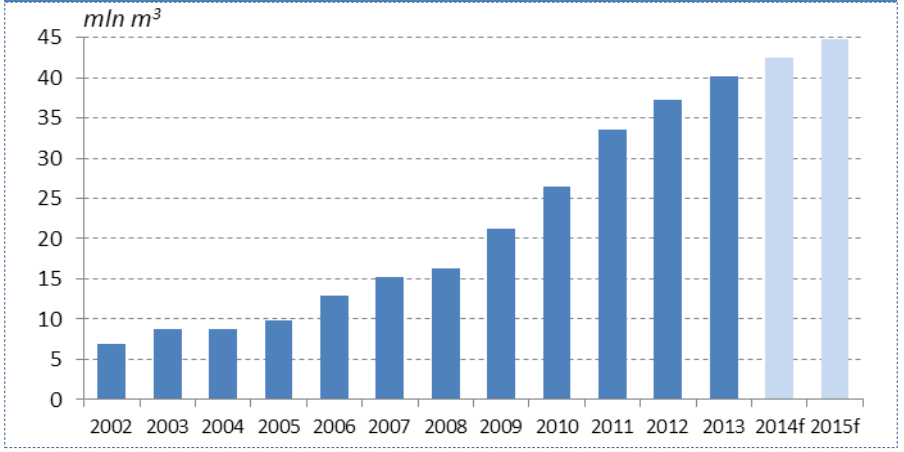



## China




*Sources: FAOSTAT, Wood Markets International, Japan Lumber Journal, ISC2013.*



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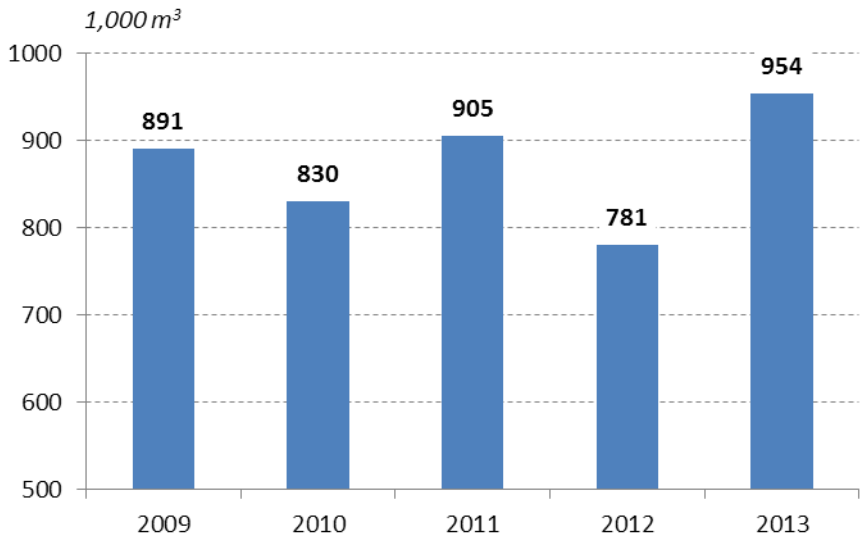
# Sawnwood Markets - Japan

- **Japan** is the 3rd (in terms of value) and the 6th (in terms of volume) among key Russian sawnwood export markets.
- **RusForest** is the 6th largest Russian sawnwood exporter to Japan (in terms of volume) with the share of 3,4%.

## Russian sawnwood suppliers to Japan in 2013




*Source: Russian Custom*

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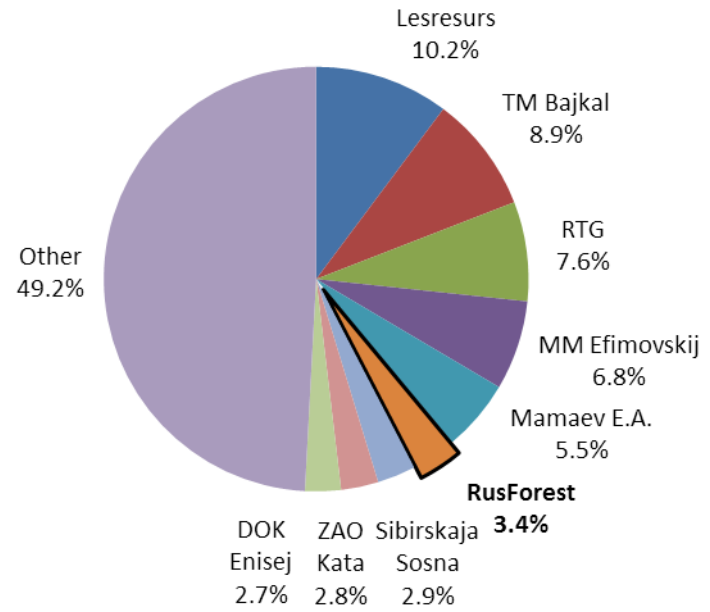
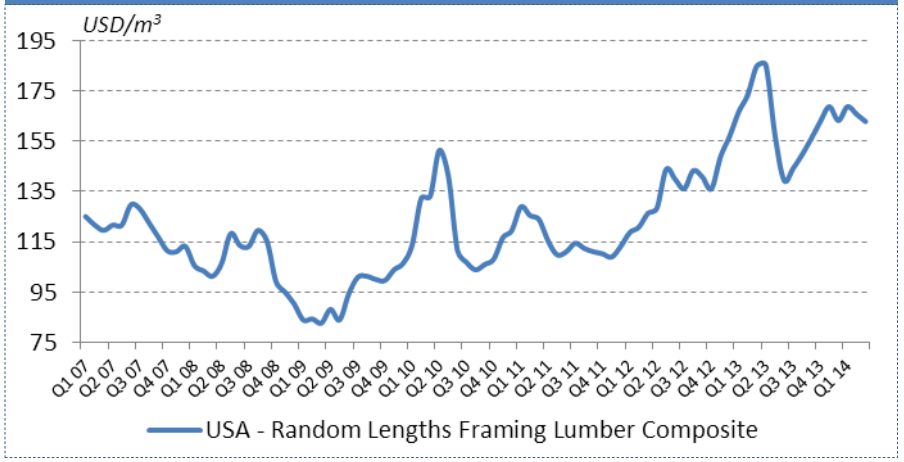


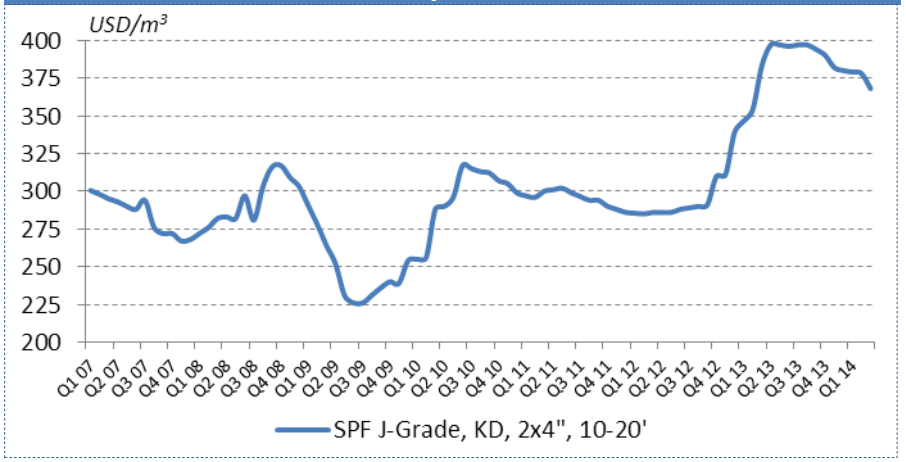

*Source: Russian Custom*

# Sawnwood Prices

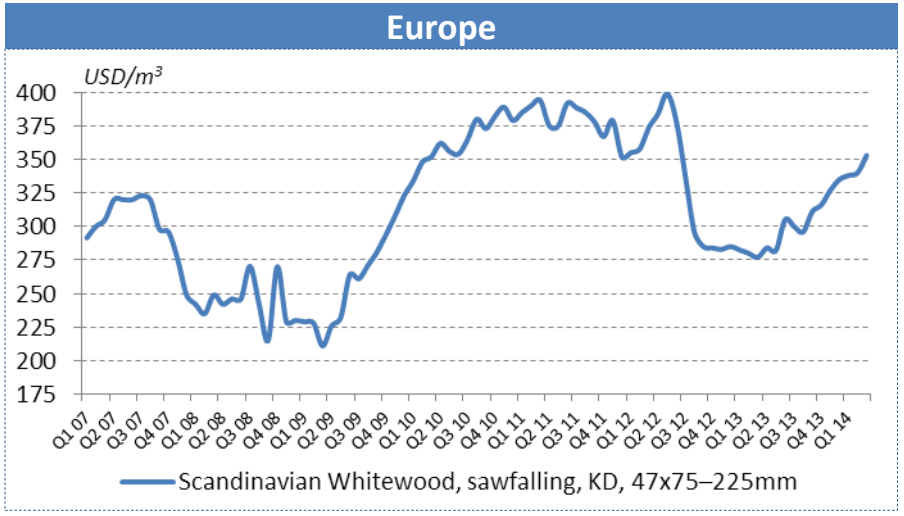
## USA



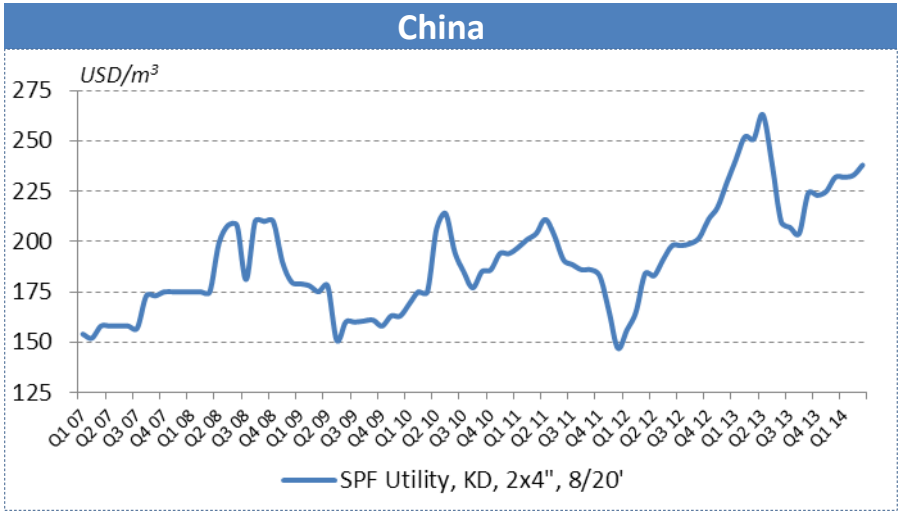

## Japan




## Europe




## China




*Sources: Wood Markets International, Random Lengths*



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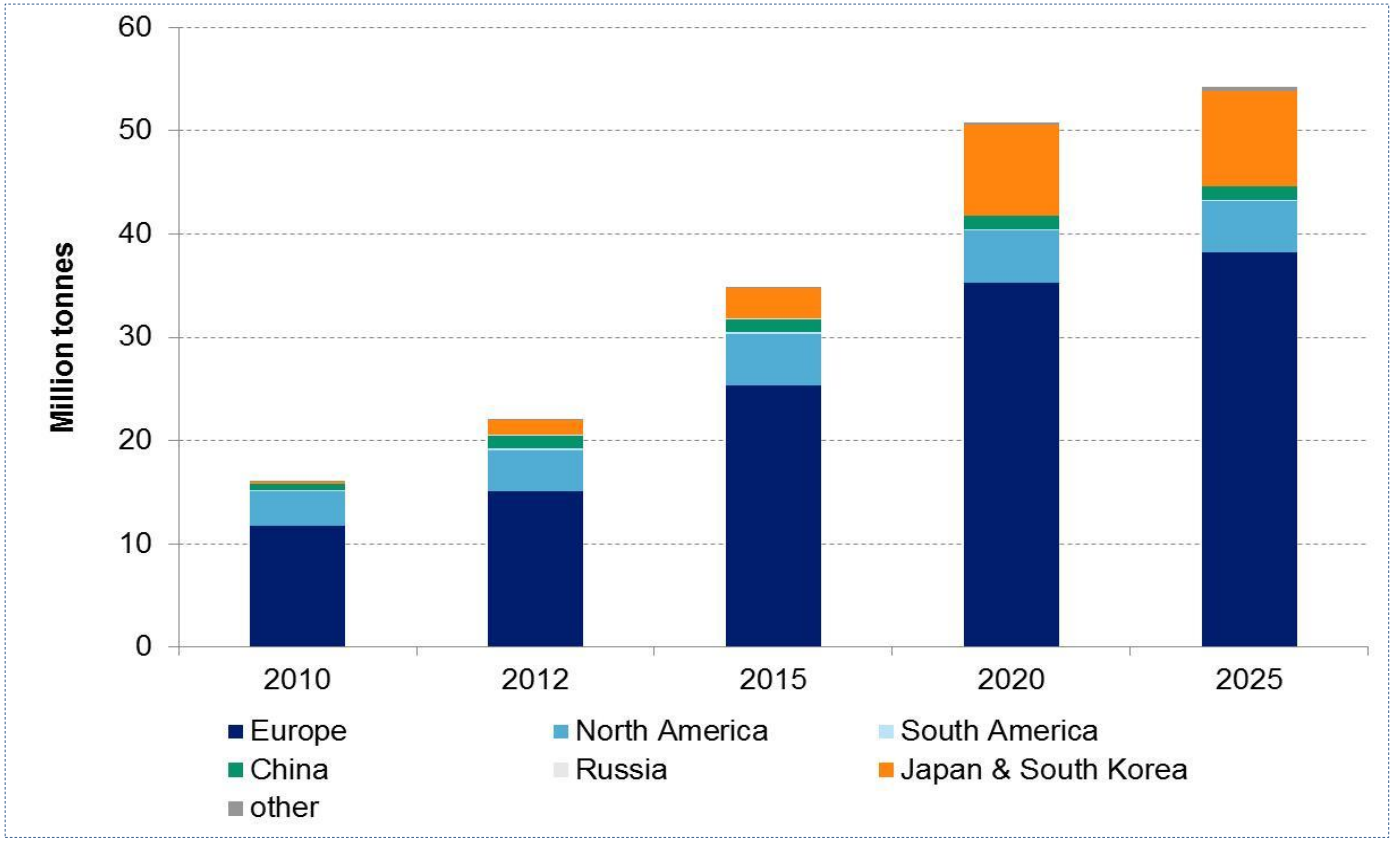
# Global Pellet Demand Outlook

- According to Pöyry Management Consulting, demand is projected to grow strongly in Europe, Japan and South Korea and the market is expected to more than double by 2025. Demand for industrial pellets is the main driver for this development.




*Source: Pöyry Management Consulting*



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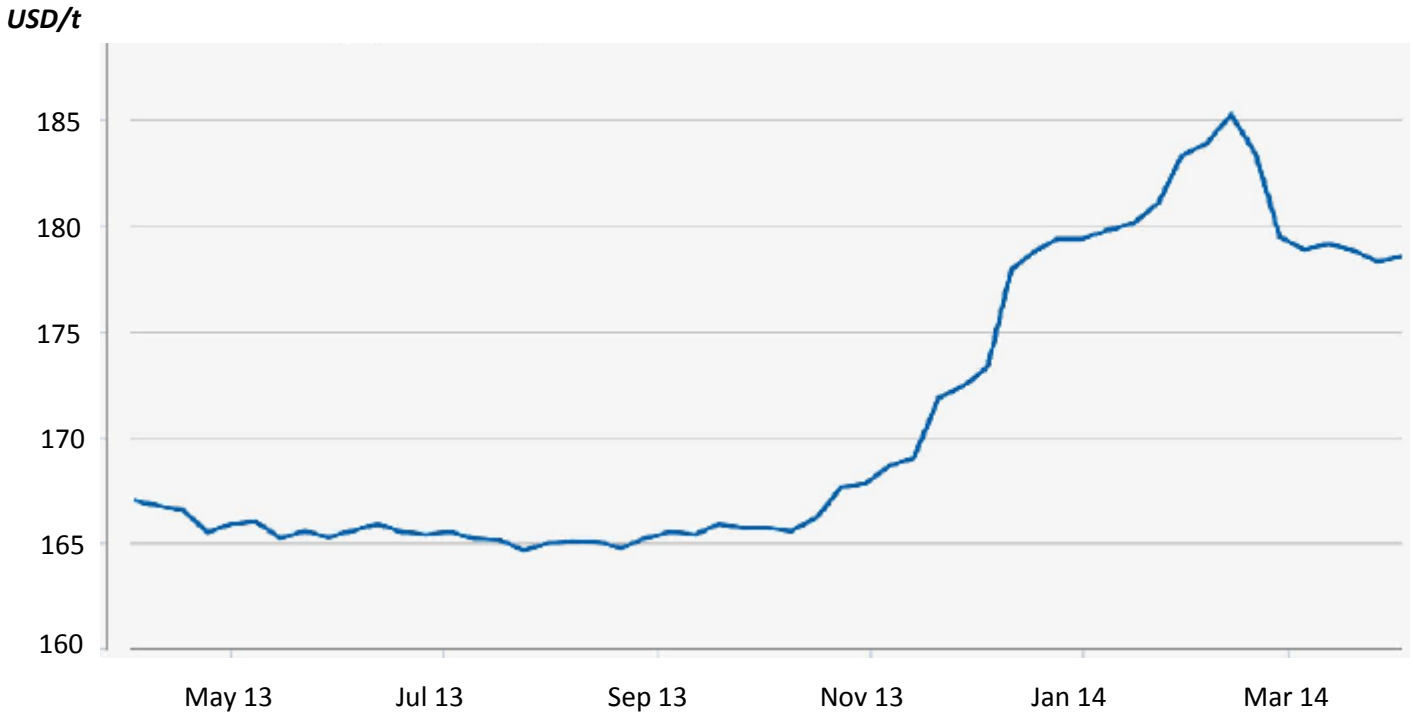
# Pellet Prices

## Argus CIF ARA wood pellet prices, USD/t




*Source: Argus Media, 2014*



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# All Year Round Deliveries from Russia to Export Markets

- Loading of the Company's first shipment of pellets from Arkhangelsk in April 2014.

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# Conclusion



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# RusForest Summary

**Unique platform:**

- Swedish forestry company focused on Russia.
- Vertically integrated from timber leases to sawmilling and wood pellet production.
- High-quality, slow-growth forests.
- Close proximity to main markets in Europe, Japan, and China.
- Extensive Russian forestry experience from new management and major shareholder.

**Next step – Positive cash flow:**

- Developing wood pellet sales from Arkhangelsk
- Finalizing Boguchany transaction to collect remaining asset sale proceeds of USD 2.5 million
- Continuing forest lease optimization

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