

# Third Quarter 2015 Earnings Call

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27 November 2015



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# Company Overview

## Summary

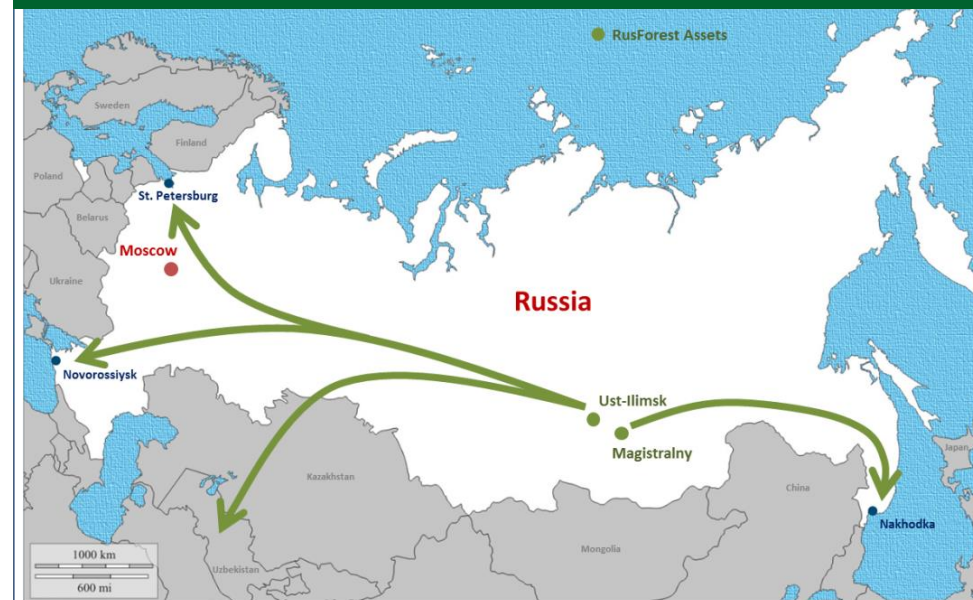
- Swedish forestry company operating in Russia
- Vertically integrated from timber leases to sawmilling (and wood pellets by the end of 2015)
- High-quality, slow-growth forests
- Close proximity to main growth markets in Asia
- Strong management team
- Experienced Board members

## Corporate Information

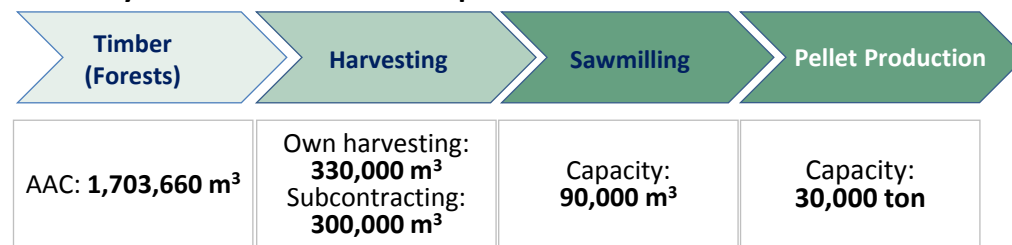
<b>Stock Exchange Listing</b>	NASDAQ OMX Stockholm First North ticker "RUSF"
<b>Share Price *</b>	SEK 2.05
<b>Shares Outstanding</b>	132,033,881
<b>Market Capitalization</b>	USD 31.1 million
<b>Net Debt</b>	USD -9.0 million
<b>Enterprise Value</b>	USD 22.1 million
<b>Main Shareholder</b>	Nova Capital (25.4%)

\*Share price at closing on 26 November 2015. Net debt at 30 September 2015.

## Asset Locations



## Forestry value chain & annual capacities



AAC = Annual Allowable Cut; m<sup>3</sup> = cubic meters

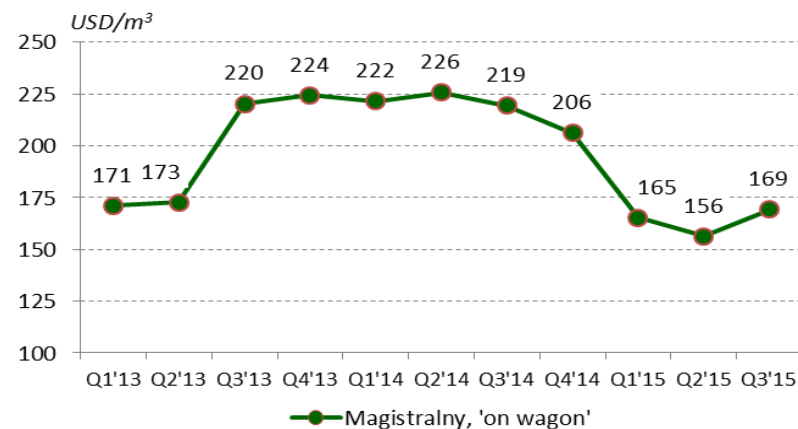
## Third Quarter 2015 Production and Sales

- Sawlog harvesting decreased by 18.9% to 68,100 m<sup>3</sup> in Q3 2015 compared with 83,950 m<sup>3</sup> in Q3 2014. Subcontracted harvesting in Ust-Ilimsk increased by 143.3% to 53,106 m<sup>3</sup>, compared with 21,823 m<sup>3</sup> in Q3 2014. Sawmilling also improved.
- Less sawnwood and sawlogs sold due to difficult market conditions.
- Sales to the Japanese market at 45% in Q3 2015 compared with to 48% in Q3 2014.
- The average sawnwood price realised (price 'on wagon') increased 8.3% compared with Q2 2015, to 169/m<sup>3</sup> in Q3 2015. Due to general market and sales mix.

USDm	Third quarter		9M	
	2015	2014	2015	2014
<b>Production &amp; sales continuing operations</b>				
Sawlogs harvested, m <sup>3</sup>	68,100	83,950	172,108	173,858
Sawlogs harvested, m <sup>3</sup> (subcontracting)	53,106	21,823	398,337	213,831
Sawnwood produced, m <sup>3</sup>	22,912	21,619	63,157	57,443
Sawlogs sold, m <sup>3</sup>	18,514	22,851	46,400	58,642
Sawnwood sold, m <sup>3</sup>	21,007	21,992	61,870	57,732

*Production figures include Magistralny and Ust-Ilimsk operations but do not include the discontinued operations Arkhangelsk and Boguchany.*

Price development of sawnwood



## Third Quarter 2015 Financial Highlights

- Revenue decreased by 31.6% in Q3 2015 to USD 5.1 million, compared with USD 7.4 million in Q3 2014, due to lower prices and volumes.
- Continued positive adjusted EBITDA, which amounted to USD 0.6 million in Q3 2015 compared with USD 0.1 million in Q3 2014. Adjusted EBITDA for nine months of 2015 amounted to USD 2.9 million, significantly higher than even full year 2014 adjusted EBITDA.
- Net profit of USD 1.6 million in Q3 2015 compared with a loss of USD 2.5 million in Q3 2014. For first nine months of 2015 a profit of USD 1.8 million.
- Cash balance of USD 9.1 million at 30 September 2015, compared with USD 10.0 million at 31 December 2014.

USDm	Third quarter		9M	
	2015	2014*	2015	2014*
Revenue	5.1	7.4	15.6	20.6
EBITDA	0.7	0.1	3.0	(1.4)
EBITDA adjusted**	0.6	0.1	2.9	(0.0)
Profit/(loss) from continuing operations	1.9	(1.5)	2.1	(7.3)
Loss from discontinued operations	(0.4)	(1.0)	(0.4)	(2.3)
Profit/(Loss) for the period	1.6	(2.5)	1.8	(9.6)
Net profit/(loss) per share (USD per share)	0.01	(0.02)	0.01	(0.07)

	30 Sep 2015	31 Dec 2014
Cash balance	9.1	10.0
Working capital***	3.0	7.2
Net debt****	(9.0)	(9.6)

\*The Q3 and 9M 2014 Profit and Loss and Cash Flow statements have been adjusted to show Arkhangelsk business segment, which was divested in Q4 2014, as discontinued operations. Details about Arkhangelsk result in Q2 2014 can be found in Note 4 on page 23 of the report.

\*\*Detailed EBITDA calculation on page 5 of the report.

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

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

# Third Quarter 2015 Income Statement

- Revenue
  - Sawnwood revenue down 28% due to lower sales volumes and prices.
  - Sawlog revenue down 51% due to lower sales volumes and prices.
  - Revenue from Ust-Ilimsk increased
- Cost of sales decreased 33% in Q3 2015 compared with Q3 2014, due to the weaker RUB, operational improvement measures and lower volumes. Gross profit margin in Q3 2015 was 43.5%, compared with 25.4% in Q3 2014. Admin and Distribution costs also decreased significantly.
- Foreign exchange gain large contributor to net profit in the quarter.
- Profit for the period also negatively affected by non-recurring cost of USD 0.4 million related to adjustment of Arkhangelsk receivable.

In thousands of USD	Q3 2015	Q3 2014	9M 2015	9M 2014
<b>Continuing operations</b>				
Revenue	5,053	7,384	15,598	20,554
Cost of sales	(2,854)	(5,508)	(8,785)	(15,636)
<b>Gross profit</b>	<b>2,199</b>	<b>1,876</b>	<b>6,813</b>	<b>4,918</b>
Other income	109	27	268	211
Distribution expenses	(968)	(1,440)	(2,798)	(4,034)
Administrative expenditure	(1,353)	(1,875)	(3,602)	(6,021)
Other expenses	(1)	(89)	(213)	(1,409)
<b>Operating profit/(loss)</b>	<b>(14)</b>	<b>(1,501)</b>	<b>468</b>	<b>(6,335)</b>
Exchange gain/loss	2,050	158	1,703	(413)
Financing income	63	144	188	344
Financing cost	(54)	(325)	(102)	(895)
<b>Net financing income/(cost)</b>	<b>2,059</b>	<b>(23)</b>	<b>1,789</b>	<b>(964)</b>
<b>Profit/(loss) before tax from continuing operations</b>	<b>2,045</b>	<b>(1,524)</b>	<b>2,257</b>	<b>(7,299)</b>
Income tax	(97)	3	(129)	(13)
<b>Profit/(loss) from continuing operations</b>	<b>1,948</b>	<b>(1,521)</b>	<b>2,128</b>	<b>(7,312)</b>
<b>Discontinued operations</b>				
Loss after tax from discontinued operations	(377)	(972)	(377)	(2,257)
<b>Profit/(loss) for the period</b>	<b>1,571</b>	<b>(2,493)</b>	<b>1,751</b>	<b>(9,569)</b>
Attributable to:				
Equity holders of the parent	1,679	(2,520)	1,822	(9,581)
Non-controlling interests	(108)	27	(71)	12
<b>Profit/(loss) for the period</b>	<b>1,571</b>	<b>(2,493)</b>	<b>1,751</b>	<b>(9,569)</b>
Profit/(loss) per share	0.01	(0.02)	0.01	(0.07)

## Third Quarter 2015 Balance Sheet

- Remaining receivable from the sale of Arkhangelsk of USD 1.9 million at 30 September 2015, after adjustment by USD 0.4 million.
- Synthetic buyback program initiated and positive difference between market price on 30 September 2015 and average acquisition price recorded as financial asset.
- Cash balance of USD 9.1 million at 30 September 2015.
- Debt of USD 0.1 million at 30 September 2015, Consists of zero-coupon bonds maturing in 2018. SEK bonds at a total nominal value of SEK 1.0 million or USD 0.1 million were repurchased at a 30% discount on the nominal value in Q3 2015.
- Working Capital of USD 3.0 million at 30 September 2015, compared with USD 7.2 million at 31 December 2014.

In thousands of USD	30 Sep 2015	31 Dec 2014
Property, plant and equipment*	16,261	14,914
Intangible assets	58	98
Deferred tax asset	8	6
<b>Total non-current assets</b>	<b>16,327</b>	<b>15,018</b>
Inventory	1,740	1,750
Receivable from assets sale	1,865	6,242
Advance for purchase of non-controlling interest in subsidiaries	377	-
Call option	5	-
VAT refundable	1,970	1,530
Trade and other receivables	909	1,563
Current tax assets	18	52
Loans receivable	26	93
Cash and cash equivalents**	9,092	9,987
<b>Total current assets</b>	<b>16,002</b>	<b>21,217</b>
<b>Total assets</b>	<b>32,329</b>	<b>36,235</b>
<b>EQUITY</b>		
<b>Total Equity</b>	<b>28,264</b>	<b>31,820</b>
<b>Liabilities</b>		
Interest-bearing loans and borrowings	132	479
Deferred tax liability	8	6
<b>Total non-current liabilities</b>	<b>140</b>	<b>485</b>
Interest-bearing loans and borrowings	-	6
Trade and other payables	3,147	3,858
Current tax liabilities	132	42
Provisions	646	24
<b>Total current liabilities</b>	<b>3,925</b>	<b>3,930</b>
<b>Total liabilities</b>	<b>4,065</b>	<b>4,415</b>
<b>Total equity and liabilities</b>	<b>32,329</b>	<b>36,235</b>

## Third Quarter 2015 Cash Balance Reconciliation

- Positive cash flow from operating activities.
- Net investment in equipment of USD 3.2 million in Q2 2015, mainly related to Ust-Ilimsk harvesting project and new pellet mill in Magistralny.
- Proceeds from sale of Arkhangelsk of USD 1.0 million received in Q3 2015.

in thousands of USD		Q3 2015
<b>Cash balance 30 Jun 2014</b>		<b>10,274</b>
<b>Continuing operations</b>		
<b>Cash flow from operating activities</b>		<b>1,331</b>
Net Investment in equipment		(3,173)
Proceeds from sale of subsidiaries		1,000
<b>Cash flow from investing</b>		<b>(2,173)</b>
Increase/(decrease) in loans payable		(89)
<b>Cash flow from financing activities</b>		<b>(89)</b>
<b>Cash flow during the period</b>		<b>(931)</b>
Exchange-rate differences on cash balance		(251)
<b>Cash balance 30 September 2015</b>		<b>9,092</b>



# Conclusion

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## 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
- Experienced Board members

## Next operational steps:

- Start sales of pellets from the pellet mill in Magistralny
- Develop own harvesting operations in Ust-Ilimsk forest lease areas
- Optimization of forest resources (possible sales and/or swaps)



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