



PRESS RELEASE

## **RusForest Provides Update on Operations and Financial Position**

Stockholm, 2016-08-01, RusForest AB (publ) (“RusForest” or the “Company”) (NASDAQ First North: RUSF), a Swedish forestry company with operations in Russia, announces preliminary Q2 2016 production and sales results for its Magistralny and Ust-Ilimsk units.

### **Management Comments**

“Own harvesting in Ust-Ilimsk performed according to plan in spite of traditionally difficult second quarter for wood harvesting and hauling. Magistralny harvesting in Q2 2016 was lower than in Q2 2015, which was partially planned and partially due to weather related issues with hauling. The effect on sawmilling was mitigated by the strong Q1 2016 harvesting”

“As previously reported, RusForest has recently been working to optimize its forest lease portfolio by the sale of non-core forest areas. At the end of July 2016 the Company completed another sale of non-core forest leases of 39,885 hectares and annual allowable cut of 53,400 m<sup>3</sup>, in the Ust-Ilimsk production unit. The price for the forest leases amounted to USD 590,000. With the conclusion of this most recent sale of non-core forest leases, the main phase of optimizing the Company’s forest assets is completed.”

“RusForest is currently reviewing the long term technical strategy for the Magistralny sawmilling operation, to ensure long term maximum output, efficiency and safety based on available forest resources.”

### **Harvesting**

In Q2 2016, RusForest harvested 31,770 m<sup>3</sup> of logs, compared with 29,704 m<sup>3</sup> in Q2 2015 (+7%), which included 24,636 m<sup>3</sup> of own harvesting in Ust-Ilimsk. Harvesting operations in Magistralny decreased by 76% in Q2 2016 to 7,134 m<sup>3</sup>. The main reasons for lower harvesting volumes were an early wet spring and therefore problems with hauling in the beginning of April, as well as planned lower harvesting volumes in Q2 due to strong Q1 2016 harvesting. Harvested volumes in Magistralny for the first half 2016 only decreased by 4% compared with the first half 2015.

### **Subcontracting**

In Q2 2016, RusForest's subcontracted harvesting in Ust-Ilimsk forest lease areas only amounted to 714 m<sup>3</sup>, compared with 82,816 m<sup>3</sup> in Q2 2015 (-99%). With the recent sales of non-core forest lease areas and successful development of the Company’s own harvesting operations in Ust-Ilimsk, the current objective is to stop all work with subcontractors and only develop own harvesting.

### **Sawmilling**

In Q2 2016, RusForest produced 17,838 m<sup>3</sup> of sawnwood, compared with 18,467 m<sup>3</sup> in Q2 2015 (-3%). Lower sawnwood production volumes were caused by sawlogs shortage in June. At the same time sawmilling volumes for the first half 2016 increased by 2% compared with the first half 2015.

### **Wood pellets**

In Q2 2016, RusForest produced 6,658 tonnes of pellets.

### **Sales**

In Q2 2016 RusForest sold 20,651 m<sup>3</sup> of sawnwood compared with 21,572 m<sup>3</sup> in Q2 2015 (-4%). Northern African market environment remained difficult with low prices and the share of this market in total RusForest's sales decreased from 39% in Q2 2015 to just 6% in Q2 2016. At the same time, the share of Japanese market in total sales increased from 31% in Q2 2015 to 38% in Q2 2016. Relatively large volumes of sawnwood were also sold to China, 6,830 m<sup>3</sup> in Q2 2016 compared with 2,203 m<sup>3</sup> in Q2 2015.

In Q2 2016 RusForest sold 11,364 m<sup>3</sup> of sawlogs from Magistralny compared with 11,476 m<sup>3</sup> in Q2 2015 (-1%). In Q2 2016 RusForest also delivered 18,868 m<sup>3</sup> of sawlogs from own harvesting in Ust-Ilimsk to local Russian market.

A total of 6,269 tonnes of wood pellets were sold from Magistralny in Q2 2016.

### **Financial Position**

At 30 June 2016 RusForest had a cash balance of approximately USD 12.5 million, of which approximately USD 2.7 million was held at the corporate level. At 30 June 2016, the Company had corporate debt of approximately USD 0.1 million from zero coupon bonds denominated in SEK and maturing in May 2018.

### **About RusForest AB**

RusForest is a Swedish forestry company operating in Eastern Siberia. The Company controls long-term timber leases and utilizes these resources to produce a wide range of sawnwood products and wood pellets. RusForest is listed on NASDAQ First North (ticker "RUSF").

*RusForest AB's Certified Adviser on First North is Pareto Securities AB.*

For additional information, please visit the Company's website at [www.rusforest.com](http://www.rusforest.com) or contact:

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