



RusForest AB

Year End Report

January 1 – December 31, 2010



RusForest AB

Year End Report, January 1 – December 31, 2010

Results for the twelve months ended December 31, 2010

- Total turnover for the twelve month period ended December 31, 2010 amounted to SEK 300.8 million (2009: SEK 207.5 million). The turnover for Q4 2010 amounted to SEK 47.1 million (Q4 2009: SEK 89.9 million);
- The operating result before financing costs for the period was SEK -165.9 million (2009: SEK -113.6 million), the Q4 2010 result was SEK -27.2 million (Q4 2009: SEK -34.9 million);
- Net result for the period was SEK -130.2 million (2009: SEK 117.7 million). The net results prior to goodwill and impairment loss write-off comprised SEK -181.4 million (2009: SEK -119.8 million). The Q4 2010 net result was SEK 16.8 million (Q4 2009: SEK -177.8 million);
- Earnings per share was SEK -4.35 (2009: SEK 6.53);
- Cash and cash equivalents increased by SEK 41.1 million during the period, from SEK 26.1 million on January 1, 2010 to SEK 67.2 million on December 31, 2010.

Significant events during the fourth quarter 2010

- RusForest completed a successful and oversubscribed rights issue providing the Company with net proceeds of SEK 421.2 million. The share capital was increased by SEK 436.8 million, from SEK 218.4 million to SEK 655.2 million. Following the rights issue, Vostok Nafta Investment Ltd received repayment of two unsecured short-term loans of USD 12 million in total. Due to the improved liquidity, RusForest called for early redemption of SEK 50 million in corporate bonds, which were repaid on December 28, 2010;
- On December 22, following Russian anti-monopoly approval, RusForest finalized its acquisition of 86% of OAO "LDK-3" and 100% of OOO "Infa", a sawmilling operation located in the city of Arkhangelsk, in North West Russia, and a planing mill located on the same site. LDK-3 also owns forest leases corresponding to 177,200 m³ annual allowable cut (AAC). The Company paid SEK 83.0 million for the equity and outstanding shareholder debt; additionally SEK 4.5 million has been reserved for the remaining minority owners;
- RusForest, in addition to its existing forest leases in the Magistralny region, and prior to the start-up of the new sawmill, secured 201,000 m³ of new AAC near its existing leases as announced on December 22, 2010. Total AAC in the Magistralny region is now 560,000 m³, which according to management allows for further harvesting expansion in the region;
- During negotiations between Russia and the EU in November 2010 on the terms for Russia joining the World Trade Organization (WTO), it was made clear that Russia would phase out export duties on round logs once it became a member of the WTO. The effect will be decreased future costs mainly for pulp wood imports to the Finnish and Scandinavian pulp and paper industry; at the same time the changes will increase the value of pulp logs for Russian harvesting companies. The positive impact is to be seen in the North West of Russia in particular, where RusForest is active in harvesting and sawmilling through the recently acquired LDK-3.

Significant events after the end of the period

- The Group acquired a local harvesting company in Boguchany, OOO "Sibartles", with an AAC of 165,400 m³. This takes RusForest's total AAC up to 2.0 million m³ as per February 28, 2011. RusForest also hired two new senior harvesting managers for the Boguchany region;
- Ernst Pfefferkorn has been employed as Chief Technical Officer of RusForest's Siberian mills, with his initial focus being on production improvements and equipment installations in Boguchany during 2011;
- Partial start-up of the new sawmill in Magistralny has commenced. Boilers and drying chambers are already functional. Start-up preparations are continuing during March and April;
- RusForest Ust Ilimsk has a new Managing director, Mr. Mikhail Senchishin. The appointment of Mr. Senchishin finalizes the main management restructuring of RusForest's Siberian units, which was initiated in Q3 2010;
- After the EGM on October 8, which authorized an issue in kind - to enable the acquisition of shares in companies within the group in which Nord Timber Group (NTG) is a part - RusForest confirms that the final part of the due diligence process and negotiations with the sellers are reaching an end, and that the transaction is expected to be closed during early spring 2011.

CEO's Comments

Forestry

In 2010 RusForest implemented a new more coherent strategy. In November, financing was secured through the rights issue for further development of the Company.

At the same time, RusForest attracted new strong investors into the Company. My view is that the Company is in a better position today than ever before. One reason is that management in the entire organization has been strengthened, and that the markets are slowly improving. 2011 will therefore be a year of implementation, where increased harvesting and start-up of new sawmill capacity are key events to reach profitability due to increased efficiency and utilization of forest leases and equipment. Following my first two quarters as CEO of the Company many key problems have been identified and subsequently addressed. None the less the financial results in 2010 were very disappointing, as most improvements will be seen in 2011.

RusForest's position as an emerging global industry player is based on access to cheap raw material of high quality and having a clear first-mover-advantage in the areas where we operate. The target is not growth for growth's sake, but to reach full self supply to our own sawmills as a first step, and to further increase profits from exports of logs at a high margin. Large diameter logs of Pine and Larch that are less suitable for our own sawmills, can be sold at a good premium, to China for instance. .

The main factor determining prices for raw materials in the industry has been an increased log deficit all over the world, resulting in increased raw material prices for sawmills, not only for competitors in countries like China, but also in Sweden and Central Europe.

The new management team in **Boguchany** has started to improve operating standards at recently acquired Sibartles, with the integration of local harvesting, forest planning and administration between our companies, into one unit. With the appointment of a new CEO in **Ust Ilimsk**, harvesting and equipment expansion plans have been reviewed upwards, with a faster and more aggressive scale-up of harvesting to follow. This is based on our expectation that saw log prices will continue to increase once the export duties on logs fall, following Russia's entry into the WTO. **The Magistralny** entity has shown reduced production costs due to the increased utilization of forest leases. Harvesting volumes have almost doubled with the same infrastructure, only marginally expanded machinery and stable administration cost, resulting in improved profitability. The remaining companies are following suit. With guaranteed log supplies to the new sawmill, the official inauguration of the Magistralny sawmill is planned for June 2011. In the **Arkhangelsk** region the main initiatives are increased harvesting, and the acquisition of new equipment needed in order to increase production at LDK-3

Financing and general comments

The oversubscription of the rights issue during the autumn permitted the repayment of existing debt, and for the acceleration of investments needed to reach profitability. The Company is, however, still planning to attract additional debt financing. With the purpose of increasing production and profitability, the Company aims to issue a 3-year corporate bond of approximately SEK 300-400 million in the spring of 2011.

The risk related to the proposed level of leverage is considered moderate, since the Company is currently almost debt free. The planned divestment of the Belomorsk gravel business will add to liquid funds, with negotiations ongoing with potential buyers. The business climate in Russia for road construction is improving with state financing of infrastructure, therefore the priority is to achieve a maximum valuation, rather than a quick sale.

Following a successful closure of the proposed merger with NTG in Arkhangelsk, the planned production capacity at LDK-3 will increase and the Company's long term targets will be re-adjusted upwards.

As a result RusForest will be established as a true global player, with a sawn wood output growing over the next 3-4 years to around 800,000-850,000 m³ per annum, backed up by 2.7-2.9 million m³ logs harvested from the Company's own forest leases.

Martin Hermansson
CEO, RusForest AB

Overview

RusForest is a forestry company operating in eastern Siberia. Through the acquisition of LDK-3 and Infa, the Company has expanded its geographical presence to include the Arkhangelsk region in North Western Russia.

Following its establishment in 2006, RusForest has increased its forest land and sawmilling capacity both by strategic acquisitions and by internal development. Through long term lease agreements the Company controls approximately 1.3 million hectares of forest land with an AAC of approximately 1.98 million m³. The increase is as a result of the acquisition of LDK-3, a new forest lease in the Magistralny region, and the acquisition of a harvesting company in the Boguchany region. Future expected growth will primarily result from the proposed merger with Arkhangelsk based Nord Timber Group.

Russia, alongside Brazil, has the world's largest timber reserves by a significant margin, and Eastern Siberia is known for its high quality Angarsk Pine and Siberian Larch. It is a source of quality sawlogs as well as pulpwood for the local pulp industry. The forest resources in these areas are of high quality, and with the right investment in production, it can provide high quality sawnwood which is much in demand on the international markets.

The Arkhangelsk region is located in the north-western part of European Russia and has a total forest area of about 23 million hectares. The forest consists of about 60% Spruce and 20% Pine as well as Birch and Aspen. The timber is of very high quality, and comparable to timber found in the northern parts of Scandinavia.

RusForest is the sixth largest forestry company in Russia in terms of harvesting volumes, according to data collated by Lesprom.ru, and this position will be strengthened in future years. RusForest's strategic objective is to become a leading independent integrated forest and sawmill company in Russia by fully utilising its forest resources, whilst earning a reasonable return for its shareholders. All of RusForest's products are today sold through the wholly owned company RusForest Trading.

Macroeconomic Development and the Market for Sawn wood

According to the Russian State Statistic Agency, Rosstat, Russian GDP growth was 4.0% during 2010. In the leading Russian newspaper Kommersant, analysts' consensus expectation was about 3.8% for 2010 based on the previous 9 months data from Rosstat. The deviation was partly due to the fact that Rosstat appears to have taken too large an account of weak growth in the quarters before the fourth quarter 2010, where the effect of the summer drought on GDP initially had been overestimated and later corrected.

Expectations for 2011, mainly related to ongoing increased oil prices that have been seen recently, and which will feed into consumption and growth with a lag of about half a year, make analysts predict higher growth in 2011 than for 2010, according to Kommersant.

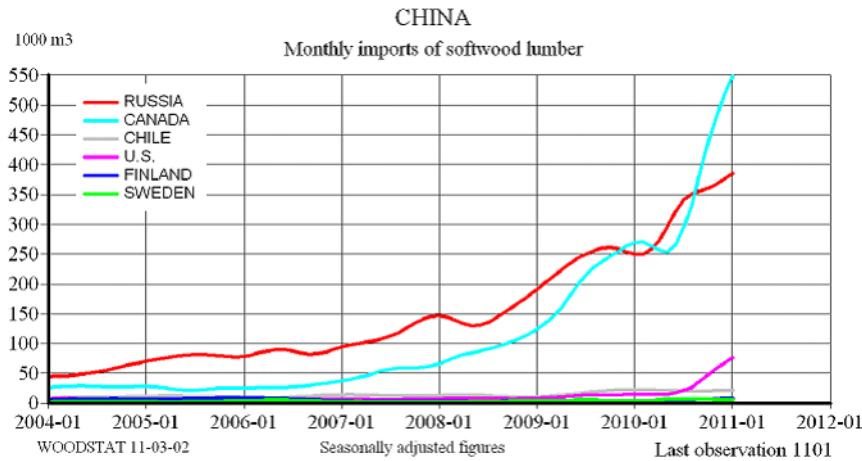
Supply shortages of saw logs in Central Europe, coupled with China's strong development are both factors affecting the rise in log prices – in addition American housing growth will have just as strong an impact on world prices in the coming years.

Industry analysts note that demand bottomed out in the US in 2009, but Russell Taylor, President of the well known publication Wood markets, forecasts that US markets are likely to rebound steadily until 2015, assuming volume growth up to the level of 61 billion board feet, which represents a 50% growth in consumption from the bottom of 2009.

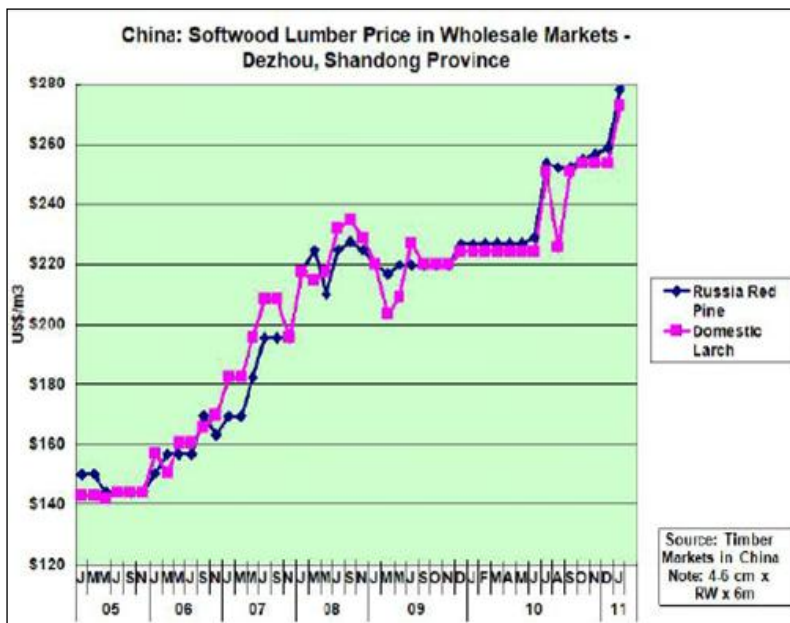
"However, this is still well below the peak of 76 billion board feet in 2005, so there is a lot more upside after 2015 before the market finally stabilizes" he noted.

It is in China that the major part of current dynamics can be found, especially with regards to market impact for RusForest and other Siberian producers. According to estimates published by the National Bureau of Statistics (NBS) in January 2011, China reached a GDP growth of 10.3% year-on-year for 2010. Impressively also, a GDP of 6 trillion USD has already made China the world's second-largest economy.

As a result, imports of round wood into China have shown a significant recovery during 2010, with the country increasing the import of softwood and hardwood logs by 22.4% during 2010 compared to 2009, reflecting a total log import of 34.3 million m³.



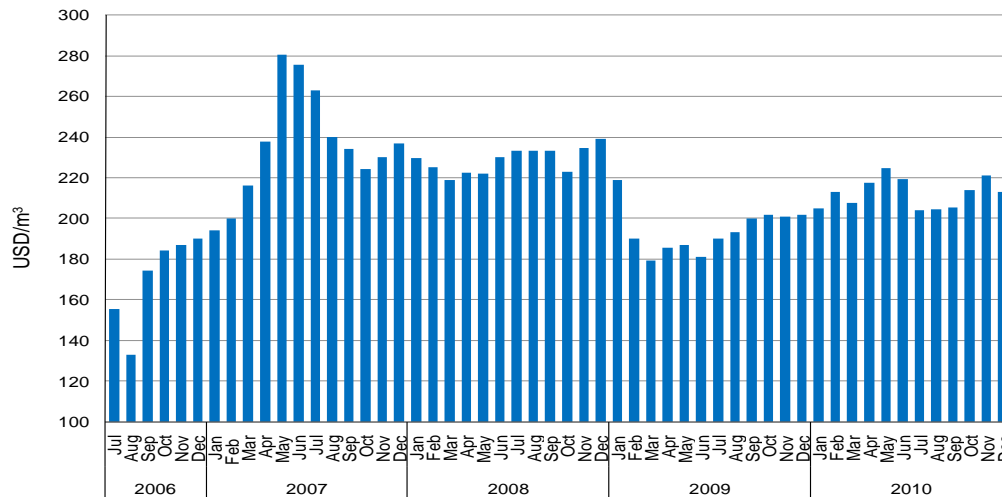
Following the announcement that export duties are to be reduced once Russia joins the WTO, RusForest is focusing more on China and Japan as markets for its sawn wood and logs. This also coincides with an increase in the price of sawn wood inside China, which in our view is as a result of the re-directing of Canadian supply away from China to the US, where prices have increased.



This is good news given the decreased demand and prices from the Middle East and Northern Africa. It is worth noting that RusForest has had no credit exposure to Egypt (as customers are making pre-payments), but has of course seen delays in orders from the region that were previously expected.

In relation to China sawn wood imports, the country has experienced strongly rising prices over the past years. In comparison, Skogsindustrierna, the Swedish forest industry association, states that their export price index for the year of 2010 has increased by 13% for Pine sawn wood, and 15% for Spruce sawn wood. RusForest's sale prices increased during Q4 in relation to Q3 2010 by around 7%.

RusForest sawnwood Export Prices, delivered to port, 2006 – 2010

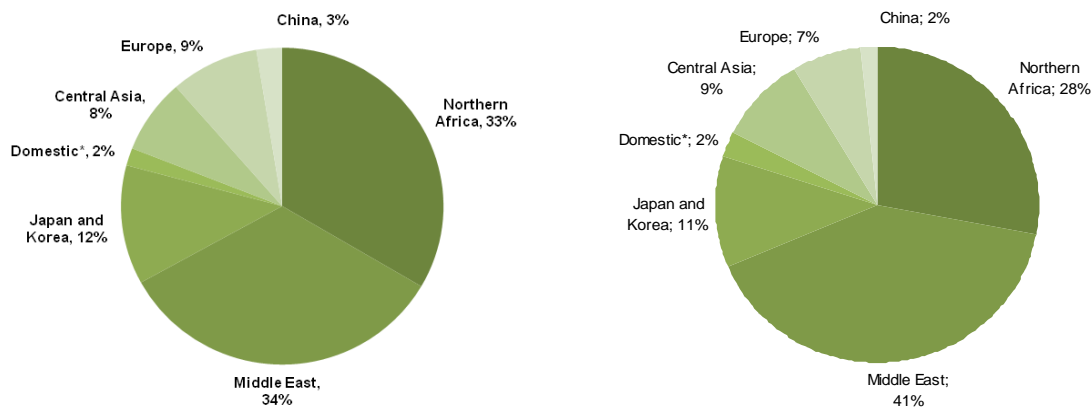


Source: RusForest Ust Ilimsk, Sawnwood export prices delivered to port

Looking at the expected future situation in relation to ongoing investments, RusForest’s average prices are expected to increase by more than the market. This is mainly due to a) stabilized production, b) a higher proportion of Larch sawn wood as part of total sales, and c) improved drying capacities during 2011.

Increased sales of kiln dried sawn wood (KD) also has the benefit of bringing lower transport costs to end customers.

RusForest Sales Geography, 1H 2010 (left) and 12M 2010



Source: RusForest Trading, *Includes volumes delivered domestically but for further processing to Japanese specifications

RusForest’s main markets are located in Northern Africa, the Middle East, Central Asia, Europe, Japan and Korea. During Q4 2010, RusForest’s sales destinations remained relatively stable compared to the beginning of the year. However, as a result of the reduction in prices in Egypt, alternative markets were located instead and Syria was established as the largest single buyer. RusForest had no receivables due from Egypt or Libya that affect the financial results. The main effects are seen by reduced prices on these markets and re-allocation of volumes to other markets, for instance Japan.

Key financial data

Item	2010	2009	2010	2009
In thousands of SEK	Q4	Q4	12M	12M
Turnover	47 078	89 865	300 846	207 526
Cost of Sales	(46 695)	(85 191)	(297 346)	(201 101)
EBITDA	(16 458)	(21 485)	(105 642)	(79 163)
Acquisition income	51 190	-	51 190	380 009
Net Profit	16 769	(177 816)	(130 223)	117 672
Cash Flow During Period	35 038	(31 938)	40 827	(29 018)
Per Share Data, SEK	31-Dec	31-Dec	31-Dec	31-Dec
Earnings	0,34	-8,12	-4,35	6,53
Shareholders Equity*	14,94	32,46	14,94	32,46
Share Price	12,80	19,00	17,40	19,00
Equity/Assets Ratio	85,0%	74,2%	85,0%	74,2%

Financial Performance

Overview

The performance of the Group during 2010 was negatively impacted by raw material supply problems, which started in June 2010 and continued until the end of November, when the new season of felling and extraction of timber started. Sawn wood sales during the period were below expectations and totalled SEK 199.9 million.

For comparisons with 2009, a financial analysis and interpretation is made by presenting comparative data for the previous year. However, the prior year includes only seven months' (June-December 2009) income, expenses and cash flows as during January-May 2009, RusForest AB (formerly Varyag Resources AB) was treated as a holding company. The 2009 accounts are as a result not fully comparable due to this difference.

Revenue from the continuing operations amounted to SEK 300.8 million in 2010 (2009: SEK 207.5 million). Sales income was below expectation due to lower volumes. However, the average price of sawn wood during 2010 has increased quarter-on-quarter (with the exception of Q3 2010) which helped the Group to report a positive gross profit at SEK 3.5 million (2009: SEK 6.4 million).

Cash flows in the forestry subsidiaries have been adversely affected due to low sales proceeds and the reluctance of customers to pre-pay in advance of delivery.

In Q4 2010 the Group expanded the felling and extraction of timber in preparation for the launch of the new sawmill in Magistralny and to secure log stocks in Ust-Ilimsk and Boguchany for the mid-season sawmilling (May-June and October-November).

The Group made rapid progress with the construction of the Magistralny sawmill, which is scheduled to be launched for test operations in April 2011. The installation works are 95% complete and the mill is almost ready for pilot mode production. The additional amount invested in the sawmill amounted to SEK 32.9 million in 2010. Further capital expenditure at Boguchany and Ust-Ilimsk was used to upgrade felling and extraction equipment (harvesters, forwarders, road building equipment and log trucks) as well as for machinery for logs and lumber sorting and new boiler capacity (SEK 47.0 million).

The expenditure described above was made possible due to funds from the rights issue in November 2010. During 2010, operating cash outflows totalled SEK 149.1 million while cash outflows relating to investment activities totalled SEK 183.9 million.

Raw material issues had a negative effect on the production and sales of sawn wood which during the period was reflected in the financial results. The Group showed a net loss of SEK 130.2 million (2009: SEK 117.8 million profit). Prior to goodwill and impairment loss write-off the loss for 2010 amounted to SEK 181.4 million (2009: SEK 119.8 million loss).

In terms of the balance sheet, RusForest's activities are primarily financed by equity capital, with debt levels remaining modest. During Q4 2010 the Group repaid two bridge loans from Vostok Nafta (SEK

84.4 million) which were provided in the third quarter as an advance ahead of the rights issue, which on December 31, 2010 decreased financial expenses and short-term loans payable. In December 2010 the Group also repaid bonds issued in February 2010 (SEK 57.3 million) as well as a Unicredit bank loan (SEK 17.4 million). The Group is continuing discussions with various banks in order to secure additional funding to complete the removal of bottlenecks in harvesting and secure better log transportation in the harvesting units.

The banks in Russia offer competitive rates for quality borrowers, but most of the banks are still conservative and pay more attention to the current financial state of the borrower than to future plans and liquidity of the Group as a whole. The Group will be liaising with Russian and Nordic banks as well as with European export finance bodies such as Finnvera.

The acquisition of LDK-3 at the end of December 2010 has increased the Group's assets and liabilities in the balance sheet by SEK 91.1 million.

Foreign currency fluctuations affected the financial statements significantly during 2010 as the SEK has been appreciating against the RUB from 4.23 to 4.48 (6%) with the greatest effect being in Q3 2010.

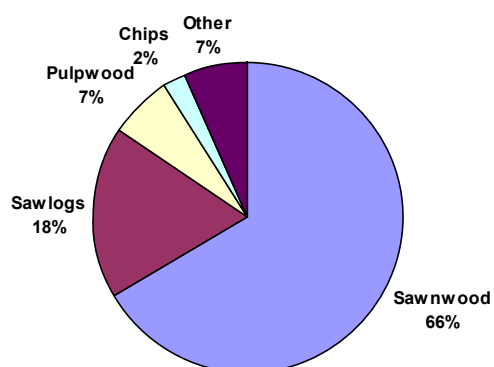
The treatment of the gravel business (Russian Gravel Company) as an asset held for sale means that its balance sheet is not consolidated into the forestry balance sheet on a line-by-line basis. The results are included in the profit and loss account as a loss from discontinued operations, which amounted to SEK -21.1 million in 2010 (2009: SEK -19.5 million). The Company's cash outflows have decreased during the reporting period as the Company has shown a sustainable production and sales volumes during 2010; albeit still at approximately 50% of capacity. The net cash movement totalled SEK -7.9 million (2009: SEK -21.9 million). Bottlenecks in loading (rail wagon access) negatively affect the Company's ability to increase the volume of sales while production is quite expandable. The expected sale of the asset will eliminate this item from the profit and loss statement.

Profit & Loss statement

Revenue

Group revenue for 2010 amounted to SEK 300.8 million (2009: SEK 207.5 million¹). The Group revenue for the period was made up of: Sawnwood, SEK 199.9 million (2009: SEK 128.3 million); Sawlogs, SEK 54.3 million (2009: SEK 36.8 million); Pulpwood, SEK 11.6 million (2009: SEK 12.0 million); Chips, SEK 20.0 million (2009: SEK 5.3 million) and; Other revenue SEK 15.4 million (2009: SEK 25.1 million).

Revenue Breakdown FY 2010, percentage of total



The share of sawn wood revenue has increased compared to sales in 2009 from 61.8% to 66%. This was due to the gradual increase of average sawnwood export prices (delivered to port) received at RusForest Ust-Ilimsk during Q4 2010 which was higher on average by 12% than in Q3 2010, and 5.2% higher than during the corresponding period in 2009.

¹ Effectively this figure only relates to seven months of sales which were consolidated following the 1st June 2009 acquisition of the forestry assets from Vostok Nafta.

Operating Expenses

RusForest's cost of sales for the period was SEK 297.3 million (2009: SEK 201.1 million). The cost of sales was higher on a pro-rata basis compared to 2009 primarily due to the increase in fuel prices, cost of spare parts, and the cost of purchased saw logs. Saw logs were in low supply in both of the regions (Irkutsk and Krasnoyarsk) due to the cold 2009-2010 winter, when harvesting was poor and a rainy summer which did not allow sufficient extraction of timber from the forests. The cost of logs purchased on the market increased by 23% during the year.

Distribution expenses amounted to SEK 83.8 million (2009: SEK 49.7 million) representing customs duties, railway tariffs, loading and hauling-to-loading costs. The increase in these costs is directly related to volumes shipped. However, there was a significant increase in railway tariffs during the period as a result of a wagon deficit from Russian Railways, and the consequent need to rent wagons from private owners at an additional cost.

Other Expenses

Financial Expenses

Financial expenses amounted to SEK 19.8 million during the period (2009: SEK 3.9 million). The increase in financial expenses during the period is largely attributable to the interest on the SEK 50 million bonds issued by the Group in February 2010, together with issuance costs of SEK 2 million and early redemption commission of 2% (SEK 1 million). The bonds had a twelve month maturity with a fixed interest rate of 15%. The bonds were redeemed in December 2010. Another driving factor for the increase was the receipt of two loans from Vostok Nafta, amounting to USD 12 million in total, with an interest rate of 15% per annum, as an advance ahead of the rights issue. These loans were repaid in November 2010 after the issue. The subsidiary in Ust-Ilimsk received a loan from Sberbank of USD 1.3 million on December 30, 2009, with the 12 month charge for interest recorded in 2010.

Income Tax

All of the Group's subsidiaries generated losses during the period, and tax losses will consequently be carried forward for corporate income tax purposes.

A deferred income tax credit has positively affected the Group's results during 2010. The positive effect is a result of the amortisation of a deferred tax liability accrued by the Group for the temporary difference in value of property, plant and equipment which originated from the fixed assets appraisal performed in June 2009 when accounting for the acquisition of 50% of RusForest Ltd.

Net Profit

The Group's net loss for the period was SEK 130.2 million (2009: SEK 117.7 million profit or SEK 119.8 million loss excluding the goodwill and impairment loss write-off). The relative increase in the net loss was driven by low sales volumes and significantly increased proportion of purchased sawlogs compared to logs from own harvesting at both RusForest Ust-Ilimsk and Boguchansky.

Balance sheet

Assets and Investment

The changes in the Group's balance sheet were mostly caused by the inclusion of newly acquired assets and liabilities of LDK-3 and Infa. On December 22, 2010 the Group completed the acquisition of 86% of LDK-3, a sawmilling company located in the city of Arkhangelsk, in North West Russia, and 100% of Infa, a planing mill at the same site for a total cash consideration of USD 12.6 million or approximately SEK 83.0 million. After the assessment of fair values of the net assets acquired under the requirements of IFRS 3 the Group had consolidated SEK 191.0 million in assets, SEK 99.9 million in liabilities. The gain of the Group from acquisition totalled SEK 51.2 million.

On the equity side a significant increase is shown due to the rights issue resulting in the number of shares in RusForest increasing by 43,681,680 shares, to 65,522,520 shares, and the share capital increasing by SEK 436.8 million, from SEK 218.4 to SEK 655.2 million.

Another major impact on Group's balance sheet during the year was attributable to the significant appreciation of the SEK/RUB exchange rate from 4.23 on January 1, 2010 to 4.48 on December 31, 2010

(6%). As a result of this sizeable foreign exchange rate change, all major classes of assets and liabilities have decreased when translated into SEK.

Property, plant and equipment balance has increased due to the extensive investment in the construction of the Magistralny sawmill and also due to prepayments made by Boguchansky for the log and lumber sorting equipment and the boiler station and by RusForest Ust-Ilimsk for harvesting and forest road construction equipment (all arrived in February-March 2011).

On the liability side, the Company is primarily financed through equity, with total equity of SEK 979.1 million (2009: SEK 709.0 million) compared to non-current interest bearing liabilities of SEK 18.0 million (2009: SEK 30.7 million) and current interest bearing liabilities of SEK 15.6 million (2009: SEK 37.7 million). The decrease in current interest-bearing liabilities (SEK 22.1 million) relates to the Unicredit Bank loan repayment and the regular payments performed by the Group to Sberbank and existing lease agreements. The new finance raised is represented by finance lease liabilities to Hansa Leasing and Federal Transport Lease Company.

The gravel business' assets of SEK 100.0 million (2009: SEK 128.5 million) classified as held for sale in the Group's financial statements, primarily reflect the capitalised value of work done at the site, including over-burden removal, blasting, road building, the value of the railhead and the acquisition of equipment. The change in the total value of the assets mainly represents sales of gravel stocks made during the period as well as currency fluctuations.

The gravel business' main crushing plant is being acquired under a finance lease, and the associated liability figure of SEK 12.5 million (2009: SEK 17.9 million) primarily reflects the finance lease liability outstanding on December 31, 2010.

Cash Flow and Financial Position

The Group's closing net cash position was SEK 67.2 million compared to SEK 26.1 million at December 31, 2009. The total net cash inflow for the twelve months ended December 31, 2010 was SEK 40.8 million.

RusForest completed a successful and oversubscribed rights issue providing the Company with net proceeds of SEK 421.2 million. The share capital was increased by SEK 436.8 million, from SEK 218.4 million to SEK 655.2 million. Following the rights issue, Vostok Nafta Investment Ltd received repayment of two unsecured short-term loans of USD 12 million in total. Due to the improved liquidity, RusForest called for early redemption of SEK 50 million in corporate bonds, which were repaid in December 2010. RusForest acquired LDK-3 and Infa for a total consideration of SEK 83.0 million and reserved another SEK 4.5 million for minority owners. The operational companies have invested substantially in new harvesting machinery, log trucks, excavators and other auxiliary equipment.

The operating cash outflow of SEK 119.1 million in forestry subsidiaries (2009: outflow of SEK 40.9 million) was a result of low sales volumes, significant cost inflation, consulting fees and interest payments during the period.

Cash outflows from forestry investing activities, of SEK 167.1 million (2009: SEK 22.5 million), mainly represent the investments made during the period including the restart of construction activities at RusForest Magistralny, purchase of additional sorting capacities (both for logs and lumber) and a boiler for Boguchansky, investment in the additional harvesting capacities in Rusforest-Ust-Ilimsk as well as consideration paid for LDK-3 Inc. and Infa. The Group will continue the investment at RusForest Magistralny until the beginning of Q2 2011. Funding of Russian Gravel Company has decreased to SEK 6.1 million (2009: SEK 21.9 million) thanks to the gravel production and sales activities performed during the reporting period accompanied by lower leasing payments.

The cash balances acquired in the purchase transaction of LDK-3 and Infa totalled SEK 0.4 million.

The cash level as at 31 December 2010 was quite reasonable to maintain the activities of the Group until spring 2011 when the Group plans to issue new long-term bonds. Due to the low debt levels in the Company, corporate bank loans as well as financial leasing of equipment is also available.

Operations

RusForest Operational Data

	Unit	RusForest Ust Ilimsk	Tuba Group	Lesprom	Rusforest Magistralny	Boguchansky	Bamlesroi	LDK-3	Consolidated 2010
RusForest ownership interest		90%	100%	100%	100%	100%	100%	86%	
Annual Allowable Cut (AAC)	m3	734,700	235,000	126,000	201,000	112,400	233,000	177,200	1,819,300
Harvesting (stem equivalent)	m3	402,952	11,243	128,686	-	92,021	-	-	634,902
Logs purchased	m3	57,522	-	-	-	92,068	-	-	149,590
Sawnwood volumes	m3	85,866	1,156	1,766	-	52,446	-	-	141,233
Forest area	Hectares	436,033	117,514	34,129	125,565	48,695	231,554	146,632	1,140,122

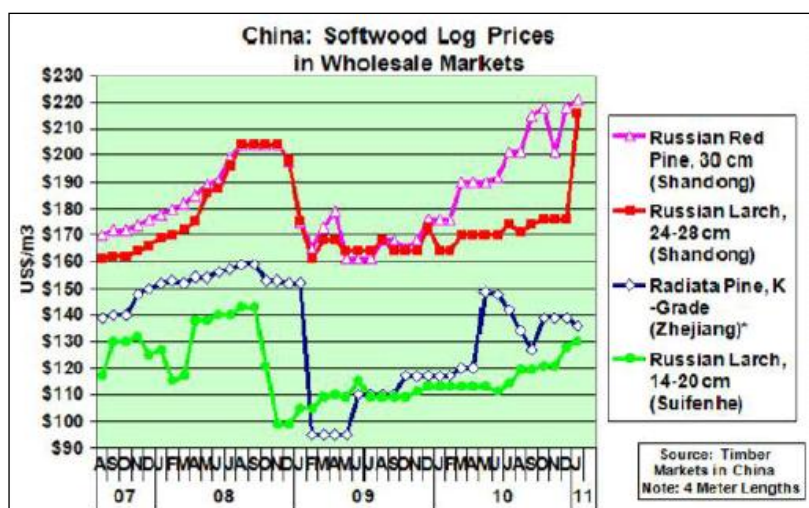
*The figures shown above are given for reference purposes only. Tuba Group includes Tuba-Les and Tublesprom; Boguchansky includes Boguchansky LPK and RusForest Angara. Harvesting volumes are stated as stem equivalent and include volumes harvested in subleased areas.

Having set a clear strategy for the next five years, RusForest has during the last few months finalized the management restructuring of the Siberian entities, where overall more competent and experienced people have come to take leading positions in RusForest's production units. In July a new CEO was hired in Magistralny to lead the construction process and start up of the mill. The dynamics can clearly be seen in the pictures published on our web page. The promises made during late summer 2010 regarding the start up of the new mill in Q2 2011 are hence standing firm.

RusForest is a raw material focused company, where access to quality forest leases is seen as the main success factor needed to deliver value. In regions like Boguchany, where the raw material situation has been especially weak during previous years, additional forest leases have been identified and partly acquired, like OOO "Sibartles" which was announced in February and corresponding to 165,400 m³ AAC. Local management is continuously being strengthened.

Looking at the harvesting structure, and relating it to actual sawmilling, the profit maximizing concept will be to saw all low diameter logs on the sawmills in Ust Ilimsk, Boguchany and Magistralny, and to sell most large diameter logs to Chinese buyers. The investments in harvesting for export was previously considered too risky upon the threat of increased export duties to prohibitive levels (the initially suggested duty was to reach 50 EUR/m³). However, with the reduction of the export duties, or avoidance of future increases at least, the strategy becomes much clearer and the risk is significantly lower when increasing harvesting capacity before reprocessing capacity has been secured.

That works well with the fact that the equipment at the sawmills is suited for smaller logs and a lower top diameter (HewSaw R200, resp. R250 for Ust Ilimsk and Boguchany), while the Chinese customers pay a disproportionally high price in particular for logs of top diameter above 30 cm. Log prices delivered to mill in China already shows the highest log prices in the world.

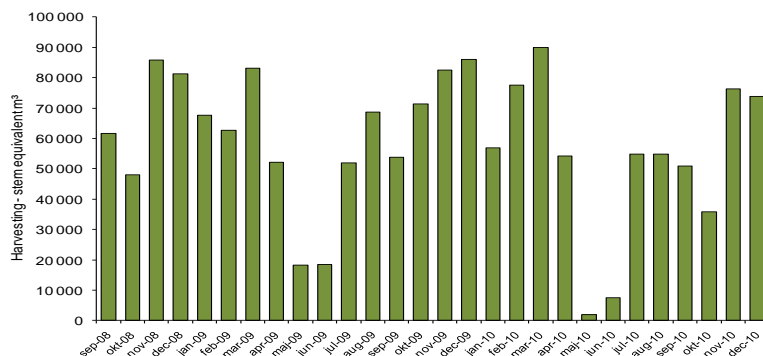


Following the reduction of export duties on pulp wood, pulp log prices are expected to increase in the Arkhangelsk region and potentially allow exports to China.

Forestry Operations

The low harvesting levels in 2010 were due to the summer harvesting instabilities, caused by low preparations during 2009, some 11.2% below the corresponding period 2009. Improvements will therefore be significant in 2011, and new and existing machinery will see increased working hours and utilization rates.

RusForest Group Harvesting, Sep 08 – Dec 10*



*The figures shown above are given for reference purposes only. The operational data of the Group's subsidiaries prior to June 1, 2009 (when control has been obtained by Rusforest AB) are presented to show the historical statistics of harvesting and sawmilling as a benchmark.

The main reason for the low production (-11.2%) in 2010 compared to 2009, was the large level of under-delivery by previous management in Ust Ilimsk – especially during the summer period. Necessary changes have been made to guarantee that a similar situation will not be repeated again, and the previous manager has been replaced. Harvesting in Boguchany during 2010 was of similar volume as in 2009, but will increase once Sibartles is included from Q1 2011.

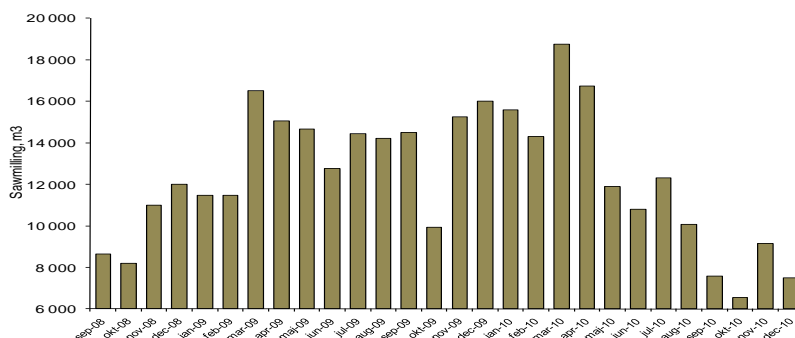
The best dynamics have been seen in Magistralny. Harvesting there has picked up during Q4 and the harvesting levels in Magistralny compensates for a larger part of the Ust Ilimsk shortfall in 2010. Harvesting levels in Magistralny increased by 85.6% in 2010 compared to 2009.

The new CEO in Ust Ilimsk has already made a significant impact on improving the situation.

Sawmilling

RusForest Ust-Ilimsk accounted for the main part of the quarter's relative decrease of the levels seen in 2009. Disruptions in harvesting operations during the autumn resulted in lower than expected log supplies at both Boguchansky LPK and RusForest Ust-Ilimsk. This had a knock-on effect on sawmilling which has been slower than planned throughout most of the year, but especially during the third and fourth quarters before winter supplies of logs started.

RusForest Group Sawmilling, Sep 08 – Dec 10*



*The figures shown above are given for reference purposes only. The operational data of the Group's subsidiaries prior to June 1, 2009 (when control has been obtained by Rusforest AB) are presented to show the historical statistics of harvesting and sawmilling as a benchmark.

Thus, sawmilling output in 2010 was 141,233 m³ compared to 166,333 m³ in 2009 (full year). That equals a reduction of 15,1% on total volume, which is partly explained by the fact that old production lines were taken out of production in Ust Ilimsk at the beginning of 2010.

Parent Company, January 1 – December 31, 2010

Net loss amounted to SEK 21.2 million (2009: SEK 0.6 million).

The loss of the Company was significantly affected by the negative foreign exchange differences totalling for the period SEK -22.9 million (2009: -1.6 million), as well as by interest on the issued bonds in the amount of SEK 9.4 million as well as on Vostok Nafta's bridge finance received prior to the share issue in the amount of SEK 1.5 million.

Operating expenses totalled SEK 9.7 million (2009: SEK 9.5 million) related primarily to audit and consulting fees incurred in connection with the merging activity in regards of NTG as well as to personnel costs.

The Parent Company's cash and cash equivalents amounted to SEK 29.3 million at the end of the period (SEK 7.7 million on December 31, 2009).

Outlook

Having equity funding in place from the capital increase, the execution of the planned investments and production improvements will continue in line with the descriptions given in this report as well as in the Prospectus published ahead of the rights issue.

Leverage will come mainly from issuance of a corporate bond during the spring of 2011 and by individual leasing of harvesting and log trucks where seen appropriate in the operational companies.

Negotiations regarding the divestment of Russian Gravel Company are continuing at the same time as bottleneck removal at the site will increase turnover and improve operational results prior to divestment.

In addition, sale prices on saw logs from eastern Siberia as well as pulp wood prices from the Arkhangelsk region are expected to increase along with lowered export duties. The year of 2011, considering the completion of the Magistralny mill and increased production also in Boguchany, therefore promises to be the most eventful and dynamic year in the Company's history.

The Share

Share Data

The RusForest AB share is listed on First North in Stockholm, a part of NASDAQ OMX. Trading is conducted under the ticker designation RUSF. As of December 31, 2010, the number of outstanding shares was 65,522,520. At the close of the period, the share price was SEK 12.80, and the Company's market capitalisation was approximately SEK 838.7 million. The Company's certified adviser on First North is E. Öhman J:or Fondkommission AB.

ISIN: SE0001732728

Short name on First North: RUSF

Number of shares: 65,522,520

Warrants

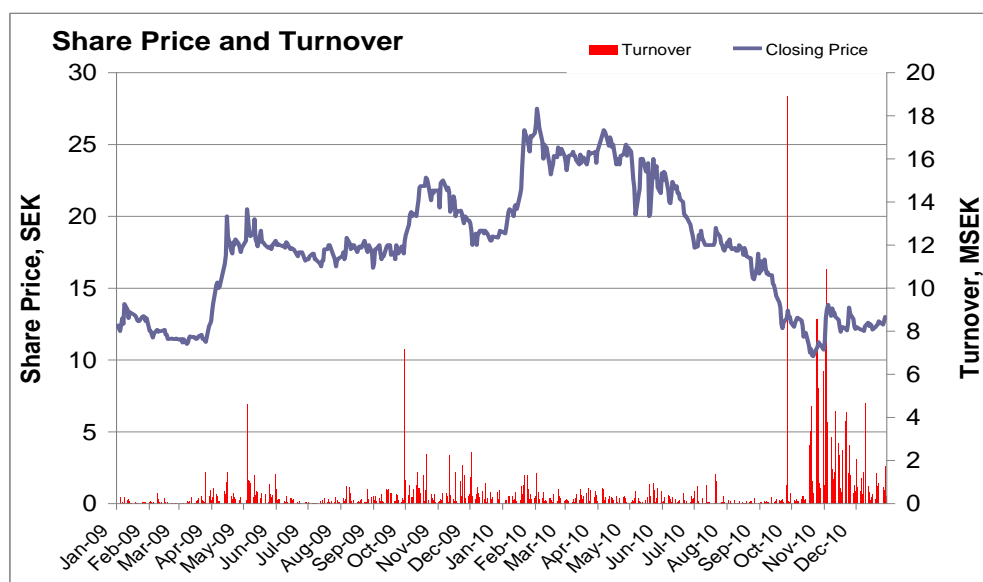
Following the new share issue, the exercise terms for outstanding warrants in the Company have been adjusted in accordance with their respective terms and conditions. The new warrant terms are set out in the table below:

Warrant	Number of shares to which each warrant entitles		Subscription price per share, SEK	
	Original value	Adjusted value	Original value	Adjusted value
2009/2011	1	1.17	63.00	53.70
2010/2015, Series A	1	1.17	27.60	23.53
2010/2015, Series B	1	1.17	29.90	25.49
2010/2015, Series C	1	1.17	34.50	29.41

Major Shareholders on December 31, 2010

Shareholder	Number	Percentage
Vostok Nafta Investment	28 165 209	43,0
JP Morgan Clearing Corp.	6 768 467	10,3
Alecta Pensionsförsäkring	4 659 490	7,1
Staffan Rasjö	3 306 069	5,0
Avanza Pension	1 596 694	2,4
SIX SES AG	1 308 472	2,0
EFG Private Bank S.A.	1 260 000	1,9
Fonden Zenit	1 159 745	1,8
Handelsbankens Nordiska	1 021 350	1,6
JPM Chase NA	1 000 000	1,5
Others	15 277 024	23,3
Total	65 522 520	100,0

Trading data, January 2009 – December 2010



Source: NASDAQ OMX First North

Accounting policies

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and related parts of the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act chapter 9. The Group and Parent Company have applied the same accounting and valuation principles as in the most recent Annual Report.

Qualitative and Quantitative Disclosures and Market Risks

The Group's risk exposure is described in detail in the most recent Annual Report.

INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2010

In thousands of SEK	Note			12 months	12 months
		Q4 2010	Q4 2009	2010	2009
Continuing operations					
Turnover		47,078	89,865	300,846	207,526
Cost of sales	1	(46,695)	(85,191)	(297,346)	(201,101)
Gross Profit		383	4,674	3,500	6,425
Other income		12,467	5,334	12,243	20,209
Distribution expenses	2	(13,416)	(21,700)	(83,770)	(49,726)
Administrative expenditure	3	(24,955)	(18,425)	(87,018)	(65,328)
Other expenses		(1,634)	(4,827)	(10,821)	(25,166)
Operating profit/(loss)		(27,155)	(34,944)	(165,865)	(113,586)
Financing Income		408	71	706	9,587
Financing cost		(6,354)	(1,876)	(19,774)	(3,870)
Net financing income/(cost)		(5,945)	(1,805)	(19,068)	5,717
Income from acquisition of Group companies		51,190	-	51,190	380,009
Share of profit of equity accounted investees		(100)		(100)	
Goodwill impairment		-	(142,570)	-	(142,570)
Profit/(loss) before tax from continuing operations		17,990	(179,319)	(133,842)	129,570
<i>Income tax</i>		1,998	1,199	24,767	7,603
Profit/(loss) for the period from continuing operations		19,988	(178,120)	(109,075)	137,173
Discontinued operations					
Profit/(loss) after tax for the year from discontinued operations	4	(3,219)	304	(21,149)	(19,501)
Profit/(loss) for the period		16,769	(177,816)	(130,223)	117,672
Attributable to:					
Equity holders of the parent		17,658	(177,443)	(127,369)	119,522
Non-controlling interests		(889)	(373)	(2,855)	(1,850)
Profit/(loss) for the period		16,769	(177,816)	(130,223)	117,672

PER SHARE DATA

Per Share Data	Q4 2010	Q4 2009	12 months 2010	12 months 2009
SEK	31/12	31/12	31/12	31/12
Earnings	0.34	(8.12)	(4.35)	6.53
Shareholders Equity*	14.94	32.46	14.94	32.46
Share Price	12.80	19.00	12.80	19.00

Number of Shares	Q4 2010	Q4 2009	12 months 2010	12 months 2009
	1/10 - 31/12	1/10-31/12	31/12	31/12
Beginning of period	21,840,840	21,840,840	21,840,840	13,303,200
End of Period	65,522,520	21,840,840	65,522,520	21,840,840
Average number of shares	51,278,494	21,840,840	29,260,742	18,299,127

*There are stock options outstanding that could increase the Company's number of shares by 3,241,834. No dilution has been calculated as the effect for the period would have been anti-dilutive.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2010

In thousands of SEK	Q4 2010	Q4 2009	<u>12 months</u> 2010	<u>12 months</u> 2009
Profit/(loss) for the year	16,769	(177,816)	(130,223)	117,672
Other comprehensive income/(loss)				
Translation difference	(2,970)	12,933	(28,782)	(60,628)
Other comprehensive income/(loss) for the period, net of tax	(2,970)	12,933	(28,782)	(60,628)
Total comprehensive income/(loss) for the period, net of tax	13,799	(164,883)	(159,005)	57,044
Attributable to:				
Equity holders of the parent	14,688	(164,510)	(156,151)	58,894
Non-controlling interests	(889)	(373)	(2,855)	(1,850)
Total comprehensive income/(loss) for the period, net of tax	13,799	(164,883)	(159,005)	57,044

DEFINITION OF KEY FIGURES

Earnings per share: Profit/Loss after tax divided by the average number of shares during the period.

Shareholders' equity per share: Reported shareholders' equity in relation to the number of shares at the end of the period.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

In thousands of SEK	Note	31 December 2010	31 December 2009
Assets			
Non-current assets			
Property Plant and equipment		768,054	656,632
Intangible assets	6	12,212	-
Investments in associates		2,434	2,300
Other long-term receivables		7,553	10,601
Deferred tax asset		44,095	23,503
Total non-current assets		834,347	693,036
Current assets			
Inventory		64,490	42,747
Trade and other receivable		84,482	64,045
Loans receivable		725	540
Cash and cash equivalents		67,195	26,085
Total current assets		216,891	133,417
Assets classified as held for sale		100,019	128,525
Total assets		1,151,258	954,979
EQUITY			
Equity and reserves			
Share capital		655,225	218,408
Other capital		541,114	556,687
Translation reserve		(6,348)	22,434
Retained earnings		(86,693)	(206,215)
Income for the year		(127,369)	119,522
Total equity attributable to Shareholders of the Group		975,929	710,836
Non-controlling interest		3,143	(1,842)
Total Equity		979,072	708,994
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings		10,703	20,218
Loans payable to related companies		7,334	10,435
Deferred tax liability		53,862	51,726
Total non-current liabilities		71,899	82,379
Current liabilities			
Interest bearing loans and borrowings		15,627	37,727
Trade and other payables		72,132	82,385
Total current liabilities		87,759	120,112
Liabilities directly associated with the assets classified as held for sale		12,527	43,494
Total liabilities		172,186	245,985
Total equity and liabilities		1,151,258	954,979

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2010

In thousands of SEK	Q4 2010	Q4 2009	12 months 2010	12 months 2009
Cash flow from operating activities	(77,244)	(31,347)	(149,108)	(40,932)
Cash flow from investing activities	(149,937)	(2,605)	(183,891)	(22,502)
Cash flow from financing activities	261,806	(15,713)	373,414	16,689
Cash balances of acquired subsidiaries	412	17,727	412	17,727
Cash flow during the period	35,037	(31,938)	40,827	(29,018)
Cash and cash equivalents, beginning of period	29,609	54,939	26,085	55,704
Exchange-rate differences on cash and cash equivalents	2,548	3,084	282	(601)
Cash and cash equivalents, period end	67,194	26,085	67,194	26,085

The Group's closing net cash position was SEK 67.2 million compared to SEK 26.1 million at December 31, 2009. The total net cash inflow for the twelve months was SEK 40.8 million.

STATEMENT OF CHANGES IN EQUITY

12 months 2010, In thousands of SEK	Attributable to the equity holders of the parent				Non-	Total
In thousands of SEK	Share capital	Other capital	Translation reserve	Retained earnings	controlling interest	Total
Opening shareholders' equity	218,408	556,687	22,434	(86,693)	(1,842)	708,994
Loss for the period	-	-	-	(127,369)	(2,855)	(130,223)
Other comprehensive income	-	-	(28,782)	-	-	(28,782)
Total comprehensive income	-	-	(28,782)	(127,369)	(2,855)	(159,005)
Non-controlling interest in acquired subsidiaries	-	-	-	-	7,839	7,839
Costs related to the rights issue	-	(15,573)	-	-	-	(15,573)
New shares issue	436,817	-	-	-	-	436,817
Shareholders' equity at end of period	655,225	541,114	(6,348)	(214,062)	3,143	979,072

12 months 2009, In thousands of SEK	Attributable to equity holders of the parent				Non-	Total
In thousands of SEK	Share capital	Other capital	Translation reserve	Retained earnings	controlling interest	Total
Opening shareholders' equity	133,032	485,825	83,070	(155,676)	-	546,251
Profit/(Loss) for the period	-	-	-	119,522	(1,850)	117,672
Deferred tax liability adjustment	-	-	-	(50,539)	-	(50,539)
Other comprehensive income	-	-	(60,636)	-	8	(60,628)
Total comprehensive income	-	-	(60,636)	68,983	(1,842)	6,505
New share issue	85,376	70,862	-	-	-	156,238
Shareholders' equity at end of period	218,408	556,687	22,434	(86,693)	(1,842)	708,994

NOTES TO THE FINANCIAL STATEMENTS

The Group provides comparative information for cost of sales and distribution costs for 2009. However, the periods are not comparable since the Group previously, till May 31st, 2009, had not consolidated its subsidiaries but included the results of the portfolio companies using the equity accounting method. Thus income, expenses and cash flows of the Group in the first nine months of 2009 include the results and cash flows of subsidiaries for only four months (June 2009 – September 2009). Quarterly results for the reporting period and the comparative data for Q3 2009 both include full three months of the operations of the Group.

Note 1. Cost of sales

	Q4 2010	Q4 2009	12 months 2010	12 months 2009
Personnel costs	14,470	17,312	83,375	38,563
Purchased sawlogs	5,803	14,310	65,536	35,327
Depreciation	10,138	13,131	57,942	32,168
Materials	8,138	17,071	19,587	31,901
Energy and fuel	3,508	7,169	26,013	13,099
Harvesting services	1,639	4,468	8,390	11,835
Other	2,998	11,730	36,502	38,208
	46,695	85,191	297,346	201,101

The significant decrease in cost of sales in Q4 2010 is mainly due to the lesser volumes sold to customers.

Note 2. Distribution expenses

	Q4 2010	Q4 2009	12 months 2010	12 months 2009
Personnel costs	451	540	6,216	1,128
Railway costs	6,317	9,630	40,656	19,456
Custom duty	2,677	4,362	12,433	9,228
Other	3,971	7,168	24,465	19,914
	13,416	21,700	83,770	49,726

Note 3. Administrative expenditure

Administrative expenditures

	Q4 2010	Q4 2009	12 months 2010	12 months 2009
Company				
Parent Company	2,868	1,063	10,109	19,059
Subsidiaries	22,087	17,362	76,909	46,269
	24,955	18,425	87,018	65,328

Administrative expenditures of Subsidiaries

	Q4 2010	Q4 2009	12 months 2010	12 months 2009
Personnel costs	9,239	8,109	35,832	22,281
Audit	2,062	555	7,064	3,300
Property tax	687	1,124	4,256	2,914
Consulting fees	2,728	3,105	5,660	4,533
Other	7,371	4,468	24,096	13,241
	22,087	17,362	76,909	46,269

Note 3. Administrative expenditure (continued)**Administrative expenditures of RusForest AB
(Parent Company)**

In thousands of SEK

	Q4 2010	Q4 2009	12 months 2010	12 months 2009
Management fee	-	-	-	8,741
Personnel costs	1,159	273	2,909	5,009
Consulting	480	723	3,750	3,996
Other external costs	922	8	2,813	1,164
Travel expenses	301	34	611	105
Depreciation	6	25	25	44
	2,868	1,063	10,109	19,059

In the previous periods the audit costs were invoiced to the subsidiary RusForest Ltd (Bermuda) in arrears, so the actual costs were booked in the period following the applicable reporting period. Starting 2010, the Group accounts for the audit costs in a timely manner, and the expenses are accounted in the period in which they occur.

Note 4. Segment information

The operating segments' definitions were developed by senior management in order to enable effective and efficient operating performance based on the geographic split of the production units in East Siberia (for forestry) and Karelia (for gravel). RusForest Management LLC is located in Moscow. The Parent companies (RusForest AB, Varyag Capital Ltd, Varyag Finance GmbH and RusForest Bermuda) are not included in any of the operating segments as they do not generate any revenue; therefore their assets and expenses have been reflected in the corporate segment of the assets and expenses. RusForest Cyprus Ltd is a primary holding company for the forestry subsidiaries therefore its assets, expenses and cash flows are included into forestry segment.

Geographical information

The Group operates in the Russian Federation. The Group's Parent Company has a head office in Stockholm, Sweden. However, it does not own any non-current assets and generates only financial income and expenses in addition to administration costs and director's salaries. Therefore all non-current assets are located in Russia and all of the Group's operations are based in Russia.

Segment revenues and results

	12 months 2010		12 months 2009	
	Revenue	Net result	Revenue	Net result
Forestry companies	300,846	(124,920)	207,526	(69,710)
Gravel companies	-	(21,149)	-	(19,501)
Corporate costs	-	(35,344)	-	(30,556)
Goodwill impairment	-	-	-	(142,570)
Results of acquisition	-	51,190	-	380,009
Total	300,846	(130,223)	207,526	117,672

Note 4. Segment information (continued)

Segment assets	<u>31 December</u> <u>2010</u>	<u>31 December</u> <u>2009</u>
Forestry companies	989,732	803,364
Gravel companies	100,019	128,525
Total segment assets	1,089,751	931,889
Corporate assets	61,507	23,090
Consolidated total assets	1,151,258	954,979

The Russian Gravel Company is planned to be brought up to production capacity in 2010/2011, and is intended to be sold. Therefore, the accounting treatment used was to classify assets and directly associated liabilities as held for sale while profit and loss is considered to be as from discontinued operations.

Assets Classified as Held for Sale

In thousands of SEK	<u>31 December</u> <u>2010</u>	<u>31 December</u> <u>2009</u>
Assets		
Non-current assets		
Property Plant and equipment	68,846	91,428
Intangible assets	11,889	14,001
Deferred tax asset	2,811	1,577
Total non-current assets	83,546	107,006
Current assets		
Inventory	4,982	12,841
Trade and other receivable	10,788	6,992
Cash and cash equivalents	703	1,686
Total current assets	16,473	21,519
Total assets	100,019	128,525

Liabilities directly associated with the assets classified as held for sale

	<u>31 December</u> <u>2010</u>	<u>31 December</u> <u>2009</u>
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	8,971	39,691
Total non-current liabilities	8,971	39,691
Current liabilities		
Trade and other payables	3,556	3,803
Total current liabilities	3,556	3,803
Total liabilities	12,527	43,494

Note 4. Segment information (continued)

Consolidated Statement of Comprehensive Income of Gravel Segment

In thousands of SEK	12 months 2010	12 months 2009
Discontinued operations		
Turnover	22,532	5,586
Cost of sales	(17,863)	(3,040)
Gross Profit	4,669	2,546
Distribution expenses	(10,601)	(3,882)
Administrative expenditure	(16,106)	(10,974)
Operating profit	(22,038)	(12,310)
Financing cost	132	(5,696)
Net financing income/(cost)	132	(5,696)
<i>Income tax</i>	757	(1,495)
Loss for the year from discontinued operations	(21,149)	(19,501)

Condensed statement of cash flows of the Gravel segment

In thousands of SEK	Gravel
Cash flow from operating activities	(6,254)
Cash flow from investing activities	(2,449)
Cash flow from financing activities	784
Cash flow during the period	(7,920)

Segment cash flows

In thousands of SEK	Forestry	Corporate	Total
Cash flow from operating activities	(119,058)	(30,051)	(149,108)
Cash flow from investing activities	(167,118)	(16,773)	(183,891)
Cash flow from financing activities	(58,721)	432,135	373,414
Cash balances of acquired subsidiaries	412	-	412
Cash flow during the period	(344,485)	385,312	40,827

Cash flows are divided up into segments so that all Forestry activities are shown in the Forestry segment and all management services are shown in the corporate segment. Cash flows relating to gravel primarily appear as an investment activity in the corporate segment.

The Corporate segment is made up of all management related costs together with the activities of Russian Gravel Company and its subsidiaries in Russia. The negative operating cash flow at the corporate segment reflects cash costs incurred in running the listed entity together with management costs of RusForest Management in Russia.

Note 5. Acquisition income

Income from acquisition of 86% of LDK-3 Inc. and 100% of Infa Ltd by RusForest Group in December 2010 comprised SEK 54.3 million after performing the purchase price allocation and assessing the fair values of acquired assets and liabilities.

The consideration paid in the purchase transaction was USD 12.6 million (SEK 83.0 million). Out of the consideration paid the amount of SEK 46,620 thousand was relating to the previous shareholder's loans which were assigned to Rusforest (Cyprus) Limited. The residual of the amount was attributable to the voting rights in both companies and comprised SEK 39.9 million.

Net identifiable assets and liabilities in thousands of SEK	Recognised values on acquisition
Property, plant and equipment	134,739
Intangible assets	12,212
Inventories	21,135
Trade and other receivables	20,102
Cash and cash equivalents	2,803
Deferred tax liability	(8,566)
Loans and borrowings	(31,981)
Trade and other payables	(51,491)
Non-controlling interest	(7,840)
Net identifiable assets and liabilities	91,113

As a result the Group's gain on acquisition of LDK-3 Inc. and Infa Ltd calculated as consideration paid, less acquired net assets, amounted to SEK 51.2 million.

Income from acquisition of RusForest was reported in 2009 in accordance with IFRS 3 at the amount of SEK 380.1 million.

Note 6. Intangible assets

The intangible assets the Group has acquired through the business combination (purchase of LDK-3 Inc. and Infa Ltd) represent the client base and the land use rights measured at SEK 5.4 million and SEK 6.9 million, respectively.

Note 7. Parent Company

Condensed Income Statement, Parent Company		
In thousands of SEK	12 months 2010	12 months 2009
Turnover	-	1
Cost of sales	-	-
Gross profit/(loss)	-	-
Distribution expenses	-	-
Administrative expenditure	(9,670)	(9,455)
Other income (FOREX)	(22,850)	(1,565)
Operating profit/(loss)	(32,520)	(10,040)
Financing income/(expenses)	11,322	9,462
Net financing income/(cost)	11,322	9,462
Income tax	-	-
Profit/(loss) for the period	(21,198)	(578)

Note 7. Parent Company (continued)

Condensed Balance Sheet,
Parent Company

In thousands of SEK	31 December 2010	31 December 2009
Assets		
Non-current assets		
Property Plant and equipment	21	46
Investments in subsidiaries	661,901	646,217
Total non-current assets	661,922	646,253
Current assets		
Loans receivable	473,959	109,061
Trade and other receivable	2,395	209
Cash and cash equivalents	29,322	7,676
Total current assets	505,676	117,044
Total assets	1,167,598	763,307
Equity and reserves		
Share capital	655,255	218,408
Share premium	541,114	553,771
Retained earnings	(30,815)	(9,616)
Total Equity	1,165,554	762,563
Liabilities		
Current liabilities		
Interest-bearing loans and borrowings	-	-
Trade and other payables	2,074	774
Total current liabilities	2,074	744
Total equity and liabilities	1,167,628	763,307

Forthcoming information

Annual Report 2010	12 May 2011 (at www.rusforest.com)
Interim report Q1	26 May 2011 (at www.rusforest.com)
Annual General Meeting	26 May 2011
Interim report Q2	26 Aug 2011 (at www.rusforest.com)

Nomination Committee

The Nomination Committee is comprised of Anders Börjesson, Vostok Nafta, (chairman); Leif Törnvall, Alecta; and Sven Hirdman, Chairman of the RusForest Board. The Nomination Committee can be contacted via e-mail on info@rusforest.com.

Stockholm, March 24, 2011

RusForest AB (publ)
The Board of Directors

This interim report has not been subject to examination by the Company's Auditors.

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