RusForest AB (publ)
CEO, Martin Hermansson
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Introduction

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- RusForest's target is to become one of the leading regional forest companies, utilising Russia's vast low cost forest resources under Scandinavian management
- Following recent acquisitions of 'NTG' and other similar companies, the total forest lease area is about 3 million hectares with an annual allowable cut (AAC) of 3.6 million m^3 per year
- Being well-positioned in both North Western Russia and Siberia, RusForest has excellent market reach in Russia's key forest regions with closeness to Europe and China
- The principal owners are Vostok Nafta Investment Ltd (a Swedish listed company investing in Russia), East Capital Fonder (a Swedish asset manager specialising in Eastern Europe and China), Alecta (a Swedish pension company), and Libra Advisors (a US based hedge fund)
- Targeted annual harvesting and sawmilling production is 2.7–2.9 million m^3 and 800,000–850,000 m^3 respectively, to be reached within a 4-5 year period

Boguchany	▪ Sawmill in Eastern Siberia with planned production capacity of 150,000-200,000 m^3 ▪ AAC of 748,400 m^3
Ust-Ilimsk	▪ Sawmill in Eastern Siberia with planned production capacity of 150,000 m^3 ▪ AAC of 969,700 m^3
Magistralny	▪ Sawmill started up in July 2011 in Eastern Siberia with planned production capacity of 120,000-150,000 m^3 ▪ AAC of 960,000 m^3
Arkhangelsk	▪ LDK-3 and NTG Shenkursk sawmills with planned increased production. Current production of 120,000 m^3 and 35,000 m^3 respectively ▪ AAC of 984,800 m^3 jointly ▪ LDK-3 is the base for a new pellet business introduced
Russian Gravel Co	▪ Gravel operations in Karelia ▪ Production capacity above 1 million tonnes ▪ A reserve base of more than 150 million m^3 of granite and gabbro-diabase ▪ Non-core asset to be divested in 2011/2012

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Profitability in all markets situations

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EU

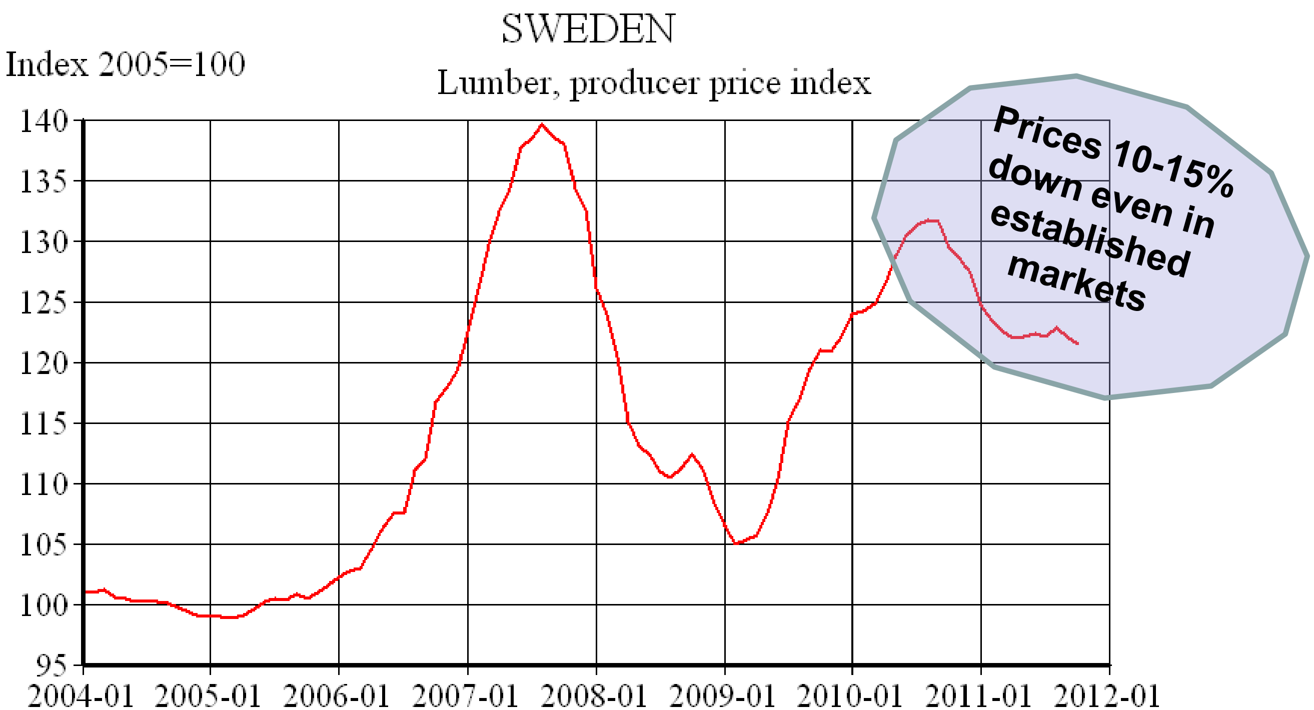
- WTO agreement between the EU and Russia will reduce export duties on round logs from Russia
- EU demand may exceed supply with 400 million m^3 by 2030[1)]
- German sawmill industry paying SEK 940–1,080/m^3 ex works, due to log deficit in several regions

Asia

- Increasing demand in China and Japan
  - Canada increased log export to China with 150% during 2010

Northern Africa and the Middle East

- As a result of recent political turmoil, the area constitutes a risk to suppliers
- Egypt has been the main buyer of low grade sawn wood from Germany and Scandinavia



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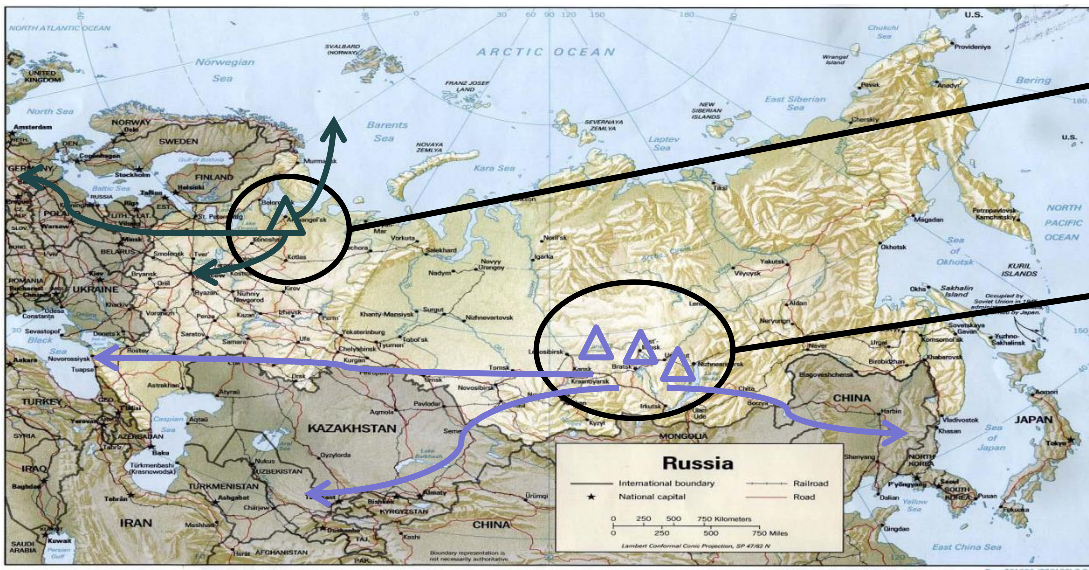
RusForest development plan

- RusForest will, following the successful bond issue of SEK 500 million during May 2011, continue with the final stage of development towards profitability – expanding sawmilling and strengthening roads and harvesting operations
- NTG has been integrated into LDK-3 in the Arkhangelsk region, new forest leases acquired in Magistralny and Boguchany during Q2 and Q3 2011
- RusForest's shares are currently listed on NASDAQ OMX First North. However, the Company intends to initiate the process of applying for listing on the main list



Arkhangelsk*	End 2010	Within four to five years**
AAC (million m^3)	0.98	1.2
Sawmilling (m^3)	200’	426’

Eastern Siberia	End 2010	Within four to five years**
AAC (million m^3)	2.6	3.0
Sawmilling (m^3)	200’	375’-450’

**Numbers including LDK-3 and NTG*
***Including additional expected acquisitions*

RusForest is undertaking measures to consolidate in its key regions

RusForest production overview

AAC:
277,800 + 470,600 m³

Sawmilling today:
100,000 m³ (45% green)

Production target
Sawmilling 2014:
200,000 m³ (75% dry)

AAC:
560,000 m³ + 400,000 m³

Sawmilling today: NONE

Production target
Sawmilling 2014:
150,000 m³

AAC:
969,700 m³

Sawmilling today:
60,000 m³

Production target
Sawmilling 2014:
80,000 m³

AAC:
177,200 m³

Sawmilling today:
120,000 m³

Production target
Sawmilling 2014-2016: 350,000 m³

AAC:
807,600 m³

Sawmilling today:
35,000 m³

Production target
Sawmilling 2014:
80,000 m³

Boguchany | Magistralny | Ust Ilimsk

Eastern Siberia

LDK-3 | NTG

Arkhangelsk region

Future development in 4 steps

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Expansion of the forest lease base and harvesting capacity in key areas as well as FSC certification

- Continued evaluation of actions that would have synergetic and strategic value for the Company in **Magistralny** and **Boguchany**. The main objectives are to secure **long term access to quality forests**, further development of roads and to invest in modern harvesting equipment
- **Magistralny sawmill** was inaugurated in June 2011 and improvements of existing sawmill will continue in Boguchany
- Equipment for installation at LDK-3, RusForest's largest production unit, will be identified during 2011/2012
- **NTG is FSC certified and the certification process is ongoing in RusForest's Siberian units**

Strengthening of key management on a wide front must continue, but the main changes have been accomplished

- **Chief Operating Officer** Jeppe Strange was appointed in November 2011. Jeppe Strange has a long experience in Russian sawmilling and harvesting
- **Chief Technical Officer** (Ernst Pfefferkorn) has been appointed to lead the development of RusForest's sawmills in Siberia. A new CEO in Ust Ilimsk was hired in January 2011
- As volumes increase, the Company plans to hire more skilled personnel within harvesting. This process has been started in Boguchany but also through training of staff in road construction and harvesting

Clear growth potential

- RusForest's first mover advantage in **consolidation** of forest areas is expected to drive revenues and create long term value
- Utilisation is key in all segments from road construction to harvesting and sawmilling. With Scandinavian expertise RusForest can ensure efficient operations

Russian resources managed with Scandinavian expertise is RusForest's way forward in the Russian forestry industry

Quality forest leases expanded

Magistralny: Priority investor status received
Increasing sawmill supplies, an additional 599,700 m³ of AAC, close to initial leases

Boguchany: Acquisitions
Acquisition of additional AAC of 470,600 m³ is completed

Forest lease consolidation in key strategic areas for full self sufficiency!

Infrastructure upgrades ongoing

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2009 road construction in Karpogory forest district

- **The majority of experience in modern road construction stems from the RusForest operations in North Western Russia, where the Groups' companies performed major road works already in 2008 and 2009, Siberia is following suit**
- **Road construction teams are separate production units for discipline and results**

- **Properly planned road construction is shortening transport distances, prolonging the harvesting season as well as increasing the transportation speed of existing trucks (reducing CAPEX-need on log trucks and the usage of spare parts)**

Creating infrastructure is always profitable in the long run and at scale

Infrastructure upgrades ongoing

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Before and After:

Repairs of forest roads with clear results seen to the right with both irrigation, proper surface cover and correct "road profile"

Equipment and infrastructure

Modern equipment used for road construction works, completed with traditional bridges

Economic results of road construction lag behind by 12-18 months

RusForest Magistralny sawmill starting up

Honorary chairman and management pushing start button at inauguration

Saw line awaiting logs

First two side boards separated from the cant upon exit from the first machine

Boards stacked automatically on sticks to get packages ready for drying

Drying kilns operating

Packages of kiln dried sawnwood ready for delivery

Trimming of equipment ongoing during Q4 2011

Boguchany improvements finalized in 2012

Large investments from the government into
new infrastructure supporting future investments

RusForests responsibility in development of
internal roads and bridges in the new leases

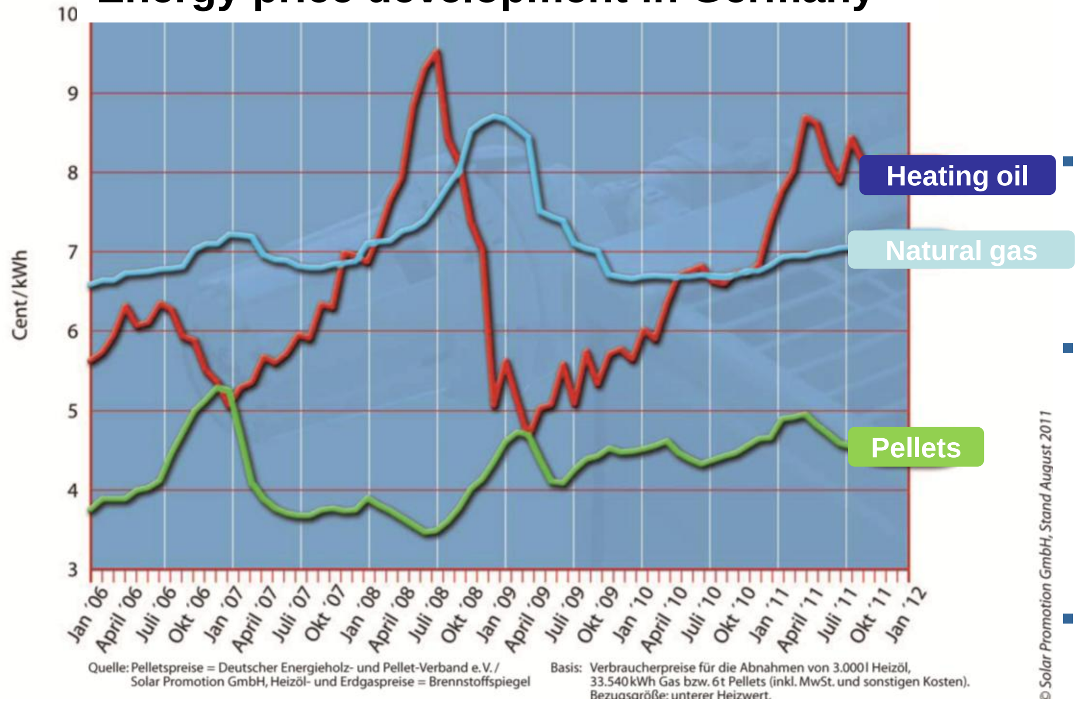
Modern line and in good shape

Installation of new drying kilns finalized
during Q1 2012 – completed with boilers

The mill is functioning, but needs expanded drying capacity

Bio mass – a new business unit

Energy price development in Germany



- The number one key success factor, is control of raw materials, not pellet presses or trading opportunities in logs and wood chips. In Europe few can offer this.

- Increased Chinese consumption/imports of round logs and the increased role of global Bio-energy in Europe is clearly setting the future global log price trends
- European customers should not pay more for green heating or energy, but rather at least pay the same price as for oil and gas based heating
- The fundamental up-side to be captured for pellets lies in the price spread comparing oil and gas heating of houses and municipalities. The difference is not reflected in pellet prices as those are driven by the coal consumers
- In fact real energy competition on pricing rather comes from coal, which is dirty, but preferred by the European energy majors until legislation forces changes on emission rights pricing from 2013
- Establishing that coal-fired power plants will move towards a higher degree of combined firing of coal and pellets in their operations,

Vertical integration, Combined Heat and Power (CHP)

- Pellets which are co-fired with coal do not fully qualify for long term green electricity certificates in countries such as Germany – they however have an effect on the emission certificates of the producer. There is also no state subsidy investing in co-firing with coal, which there on the opposite are for installing a combined heat and power plant. For this a suitable partner is being identified.
- RusForest is investigating the concept and implicit market dynamics of integration of forestry, pellet production and heating on the municipal level so as to feed directly to customers in the green certificate market for electricity and heating (mainly in Germany)
- The implicit price of delivered pellets to Germany is approximately EUR25/MWh - which is equal to a production cost delivered of 117,5 EUR/ton (assuming energy contents of 4,7 MWh/ton), based on own production and forests in the Arkhangelsk region
- RusForest has placed a bid on the pellet operations belonging to Clean Tech East Holding (CTEH), yet to be approved by CTEH, and owns uninstalled equipment which first was intended for Boguchany in 2010

Example of <u>Combined</u> Heat and Power:

Waste energy

1 ton pellets

4,6 - 4,8 MWh

electricity

1MWh = €150

15 cent/kWh

5 cent/kWh

2MWh = €100

municipal heat

Introduction to sawmilling

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- Even with different technical solutions for each production step, traditional sawmilling is conducted as illustrated below

Production process:

Wood chips and saw dust constitute up to 35% of the initial solid log volume. These are used jointly for heating and producing steam for the drying kilns and are sold on the open market, usually to local pulp mills

1. Logs arrive via truck or rail

2. Logs are sorted in different piles depending on top diameter

3. Sorted logs of the same species and diameter are stored on the log yard

4. Logs are de-barked, which improves both the quality of sawn wood but in particular the wood chips sent to the pulp mills

5. Well sorted logs increase the recovery of sawn wood – good de-barking increases lifetime of the tools

6. Directly following the sawmill, all boards are sorted by dimension and prepared in packages for drying. Sticks are placed between each layer for better air circulation and therefore better drying results

7. Sufficiently dry sawn wood is sorted

8. Sufficiently dry sawn wood is sorted

9. Sawn wood ready for export already packed in protective plastic

Bottlenecks have severe negative effects on sawmill capacity utilisation