



Russian Forestry

Results and Outlook

Scope and Limitations

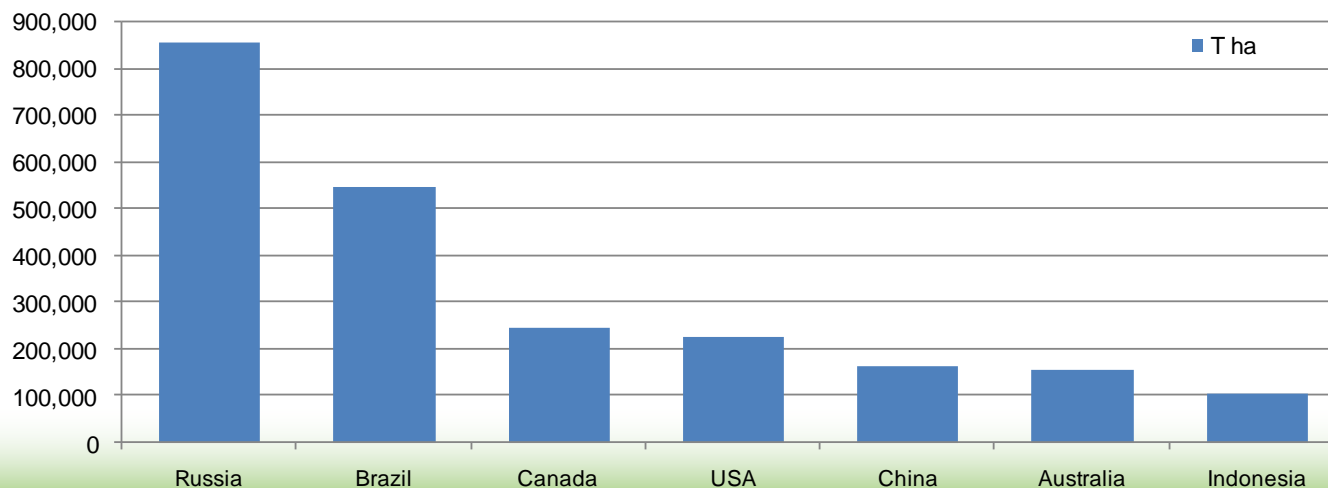
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Introduction

- ✓ Russia holds around 20% of the world's forest resources
- ✓ Forests are owned by the Federal Government, administered by regional branches of the Forestry Service and leased to leaseholders for around 49 years
- ✓ Lease payments (effectively stumpage) are based on annual allowable cut (AAC) in the leased forest area - rates are around EUR 1.5 per m³ of AAC
- ✓ Forest areas are held by pulp and paper companies and wood processing companies - there are no investment funds at this stage

Forest Area, T ha



Source: UN Food and Agriculture Organisation



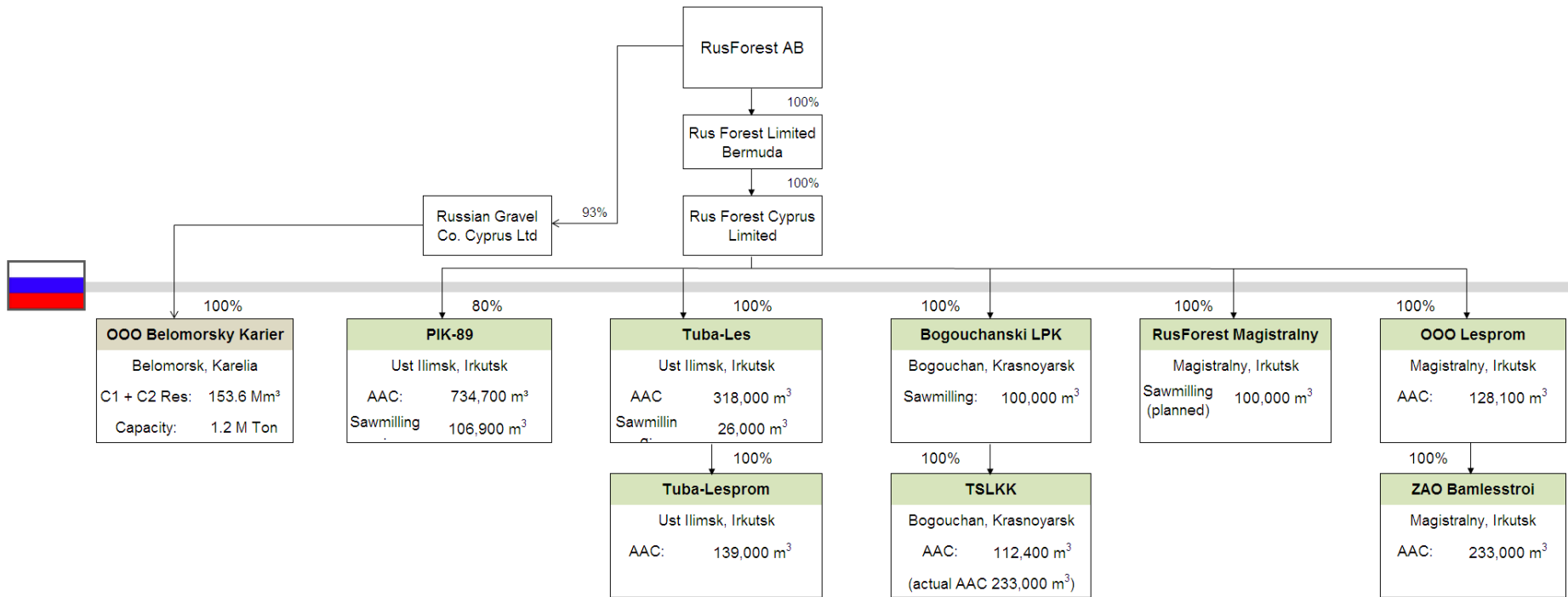
View on Russian Forestry

- ✓ Proximity to growth markets in Central Asia and relative proximity to China and Japan
- ✓ Strong cost advantage on stumpage, labour and power costs
 - But productivity is lower, and transport costs are higher, than on developed markets
- ✓ Access to enormous forest resources which would be "locked in" following the introduction of a EUR 50 per m³ export duty on sawlogs



Legal Structure

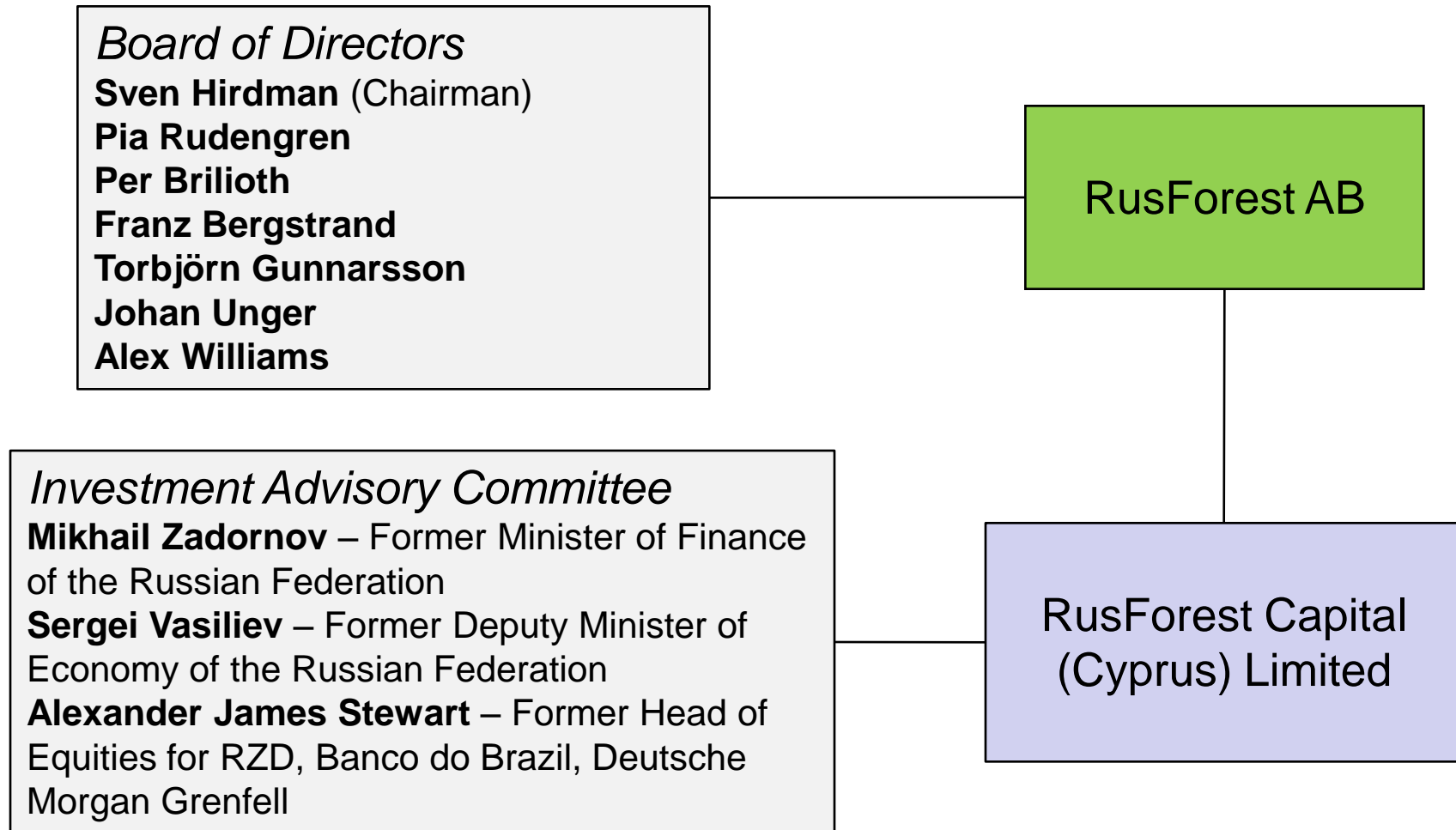
- ✓ RusForest AB acquired 50% of RusForest Limited from Vostok Nafta through an issue in kind
 - 8,537,640 shares issued
 - Vostok Nafta now owns 46.7% of RusForest AB



*Simplified Legal Structure



Corporate Governance



Management Team

Alex Williams
General Director

Vladimir Gaidamakin
Governmental Relations

Peter Funk
Group Production Manager

Yury Vinogradov
Sales Manager

Dmitry Roubanenko
Project Manager

Vitaly Zhukov
CFO

- ✓ The management team has a good combination of skills covering governmental relations, best practise manufacturing and financial management
- ✓ Operating units are run by local general directors appointed by RusForest



Location of Holdings



Base 801996 (R00183) 9-94



Forestry Yields

Input

Stems Harvested



Pulpwood



Sawlogs



Sawmill



Outsize sawlogs
sold for export

Output

Sawnwood



Chips



Sawdust



Bark



AAC Summary

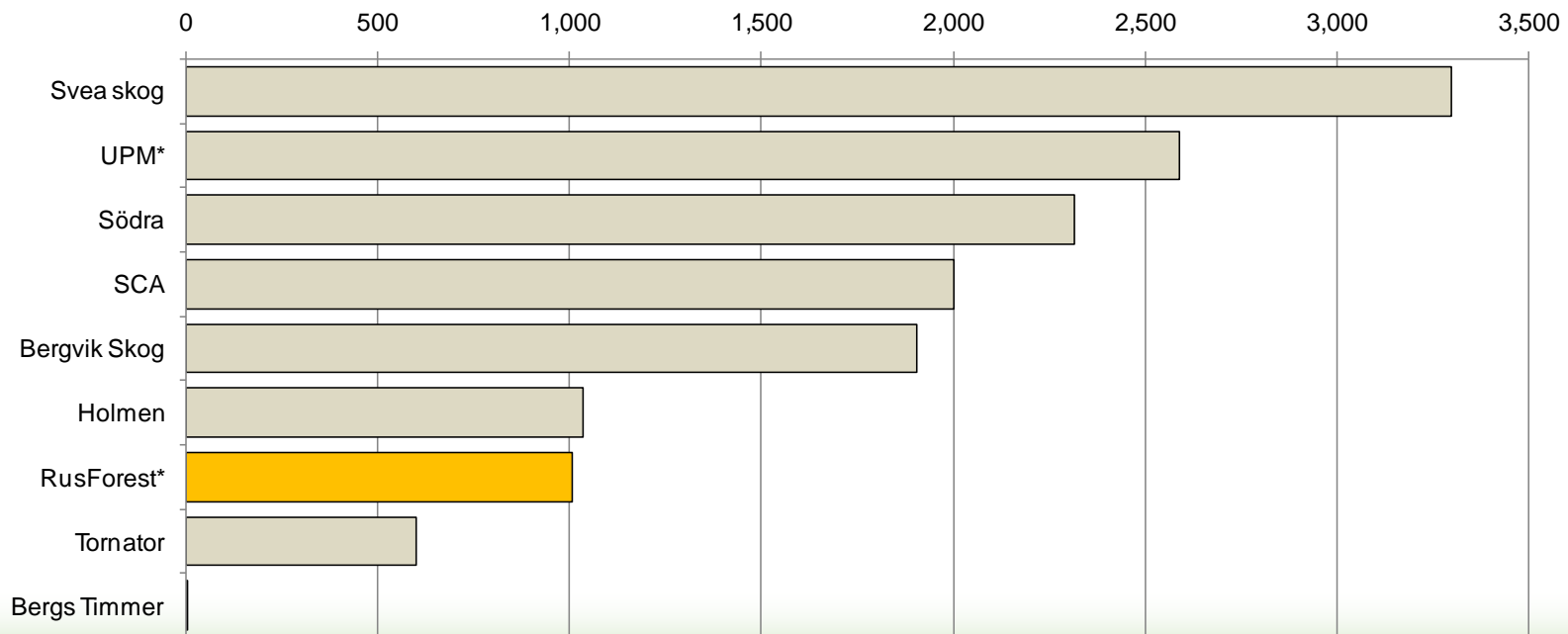
- ✓ Total Forest Area of over 1 million hectares, with around 80% Softwood - predominantly Pine and Larch
- ✓ Total AAC of 1.655 mln m³ as at June 2009
- ✓ Handing back ~140,000 m³ (AAC) from Tuba Group – excessive in current environment

RusForest Subsidiary	AAC m ³	Tree species							Softwood % of AAC	Area hectares
		Pine	Larch	Spruce	Fir	Cedar	Birch	Aspen		
Total holding										
PIK Group	734,700	50%	20%	7%	5%	5%	8%	5%	85%	436,033
Tuba Group	457,000	28%	18%	10%	15%	4%	15%	10%	66%	257,750
Bamlesstroi	233,000	0%	70%	0%	10%	10%	0%	10%	85%	231,554
Lesprom	128,100	47%	10%	23%	0%	0%	10%	10%	80%	30,988
TSLKK	112,400	25%	50%	12%	2%	6%	3%	2%	96%	48,695
Grand Total	1,665,200	35%	28%	9%	8%	5%	9%	7%	80%	1,005,020



- ✓ Recent acquisitions brings the total forest land controlled by RusForest to ~1 mln hectares
- ✓ Harvest of around 600,000 m³ during 2008
 - Will increase to over 1 million by 2010

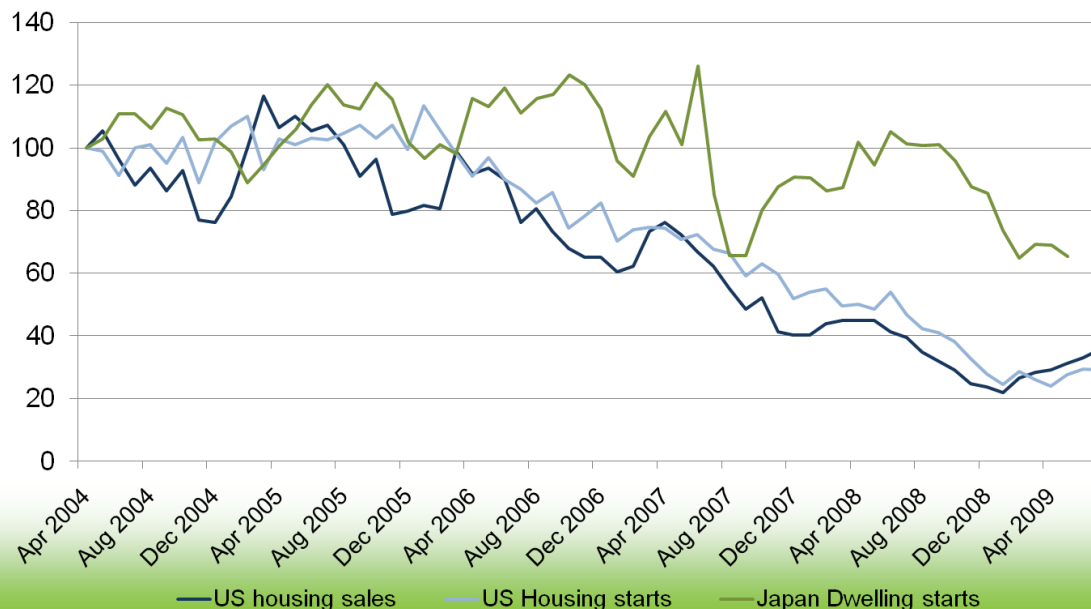
Forest Land Owned or *Controlled, T ha



Market Situation

- ✓ Most developed markets for sawnwood collapsed H2-08, but Scandinavia producer stock levels are coming down from an all time high reached around April 2008
- ✓ Developing markets which are partly isolated from global competition are relatively resilient (the "Stans")
- ✓ US new housing sales at highest level since July 2008 in last data set, at approx. 39 thousand units

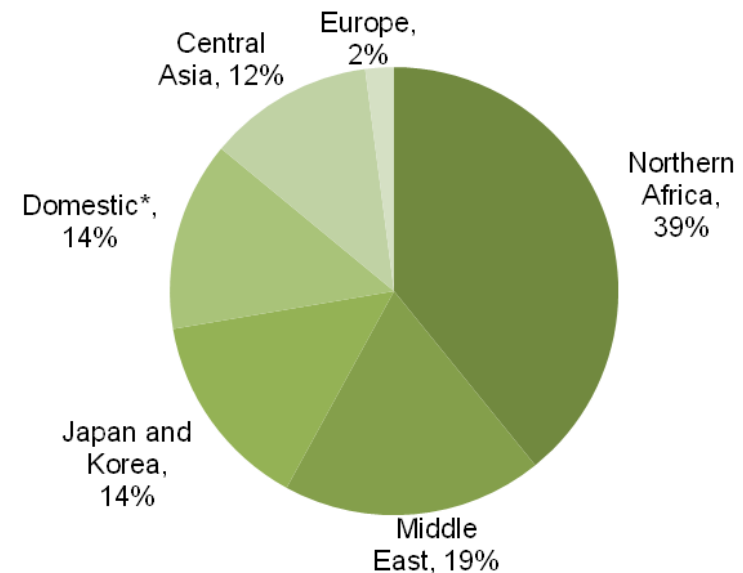
Housing Data, USA and Japan, 2004 – 2009



Sales Markets

- ✓ Set up RusForest trading house at end of 08
 - Active sales function to avoid dependency on traders in Ust Ilimsk
 - Greater flexibility to redirect sales quickly given prevailing market conditions
 - Major sales initiatives taken in Central Asia and Azerbaijan during Q1 09
 - Moved volumes to these markets when prices fell in Northern Africa and parts of the Middle East partly due to Scandinavian supply
- ✓ More sizeable volumes again directed at the Middle East and Egypt as we have seen some price recovery
- ✓ Japan also an important market
- ✓ Closely observing developments on the Chinese sawnwood market

RusForest Sales Geography 1H09



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

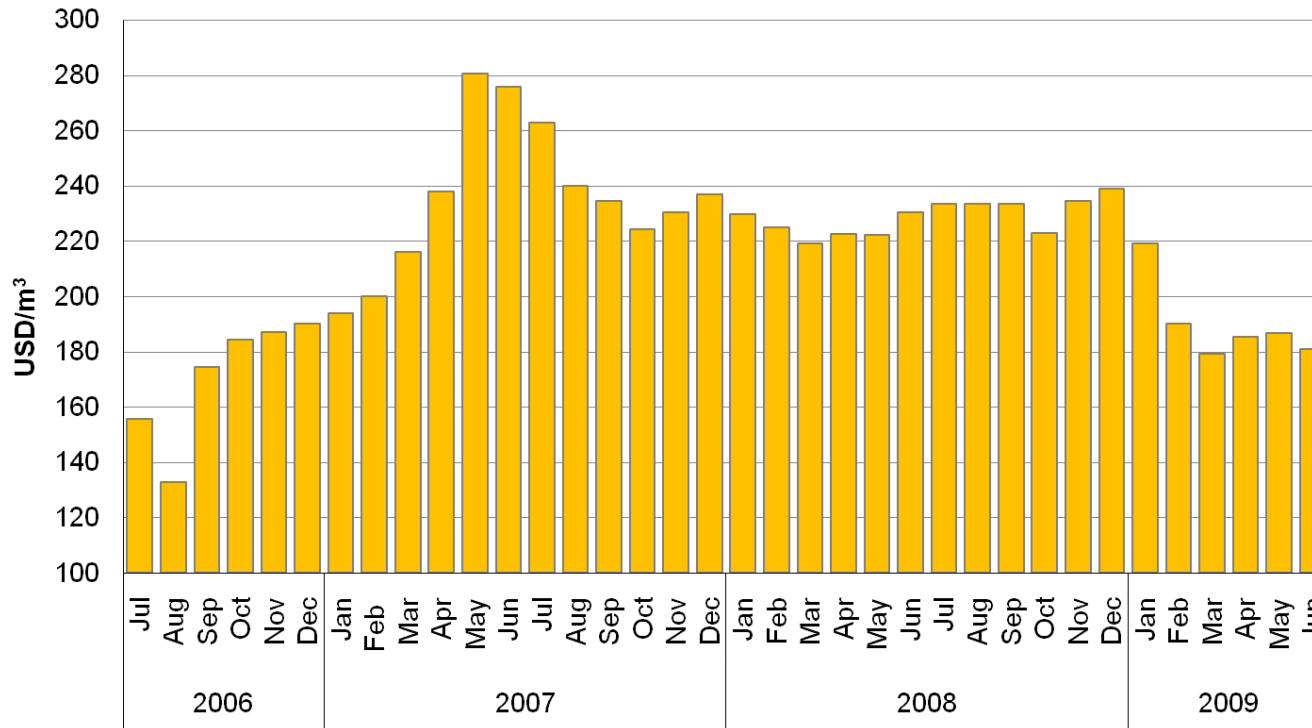


Market Situation cont'd

- ✓ As a low cost producer, able to cope with very weak price environment
- ✓ Rouble weakness positive for RusForest as an exporter - 100% of costs are Rouble based
- ✓ Almost all sales are on advance payment basis, so exposure to late payments limited
- ✓ The lack of local bank debt makes it impossible to smooth working capital over the summer months and/or offer delayed payment terms



Sawnwood Prices, Delivered to Port, 2006 - 2009



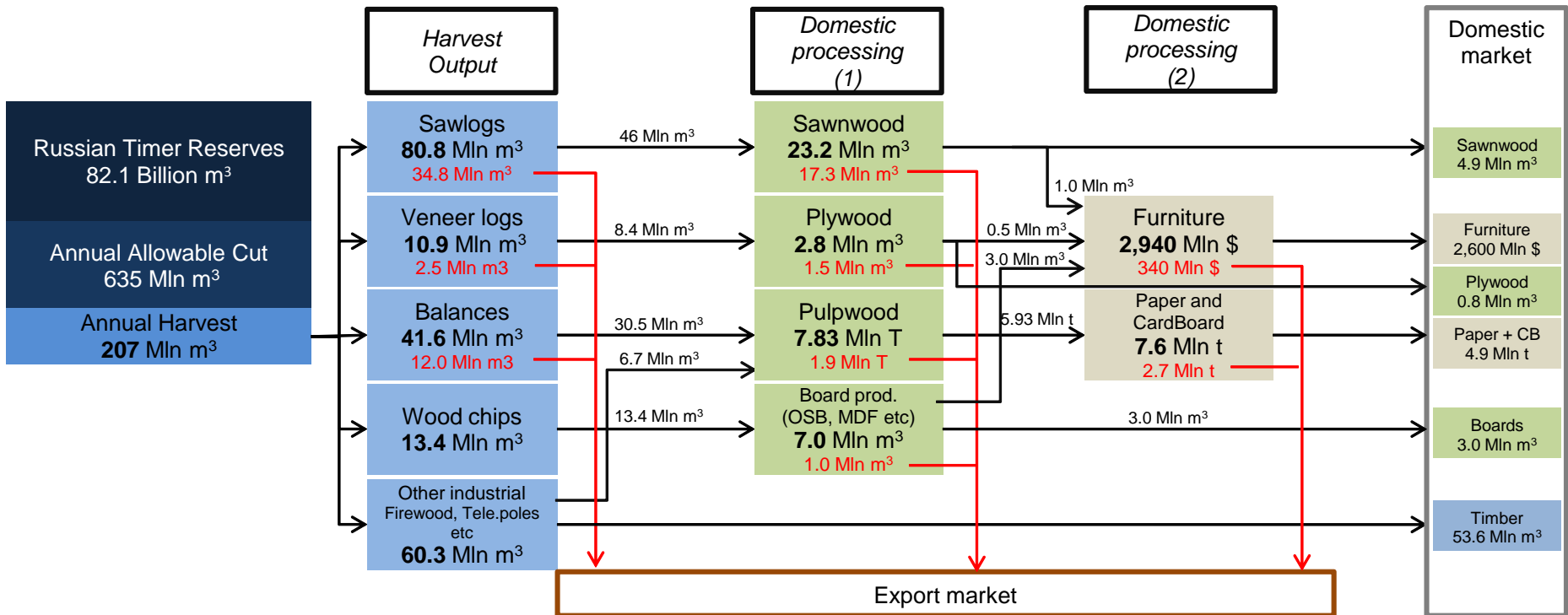
Source: RusForest Trading

- ✓ Prices affected by global GDP cycle and credit crisis
 - North American market is extremely weak
 - But Central Asian markets still relatively buoyant



Russian Forestry

Forestry Flowchart, excluding imports in processing



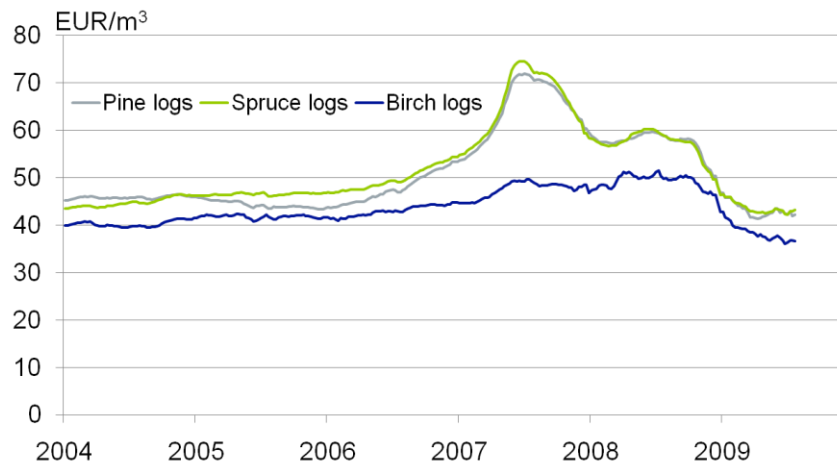
Source: The Ministry of Industry and Trade of the Russian Federation



Forest Lease Terms

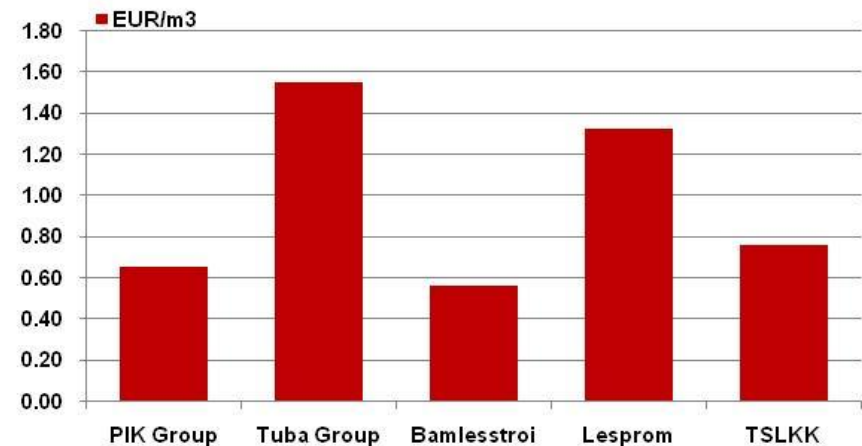
- ✓ 49 and 25 year terms
- ✓ Stumpage cost around 1 – 2 USD per m³ of AAC – reduced rates for first three years of forest lease
- ✓ Stumpage indexed up by regional co-efficient on an annual basis
- ✓ Fire protection and replanting obligations included in lease terms
- ✓ Inspections carried out by regional forestry inspectors

Stumpage Prices in Finland, 2003 – 2009



Source: FFIF, Metla

Lease Payments per AAC, 2008



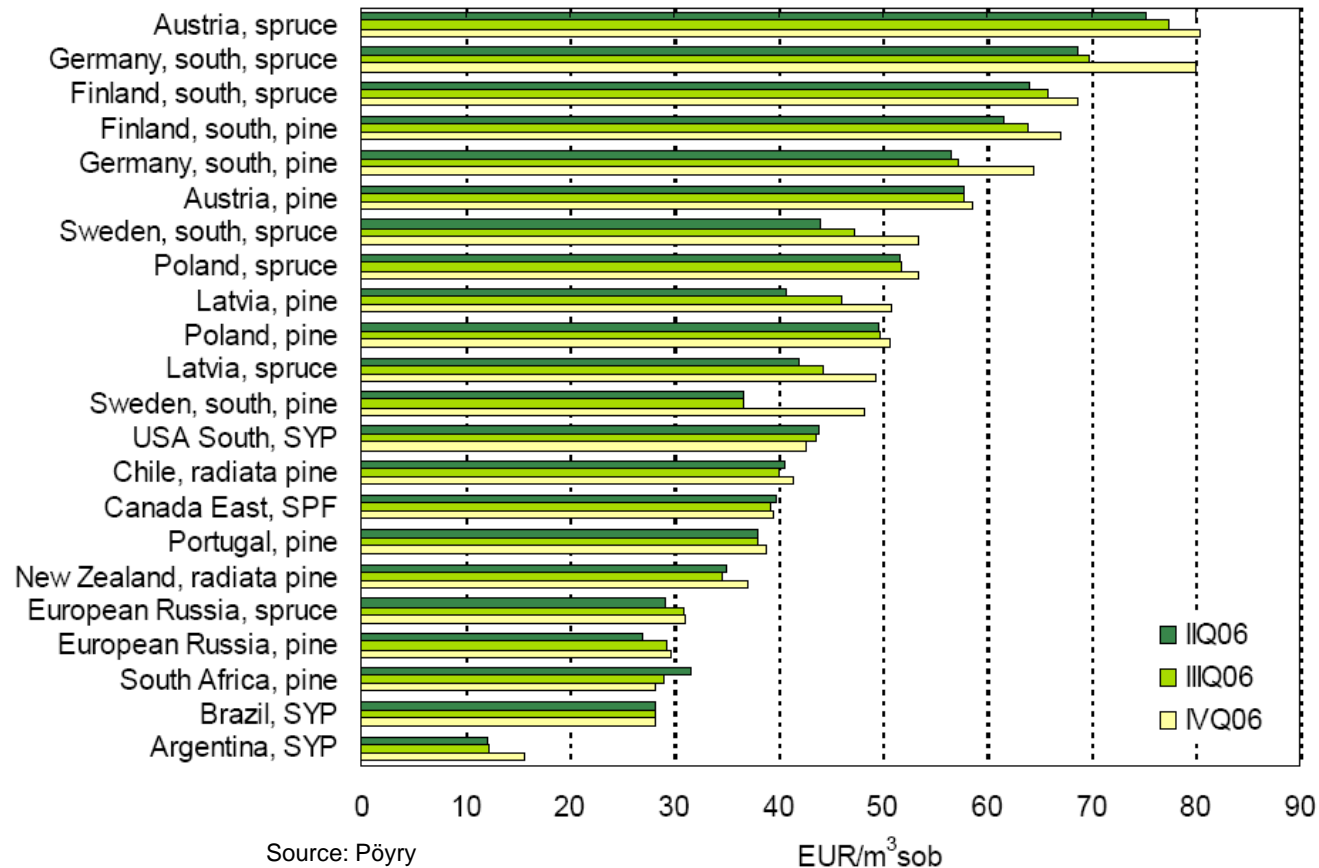
Source: Company data, Rouble exchange rate: 35.58



Russia Softwood Log Costs

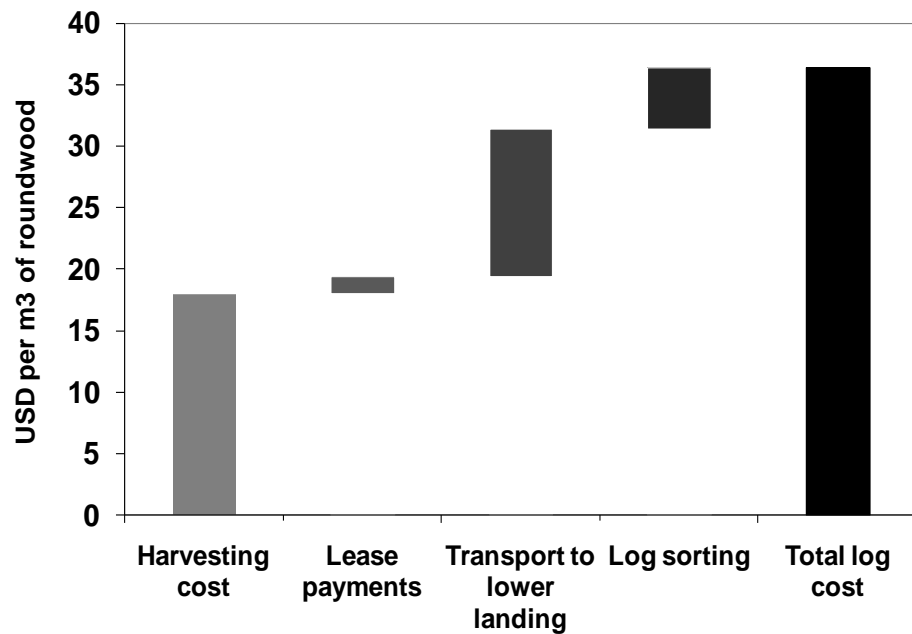
Development of Softwood Log Cost at Mill by Quarter

II Q 2006 – IV Q 2006



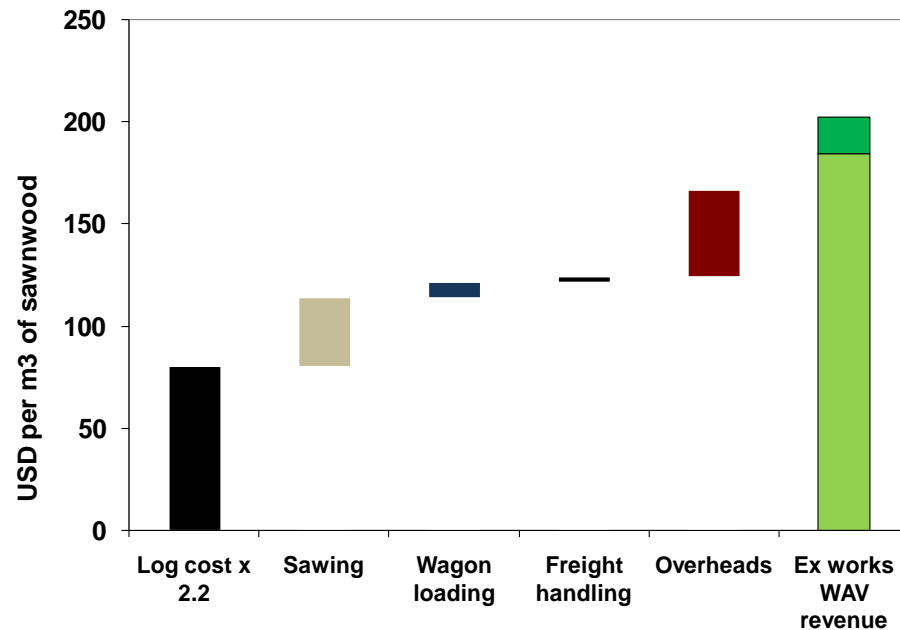
Production Value Chain

Forestry Operations Value Chain



Costs based on direct operating costs divided by planned roundwood volumes (stems and sawlogs) - overheads not included in above costs.
Source: PIK-89 management.

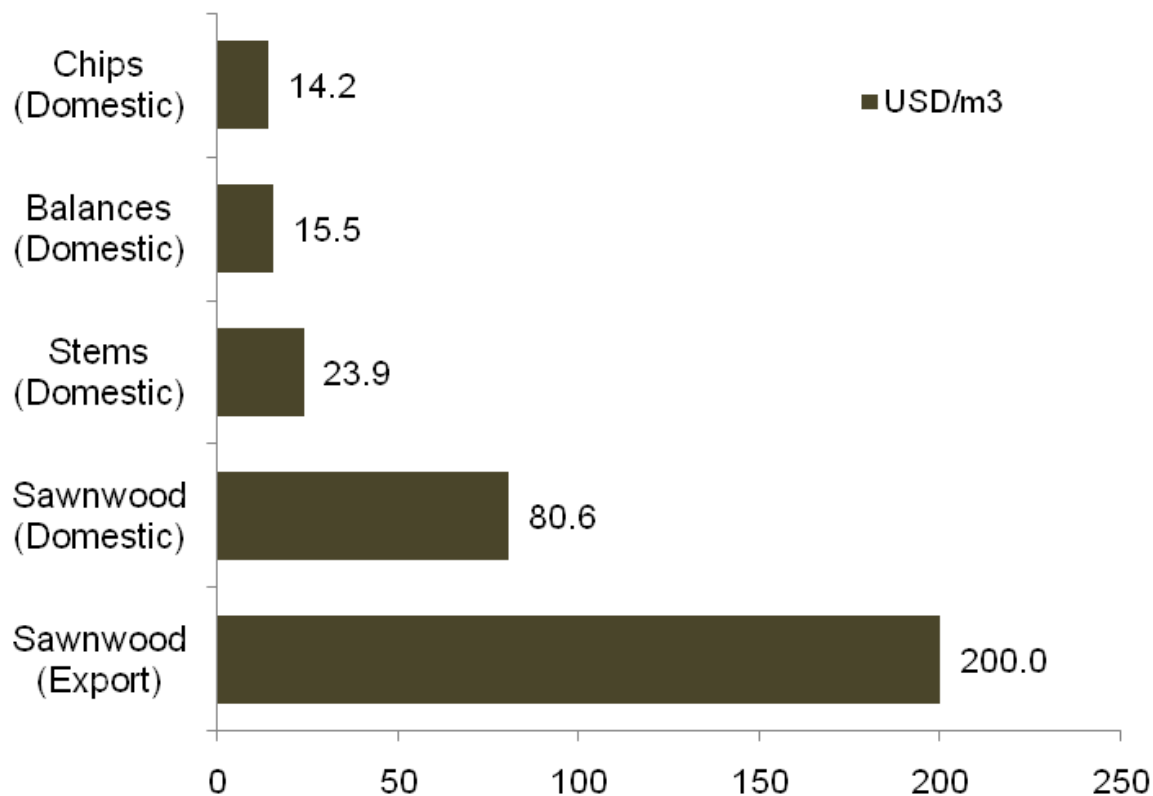
Sawmilling Value Chain



Source: PIK-89 management costs based on planned volumes of 10,800 m3 of kd sawnwood per month.



Planned Revenues



Source: PIK-89, Ruble exchange rate: 31



RusForest 1H operating parameters

- ✓ Y-o-y Harvesting- and Sawnwood volumes up 28% and 33% respectively
- ✓ Negative bottom line development mainly due to lower sales prices, larger third party sawlog purchases, higher prices for logs and higher fuel costs

RusForest Operational data 1H09

1H09 Actuals*

	Unit	PIK Group	Tuba Group	Lesprom	Boguchansky	Bamlesstroj	Consolidated 1H09	1H08
RusForest ownership interest	(start of year)	80%	100%	100%	100%	100%		
Annual Allowable Cut (AAC)	m3	734,700	457,000	128,100	112,400	233,000	1,665,200	1,203,000
Utilised AAC	m3	209,413	49,039	3,772	28,271	-	290,495	226,284
Utilisation of AAC	%	38.0%	14.3%	3.9%	33.5%	-	34.9%	37.6%
Sawnwood volumes	m3	51,087	9,936	768	20,160	-	81,951	61,564
Forest area	Hectares	436,033	257,750	30,988	48,695	231,554	1,005,020	633,898
Revenue (e)	MRUR	320.1	66.1	92.2	81.3	-	559.7	543.4
Free Cash Flow	MRUR	(37.90)	4.34	26.6	(0.6)	(0.1)	(7.7)	n/a



* Source: Figures based on financial statements prepared under Russian Accounting Standards (RAS) for the individual Group companies. PIK Group includes PIK-89, PIK 2005 and TD RusForest; TUBA Group includes Tuba-Les and Tubesprom; Boguchansky includes Boguchansky LPK and TSLKK; Bamlesstroj includes Bamlesstroj and RusForest Magistralny. Physical harvesting and sawmilling volumes, and forest resources, for 1H08 are adjusted for volumes attributable to Nebelsky LPH.

RusForest AB financial summary

1H09 Financial Summary

P&L highlights (pro forma)	
6 months to 30th June 2009	SEK mln
Operating profit before financing costs	(41.9)
Net profit	63.9
Balance sheet highlights	
As at 30th June 2009	
	SEK mln
Total assets	951.8
Current interest bearing loans	12.2
Non-current interest bearing loans	20.7
Other liabilities	90.3
Equity	828.5
Total equity and liabilities	951.8

- ✓ Weaker market prices
- ✓ Strong order book, but under delivering by roughly 40%
 - Customers recognise quality of Siberian Pine and Larch
 - Uneven log flow has however caused start-stop operations, quality issues in production and lower average sales prices
 - “Snow-stocks” will be created during winter 09/10 to ensure adequate raw material supply during poor summer months
- ✓ Consistent profitability expected once markets stabilise and log flow properly organised



Cash Movements

- ✓ Despite negative net margin, the forestry group as a whole has been cash flow positive in H1-09
- ✓ Cash measures are significantly more relevant in current environment
- ✓ The Group as a whole is slightly cash negative due to the impact of Russian Gravel Co. and corporate costs
- ✓ The liquidity position is still strong given undrawn credit line



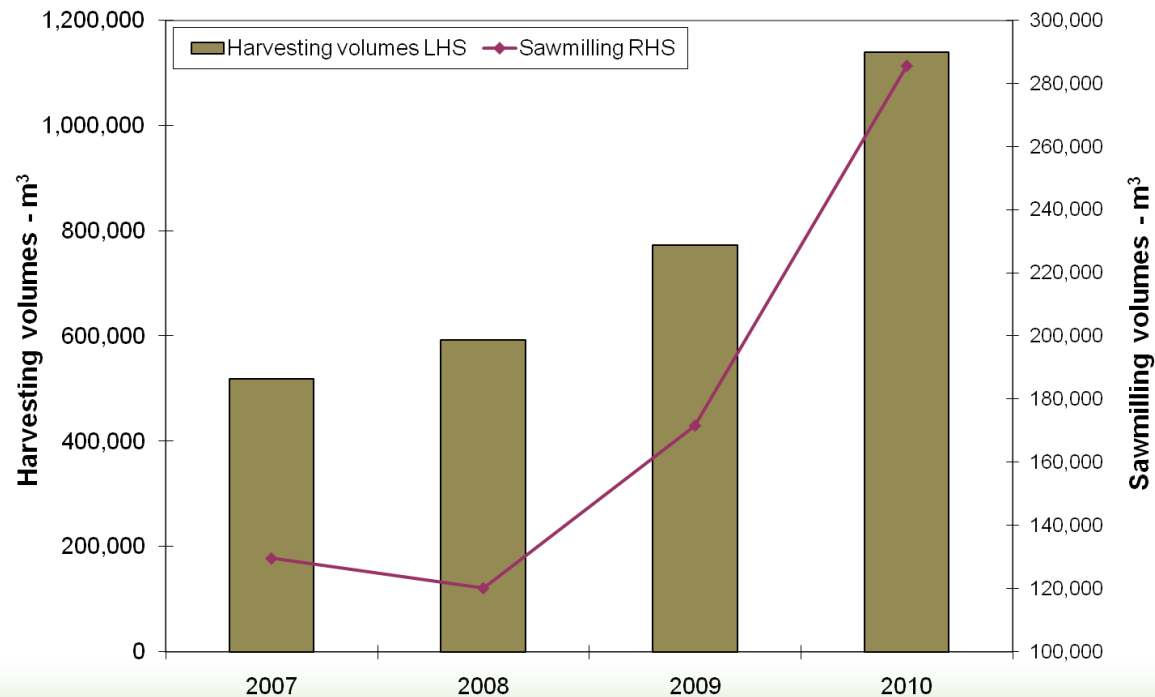
- ✓ RusForest has a sound financial position with SEK 32.9 million in debt as of June 30, compared to total equity of SEK 828.5 million
- ✓ The company has a USD 4 million credit line with USD 3 million (SEK 24.8 million) still undrawn
- ✓ 2010 is expected to be profitable even under a weak price scenario



Operating Targets

- ✓ RusForest achieved meaningful growth in harvesting and sawmilling in H1-09
- ✓ Growth should accelerate in 2010 with the start up of the RusForest Magistralny mill

Russian Forestry Companies – Harvesting and Sawmilling Targets, 07 – 10



Source: Portfolio Company management estimates



RusForest Government Relations

- ✓ RusForest has strong government relations throughout the areas where we are active – Government relations are organised by Vladimir Gaidamakin
- ✓ We have received support from local and Federal Government for all of our investments
- ✓ In particular we have signed an economic and social partnership agreement with the Government of Krasnoyarsk and are negotiating a similar agreement with the Irkutsk Region
- ✓ Following a visit to OOO Bogouchanski LPK by the Governor of Krasnoyarsk, we expected to be given “priority” status



Mr. Chagin of Boguchansky LPK (middle) touring the new RusForest sawmill with the Gouvenor of Krasnoyarsk, Mr. Khloponin (right), and Vice-Governor Gnezdilov (left)



Long Term Outlook

- ✓ The long term case for forestry in Russia is compelling given a combination of low costs and proximity to Central Asia
- ✓ RusForest's long term objective is to continue to monetise its significant forestry resource by increasing its sawmilling capacity and value-added activities whilst generating an acceptable return on capital



Russian Gravel Company

- ✓ A significant reserve base of hard rock (granite and gabbro-diabase) with over 100 million m³ of C1 and C2 reserves;
- ✓ Access to 2 railway lines (Oktyabrskaya and Severnaya) and the Belomor-Baltiisky canal allows year-round sales, with access to the local, St Petersburg and Moscow markets
- ✓ Hard rock is required for road building, railway ballast and concrete production
- ✓ On site work completed, railway permission to commence shipments received



- ✓ Construction finally completed, but significant market weakness

May 2008



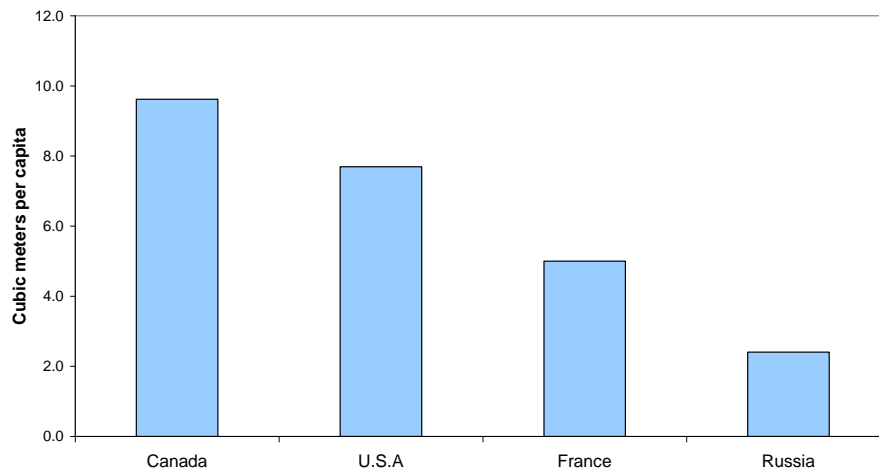
May 2009



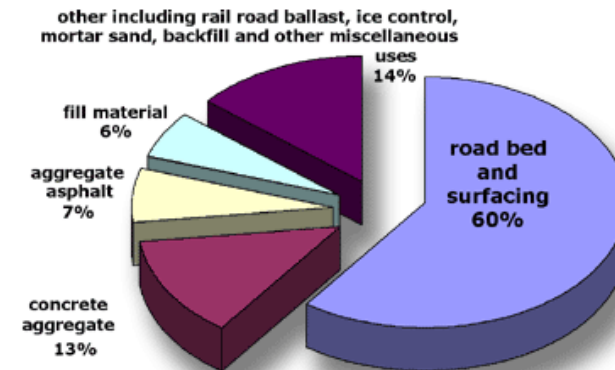
Aggregate Usage

- ✓ Aggregates provide good access to the infrastructure development theme in Russia
- ✓ Russian per capita usage of aggregates is very low given the country's obvious need for infrastructure spending

Aggregate consumption per capita



Source: LaFarge, Aggregate Producers Association of British Columbia, Rosstat and Management Company estimates.

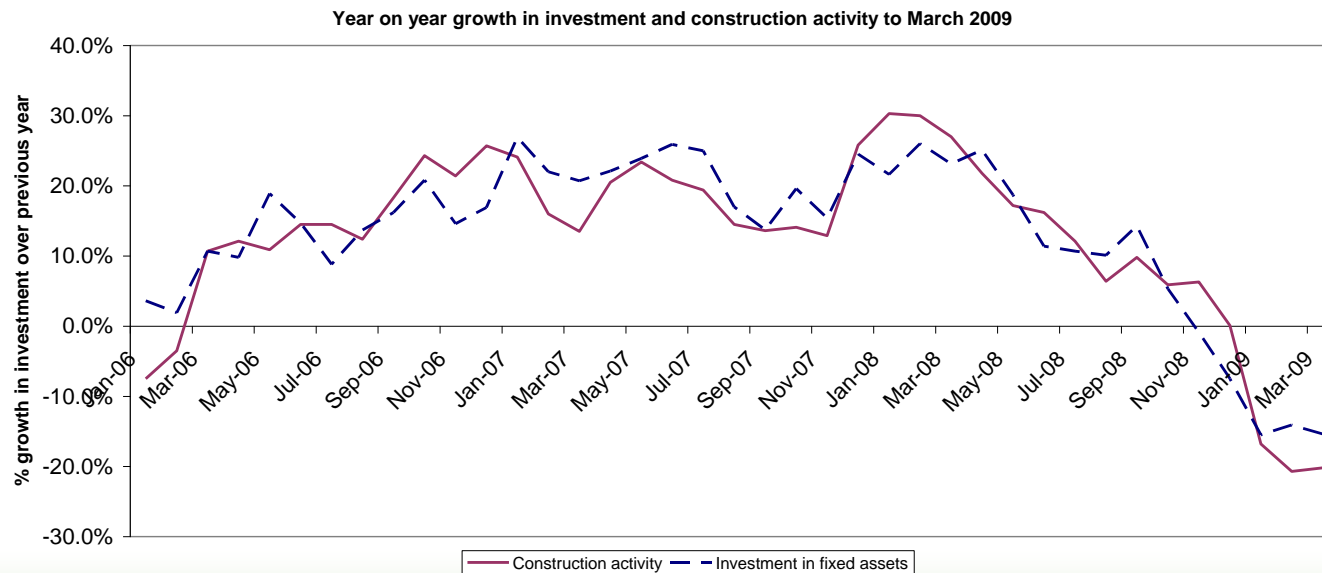


Source: **Construction Aggregates: National And Regional Trends** by R.D. Irvine and G.O. Vagt, Natural Resources Canada, Ottawa, Ontario - BC Aggregate Forum



Aggregates – External Environment

- ✓ Aggregate prices have been growing strongly in the past, however they are now falling in light of the construction slowdown
- ✓ In addition disbursement of Government funds for road building has been very slow in 2009



Source: Rosstat - social economic conditions in Russia



Russian Gravel Co. – Status

- ✓ Blasting and overburden clearing at Ramrucheyskoye completed
- ✓ Primary and secondary plant installed and working, all testing completed
- ✓ Railhead complete and permission from Russian Railways for use of railhead received
- ✓ First deliveries of finished product made to customers April 2009
- ✓ Claims against Russian shareholders settled and RusForest currently owns 92.7% (up from 51%)



Russian Gravel Co. – Outlook

- ✓ Near term objective is to limit cash burn in 2009 and get ready for May 2010 construction season
- ✓ Reasons for optimism:
 - On track to get railway certificate for 25 – 60 mm gravel, making Russian Gravel Co. the only certified supplier in the region
 - Several infrastructure projects in the region
 - Looking at deliveries to oil and gas sector in ~2010



Gravel Co. – Operating targets

✓ Pre crisis targets:

→ Annual production	1,700,000 tonnes
→ Weighted average price	388 RUB/tonne (net VAT)
→ Weighted average cash cost	172 RUB/tonne

✓ Post crisis targets:

→ Annual production	800,000 tonnes
→ Weighted average price	220 RUB/tonne (net VAT)
→ Weighted average cash cost	250 RUB/tonne



Share Price Performance

- ✓ 21,840,840 shares issued
- ✓ 1,987,834 warrants issued to Taiga Capital, with a strike price of SEK 63
- ✓ Book value per share, SEK 37.93*
- ✓ Share trading at over 50% discount to book value at SEK 18.00 per share



* As at June 30, 2009



- ✓ Strategically Located
- ✓ Access to Russia and CIS
- ✓ Western style management and IFRS accounting
- ✓ Track record in delivering projects

