

PRESSRELEASE

Stockholm, 19 February 2009

Varyag Resources AB (publ)

YEAR-END REPORT 2008

- Disposal of Varyag's commitment in the Unal coal project for a total consideration of RUB 35 million (SEK 9 million). The capital loss amounts to SEK 19 million. Varyag's portfolio now consists of the holdings in Rusforest and Russian Gravel Co.
- Agreement to split the joint-venture ownership in Nebelsky LPH. Rusforest will own the sawmill and the Russian shareholders will own the forestry company.
- Performed impairment tests do not show any need for write-downs. Shareholders' equity amounts to SEK 46.22 per share.

After period end

- Agreement has been reached with the Russian shareholders in Russian Gravel Co, whereby two of the three shareholders transfer 41.7% of their shares to Varyag in settlement of Varyag's claims against the Russian shareholders for budget overruns. The execution of the agreement is subject to the completion of various pre-emption procedures. Following the completion of the pre-emption procedure Varyag's interest will be increased from 51% to 92.7% (prior to convertible loan conversion).

OPERATIONS

As discussed in previous reports, summer harvesting volumes at Rusforest's operating subsidiaries were negatively affected due to a lack of access to forests as a result of unusually high rainfall. The companies returned to normal harvesting and sawmilling from November 2008 and operating results and cash flows have stabilised. Rusforest is of course exposed to the downturn in global building industry, which has had a negative impact on sawnwood demand. However, Rusforest's target markets in Japan and Central Asia (Azerbaijan and Uzbekistan) have not been as badly affected as markets in Europe, the Middle East and North Africa. However, the pricing environment is somewhat weak and the company has experienced an increase in late payments from their customers. Having said that, all production volumes are currently being sold and the company does not envisage any plant shutdowns under current conditions.

In response to the weakness in pricing and the absence of debt funding, it has been decided to slow down the pace of development at the Nebelsky sawmill. The work will now be funded with operating cash flows. The Bogouchan sawmill is moving towards full capacity, which is expected to be reached in March 2009. In light of the reduced summer harvesting in 2008, it has been decided to create a larger stock of timber going into the summer, in order to ensure that the sawmills can operate even if harvesting activities are disrupted.

Varyag believes that Rusforest is relatively well positioned given its focus on isolated markets in Central Asia and its low cost base.

Russian Gravel Co is also moving into full production capacity and the necessary plant and rail access has been completed. The company is still waiting for various permits from the Russian Railways in order to begin shipping product. The company's forward orders are based on various letters of intent with prospective buyers. Buyers are unwilling to sign legally binding sales agreements until the company has received permissions from the Russian Railways and can plan its rail-wagon loading and shipment programme. Within this constraint, forward demand seems to be reasonably reliable and the company has a range



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of potential buyers. Essentially all potential customers are government funded entities. Russian Gravel Co does not have any plans to supply general construction. The three largest target customers are two atomic power stations which are under construction and the Russian Railways and, in addition to that, various road building contractors and construction departments of regional authorities.

The commissioning of the plant has taken longer than planned. As a result, Varyag filed a claim against two of the three Russian shareholders in Russian Gravel Co in the London Court of International Arbitration in respect of a breach of their duties under the shareholders' agreement. Varyag has alleged that the Russian shareholders misspent part of the development funding provided by Varyag. One of the shareholders acknowledged the claim and has partially repaid claimed amounts to Varyag. Varyag has taken legal action to collect the remaining balance. Following the filing of the claim, Varyag and the two Russian shareholders have signed a settlement agreement whereby the Russian shareholders will transfer their combined 41.7% interest in Russian Gravel Co to Varyag in settlement of the claim and related litigation. This agreement is subject to the completion of various pre-emption procedures.

Varyag has elected to reduce its exposure to the coal sector due to the lack of available development funding. As a result, Varyag decided to sell its 50% interest in the Unal project for a total consideration of RUB 35 million (SEK 9 million). Given the fact that the project is still subject to ongoing legal uncertainty, the buyer has been provided with delayed payment terms over 24 months. The sale has resulted in an estimated loss of SEK 19 million. However it removes the need to fund AGK's ongoing operations and capital requirements. Similarly, no funding has yet been transferred for the Kartagonski coal project. Varyag will not fund this initiative until such times as either all companies are consistently cash flow positive, an asset is disposed of or, suitable debt financing can be assured.

Investments

The table below provides a summary of Varyag's investments and commitments. In some cases not all of these capital commitments have been fully disbursed and therefore the figures do not exactly correspond with the investments in the balance sheet. The table does however provide an accurate view of Varyag's exposure to the various projects. As shown in the table Varyag is almost fully invested.

Varyag's Investment Portfolio on 31 December 2008

Company	Sector	Funding provided	Equity ownership	Net investment ¹⁾		Net investment % of share- holders equity
				committed SEK mln ²⁾	investment currency ³⁾	
RusForest Limited	Forestry	Equity	50%	403,9	1 534,6 RUB	
Total forestry sector				403,9	1 534,6 RUB	65,5%
Russian Gravel Company	Aggregates	Equity & convertible loan	81% (post conversion)	154,2	585,9 RUB	
Total for aggregate sector				154,2	585,9	25,0%
Total investments plus binding commitments				558,1		90,5%
Varyag's shareholders' equity per 31 December 2008, mSEK				616,6		

Notes:

1) Net exposure is defined as capital commitment.

2) Booked value plus outstanding commitments. Total outstanding commitments as of 31 December 2008 amounted to SEK 8.9 million.

3) Total commitments in local currency. Exchange rate SEK/RUB = 0.2632.

Sector Developments

External environment

The international business cycle has weakened considerably during the fourth quarter of 2008. The Russian Government is revising its oil price projections and macroeconomic parameters downwards for 2009. The Ministry of Economic Development's most recent forecast envisages GDP growth for 2009 in the range of minus 0.5% to plus 2.4%. The wide range reflects global economic uncertainty, particularly for the price of important export commodities most notably oil. As part of the slowdown, the rouble exchange rate has weakened considerably; falling by 16% against the dollar in the fourth quarter of 2008. The weakening of the rouble has continued after the year end and there is a wide range of possible rouble/USD forecasts for 2009.

In terms of fourth quarter 2008 figures, industrial production in December 2008 was a full 10.3% lower than the same period in 2007, indicating the severity of the ongoing contraction. Construction activity is more or less flat on a year-on-year basis; during December 2008 construction activity was 0.1% higher than the same period in 2007.

Impact of financial crisis

Varyag is reasonably well positioned to handle the financial crisis given the fact that neither Varyag, nor the portfolio companies have any bank debts; and accordingly are not facing any refinancing risks. On the negative side the lack of bank funding means that the Rusforest development programme has been somewhat delayed. Going forward all investments will be financed from internally generated cash flows. The weakening of the rouble has had a negative effect on Russian Gravel Co; however the weakening of the currency has had a significantly positive impact on the forestry operations where exports account for some 85% of revenue.

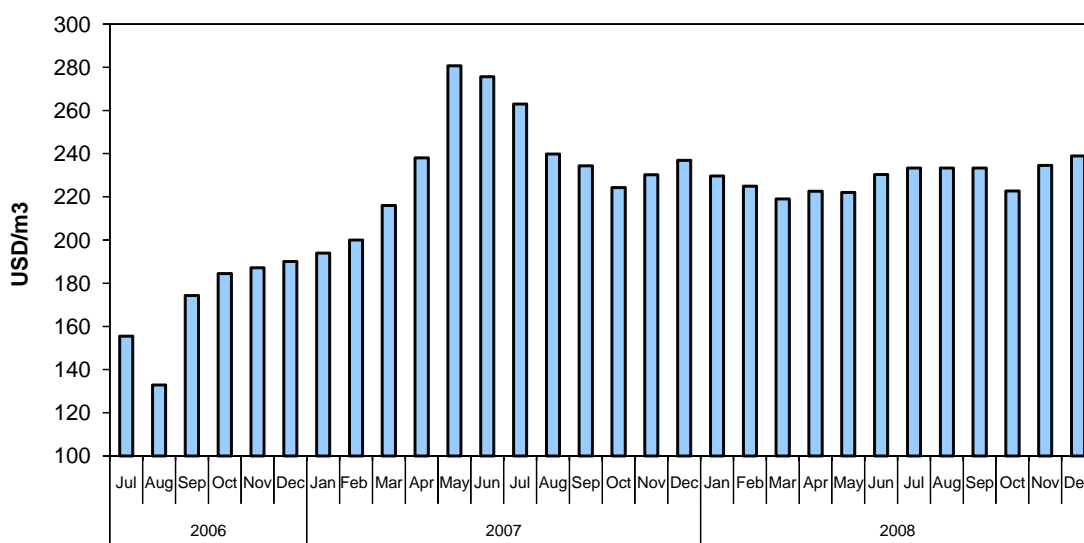
Forestry

Conditions remain challenging in the forestry sector in general. However, Rusforest's target markets in the Caucasus region and Central Asia (Azerbaijan and Uzbekistan) have been more resilient than the markets in Europe, North Africa and the Middle East. In particular there has been major reduction in demand for sawnwood in countries which have previously been enjoying an extended housing boom such as Spain and Ireland. Partially as a result of these developments many Swedish companies have sought to divert sales to the Middle East and North Africa. As a result, pricing has been very weak in these markets which have traditionally been supplied by Russian sawmills. In response to these developments, Rusforest has been moving an increasing volume of products away from traditional North African markets to Central Asia; as a result Rusforest has not seen reduction in demand and sales volumes are in line with plan. Going forward it will obviously be necessary to monitor this situation closely as Central Asian economies are highly dependent upon oil and gas prices; accordingly a slowdown in these countries is expected. The Japanese market has been relatively resilient, in particular compared to the extremely weak situation in the first half of 2007.

In the pulp segment of the market, demand has been relatively stable and local pulp producers in Ust Ilimsk and Bratsk are tending to confirm, rather than curtail planned pulp production for 2009.

In December 2008, the Russian Government elected to postpone the planned introduction of log export duties for nine to twelve months, which were scheduled from 1 January 2009. This decision was probably a result of a combination of EU lobbying pressure coupled with the fact that only limited investment had been made in domestic sawmilling capacity prior to the year-end deadline.

Sawnwood prices Ust-Ilimsk ex-works export price plus railway charges to port, 2006 - 2008

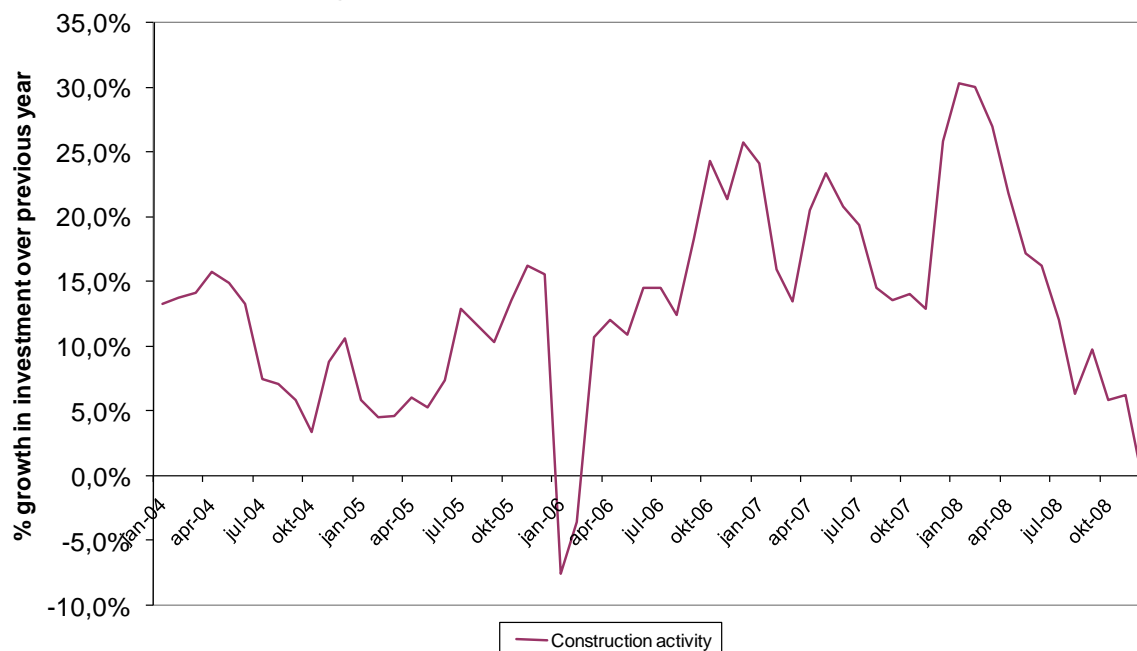


Source: PIK-2005 company

Gravel

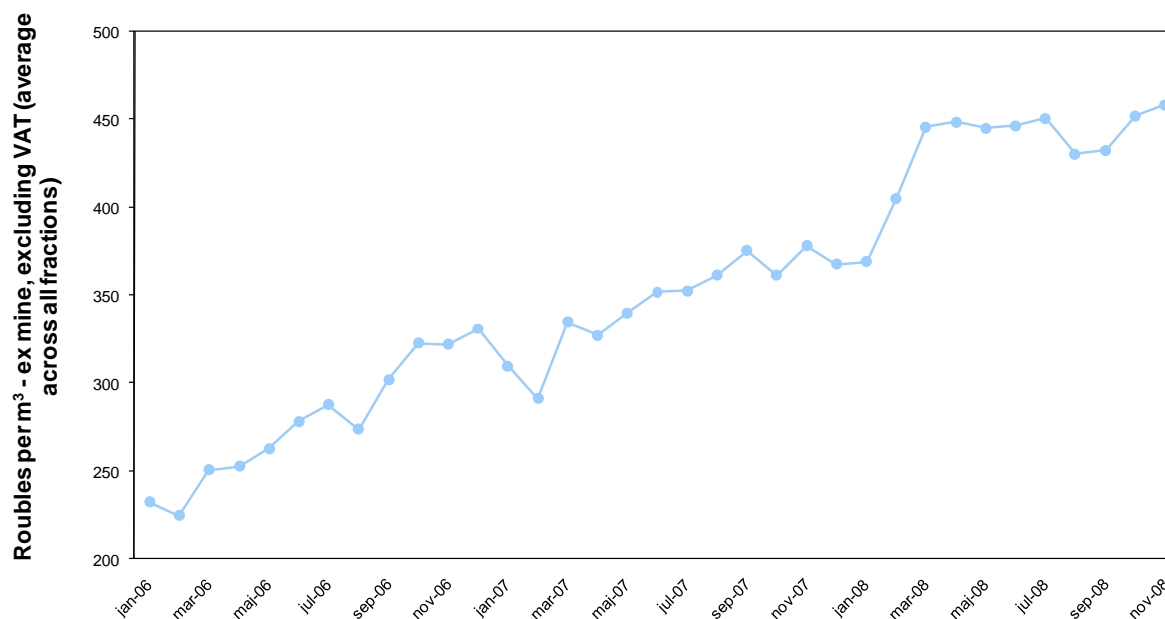
In terms of the gravel market, it is still too early to gauge what impact the slowdown in construction will have on gravel prices. The growth-rate in the Russian construction industry has been falling from around 30% at the start of 2008 to around 0% in December. It is clear that a contraction in early 2009 is inevitable. This has clearly a negative effect on gravel prices in general, but the expansion of Russia's infrastructure is expected to continue once the financial markets have stabilised. In general terms around two thirds of all gravel is used directly in infrastructure building, primarily for roads but also for railways. Accordingly Russian Gravel Co's exposure to general construction is somewhat limited. Furthermore, the company's target customers are directly, or indirectly Government funded; accordingly the sales forecasts appear reasonable, given that it is unlikely that the Russian Government will seek to cut back on its infrastructure spending.

Year on year growth in investment in construction activity to Dec 2008



Source: Rosstat - social economic conditions in Russia

Gravel and Aggregates prices - Republic of Karelia 2006-2008 (source: Rosstat)



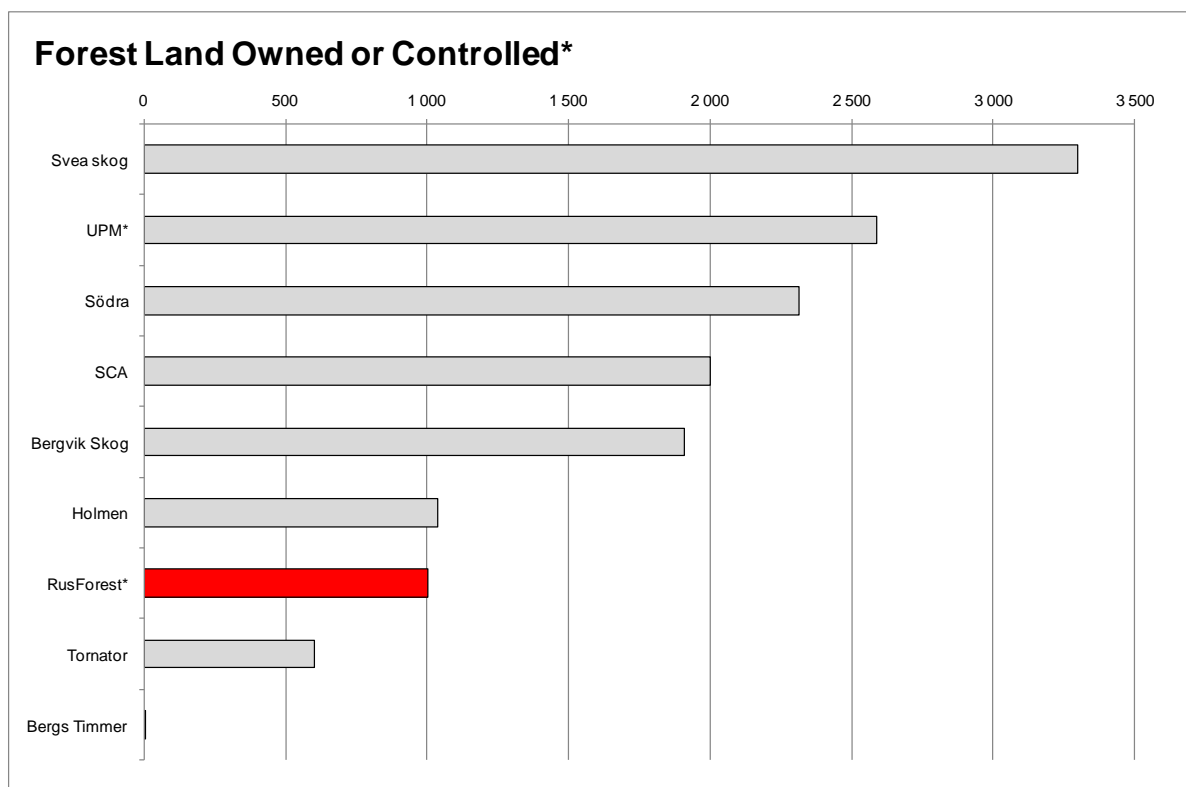
Gravel and aggregate prices have enjoyed a very strong increase over the past few years and the prices are now significantly higher than budgeted for when Varyag made this investment. Accordingly, gravel prices would have to fall significantly before this investment breaches the IRR target.

DEVELOPMENT AT PORTFOLIO COMPANIES

FORESTRY

Rusforest

Varyag owns 50% of Rusforest. The remaining 50% is owned by Vostok Nafta. All holdings of forestry companies will be transferred and consolidated into Rusforest. Rusforest's total leased forest area is slightly over one million hectares with an annual allowable cut of somewhat more than 1.6 million m3. Rusforest is a significant holder of forest land compared to many European forestry companies (see below).



The company's strategic objective is to fully utilize its forest resources whilst earning a reasonable return for its shareholders. The company was started through the acquisitions of Tuba-Les and PIK-89 in the Ust Ilimsk region. Since then the company has invested in both new harvesting and sawmilling capacity. In particular, the company has developed the Bogouchan sawmill and the mill is now running and approaching full capacity. The group initially had some 150,000 m3 of sawmilling capacity which is expected to grow to some 370,000 m3 with the commissioning of the Bogouchan and the Nebelsky sawmills. The Nebelsky sawmill is under construction but given uncertainties over debt funding, the mill is not expected to go into production until the end of 2009.

Rusforest is turning into a fully functioning holding company. A full time CFO joined in May 2008 and he is supported by a full time financial controller. Rusforest's finance function monitors cash balances at the various portfolio companies and carries out detailed monthly variance analyses. In addition, the group consolidates all portfolio company accounts and prepares IFRS financial statements. Rusforest is now moving sales to a central function in order to transition from passive order taking to a more pro-active sales function.

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Produced volumes 2008

		PIK-89 and PIK-2005	Tuba-Les	Tub-Lesprom	Lesprom	TSLKK	Bamlesstroj	100% Fully consolidated forestry assets
Rusforest ownership interest (start of year)		80%	100%	100%	100%	100%	100%	
Annual Allowable Cut (AAC)	m3	734 700	318 000	139 000	117 000	112 400	233 000	1 654 100
Utilised AAC 12m2008	m3	391 787	111 639		90 103			593 529
Utilisation of AAC - % (adjusted)		53,3%	35,1%		77,0%	0,0%		71,8%
Sawnwood volumes	m3	99 834	16 951		3 832			120 617
Forest area	Hectares	436 033	187 712	70 038	30 988	48 695	231 554	1 005 020

Source: RusForest management accounting

The group's results did not meet expectations for the first nine months. This was partially due to a decrease in sawnwood USD export prices in the first half of 2008, increased fuel costs and a reduced sawnwood export volume; arising from lack of saw logs in May-September due to unfavourable weather conditions and a decrease in sawnwood production and repair work of sawmilling equipment.

PIK-89

The PIK-group could not reach the production target in 2008 due to the limited harvesting achieved over the summer. The company constructed and commissioned new kiln drying capacity in the year, but the related expansion of the company's sorting capacity has been postponed. The company returned to planned volumes by the fourth quarter 2008. PIK-89 has recently been negatively affected by late payments.

Tuba-Les and Tubesprom

In general terms, the financial situation at Tuba-Les and Tubesprom has stabilised; the company has been able to achieve a small increase in production by installing an outdoor band-saw. The company is now installing a multi-saw on its main sawing line and this should enable them to increase production further, whilst keeping costs essentially fixed. The increase in production volumes to a budgeted 31,000 m3 per year should allow the company to generate a positive cash flow, but in order to generate a more stable cash flow production volumes need to increase to around 40,000 m3. The company also acquired some new harvesting equipment in the fourth quarter of 2008.

The company continues to achieve a very high level of quality on its main sawing line, with a large percentage of high quality sawnwood grades. The current management has resolved many of the issues that they inherited in October 2007. The company continues to depend on timely payments and on a stable market price for larch.

Boguchanski LPK

The equipment necessary for the production of sawnwood has been installed and launched in cooperation with the equipment suppliers; Veisto and Hekotek. Actual production was just under 2,000 m3 in December and the management plans to move up to full production of 9,000 m3 of sawnwood in April 2009. During the start-up phase, the company used low quality logs; accordingly most of the company's initial production was low quality sawnwood which was sold locally and to customers in Central Asia. The company has now taken delivery of high quality sawlogs from its own operations at TSLKK and higher grades of sawnwood will be produced from February 2009 onwards.

A key challenge will be to build up a sufficient stock of timber to cover the summer months' production, when harvesting activities are reduced. At this stage, Russian banks are unable to provide any working capital facilities, accordingly it will be necessary to build up to full capacity whilst attempting to build a stock of some 80,000 m3 of sawlogs.

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The management company continues to negotiate with various banks about the possibility of securing a loan to finance the construction of a pellet plant. The pellet plant is required in order to utilize wood chips. In the absence of any bank funding, it will be necessary to finance the construction of the pellet plant from operating cash flows in the second half of 2009.

Nebelsky/Rusforest Magistralny

A preliminary agreement to split the Nebelsky joint venture into a harvesting company to be owned by the Russian shareholders and a sawmilling company, Rusforest Magistralny, to be owned by Rusforest has now been completed. Rusforest Magistralny was officially registered on 21 November 2008 and all sawmill related assets will be transferred there. The company's primary assets will be the sawmill site, the foundations which have been completed and the sawmilling equipment which has already been purchased in Italy.

Significant work on the sawmill will commence as soon as suitably priced debt funding can be identified or when operating cash flows from other portfolio companies can be obtained. In any event, this plant is only likely to be commissioned towards the end of 2009.

Lesprom

Due to the delayed launch of the Nebelsky sawmill it was decided to suspend harvesting at Bamlesstroi until the Nebelsky sawmill requires a steady sawlog supply. The harvesting equipment originally purchased for Bamlesstroi was diverted to Lesprom and the company achieved its highest ever monthly harvesting volume since the creation of the Company, namely 22,000 m³. Lesprom's own operators working on the new Tigercat machine have now completed their training. The two new harvesters run by Lesprom's operators and a crew hired on a fortnightly shift rotation are expected in future to be able to harvest between 35,000 and 38,000 m³ monthly at full capacity. During November 6,500 m³ of timber was transported out of the forest for cross-cutting at the lower processing area. This figure rose to approximately 11,300 m³ for December.

As a result of the delayed export duties on roundwood, Lesprom's log sales have continued as normal into 2009. Demand in both China and Japan remains relatively strong and Lesprom is cash flow positive. Various options are being explored for using the excess harvesting capacity either to support other Rusforest companies, or to act as a third party contractor for local pulp mills.

TSLKK

Varyag has acquired 50% of the Russian forestry company TSLKK. The total investment for Varyag, including follow-on investments, amounts to some RUB 129 million (SEK 32 million). The company is the leaseholder of a forest area with 112,400 m³ yearly cutting rights; with 107,800 m³ of softwood, covering an area of 48,695 hectares. The composition of tree species is larch 50%, pine 25% and spruce 12%. Follow-on investments will be in harvesting and transport equipment with a capacity to harvest some 160,000 m³ per year. The balance will be harvested in areas where third parties sell "on the root timber". The investment is transacted on a 50/50 basis with Vostok Nafta.

Harvesting operations have already started in line with plan and the company has harvested some 20,000 m³ since the start of operations and these volumes have now been delivered to the Boguchanski sawmill. Around 45% of Boguchanski's total sawlog requirements will be met by supplies from TSLKK.

Bamlesstroi

Varyag has acquired 50% of the Russian forestry company ZAO Bamlesstroi in the Kachug region of Irkutsk province. The total investment for Varyag, including follow-on investments, amounts to some RUB 158 million (SEK 40 million). The company is the leaseholder of a forest area with 233,000 m³ yearly cutting rights; with 198,000 m³ of softwood, covering an area of 231,554 hectares. The composition of tree species is larch 70%, cedar 10%, spruce 10% and aspen 10%. Follow-on investments will be in harvesting and transport equipment with a capacity to harvest some 242,000 m³ per year.

The company's main aim was to supply the Rusforest Magistralny sawmill (former Nebelsky) but given the decision to slow down the sawmill development; Bamlesstroi's harvesting equipment has been reallocated to Lesprom. During 2009 only preparatory work will be done in Bamlesstroi's forest area and significant harvesting activity will only commence once the Magistralny sawmill goes into operation.

AGGREGATES

Russian Gravel Company

At the beginning of 2009 an agreement was reached with the Russian owners in Russian Gravel Co, where two of the three shareholders will transfer 41.7% of the shares to Varyag in settlement of Varyag's claim against the Russian owners for budget overruns. The execution of the agreement is subject to the completion of various pre-emption procedures. Following the completion of the pre-emption procedure Varyag's interest will be increased from 51% to 92.7% (prior to convertible loan conversion).

The portfolio company is the parent company to OOO Belomorsky Karyer, the licence holder for three large gabbro-diabase and granite deposits in Karelia in north-western Russia. Russian Gravel Co also owns 25% of the shares in the Zolotukha quarry.

Varyag's investment in the development and exploitation of the Belomorsk quarry sites will allow the company to achieve an annual production and sales volume of 1.7 million tonnes of aggregates. The portfolio company's management estimates that total operating costs will be slightly more than USD 5 per tonne (excluding depreciation) once the facility reaches full capacity of 140,000 tonnes per month.

Over the period additional investments of around RUB 92 million (SEK 24 million) have been made in order to fund the purchase of materials, equipment, vehicles and to finance working capital needs.

At this stage, the primary crusher is already fully operational and is processing rock generated from blasts carried out during the autumn. The primary crusher crushes rocks down to 0 to 200 millimetres; from here rock is taken to the secondary crusher for further crushing and sorting.

The secondary crusher is also nearing completion. The final step before selling final product is to obtain approval from the Russian Railways for the use of the weighbridge which has been built at Russian Gravel Co's railhead.

COAL

OOO AGK/ZAO PKF Unal

Varyag has disposed of its interests in OOO AGK/ZAO PKF Unal to a company affiliated with Nafta-Metal for a consideration of RUB 35 million (SEK 9 million), payable over two years. The disposal results in a capital loss of SEK 19 million.

Kartagonski

As mentioned in previous reports, Varyag has agreed to explore and delineate the Kartagonski coal field on a 50/50 basis with OOO Nafta-Metal. Varyag has elected not to co-finance these activities until such times as the forestry and gravel companies become significantly cash flow positive or bank loans can be secured.

OUTLOOK

The slowdown in global growth has been well documented. The initial assumption that Russia, with its large national surplus and relatively diversified growth picture, would cope better has proven to be wrong. The Russian economy faced a severe shock in the fourth quarter of 2008. Industrial production went down and non-payments ballooned; wage arrears increased by 90% in December 2008 compared to the previous month. At the same time it became almost impossible to obtain bank loans. In this environment cash management is very important and many of

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the forestry businesses are cash flow positive or neutral. On the positive side the weakening of the rouble has dramatically cut costs when expressed in USD terms and this has been an advantage for the forestry companies.

The target is to ensure that both Bogouchanski LPH and Russian Gravel Co. reach cash break-even as fast as possible, whilst slowing down development at Magistralny and effectively freezing activities in the coal sector.

One area that has been negatively affected has been the possibility for selling assets at attractive valuations in the immediate future. In the current environment a profitable exit of Varyag's assets would be difficult to achieve. The basic assumption is that the financial markets will stabilise and more normal levels of transactions will resume in 2009. In the event that it takes an extended period of time for markets to stabilise, free cash flows from the portfolio companies will be paid out wherever possible.

In summary, although a global slowdown is certainly not good for Varyag, the company has developed in line with the initial commitments made to shareholders at the time of the IPO. Several assets have been acquired and developed through to the production stage. The conservative funding structure means that Varyag has some protection from the worst impact of the global "credit crunch".

GROUP

The portfolio companies in Varyag would normally have been reported in accordance with the equity method and/or the acquisition accounting method in the company's financial statements. The portfolio companies' financial statements and reporting are currently being converted from reports required by fiscal authorities to accounts that comply with internationally acceptable accounting practices. Varyag's investments have therefore been reported at acquisition value in Varyag's consolidated balance sheet. The Board and the Management are of the opinion that these values are reasonable at this point in time. The investments' values have been assessed by impairment tests which indicated a surplus value of SEK 229 million compared to book value.

RESULTS

Operating loss

An operating loss of SEK 44.4 million was reported for 2008. Operating expenses relate primarily to management service expenses in Russia, amounting to SEK 16 million, and personnel costs of SEK 4 million, of which SEK 1 million relates to Board remuneration. The SEK 19 million capital loss relating to the disposal of the Unal/AGK coal investment is included in the operating loss.

Financial items

Interest income for 2008 amounted to SEK 29.0 million. Exchange rate losses amounted to SEK 47.4 million. The exchange rate losses are due to the rouble and dollar weakening against the euro during 2008 which has had a negative effect on loans receivables from the Russian portfolio companies.

Tax and result after tax

The Group's loss after tax amounted to SEK 62.8 million for 2008. Tax assets related to the accrued losses carried forwards have not been reported.

INVESTMENTS, FINANCING AND LIQUIDITY

Investments

Investments in portfolio companies amounted to SEK 244.2 million for 2008, which mainly comprised of acquisition costs and loans to portfolio companies.

Regarding the coal project Unal, a disposal has been made in 2009 with a capital loss amounting to SEK 19 million.

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Financing and exchange rate effect

Neither Varyag nor the portfolio companies have any bank loans and are therefore not facing any refinancing risks. All investments in the portfolio companies are financed with equity capital. The translation difference in equity has been positively affected by the SEK's weakening against the euro. The translation to SEK of the Cypriot subsidiary, which owns the portfolio companies, resulted in an exchange rate gain of SEK 83 million which was posted directly to shareholders' equity. Considering the SEK 47 million exchange rate loss in the profit and loss statement, the net effect of the exchange rate fluctuation on shareholders' equity is positive SEK 36 million.

Cash and cash equivalents

Cash and cash equivalents amounted to SEK 55.7 million at the balance sheet date.

IFRS

The portfolio companies' transition to IFRS accounting is progressing according to plan and Varyag assesses that the companies will be consolidated in Varyag's annual report for 2008.

VALUATION OF PORTFOLIO HOLDINGS

Varyag has carried out customary impairment tests on the book value of the investments to assess if any write-down requirements exist. The fair value has been evaluated in order to assure that the investments have not been recorded at a higher value than the recoverable amount. If the book value is higher than the recoverable amount, the value of the investment will be written down. If the book value is lower than the recoverable amount, no increase in value will be made. The impairment tests are carried out by the management company, commissioned by Varyag according to the management agreement, and approved by the Board. The book values correspond to the amount of the total investment. The amount consists of the cost of an investment, including acquisition costs and loans to portfolio companies.

The discount factor (WACC) used has, on account of the changes in the global economy, been increased from 15% to 18.3%. The increase in WACC should be viewed as an increased risk premium despite the fact that the expected inflation rate has decreased. Varyag's assessment of the fair value of Rusforest and Russian Gravel Co has determined that no reasonable changes in important assumptions will lead to the calculated recoverable amount being lower than the book value.

EVENTS AFTER PERIOD END

Sawmilling operations have begun at the Bogouchanski sawmill. The sawmill capacity is 100,000 m³ of sawnwood per year. The timber used for production will initially be purchased on the open market, but going forward around 45% of Bogouchanski's total timber requirements will be met by supplies from TSLKK, which also forms part of the Rusforest Group.

SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

Varyag's operations, financial position and earnings may be affected by a number of risk factors. One risk factor that may be considered significant is associated with the actual business focus of investing in unlisted companies in Russia and the rest of the CIS. A more detailed presentation of these risks can be found in the 2007 Annual Report on page 33. Another risk is delays in the completion of projects, which will affect the cash flow.

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PARENT COMPANY 2008

Loss before taxes amounted to SEK 6.9 million for 2008. The result includes exchange rate losses of SEK 8.6 million and interest income of SEK 7.0 million.

The Parent Company's cash and cash equivalents amounted to SEK 55.2 million at the end of the year.

NOMINATION COMMITTEE

The Nomination Committee comprises of Hans Hedström representing HQ Fonder (chairman), Per Josefsson representing Zenit, Per Brillioth from Vostok Nafta, Viking Kjellström from SEB-funds and Sven Hirdman, Chairman of the Varyag Board. The Nomination Committee can be contacted via email on info@varyag.se.

SHARE DATA

The Varyag share is listed on the First North list of the Stockholm Stock Exchange. Trading is conducted under the ticker designation VARY. The number of shares outstanding amounts to 13,303,200. The turnover rate for the share during the period of January - December 2008 was approx. 24%. The average daily turnover was 17,318 shares, corresponding to approx. SEK 475,401. The average spread between the bid and the ask price was 2.17%.

During 2008 Vostok Nafta Investment acquired approx. 10.8% of Varyag's shares and as a result has become Varyag's largest shareholder.

At the close of the period, the share price for Varyag was SEK 11, and its market capitalisation was approx. SEK 146 million. The number of shareholders was approximately 1,200.

Major shareholders as of 31 December 2008

Shareholder	Number	Percentage
Vostok Nafta Investment	1 434 880	10,8
Staffan Rasjö	1 329 100	10,0
Fonden Zenit	913 000	6,9
HQ Rysslandsfond	592 350	4,5
Dunross & Co AB	589 700	4,4
SEB Östeuropafond	532 400	4,0
CS SEC (Europe) Ltd	528 500	4,0
SEB Private Bank S.A.	429 100	3,2
EFG Private Bank S.A.	420 000	3,2
Per J Förvaltning AB	320 000	2,4
Others	6 214 170	46,7
Total	13 303 200	100,0

Consolidated income statement

Amounts in SEK 000s	2008	2007
Other operating revenues	968	903
Other external costs	-22 149	-16 711
Personnel costs	-3 846	-3 574
Loss disposal of interest	-19 324	-
Depreciation	-25	-25
Operating loss	-44 377	-19 406
Income interest and dividends from portfolio companies	28 992	11 358
Exchange-rate changes	-47 393	-7 688
Profit/loss after financial items	-62 778	-15 736
Tax for the period	-	-61
Profit/loss for the period	-62 778	-15 797

FINANCIAL KEY RATIOS

	2008	2007
	31/12	31/12
Earnings per share, SEK	-4.72	-1.77
Shareholders' equity, SEK	46.22	44.73
Share price, SEK	11	53
Share price/Shareholders' equity per share %	24	118
Solidity %	99.71	99.08

NUMBER OF SHARES

	2008	2007
Beginning of the period	13 303 200	8 868 800
End of period	13 303 200	13 303 200
Average number of shares	13 303 200	8 929 545

Definition of key figures

Earnings per share

Profit/loss after tax divided by weighted average number of shares.

Shareholders' equity per share

Reported shareholders' equity in relation to the number of shares at the end of the period.

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Consolidated balance sheet

Amounts in SEK 000s	2008 31/12	2007 31/12
Assets		
<i>Fixed assets</i>		
Equipment	71	97
Participations in portfolio companies	217 836	171 346
Other long-term receivables	9 180	-
Total fixed assets	227 087	171 443
<i>Current assets</i>		
Other current assets	333 837	111 074
Cash and bank balances	55 704	318 095
Total current assets	389 540	429 169
Total assets	616 627	600 612
Shareholders' equity and liabilities		
Shareholders' equity	614 852	595 106
Current liabilities		
Current liabilities	407	4 765
Deferred income and accrued expenses	1 369	740
Total shareholders' equity and liabilities	616 627	600 612

CHANGES IN SHAREHOLDERS' EQUITY

Amounts in SEK 000s	2008 1/1-31/12	2007 1/1-31/12
Opening shareholders' equity	595 106	412 991
New share issues	-	199 548
Issue expenses	-390	-3 872
Translation difference	82 913	2 236
Net profit/loss for the period	-62 777	-15 796
Shareholders' equity at end of period	614 852	595 106

PRESSRELEASE

Consolidated cash flow statement

Amounts in SEK 000s	2008	2007
	1/1-31/12	1/1-31/12
Profit/loss after financial items	-62 778	-15 736
Adjustment for non-cash items, etc.	29 335	7 713
Paid income tax	-	-61
Cash flow from operating activities before changes in working capital	-33 443	-8 084
Cash flow changes in working capital	7 952	-4 462
Cash flow from operating activities	-25 491	-12 546
Investment in office fittings		-16
Investment in financial assets	-244 196	-173 454
Cash flow from operating activities	-244 196	-173 470
New share issues	-390	195 676
Cash flow from financing activities	-390	195 676
Cash flow during the period	-270 077	9 660
Cash and cash equivalents, beginning of period	318 095	316 100
Exchange-rate differences on cash and cash equivalents	7 686	-7 665
Cash and cash equivalents, period end	55 704	318 095

Accounting principles

This interim report has been prepared in accordance with the requirements of Swedish Accounting Standards Board's BFNAR 2007:1 'Voluntary interim reporting'. These reporting principles which are applied in this report are stated in the Annual Report 2007. The reporting of portfolio companies is commented upon above under the section headed Group.

PRESSRELEASE

Stockholm, 19 February 2009

Varyag Resources AB (publ)

The Board

This interim report has not been subject to examination by the company's auditor.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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FORTHCOMING INFORMATION

Interim Report Q1 2009
Annual General Meeting

19 May 2009
25 May 2009

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