



RusForest AB (formerly Varyag Resources AB)

Interim Report

January 1 – September 30, 2009

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Interim Report, January 1 – September 30, 2009

Interim Results for the nine months ended September 30, 2009

- This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, which complies with Swedish law through the application of the Swedish Financial Reporting Board's recommendation RFR 1.1, Supplementary Accounting Rules for Groups, and RFR 2.1, Accounting for Legal Entities, which are applied with respect to the parent company. The accounting principles, definitions of ratios and calculation methods are different from those used in the most recent annual report which was prepared under Swedish GAAP. The respective disclosure is presented in the note 7 to the financial statements in the current report.
- Total turnover for the period amounted to SEK 117.7 million (SEK 0, for the nine months ended September 30, 2008).
- The operating result before financing costs for the period was SEK -78.6 million (SEK -29.9 million).
- The Group has re-valued its fixed assets, from acquisition cost to fair market value, as of May 31, 2009. The value of the fixed assets has increased by SEK 265.1 million.
- Net result for the period was SEK 295.5 million (SEK -46.1 million), in large part due to the significant acquisition gain which arose from the acquisition of 50% of RusForest Limited from Vostok Nafta Investment Ltd on June 1, 2009. The acquisition gain has been restated from the amount reported in the Interim Report for the six months ended June 30, 2009, as fixed assets were then taken up at cost. As per September 30, 2009, the fixed assets have been re-valued at fair market value, by an independent appraiser, in accordance with IFRS 3.
- Earnings per share was SEK 17.31 (SEK -3.46).
- Cash and cash equivalents decreased by SEK 0.8 million during the period, from SEK 55.7 million at December 31, 2008, to SEK 54.9 million at September 30, 2009. During the third quarter of 2009 cash and cash equivalents increased by SEK 12.6 million from SEK 42.4 million at June 30, 2009.

Significant events during the third quarter, 2009

- Prices for sawnwood strengthened by around USD 20 per m³.
- PIK-89 achieved record sawmilling volumes of 10,346 m³ in August 2009.
- Settlement agreement signed with the 20% shareholder of PIK-89 under which RUB 42.5 million (SEK 9.9 million) of debt owed by PIK-89 to the minority shareholder was transferred to RusForest AB for a consideration of RUB 30,000 (SEK 6,971), resulting in a financial gain of RUB 44.2 million (SEK 10.3 million) (including accrued interest).
- Final disbursement, of SEK 20.7 million, from the Unicredit loan to Boguchansky LPK took place in September 2009.

Significant events after period end

- The Russian Government confirmed its long term intention to stimulate domestic wood processing through the introduction of a prohibitively high export duty on logs, but has agreed to delay the planned export duty increase for 2010.
- RusForest had a dialogue with Prime Minister Putin and a substantial discussion with Trade and Industry Minister Khristenko as part of the Russia-Finland roundtable on 25th October 2009. Methods to accelerate our access to additional electricity in the Krasnoyarsk region were discussed.
- Russian Gravel Co. has received the certification from Russian State Railways for fraction 25-60mm, and is as a result the sole certified producer in Karelia.

CEO's Comments

Forestry

During the quarter, external market conditions in the forestry stabilised and even slightly improved, accordingly weighted average sawnwood prices grew through to September 2009. Furthermore, it is encouraging that Prime Minister Putin re-iterated Russia's strategic plan to boost domestic wood processing capacity by increasing export duties on logs and that the Russian Government again confirmed its eagerness to attract foreign capital into the wood processing industry. Not only in North West Russia but, more importantly, in Siberia.

Whilst the introduction of export duties on logs has been delayed as a result of the financial crisis, the Russian Government intends to introduce such duties. As Prime Minister Putin stated at the Russia-Finland forestry summit in October 2009 "we hope that our partners won't use the available time only to keep coming back to the Russian Government asking for further delays". The clear message is that it is necessary to establish wood processing activities inside Russia, as sooner or later the export of logs will stop and RusForest is ideally situated to take advantage of this development.

On the operational side, harvesting volumes increased by 18.3% over the first nine months of 2009 compared to the same period in 2008. Sawmilling volumes increased by a fairly significant 36.9% over the first nine months of 2009 as compared to the previous year. A large part of this increase is due to the start of operations at Boguchansky, both in forestry and sawmilling. In addition to the introduction of new volumes at Boguchansky, our original asset (PIK-89) achieved a record sawnwood output of 10,346 m³ in August 2009 and this result is reflected in strong cash flow results for PIK in Q3-09.

In the forestry division, cash levels increased quite markedly both on the back of PIK operations and also due to the final disbursement of SEK 20.7 million of the Unicredit loan to Boguchansky, which took place in September 2009. Going forward, there are three important initiatives which are required to stabilise and boost earnings in the forestry division, specifically;

1. The Company needs to build a significant "snow stock" of logs and stems over the winter period. The stock will then be used in periods when our own harvesting is reduced due to weather conditions, broadly speaking in spring and autumn. In prior years, the Company has not had such a stock and as a result, our sawmills regularly operated on a stop-start basis, which always resulted in negative financial results. During Q1-10, the Company intends to build a stock of 30,000 m³ of logs at Boguchansky, plus a further 68,000 m³ of stems at PIK and around 40,000 m³ in logs at PIK. This stock build up will result in a significant working capital requirement in Q1-10, which will be released as the Company draws down the stock over the remainder of 2010;
2. The Company is working to reduce the range of sawnwood that it sells. The wide range of products means that the Company is producing many small batches of products, which tend to snarl up the sorting line and finished goods warehouse. The Company is reducing the range of products with a view to increasing operational efficiency, firstly at Boguchansky and then at PIK;
3. The Company is working to secure funding to complete the third sawmill at Magistralny, where construction work has been suspended since late 2008. The Company believes that funding will become available before the end of 2009 and that construction work can be started up in early 2010. This move means that a significant part of our assets can move from construction-in-progress to an operating asset in 2010, which will significantly expand our earnings base.

Gravel

As discussed in the previous interim report, 2009 was effectively a write-off for the gravel business as a result of both the slow pace of Federal Government disbursements for road building, coupled with the steep drop in the general construction sector. All of Russian Gravel Co.'s sales in 2009 were focused on road building, plus one or two infrastructure projects. Russian Gravel Co. has not sold any volumes of gravel into the general construction sector (gravel for concrete). At the end of Q3-09, we are coming into the normal seasonal slowdown in road building and construction, accordingly sales are expected to fall even further from today's already low levels. As a result, the decision has been taken to stop production until March or April 2010 as it is less expensive to close down, as opposed to running at well below break-even volumes over winter.

We remain optimistic that given our status as the sole supplier of railway gravel (25-60 mm) in Karelia and our ability to supply the oil & gas industry, 2010 will be a much better year than 2009. Russian Gravel Co. will seek to limit cash burn to SEK 1.4 million per month excluding some small capital expenditure which is required to maintain the railhead and the mining licenses.

Cash and Liquidity

At the Group level, cash holdings increased by SEK 12.6 million between June 30, 2009, and September 30, 2009. The increase reflects the cash inflows at the forestry division of SEK 17.4 million, offset by cash outflows caused by corporate costs of SEK 4.8 million during the same period. Going forward, we expect cash levels to fall to the end of the year as we enter the autumn logging season, when log volumes will be very low and as we begin to invest in snow stocks towards the last days of 2009. In addition, the gravel business is expected to be cash flow negative until around April 2010. Having said that, general liquidity conditions are improving slowly and we have received some proposals to finance the snow stock working capital requirements. Under these circumstances, we feel that our cash balance of SEK 54.9 million at September 30, 2009, is comfortable.

Alex Williams

Chief Executive Officer
RusForest AB

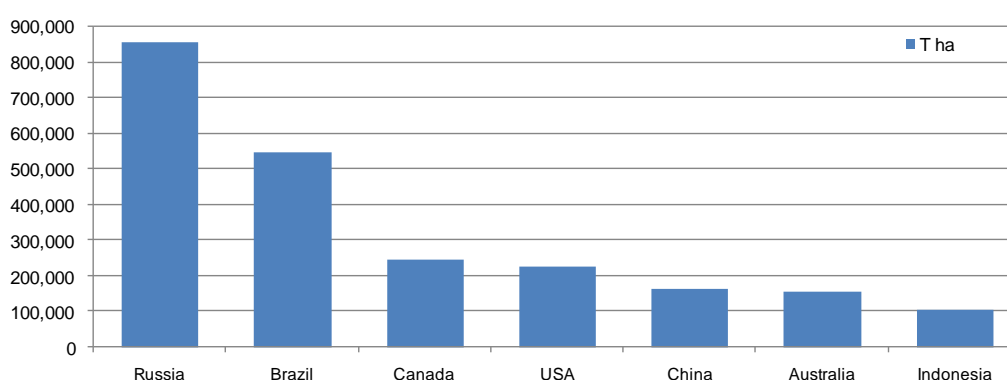
Overview

RusForest is a company active within the forestry sector in Eastern Siberia, Russia. The company was established in 2006 through the acquisitions of Tuba-Les and PIK-89 in the Ust Ilimsk region. Since then, RusForest has reached a considerable scale, both in terms of forest resources and sawmilling capacity, through strategic acquisitions and “brown” field development projects.

The company currently controls over 1,000,000 hectares of forest land with an annual allowable cut (AAC) of 1,665,200 m³. The Group's current sawmilling capacity of approximately 200,000 m³ is expected to increase to around 300,000 m³ within the near future as a result of the construction of the Boguchansky sawmill, which is approaching full capacity, and the RusForest Magistralny sawmill which is expected to go online during 2010.

Russia 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. The forest resources in this area are of high density and subsequently well suited to produce sawnwood of exceptional quality.

Forest Area by Country, thousand Hectares

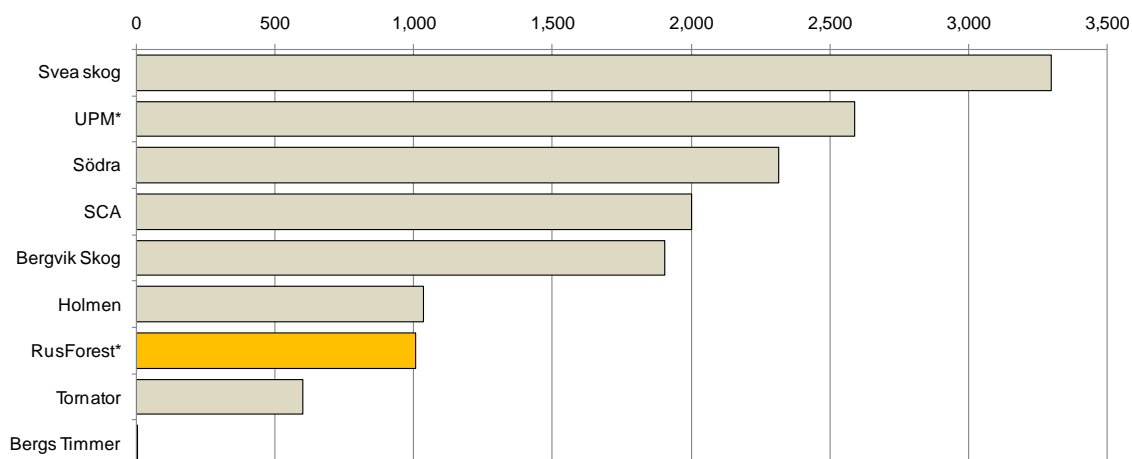


Source: UN Food and Agriculture Organisation

RusForest's operations are also favourably positioned, in the southern part of Eastern Siberia, to effectively reach the rapidly growing Asian markets. Subsequently, most of the company's production is currently directed at customers in Central Asia, the Middle East, Northern Africa, Japan and China (the world's largest importer of wood and wood products). All of RusForest's products are sold through the wholly owned trading company, RusForest Trading.

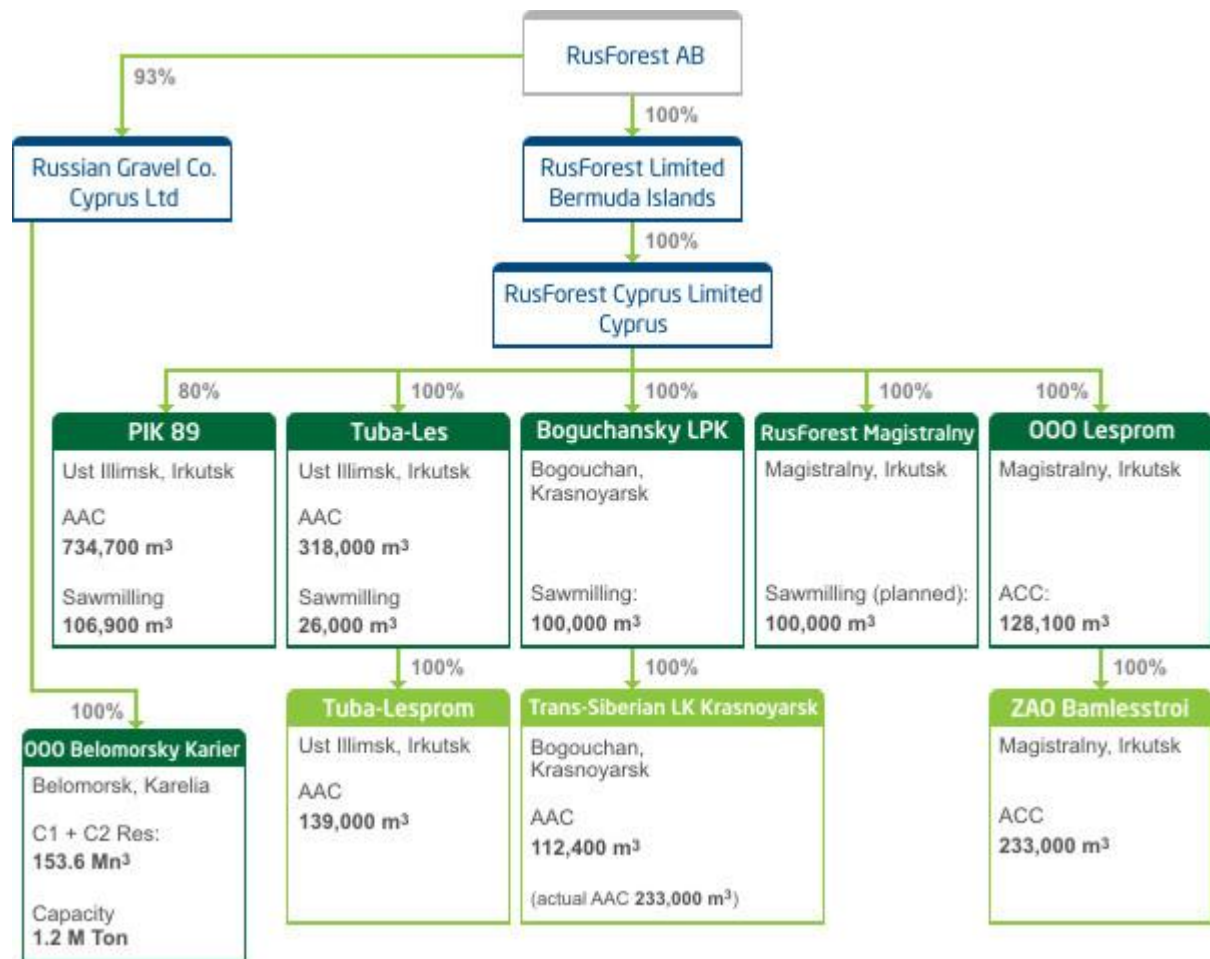
RusForest is the sixth largest forestry company in Russia in terms of harvest volumes according to data collated by Lesprom.ru, and is comparable in size to Swedish forestry company Holmen in terms of forest land controlled. RusForest's strategic objective is to fully utilize its forest resources whilst earning a reasonable return for its shareholders.

Forest Land Owned or Controlled, thousand Hectares



Source: Company Data for 2007, RusForest: Total forest land under long term lease as of September 30, 2009

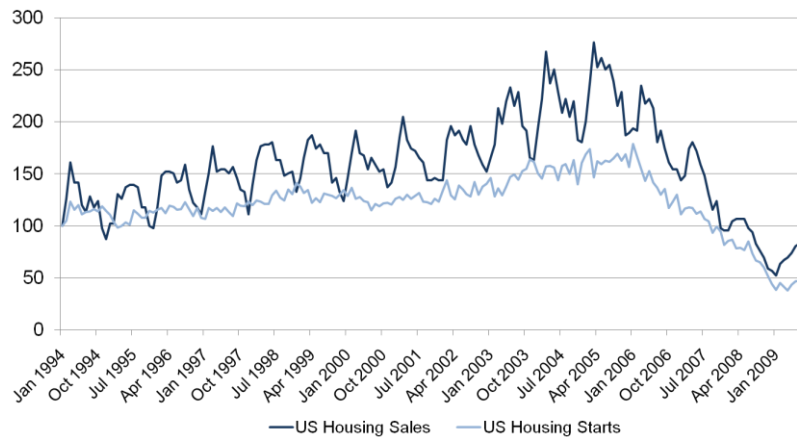
Legal Structure



Sawnwood Market and Prices

On the macroeconomic side we have seen somewhat ambiguous data as of late. A key construction benchmark, US new housing sales have risen steadily since January and were, in August 2009, at the highest level recorded since the same month last year. In total, monthly housing sales are up a significant 58.3% compared to the level at the beginning of the year which points to positive developments in consumer confidence and spending.

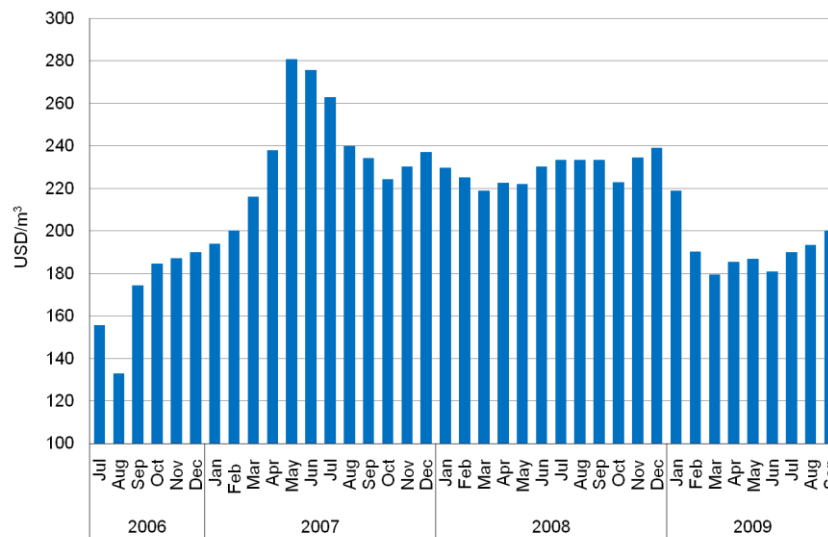
US Housing Data, 1994 to 2009 (January 1994 = 100)



US housing starts have stabilised during the year and even increased somewhat since April, but we are currently still only at levels around 600 thousand units (seasonally adjusted annual rate) which is comparable to Nov/Dec 2008 – essentially the lowest levels since records start in 1959. In Japan, new dwellings starts in July 2009 were also at the lowest monthly level available for comparison (dating back to April 2004).

On the back of these small improvements, combined with a significant curtailment in supply, the sawnwood market has seen positive developments. After a sharp downward trend which started in the beginning of the year, RusForest’s sawnwood prices balanced out during the second quarter, and have steadily been rising during the third. These increases are in large fuelled by reductions in production volumes internationally surpassing the corresponding drop in demand. In other words, demand has been relatively strong during the period and supply side pressure has consequently forced customers to accept higher prices. Having said that, the average prices received by RusForest in September 2009 was still 14.3% lower, at 200.1 USD/m³, in comparison with the same month in 2008.

Sawnwood Export Prices, delivered to port, 2006 – 2009



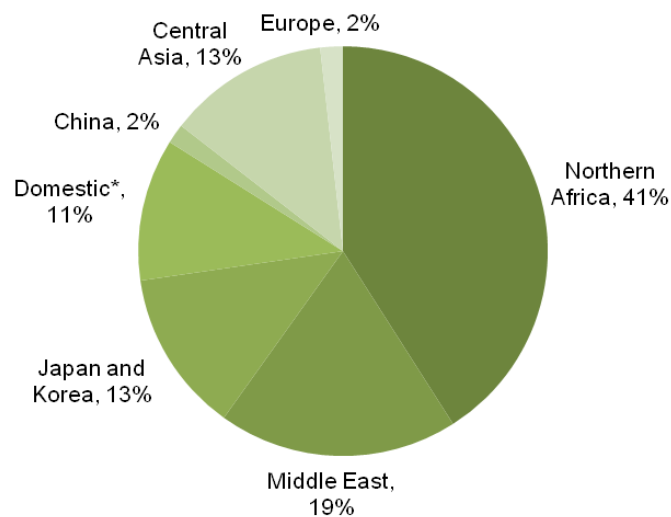
Source: PIK-89, Sawnwood export prices delivered to port

Sawnwood Market and Prices (continued)

We are now watching developments, primarily in Scandinavia, to see how production volumes will develop after previous curtailments and the recent positive market developments. Sawnwood production has fallen by 12 % in Sweden, and 30% in Finland, during January to August 2009, in comparison to the same period last year. Statistics also show that producer stocks have been falling throughout the year, down 30% in Sweden and 49% in Finland, while export orders have been increasing steadily. Production is therefore expected to increase in the near future, in spite of relatively weak order backlogs at the mills and general concerns regarding if, and how long, the recent upturn will last.

Other things to monitor are the market effects of decreasing government support measures, such as "ROT-avdrag" in Sweden and first time buyer credits in the US – a tax credit which is available for qualified first-time home buyers in the US purchasing a principal residence on or after January 1, 2009 and before December 1, 2009.

RusForest's Sales Geography, 9M 2009



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

RusForest's sales markets were largely unchanged during the period compared to the first half of 2009. This reflects the consistency in demand which the Company is experiencing, and that the recovery seen in Northern Africa and the Middle East during the end of the second quarter has continued in the third. RusForest has also started deliveries to China during the quarter which is encouraging given that the Company has long been observing the vast, and growing, Chinese market. RusForest has however not, until now, been able to receive adequate pricing for its products in China.

In December 2008, the Russian Government elected to postpone the planned introduction of log export duties, by nine to twelve months, which were originally scheduled from January 1, 2009. This decision was probably a result of a combination of EU lobbying pressure and WTO entry negotiations, coupled with the fact that only limited investment had been made in domestic sawmilling capacity prior to the year-end deadline. During the recent Russia-Finland Forest Summit on 25th October 2009, all the participating members of the Russian Government repeated the long term object of increasing export duties on logs in order to develop domestic processing and move away from simple log supplies. The Russian Government acknowledged that investments had been limited in the sector, largely due to the financial crisis and agreed to postpone the duty increase in 2010, and possibly into 2011, to allow investors more time to prepare for the duty increase. In this respect, RusForest is extremely well placed to benefit from the increase in export duties when (not if) it is finally imposed. Additionally, the Ministry of Trade and Industry has voiced support for RusForest as a leading foreign investor in East Siberia.

Aggregates Market

The aggregates market is unchanged since the RusForest AB Interim Report for the period ending June 30, 2009, and a brief summary of that segment is provided below.

The aggregates market has suffered a severe downturn since 2008. In any economic downturn construction typically suffers most as it is the most "leveraged" sector in the economy. Whilst Russian GDP dropped by 9.8% in the first quarter of 2009, construction work dropped by 19.3%, in comparison to the same period in 2008. The aggregates markets have been severely affected by the downturn and aggregate output was down by 45.8% in June 2009 compared to a year earlier. The scale of the downturn has left excess stocks in the system and the majority of quarries have closed down or are operating significantly reduced working weeks. In addition to a slowdown in the general construction sector, which drags down concrete demand, Federal and Regional road building has also been very constrained in 2009. The Government has effectively abandoned the Transport Strategy and is not even fully disbursing the Federal Budget allocation of RUB 238 billion for roads in 2009.

Against this backdrop Russian Gravel Co. has obviously found it hard to forward sell its production, particularly as the company is a new entrant to this market. Having said that, by the summer season, the company had a good order book for around 60,000 tonnes of aggregate per month, which is a significant achievement in such a weak market. The volumes that the company will supply in 2009 are significantly below planned levels and the plant is now operating at between 30% and 50% utilisation levels. At these levels it is almost impossible to generate cash given a very high share of fixed costs.

Key Financial Data

Item	2009	2008
In thousands of SEK	1/1 - 30/09	1/1 - 30/09
Turnover	117,661	-
Cost of Sales	(115,910)	-
EBITDA	(57,678)	(29,914)
Income from RusForest aquisition	380,009	-
Net Result	295,489	(46,094)
Cash Flow During Period	2,920	(219,889)
Per Share Data, SEK	30-Sep	30-Sep
Earnings	17.31	(3.46)
Shareholders Equity*	42.33	41.06
Share Price	17.40	24.30
Equity/Assets Ratio	85.0%	99.6%

*Shareholders equity per share for 2008 is calculated from the shareholders' equity and number of shares as per December 31, 2008.

Financial Performance

Overview

For ease of reference, the accounts now include a breakdown into three main segments of forestry, gravel and the corporate centre. In the forestry division, the profit and loss result was disappointing; however the division recorded a strong cash inflow during the quarter. At the divisional level both PIK and Lesprom (our logging business) showed reasonable gross margins, but the overall margin was dragged down by operating losses at the Boguchansky sawmill. The large operating loss at Boguchansky was the direct result of an unreliable log flow with usual summer weather related disruptions combined with very significant under-deliveries by our suppliers.

This problem is expected to continue until RusForest builds up a significant buffer stock to feed the sawmill in Q1-2010. The picture was repeated at the cash level with PIK-89 having a strong 3rd quarter 2009. However, given the fact that OOO Boguchansky drew down the final tranche of the Unicredit loan facility, cash on hand increased at OOO Boguchansky. Overall the forestry division saw a solid increase in cash levels over the quarter.

Financial Performance (continued)

The cash increase at the forestry division was offset by cash outflows at the gravel business together with the costs of maintaining the corporate centre, and the Group cash flow was slightly positive, at SEK 2.9 million, during the nine months ended September 30, 2009.

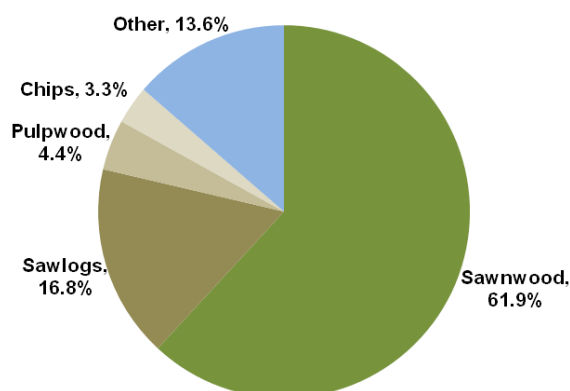
The forestry (and Group) balance sheet has been expanded following a revaluation of fixed assets, which added SEK 265.1 million on to fixed assets. Debt levels remain low across the group and debt availability is improving. The Group has entered into discussions with various banks in order to secure funding to complete the RusForest Magistralny sawmill. Credit conditions are still tight but significantly better than they have been during the past year.

Comparative data from prior years is not provided as the Group accounted for investments in forestry using equity method up until 100% ownership commenced on June 1st 2009.

Revenue

Group revenue amounted to SEK 117.7 million during the nine months ending September 30, 2009. The Group revenue comprised of; Sawnwood, SEK 72.8 million; Sawlogs, SEK 19.7 million; Pulpwood, SEK 5.2 million; Chips, SEK 3.9 million and Other revenue SEK 16.0 million.

Revenue Breakdown 9M 2009, percentage of total



During the third quarter of 2009 RusForest has seen continuous increases in USD-denominated sales prices driven by both market factors and the USD depreciation to major currencies. However, the average export sawnwood price received at PIK-89 during the nine month period ending September 30, 2009, was 15.8% lower than in the corresponding period in 2008.

Operating Expenses

RusForest's cost of sales for the period was SEK 115.9 million. One major driver, apart from sales volume, for the cost of sales was the extensive usage of purchased sawlogs during the period. Purchased logs cost, on average, SEK 400 per m³ compared to self-harvested sawlogs which cost approximately SEK 250 per m³. The Group has however also been implementing a cost saving policy which positively contributed to the operating margin.

Distribution expenses amounted to SEK 28.0 million and represent customs duties, railway tariff, loading and hauling-to-loading costs. These costs are directly associated with the volumes shipped.

Personnel costs have decreased on monthly basis as the portfolio companies' new management has terminated the employment of unproductive staff, reviewed the production process and are re-allocating tasks.

Financial Performance (continued)

Financial Expenses

Financial expenses amounted to SEK 2.0 million during the period, and the Group drew down the remaining part of the Unicredit loan (SEK 20.7 million) during September 2009, which resulted in additional interest payments.

Income Tax

All of the Group subsidiaries generated losses during the period, and tax losses will consequently be carried forward.

Net Profit

The Group's net result was SEK 295.5 million during nine months ended September 30, 2009, in large part due to the significant acquisition gain which arose from the acquisition of 50% of RusForest Limited from Vostok Nafta Investment Ltd on June 1, 2009. The acquisition gain has been restated from the amount reported in the Interim Report for the six months ended June 30, 2009, as fixed assets were then taken up at cost. As per September 30, 2009, the fixed assets have been re-valued at fair market value, by an independent appraiser, in accordance with IFRS 3.

The Group has during the period signed a settlement agreement to write-off of loans payable to the minority shareholder of PIK-89, in the amount of SEK 10.3 million, which positively affected the Group's result for the quarter.

Assets and Investment

All property plant and equipment have been re-valued, to market value, as of 31 May, 2009 as required by IFRS 3 to account for the fair value of the acquired assets and liabilities in the business combination. The revaluation was performed based on reports prepared by independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience of valuations of assets of similar location and category. The basis used for the appraisal was market value of the assets and fair values were estimated using appropriate valuation techniques. The increase of the value of fixed assets totalled SEK 265.1 million.

Cash Flow and Financial Position

The Group's cash flows have been rather stable, markedly improving from beginning of the third quarter. The Group's net cash outflow for the nine months ending September 30, 2009, totalled SEK 0.8 million and was mainly a result of the receipt of the Unicredit loan and effective cash management.

Parent Company, January 1 – September 30, 2009

Result before taxes amounted to SEK -9.2 million (SEK -9.0 million during the nine months ended September 30, 2008).

An operating result of SEK -7.5 million was reported for the first nine months of 2009. Operating expenses related primarily to personnel costs of SEK 4.7 million.

Exchange-rate losses amounted to SEK 2.0 million (SEK -11.3 million).

The Parent Company's cash and cash equivalents amounted to SEK 17.7 million at the end of the period (SEK 55.2 million on December 31, 2008).

Operations

RusForest Combined Data

9M 2009 Actuals*

	Unit	PIK Group	Tuba Group	Lesprom	Boguchansky	Bamlesstroj	Consolidated 9m 2009	9M 2008
RusForest ownership interest	(start of year)	80%	100%	100%	100%	100%		
Annual Allowable Cut (AAC)	m ³	734,700	457,000	128,100	112,400	233,000	1,665,200	1,654,100
Utilised AAC	m ³	332,559	58,276	26,434	41,789	-	459,058	388,139
Utilisation of AAC (annualised)	%	60.4%	17.0%	27.5%	49.6%	-	36.8%	31.3%
Sawnwood volumes	m ³	80,738	12,631	1,131	30,625	-	125,125	91,403
Forest area	Hectares	436,033	257,750	30,988	48,695	231,554	1,005,020	1,005,020

*The figures shown above are given for reference purposes only to make possible comparisons between the Group companies' operational performance in 9M09 versus 9M08, and do not constitute part of the RusForest AB financial statements for the nine months ending September 30, 2009. PIK Group includes PIK-89, PIK 2005 and TD RusForest; TUBA Group includes Tuba-Les and Tubesprom; Boguchansky includes Boguchansky LPK and RusForest Angara. Physical harvesting and sawmilling volumes, and forest resources, for 9M 2008 are adjusted for volumes attributable to Nebelsky LPH.

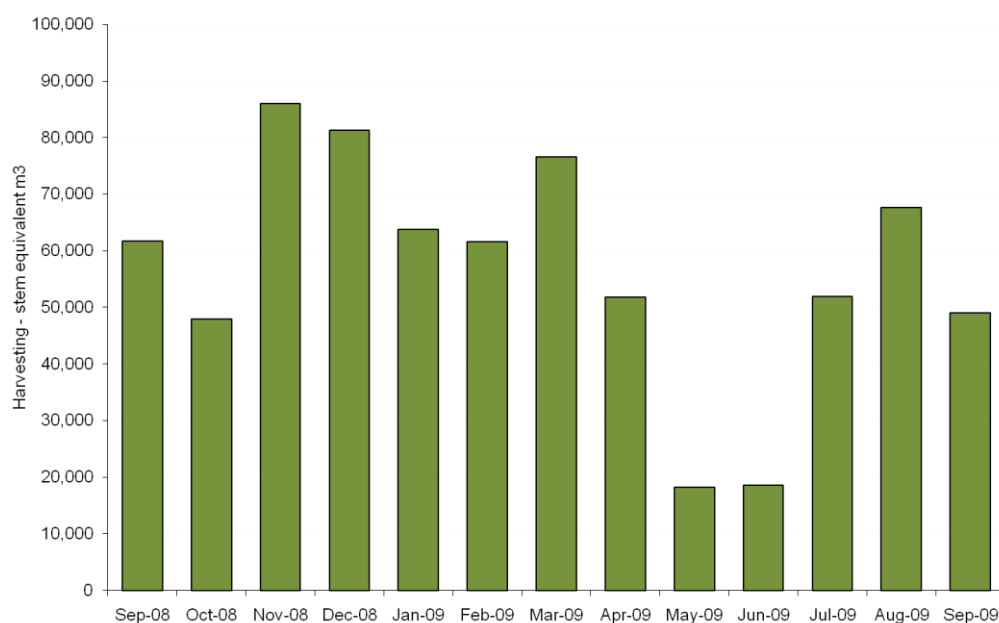
Forestry Operations

On a consolidated basis RusForest has increased its harvested volume by 18.3%, to 459,058 m³, during the first nine months of 2009 compared to the same period last year (388,139 m³). This increase is in large part due to the start of forestry operations at RusForest Angara (formerly TSLKK) contributing 41,789 m³ (0), and a volume increase of 22.1% at the PIK Group.

Disruption of summer harvesting operations due to rain remains a perennial problem, although this year's weather conditions were much more favourable for summer harvesting than in 2008. On a long term basis, this problem will only be fully solved once we have built up an adequate snow stock, which can be drawn down over summer to ensure uninterrupted sawmilling operations. The log flow at Boguchansky LPK was erratic throughout summer as RusForest Angara did not have access to forest land until August and external suppliers delivered only a small fraction of the contracted volumes. As a result of the lack of reliable log suppliers the management team has started negotiations to acquire standing timber and is also looking to acquire additional AAC in the Boguchan region.

After focusing on sales and loading during the first half of the year, Lesprom has once more started harvesting operations during the period. Although 9M figures are lower than in 2008, the company actually increased its harvesting volumes by 133%, to 22,662 m³, for the three months ended September 2009 compared to the same period last year (9,709 m³).

RusForest Group Harvesting, Sep 08 – Sep 09



Operations (continued)

While overall increases are encouraging, RusForest's consolidated harvesting levels are still low in the summer months due to a lack of accessible forest. At the time of writing we are approaching the winter harvesting season which this year will encompass the building of snow stocks at the PIK Group and Boguchansky LPK. Accordingly, in winter 2009/2010 we expect very high volumes of harvesting up to a maximum of more than 130,000 m³ (stem equivalent) per month. Planning and preparatory work is nearing completion for the creation of the stocks, which will include around 70,000 m³ of sawlogs.

Sawmilling

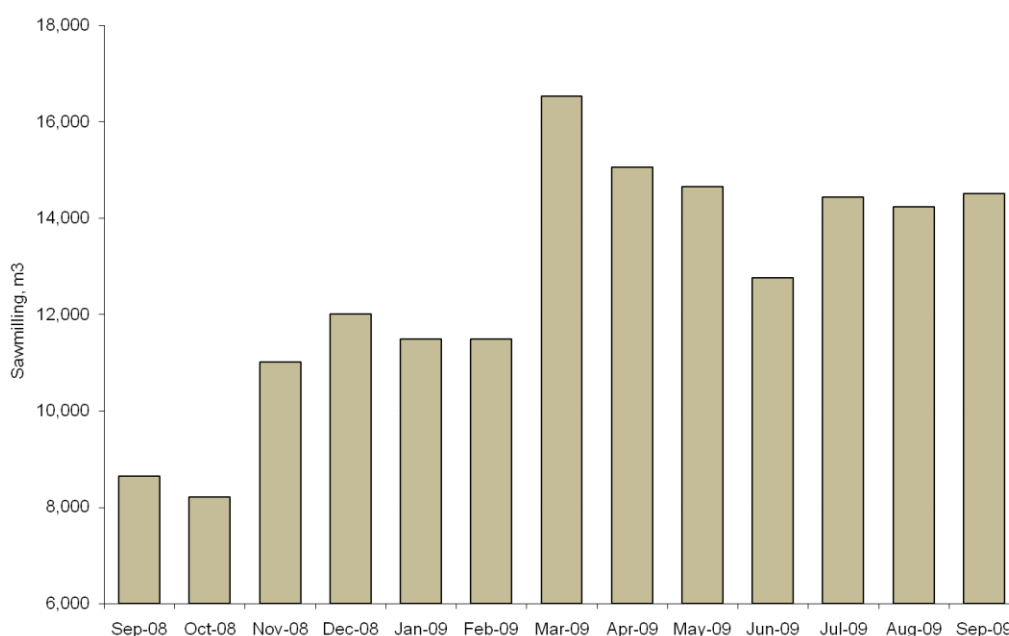
RusForest's consolidated sawnwood output increased by 36.9% during the first nine months of 2009 in comparison with the same period in 2008. All sawmilling subsidiaries (*excluding Lesprom*) posted increases in production compared to the corresponding period in 2008.

The PIK Group has been producing stable volumes of approximately 10,000 m³ per month throughout the three months ended September 2009 and achieved a record production level of 10,346 m³ in August 2009, even though log supplies have been unstable in Ust Ilimsk. During the period PIK-89 entered into an agreement with Ilim Timber which will enable PIK-89 to swap its outside, large diameter, logs for ones of suitable size for company's main sawing line. This should decrease idle time and increase production volumes in the HewSaw line even further.

Production at Boguchansky LPK has remained inhibited by log shortages from RusForest Angara and the absence of reliable external suppliers. As a result the sawmill only produced approximately 3,500 m³ per month during July – September 2009, which is half of the potential sales that the company could make. This problem has been exacerbated by the fact that the Regional Administration has awarded 7.7 million m³ of cutting rights, covering an area of 4.2 million hectares around Boguchansky LPK, to a government funded pulp and paper mill project. The management team is now working on identifying other suppliers and working with the Federal Government to try and secure access to the area reserved for the pulp and paper mill. In addition, other initiatives such as encouraging local harvesting companies to bring small diameter logs from the forest should help the log situation in 2010. Another major initiative in the sawmill has been to dramatically reduce the range of products being produced to ensure larger batches and long run-times for the sawmill. This simplification should make product flow much less complex and increase operational efficiency. We are confident that these improvements will be evident through the output volumes in 2010.

Throughout the Group production and sorting routines are being simplified in order to clear bottlenecks and make the sawmilling value chains more efficient.

RusForest Group Sawmilling, Sep 08 – Sep 09



Operations (continued)

Gravel

During the three months ended September 30, 2009, Russian Gravel Co. has selling from its inventories, and did not produce any new gravel because sales volumes were significantly lower than plan. Quarrying and crushing is as a result to be suspended during the winter seasonal drop in construction in order to reduce cash outflow and downside risk.

On a positive note, the Company has now received its certification from the State Railways for fraction 25-60mm. Russian Gravel Co. is consequently the sole certified producer of this fraction in the region. The company also received certification for fraction 40-70mm, giving a wider product range and greater responsiveness to changing demand.

After the period end, Russian Gravel Co. has made a trial delivery of fraction 5-20mm to Sochi for “Olimpstroi” – a company active with construction works for the Sochi 2014 Winter Olympics.

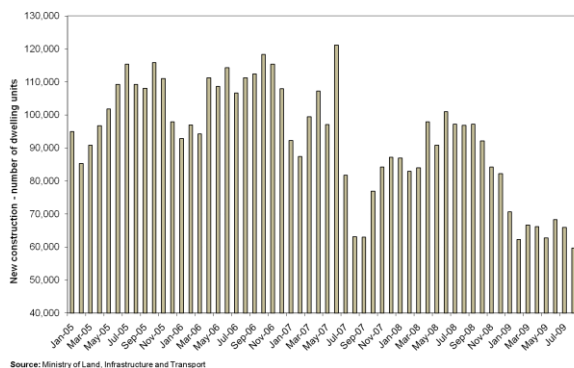
Outlook

Forestry

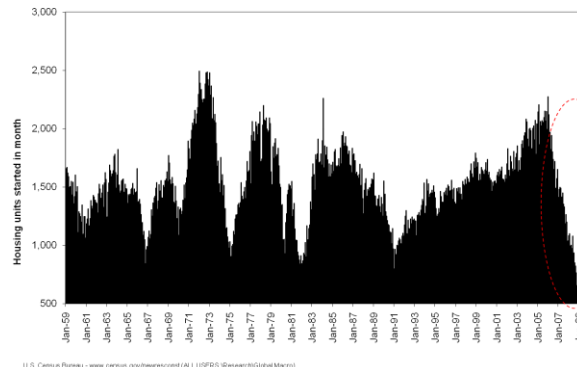
Although credit conditions are improving and housing starts are stabilising, external conditions in general remain weak. At this stage it appears that the rate of contraction of the Russian economy bottomed out around May 2009, and the rate of contraction is now down to around 10%. A key question remains on how the external conditions will develop once various stimulus programmes are withdrawn.

Although the rate of contraction has slowed, construction levels are as mentioned still at very low levels globally, with housing starts in the US and Japan at, or around, the lowest levels on record. Even while we see positive financial and macroeconomic figures, full recovery is going to take some time yet.

Japan – new dwellings started 2005 to 2009



US Housing starts – SA annual rate



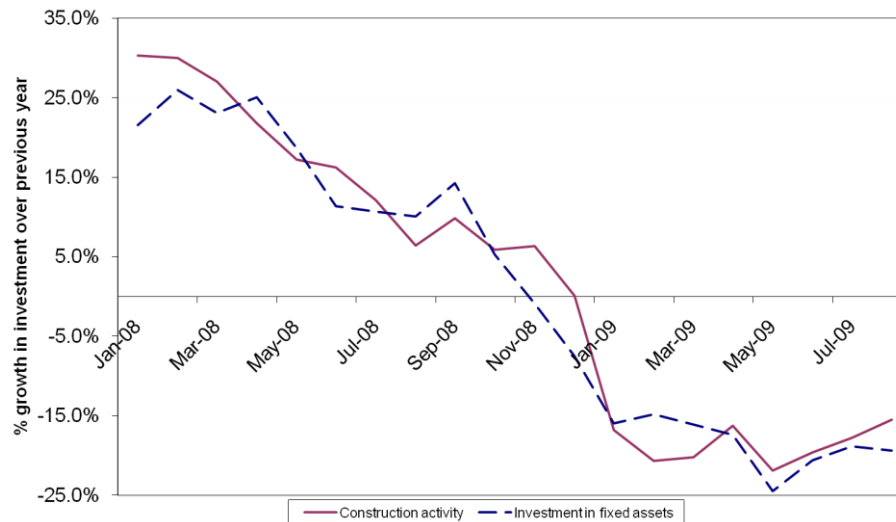
RusForest’s main objective is to make profits almost irrespective of market conditions. We continue to feel that our primary problem is ensuring a stable supply of logs to our sawmills. Currently we have a strong order back-log. In spite of prices being far from ideal, the forestry division can make money at these current levels provided throughput rates are reasonable. Although we don’t expect any major price increases given the volume of suspended sawnwood supply, we are able to operate at current price levels.

Gravel

Conditions in the gravel sector can only be expected to stabilise in May, 2010, once next year’s construction season gets underway. At the outset of the investment our primary focus was on the road building and infrastructure segments and this continues to be the case. In 2009 we have not sold any volumes of gravel to the concrete sector for use in general construction. We expect this to be the case for at least the next one to two years given the very high level of stocks in the system coupled with a severe contraction in construction.

Outlook (continued)

Year on year growth in investment and construction activity to August 2009



Source: Rosstat - social economic conditions in Russia

Going forward we remain cautiously optimistic that we can be somewhat profitable next year as we are now effectively a monopoly supplier of railway fraction gravel in Karelia. In addition we expect Government disbursements on road building to be more predictable next year and regional budgets to be better balanced. 2009 has been a year of reasonable forward orders which evaporated as Federal and regional budget funding was cut back or delayed. Under current market dynamics we can only expect to receive a weighted average price of around 220 RUB/tonne versus a weighted average cash cost of approximately 250 RUB/tonne. Therefore we have taken the decision to stop production until March or April 2010 as it is less expensive to close down, as opposed to running at well below break-even volumes over winter.

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 September 30, 2009, the number of outstanding shares was 21,840,840. At the close of the period, the share price was SEK 17.40, and the Company's market capitalisation was approximately SEK 380 million. The Company's certified adviser on First North is HQ Bank.

ISIN: SE0001732728

Short name on First North: RUSF

Number of shares: 21,840,840

Major Shareholders on September 30, 2009

Shareholder	Number	Percentage
Vostok Nafta Investment	10,195,802	46.7
Staffan Rasjö	1,329,100	6.1
Fonden Zenit	913,000	4.2
SEB Östeuropafond	532,400	2.4
SEB Private Bank S.A.	504,052	2.3
Avanza Pension	466,247	2.1
EFG Private Bank S.A.	440,000	2.0
Dunross & Co AB	348,545	1.6
Per J Holding AB	320,000	1.5
JP Morgan Bank	296,240	1.4
Others	6,495,454	29.7
Total	21,840,840	100.0

Trading data for the period January – September, 2009



Source: Nasdaq OMX First North

Accounting Policies

The condensed consolidated financial statements for the period ended September 30, 2009, were prepared in compliance with International Financial Reporting Standards (“IFRSs”) and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. These condensed consolidated financial statements comprise the company and its subsidiaries (together referred to as “the Group” and individually as “Group entities”) and the Group’s interest in associates.

During July - September 2009, the Group has continued forest harvesting and sawmilling operations for the production of sawnwood as its principal activities and with holding of investments and financing of group companies.

Comparative data for 2008 have been translated in accordance with the new accounting principles where applicable and where required by the IFRS.

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may differ from such estimates.

Estimates and underlying assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Group consolidated financial statements comprise the financial statements of the parent company RusForest AB and the financial statements of the following subsidiaries and sub-subsidiaries: RusForest (Cyprus) Limited, RusForest Limited, RusForest Angara LLC. Subsidiaries are entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries acquired during the period are included in the consolidated financial statements from the date that control commences. Thus, the Group has consolidated the results of RusForest Limited for June 2009 as the acquisition transaction and obtaining the control over RusForest Limited took place on June 1, 2009. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

In the previous reports the financial data of forestry and gravel subsidiaries was included with a 3 month delay followed by necessary accruals made to account for the material transactions after their reporting date. Commencing 3Q 2009 all of the subsidiaries reporting dates were synchronised with the parent company’s reporting date.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group’s equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority’s share of changes in equity since the date of the combination.

Associates are those entities in which the Group has significant influence, but not control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognized initially at cost. Investments in RusForest Limited were previously accounted for as for available-for-sale. For the purpose of the current interim report these investments in associates were accounted for using the equity method up to June 1, 2009 and fully consolidated thereon.

The consolidated financial statements include the financial statements of the parent Company and its subsidiary undertakings after elimination of inter-company accounts and transactions.

No events other than those adjusted or disclosed in this report have occurred which relate to these subsidiaries as at September 30, 2009 that materially affect the consolidated financial position, consolidated statement of comprehensive income or consolidated cash flows of the Group.

Accounting Policies (continued)

Items included in the Group's financial statements are initially measured in RUB (the currency of the primary economic environment in which the entity operates) and then translated into SEK at the closing rate effective at September 30, 2009.

The significance of the new rules which are applicable to the group

IFRS 5 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups comprising assets and liabilities) which are expected to be recovered, primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories or deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

In the previous periods the Group accounted for the investments into Russia Gravel Co at cost in accordance with Swedish GAAP.

Comparative data has been restated accordingly.

IFRS 8 Operating Segments

The Group has not adopted IFRS 8 Operating Segments previously, so these financial statements include the first adoption of IFRS 8.

IAS 16 Accounting for Property, Plant and Equipment

All property plant and equipment have been re-valued to market value at 31 May, 2009. The revaluation was performed based on the reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The basis used for the appraisal was market value of the assets. Fair values were estimated using appropriate valuation techniques.

Swedish GAAP does not allow for the IFRS revaluation model. Valuation was performed prior to the acquisition of 50% shares of RusForest Bermuda. Due to this, the purchase accounting was re-assessed. Fair value of the net assets acquired has been recalculated which gave a significant rise to the negative goodwill which further positively affected the Group's Statement of Comprehensive Income (gain on acquisition).

IAS 28 Investments in Associates

IAS 28 applies to all investments in which an investor has significant influence but not control or joint control except for investments held by a venture capital organisation, mutual fund, unit trust, and similar entity that are designated under IAS 39 to be at fair value with fair value changes recognised in profit or loss. The Group has accounted for the investments in RusForest Ltd as for associates until 1st June 2009.

Qualitative and Quantitative Disclosures and Market Risks

We are exposed to market risk from changes in global sawnwood prices, foreign currency exchange rates and interest rates. We are exposed to foreign exchange risk to the extent that our sales revenues, costs, receivables, loans and debt are denominated in currencies other than SEK. We are subject to market risk from changes in interest rates that may affect the cost of our financing.

Foreign currency risk

Our principal exchange rate risk involves changes in the value of the SEK relative to RUB, USD and EUR. As of September 30, 2009, SEK 14.7 million of our debt was denominated in EUR and SEK 26.8 million was denominated in USD. Changes in the value of SEK relative to EUR and USD will impact our foreign currency-denominated costs and expenses and our debt service obligations for foreign currency-denominated borrowings in SEK terms. We believe that the risks associated with our foreign currency exposure are partially mitigated by the fact that our revenues are denominated in USD so that the debt will not exceed the Group's ability to service it. The Group's costs are mainly denominated in RUB. As of September 30, 2009, RUB had depreciated insignificantly (by approximately 0.1%) against SEK since January 1, 2009 (in Q2 2009 by 5.3%, which led to the exchange loss reported). The Group does not use any financial instruments to hedge the foreign currency risk.

Market risk

Practically all of our sawnwood is sold under long-term framework contracts with a review of prices once every 2 months. Our export prices are linked to international sawnwood prices. External factors such as house construction volumes, geopolitical developments, natural disasters and the fluctuations of US dollar to other currencies affect sawnwood prices and thus our export prices.

Availability of sawlogs

The Group's annual allowable cut (AAC) is sufficient to cover its raw material needs (sawlogs). However, due to the seasonality of harvesting and transportation of timber from the forest, the risk of sawlogs shortages always exists and is further affected by unfavourable weather conditions during the harvesting season. In order to mitigate the risk of the sawlogs deficit the Group enters into contracts with external suppliers of sawlogs. This allows minimizing idle time in the sawmills and losses caused by such idle time. Purchased sawlogs can be up to twice as expensive in comparison with sawlogs from the Group's own harvesting operations, and therefore adversely affects the Group's cost of sales. The Group has started the activities for building up of the snow stocks in the volume of 60,000 m³, stem stocks in the volume of 60,000 m³ and sprinkled stocks in the volume of 15,000 m³ which will be used during previously idle months.

Railroad access

We transport substantially all of our sawnwood through the Russian Railways (RZD). Under existing legislation, RZD must provide railway cars in accordance with the plan submitted by the Group 3 days before the beginning of the planned month. In practice, however, RZD exercises considerable discretion over access to the railway cars preferring to service metal companies and companies having loading facilities on the main lines of the rail ways. There is no assurance that RZD will continue to provide us with the railway cars on timely basis and fulfilling our plans. The maximum failure to provide railway cars has historically been 20% of the requested number, but may exceed this level in future.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

Qualitative and Quantitative Disclosures and Market Risks (continued)

Off balance sheet activities

As of September 30, 2009, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which are typically established for the purpose of facilitating off-balance sheet arrangements.

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for all tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the consolidated interim financial information could be significant, if the authorities were successful in enforcing their interpretations.

Russian Business Environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The consolidated interim financial information for the period ended September 30, 2009, reflects management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2009

In thousands of SEK	Note	3Q 2009	3Q 2008 (restated)	9 months 2009	9 months 2008 (restated)
Turnover		96,071	-	117,661	-
Cost of sales	1	(92,972)	-	(115,910)	-
Gross Profit		3,099	-	1,751	-
Other income		16,816	773	18,412	728
Distribution expenses	2	(23,436)	-	(28,027)	-
Administrative expenditure	3	(25,968)	(6,712)	(46,903)	(19,598)
Other expenses	4	(5,589)	-	(23,875)	(11,063)
Operating profit before financing costs		(35,079)	(5,939)	(78,641)	(29,933)
Financing Income		83	5,638	9,516	14,975
Financing cost		(1,514)	-	(1,994)	-
Net financing income/(cost)		(1,431)	5,638	7,522	14,975
Income from acquisition of RusForest	5	-	-	380,009	-
Share of losses from associates		-	(3,641)	-	(5,925)
Comprehensive loss of assets held for sale	6	(1,886)	(8,404)	(19,805)	(25,211)
Profit before taxation		(38,396)	(12,346)	289,084	(46,094)
Income tax		5,117	4	6,404	-
Profit for the period		(33,279)	(12,342)	295,489	(46,094)
Minority interest		(373)	-	(461)	-
Shareholder's profit for the period		(32,906)	(12,342)	295,950	(46,094)

PER SHARE DATA

Per Share Data	2009	2008 (restated)
SEK	30/09	30/09
Earnings	17.31	-3.46
Shareholders Equity*	42.33	41.06
Share Price	17.40	24.30

Number of Shares	2009	2008
	1/1 - 30/9	1/1 - 30/9
Beginning of period	13,303,200	13,303,200
End of Period	21,840,840	13,303,200
Average number of shares	17,101,194	13,303,200

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.

Shareholders' equity per share for 2008 is calculated using the shareholders' equity and number of shares as per December 31, 2008.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2009

In thousands of SEK	<u>30 September</u> <u>2009</u>	<u>31 December</u> <u>2008 (restated)</u>
Assets		
Non current assets		
Property Plant and equipment	646,349	71
Goodwill	139,283	-
Investments in associates	2,291	173,940
Non-current assets held for sale	116,504	141,419
Other long-term receivables	10,477	9,180
Deferred tax asset	14,932	-
Total non current assets	929,837	324,610
Current assets		
Inventory	43,876	-
Trade and other receivable	58,153	205,910
Loans receivable	1,236	-
Cash and cash equivalents	54,939	55,704
Total current assets	158,204	261,614
Total assets	1,088,041	586,224
EQUITY		
Equity and reserves		
Share capital	218,408	133,032
Share premium	556,687	485,825
Translation reserve	9,509	83,070
Retained earnings	(155,676)	(53,359)
Income for the year	295,950	(102,317)
Total equity attributable to Shareholders of the Group	924,878	546,251
Minority interest	(461)	-
Total Equity	924,416	546,251
Liabilities		
Non current liabilities		
Interest-bearing loans and borrowings	34,529	-
Loans payable to related companies	10,177	-
Non-current liabilities held for sale	38,333	38,198
Deferred tax liability	1,314	-
Total non current liabilities	84,353	38,198
Current liabilities		
Interest bearing loans and borrowings	16,785	-
Trade and other payables	62,487	1,776
Total current liabilities	79,272	1,776
Total liabilities	163,625	39,974
Total equity and liabilities	1,088,041	586,224

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2009

In thousands of SEK	9 months 2009	9 months 2008
Cash flow from operating activities	(9,585)	(2,181)
Cash flow from investing activities	(19,897)	(217,318)
Cash flow from financing activities	32,402	(390)
Cash flow during the period	2,920	(219,889)
Cash and cash equivalents, beginning of period	55,704	318,095
Exchange-rate differences on cash and cash equivalents	(3,685)	(7,796)
Cash and cash equivalents, period end*	54,939	90,410

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of SEK	Share capital	Share premium	Translation reserve	Retained earnings	Total
Opening shareholders' equity	133,032	485,825	83,070	(155,676)	546,251
New share issue	85,376	70,862	-	-	156,239
Translation difference	-	-	(73,561)	-	(73,561)
Net profit/loss for the period	-	-	-	295,950	295,950
Shareholders' equity at end of period	218,408	556,687	9,509	140,273	924,878

NOTES TO THE FINANCIAL STATEMENTS

The Group does not provide comparative information for cost of sales and distribution costs as previously the Group had not consolidated its subsidiaries but included the results of the portfolio companies using equity accounting method. However, the comparative information was supplied when it is relevant to an understanding of the current period's financial statements.

Note 1. Cost of sales

Cost of sales represents actual costs of production of the shipped sawnwood and sawlogs during the period.

In thousands SEK	9 months 2009
Sawmilling costs	34,900
Purchased sawlogs	21,017
Payroll	21,251
Depreciation	19,038
Other	19,703
	<u>115,910</u>

Note 2. Distribution expenses

In thousands SEK	9 months 2009
Railway tariff	9,988
Custom duty	5,579
Other	12,460
	<u>28,027</u>

Distribution expenses rose significantly due to the breakthrough with the shipments from OOO Boguchansky.

Note 3. Administrative expenditure

Company	9 months 2009	9 months 2008
Varyag	17,996	19,598
Rusforest	28,907	-
	<u>46,903</u>	<u>19,598</u>

Administrative expenditure of RusForest AB

In thousands of SEK

	9 months 2009	9 months 2008
Management fee	8,741	12,094
Personnel costs	4,736	3,040
Other external costs	4,428	4,166
Travel expenses	71	280
Depreciation	19	19
	<u>17,996</u>	<u>19,598</u>

Personnel costs in RusForest AB dropped in 3Q 2009 due the contract termination with the Company officers and management fee paid to Taiga Capital Ltd during January-May 2009.

Administrative expenditure of Forestry

	3Q 2009	9 months 2009
Payroll	11,633	15,324
Audit	2,745	2,745
Property tax	1,037	2,131
Consulting fees	1,246	1,511
Other	7,616	7,196
	<u>24,276</u>	<u>28,907</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Consulting fees became higher due to the increased consulting costs represented by the salaries of technology specialists. Payroll costs contributed to a significant rise of administrative costs as well due to termination of the management agreement with Taiga Capital Ltd and further relocation of all employees from Taiga Capital to OOO RusForest Management accompanied with other costs (phones, office rent, utilities, business trips, etc.).

Note 4. Other expenses

In thousands of SEK

Company	9 months 2009	9 months 2008
Varyag	17,987	11,063
Rusforest	5,889	-
	23,876	11,063

Other expenses of Varyag

In thousands of SEK

	9 months 2009	9 months 2008
Exchange-rate losses	17,987	11,063

Note 5. Income from acquisition of RusForest

On June 1, 2009, the Group acquired 50% shareholding in RusForest Limited – 1 share in RusForest (Cyprus) Limited, 10% in Tuba-Les LLC, 10% in Tubesprom PLC and 50% in RusForest Angara LLC. Additionally, the loans issued to RusForest (Cyprus) Limited in amount of SEK 212,205 thousand were assigned to RusForest AB.

The acquisition had the following effect
on the Group's assets and liabilities on
acquisition date

Recognised values on acquisition

in thousand of SEK

Property, plant and equipment	702,799
Goodwill of Rusforest Ltd	148,423
Other non-current assets	5,733
Deferred tax asset	13,733
Inventories	55,472
Trade and other receivables	90,067
Cash and cash equivalents	17,280
Loans and borrowings	(456,969)
Deferred tax liabilities	(5,486)
Trade and other payables	(73,211)
Net identifiable assets and liabilities	497,841
Negative goodwill on acquisition	380,009

Note 6. Segment information**Segment information**

The operating segments definitions were developed by senior management in order to enable effective and efficient operating performance based of the geographic split of the production units in East Siberia (for the forestry) and Karelia (for gravel). The management company is located in Moscow. The parent companies (RusForest AB, Varyag Capital Ltd, Varyag Finance GmbH, RusForest Bermuda and RusForest Cyprus Ltd) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 locate in Russia and all of the Group's operations are in Russia.

Segment revenues and results

	Revenue	Net result
Forestry companies	117,661	(38,565)
Gravel companies	4,541	(19,805)
Corporate costs		(25,689)
Result of acquisition		380,009
Total	122,202	295,550

The revenue and result of the Russian Gravel Co is shown net as the Comprehensive loss of assets held for sale on the face of the Group Statement of Comprehensive Income.

Segment assets

	30 September 2009
Forestry companies	924,030
Gravel companies	116,504
Total segment assets	1,040,534
Corporate assets	47,507
Consolidated total assets	1,088,041

Segment cash flows

In thousands of SEK	Forestry	Corporate	Total
Cash flow during the period	42,425	(39,504)	2,921

Net cash flow for the Gravel Segment totalled SEK 9.5 million. It is not included into the Group's cash flow statement as the cash assets of Russian Gravel Company are accounted for under Non-current assets held for sale.

Note 7. Explanation of transition to IFRSs

As stated in the report these are the Group's first condensed consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out above have been applied in preparing the financial statements for the period ended 30 September 2009; the comparative information presented in these financial statements for the period ended 30 September 2008 for the Statement of Comprehensive Income and 31 December 2008 for the Statement of Financial Position.

In preparing the IFRS financial statements the Group has adjusted the amounts reported previously in financial statements prepared in accordance with its old basis of accounting (Swedish GAAP). An explanation of how the transition from Swedish GAAP to IFRSs has affected the Group's financial position and financial performance is set out in the following tables and explained in the report.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Explanation of transition to IFRSs (continued)

Balance Sheet at 31 December 2008 In thousands of SEK	SGAAP	Effect of IFRS 5	Effect of IAS 28	IFRS
Assets				
Non current assets				
Property Plant and equipment	71	-	-	71
Goodwill	-	-	-	-
Investments in associates	217,836	(26,713)	(17,183)	173,940
Non-current assets held for sale	-	141,419	-	141,419
Other long-term receivable	9,180	-	-	9,180
Deferred tax asset	-	-	-	-
Total non current assets	227,087	114,706	(17,183)	324,610
Current assets				
Inventory	-	-	-	-
Trade and other receivable	333,836	(127,926)	-	205,910
Loans receivable	-	-	-	-
Cash and cash equivalents	55,704	-	-	55,704
Total current assets	389,540	(127,926)	-	261,614
Total assets	616,627	(13,220)	(17,183)	586,224
EQUITY				
Equity and reserves				
Share capital	133,032	-	-	133,032
Share premium	485,825	-	-	485,825
Translation reserve	83,070	-	-	83,070
Retained earnings	(24,298)	(17,803)	(11,257)	(53,359)
Income for the year	(62,778)	(33,614)	(5,925)	(102,317)
Total equity attributable to Shareholders of the Group	614,851	(51,417)	(17,183)	546,251
Minority interest	-	-	-	-
Total Equity	614,851	(51,417)	(17,183)	546,251
Liabilities				
Non current liabilities				
Interest-bearing loans and borrowings	-	-	-	-
Loans payable to related companies	-	-	-	-
Non-current liabilities held for sale	-	38,198	-	38,198
Deferred tax liability	-	-	-	-
Total non current liabilities	-	38,198	-	38,198
Current liabilities				
Interest bearing loans and borrowings	-	-	-	-
Trade and other payables	1,776	-	-	1,776
Total current liabilities	1,776	-	-	1,776
Total liabilities	1,776	38,198	-	39,974
Total equity and liabilities	616,627	(13,220)	(17,183)	586,224

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Explanation of transition to IFRSs (continued)

Balance Sheet at 30 September 2009 In thousands of SEK	SGAAP	Effect of IFRS 5	Effect of IAS 16	Effect of IAS 28	IFRS
Assets					
Non current assets					
Property Plant and equipment	388,985	-	257,365	-	646,349
Goodwill	139,283	-	-	-	139,283
Investments in associates	29,640	(27,349)	-	-	2,291
Non-current assets held for sale	-	116,504	-	-	116,504
Other long-term receivable	135,129	(124,652)	-	-	10,477
Deferred tax asset	14,932	-	-	-	14,932
Total non current assets	707,970	(35,497)	257,365	-	929,837
Current assets					
Inventory	43,876	-	-	-	43,876
Trade and other receivable	58,153	-	-	-	58,153
Loans receivable	1,236	-	-	-	1,236
Cash and cash equivalents	54,939	-	-	-	54,939
Total current assets	158,204	-	-	-	158,204
Total assets	866,174	(35,497)	257,365	-	1,088,041
EQUITY					
Equity and reserves					
Share capital	218,408	-	-	-	218,408
Share premium	556,687	-	-	-	556,687
Translation reserve	24,476	2,343	(17,332)	-	9,487
Retained earnings	(87,076)	(51,418)	-	(17,183)	(155,676)
Income for the year	28,826	(24,755)	274,696	17,183	295,950
Total equity attributable to Shareholders of the Group	741,321	(73,830)	257,365	-	924,856
Minority interest	(439)	-	-	-	(439)
Total Equity	740,882	(73,830)	257,365	-	924,416
Liabilities					
Non current liabilities					
Interest-bearing loans and borrowings	34,529	-	-	-	34,529
Loans payable to related companies	10,177	-	-	-	10,177
Non-current liabilities held for sale	-	38,333	-	-	38,333
Deferred tax liability	1,314	-	-	-	1,314
Total non current liabilities	46,020	38,333	-	-	84,353
Current liabilities					
Interest bearing loans and borrowings	16,785	-	-	-	16,785
Trade and other payables	62,487	-	-	-	62,487
Total current liabilities	79,272	-	-	-	79,272
Total liabilities	125,292	38,333	-	-	163,625
Total equity and liabilities	866,174	(35,497)	257,365	-	1,088,041

Forthcoming information

Year-End Report 2009	26 February 2010 (changed from 11/2)
Interim report Q1	20 May 2010
Annual General Meeting	20 May 2010

Nomination Committee

The Nomination Committee comprises of Anders Börjesson, Vostok Nafta, Per Josefsson, Fonden Zenit, Viking Kjellström, SEB and Sven Hirdman, Chairman of the RusForest Board. The Nomination Committee can be contacted via e-mail on info@rusforest.com.

Stockholm, November 9, 2009

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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