



RusForest AB
Interim Report
January 1 – March 31, 2011

RusForest AB

Interim Report, January 1 – March 31, 2011

Interim results for the three months ended March 31, 2011

- Total turnover for the three month period ended March 31, 2011, amounted to SEK 91.5 million (Q1 2010: SEK 95.4 million);
- The operating result before financing costs for the period amounted to SEK -44.6 million (SEK -31.5 million);
- Net result for the period was SEK -44.7 million (SEK -28.4 million);
- Earnings per share was SEK -0.67 (SEK -1.29);
- Cash and cash equivalents decreased by SEK 51.6 million during the period, from SEK 67.2 million on December 31, 2010 to SEK 15.6 million on March 31, 2011.

Significant events during the first quarter 2011

- In February 2011, RusForest acquired the Russian harvesting company Sibartles, which is the holder of a pine dominated forest lease, located approximately 80 km north of the Boguchansky LPK sawmill, with an AAC of 165,400 m³;
- Ernst Pfefferkorn has been employed as Chief Technical Officer of RusForest's Siberian mills, with his initial focus being production improvements and equipment installations in Boguchany during 2011. Additionally, a new Managing Director was hired at RusForest Ust-Ilimsk and two experienced harvesting managers were added to the Boguchansky harvesting organisation.

Significant events after the end of the period

- RusForest completed the acquisition of Nord Timber Group ("NTG") by way of an issue in kind of 29,437,529 RusForest shares in exchange for shares in and claims against the companies included in the NTG group;
- RusForest's ownership structure was changed through a block trade brokered by Öhman on behalf of two of NTG's previous shareholders - Capricorn Forest Fund K/S and Greater Europe Deep Value Fund II - of their total of 25,641,744 consideration shares in RusForest to a number of Swedish and foreign investors, including Alecta and funds managed by East Capital;
- To enable continued expansion within harvesting and sawmilling, RusForest AB issued a bond loan in May 2011. The loan, which has a term of three years, amounts to SEK 500 million with a fixed interest rate of 11 per cent per annum;
- The mandatory bid procedure following the acquisition of 86 per cent of the shares in LDK-3 resulted in the acquisition of an additional 8 per cent of the shares. As a result, RusForest's shareholding increased to 94 per cent;
- First test sawnwood production has been performed at the new RusForest Magistralny sawmill during the middle of May 2011;
- RusForest has acquired the outstanding minority stakes in its Ust-Ilimsk based subsidiaries LLC RusForest Ust Ilimsk and LLC PIK-2005 by way of an issue in kind of a total of 847,645 RusForest shares.

CEO's Comments

Forestry

It was good to start the New Year with strong management in many important positions at our subsidiaries. Now, with additional funding in place, the main task is to continue with the implementation of our existing development plans in order to increase revenue and decrease costs.

In the first quarter, RusForest saw the arrival of additional harvesting equipment in Ust-Ilimsk and Magistralny (end of March), along with construction equipment that will allow us to fulfil the road construction plans set for the upcoming summer. This equipment should have an impact on both turnover and profit as early as after the summer season. In Magistralny, the opening of the new sawmill is scheduled for the middle of June. Furthermore, the mill has performed its first test sawnwood production in the middle of May 2011, and negotiations regarding initial sawnwood deliveries from the mill are ongoing. At the time of writing, prices have recovered somewhat since the worst turmoil on the Egyptian market.

Prices in regions neighbouring Egypt fell by approximately 10-15 per cent during the first quarter of 2011. At the same time, delivery volumes to the region suffered significantly as buyers no longer could accept new deliveries when Egyptian ports and banks were closed down. For RusForest, particularly deliveries from LDK-3 in Arkhangelsk were affected.

In Boguchany, preparations are proceeding with the foundations for the new boiler, dry sorting line as well as the modern drying chambers that have been purchased. By using modern drying kilns (WSValutec) and proper dry sorting facilities, we can increase utilization of the saw line and also lower head count. Simultaneously, we will be able to shift Boguchansky LPK's production from low volume, low value, un-dried sawnwood to larger volumes of higher value goods. By completing the investment program in Boguchany we can finally benefit from the inherent value of the very high quality Larch and Pine forests in the region. Consequently, further forest leases are being evaluated in the Boguchany region and final agreements are expected to be signed during the second quarter.

LDK-3 is now consolidated into RusForest's financials which is one of the main reasons for the revenue increase compared to Q4 2010 (despite pressure on sales volumes due to the problems in Egypt). Management at LDK-3 has been strengthened during the period through the recruitment of a very competent European Chief Technical Officer who is responsible for current operations, and the future reconstruction of the mill.

The raw material situation going into summer is still somewhat difficult as most harvesting districts still have had to use old infrastructure during spring, and new road construction projects are still to be completed. Towards the end of 2011, we should see the benefits of new management and equipment as well as from the forest infrastructure that will be developed during the year.

As a result of the acquisition of Nord Timber Group (NTG), RusForest's annual allowable cut in the Arkhangelsk region now amounts to approximately 1.0 million m³. In future, RusForest will invest significant amounts in both harvesting capacity and road construction equipment in order to fully utilize these new assets. LDK-3 will benefit from increased sawlog supplies, while the strong local markets for pulp wood and residual products will provide additional revenue through pulpwood sales. Just like at the other mills within the Group, the target is to become close to self sufficient in sawlogs once the investment process comes to an end in approximately one and a half years time.

Financing and general comments

Looking at developments in the global market, RusForest's aim is still to gain better access to its rare forest resources of high quality while finalizing its existing investment plans. The proceeds from the recent SEK 500 million bond issue will therefore mainly be directed towards harvesting expansion across the board, but also towards the development of the sawmills at LDK-3 and Boguchansky LPK. In addition, the Company still has some room for equipment investments through leasing. Future capital expenditure will also be financed by funds expected from the disposal of Russian Gravel Company.

Execution risk is often apparent when working simultaneously on several different improvement measures at several locations. However, the local management teams now in place at RusForest's subsidiaries are well defined and have a clear view of what needs to be done to succeed. In my view it is preferable to make improvements on a wide front immediately in the forest, in order to have raw materials supplies guaranteed as we move forward. Especially as we now have achieved our primary

objective of acquiring and consolidating significant forestry resources in Eastern Siberia and the Arkhangelsk region through the acquisition of NTG.

Martin Hermansson
CEO, RusForest AB

Overview

RusForest is a forestry company operating in Eastern Siberia and the Arkhangelsk region in North West Russia.

Since its establishment in 2006, RusForest has increased its forest land and sawmilling capacity both by strategic acquisitions and own development projects. Through long term lease agreements the Company controls approximately 2.4 million hectares of forest land with an AAC of around 2.8 million m³. Recent increases in controlled forest land comes from the acquisition of LDK-3 and a new forest lease in Magistralny during 2010, and through the acquisition of NTG in Arkhangelsk as well as a harvesting company in Boguchany in the beginning of 2011.

RusForest's principal business concept is to refine the prime quality pine, spruce and larch logs from its forest leases into a wide range of sawnwood products of which a smaller share is attributable to planed products, including flooring and other interior products. The Group's total sawmilling capacity, which currently amounts to approximately 300,000–350,000 m³, is expected to increase to around 800,000–850,000 m³ thanks to improvements made at the existing sawmills, the completion of the sawmill at RusForest Magistralny and the future development of LDK-3.

Russia, alongside Brazil, has the world's largest timber reserves by a significant margin and Eastern Siberia is known for its high quality Angarsk Pine and Siberian Larch. It is a source of quality sawlogs as well as pulpwood for the local pulp industry. The forest resources in this area are of high quality and, provided the right investments in production, well suited for producing high quality sawnwood much appreciated on international markets. The Arkhangelsk region has a total forest area of about 23 million hectares. The forest consists of about 60 per cent spruce and 20 per cent pine followed by birch and aspen. The timber is of very high quality, and comparable to timber found in the northern parts of the Nordic Countries.

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

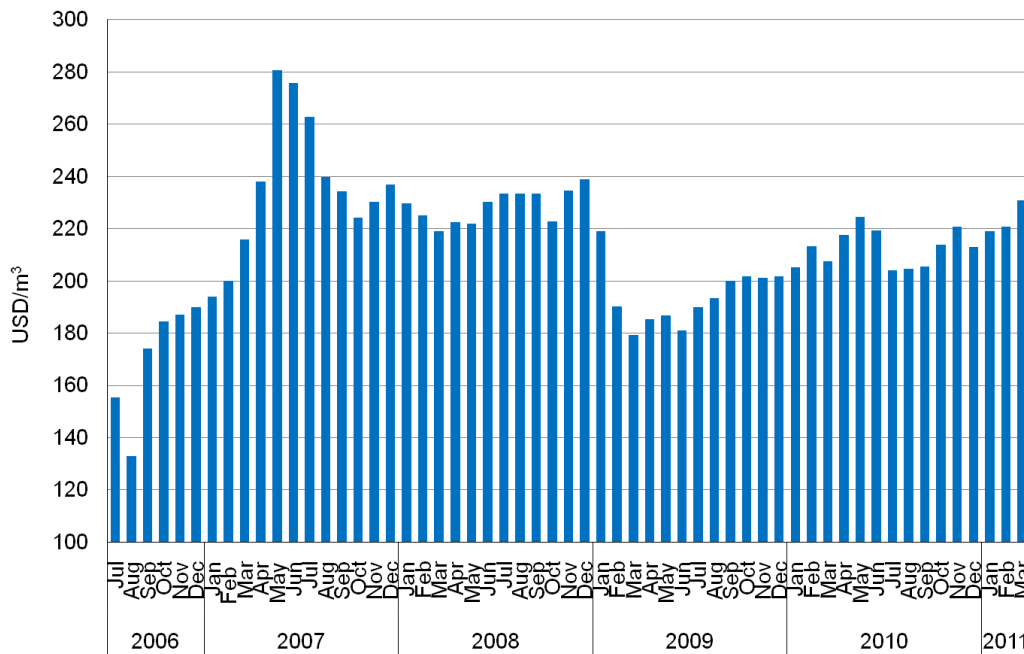
Macroeconomic Development and the Market for Sawn wood

In 2010, the Russian economy grew by 4 per cent and according to the latest figures from Rosstat, the country's industrial output increased by 8.2 per cent year on year. In light of increasing oil prices, expectations for Russian GDP growth have been revised upwards for 2011. Given an oil price of 105 USD per barrel, the Russian Ministry for Economic Development is forecasting a GDP growth of 4.2 per cent this year. Estimates vary however, and analysts at ING Bank believe that the Russian economy could grow by as much as 7.4 per cent during 2011 on the back of higher oil prices (reaching 140 USD per barrel).

On the forestry side, activity is picking up in Russia. Swedish forestry company Södra has for instance signed a Sales and Marketing Agreement with the Russian company Angara Paper. The agreement provided for Södra taking on the role of distributor for the pulp production from the planned mill Angara Paper. This establishes Södra as both the industrial and the sales partner for the project (which is to be located in the Krasnoyarsk region with a planned a capacity of 900,000 tonnes of bleached softwood pulp).

The general tendencies on the sawnwood market have not changed significantly since RusForest's Year End and Annual Report 2010. Construction levels are increasing slowly from low levels in Europe and the United States, while very high sawlog costs still affect sawmills in Central and Northern Europe. The important North African and Middle Eastern markets are still hampered by the ongoing unrest in the area, while improvements seem to be visible in Egypt.

RusForest sawnwood Export Prices, delivered to port, 2006 – 2011



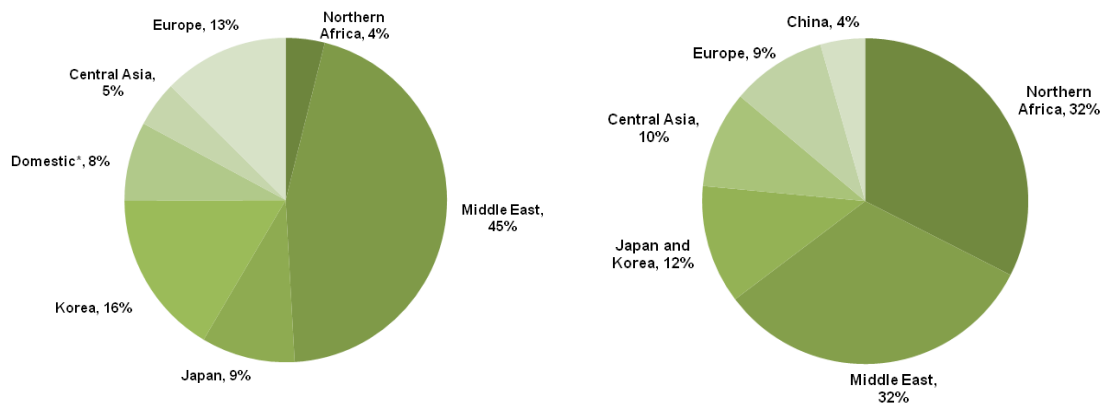
Source: RusForest Ust-Ilimsk, Sawnwood export prices delivered to port

During the first quarter 2011, RusForest average sales prices in Ust-Ilimsk (in USD-terms) increased by 3.5 per cent compared to Q4 2010, and by 7.2 per cent in comparison with Q1 2010. However, in SEK terms prices have decreased by approximately 1 per cent compared to the fourth quarter 2010, which affected Group revenue during the first quarter when translated into SEK. The average price for sawlogs at RusForest’s main log exporter, RusForest Magistralny, was approximately 110 USD per m³ (including customs clearance, phytos control and declaration costs).

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

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

RusForest Sales Geography, 1Q 2011 (left) and 1Q 2010



Source: RusForest Trading, LDK-3

RusForest’s main markets are located in the Middle East, Central Asia, Europe, Northern Africa, Japan and Korea. As a result of reduction in prices in Egypt, alternative markets were sought during the end of 2010. During the first quarter, the local unrest in Northern Africa caused RusForest to further decrease deliveries to the area, which can clearly be seen in the chart above. Instead, Syria was established as

the single largest buyer of RusForest's sawn wood during the period. The addition of sales volumes from LDK-3 can be seen in the increased share of sales to Europe and the domestic Russian market.

RusForest had no credit exposure to Egypt, but has seen significant delays in previously expected orders from the Egyptian market. This has caused lower than planned sales volumes at LDK-3 throughout the whole first quarter of 2011, and significant increases in the company's stock of finished goods.

RusForest has previously been supplying low grade material to the Egyptian market. Since the fourth quarter of 2010, the sales organisation has been actively searching for alternative takers of these products. During Q1 2011, RusForest's Siberian mills signed contracts with customers in Korea for the same products, which decreased the Siberian entities direct dependency on the North African markets.

Furthermore, the Siberian entities proximity to China, Korea and Japan is very promising for future sales. Korea has developed to one of the most important markets for both low grade lumber, but higher grades are continuously being redirected from traditional pine markets to Korea as well. Japan has a constant demand for high quality lumber and the future looks very promising despite the current domestic problems in the country. China is a very important, long standing, market for RusForest when it comes to log sales. However, the Chinese market has been disappointing when it comes to sawnwood sales in general. Price levels were too low during the period to prompt any sales, and demand was visible mainly for low grade sawnwood. There is some demand for high grade product, but for these deliveries it is usually mandatory to have the forest FSC certified. The certification process is starting in Siberia, and RusForest is constantly monitoring the Chinese market for lucrative opportunities to enter.

Key Financial Data

Item	2011	2010	2010
In thousands of SEK	1Q	1Q	12 months
Turnover	91,544	95,409	300,846
Cost of Sales	(87,597)	(83,182)	(297,346)
EBITDA	(25,372)	(12,584)	(105,642)
Gain on bargain purchase	-	-	51,190
Net Result	(44,658)	(28,432)	(130,223)
Cash Flow During Period	(51,378)	(3,806)	40,827
Per Share Data, SEK	31-Mar	31-Mar	31 Dec
Earnings	(0.67)	(1.29)	(4.35)
Shareholders Equity	14.24	44.83	14.94
Share Price	14.30	23.70	12.80
Equity/Assets Ratio	79.4%	85.0%	85.0%

Financial Performance

Overview

The presented accounts cover three months of operation as a forestry business together with a gravel asset classified as held for sale. Financial analysis and interpretation is made by presenting comparative data for the previous year. After the acquisition of control over LDK-3 and Infa on December 22nd, 2010 and Sibartles in February 2011, the activities of these subsidiaries have been consolidated into the presented financial statements.

The performance of the Group during Q1 2011 was negatively affected by the local unrest in Northern Africa (Egypt in particular) as well as a wagon deficit in Boguchany. As a result of the market instability, sales volumes to Northern Africa were significantly below plan at LDK-3 in Arkhangelsk as customers withheld sawn wood purchases on the company's stock until the conflict was resolved. Sales from LDK-3 to these markets only commenced again during the last week of March. This, together with the wagon deficit at Boguchansky LPK, led to an accumulation of significant stocks of finished goods at these locations, lower revenue and cash gaps. In addition, RusForest's (now financially secured) capital investments will have an effect on sales and profitability only later during 2011.

Sawn wood sales during the period amounted to 51,678 m³ (Q1 2010: 48,648 m³). Log sales increased to 18,732 m³ (Q1 2010: 16,621 m³), which was made possible by increased harvesting volumes and a higher utilization of the railhead at Lesprom (RusForest Magistralny).

Increasing prices for purchased sawlogs and rail carriage affected the Group's costs during the period. At the newly acquired subsidiary LDK-3, 98 per cent of the saw logs that were used in production were purchased from external suppliers. The price increase for the logs during Q1 2011 was approximately 15 per cent. Log and wagon deficits at Boguchansky LPK also resulted in a reduced production and sales volumes in January 2011.

Revenue from continuing operations amounted to SEK 91.5 million (Q1 2010: SEK 95.4 million), and was significantly below plan for the reasons described above. The Group generated a small gross profit of SEK 3.9 million during the period (Q1 2010: SEK 12.2 million).

The Group suffered significant cash outflows as a result of the lower than planned sales volumes during the period coupled with the need to increase funding of winter harvesting operations in order to provide the sawmills with raw materials for mid-season sawmilling activities.

Felling and extraction of timber was relatively stable during the period, but still not sufficient to supply all of the Company's sawmills with enough raw material to fulfil their production schedules. The effects of the actions taken by the new forestry managers in Siberia are expected to be seen first towards the end of 2011. The cash outflows from investing activities were significant during the period, due to continuous funding of the construction of the Magistralny sawmill and the acquisition of an additional forest lease in Boguchany (Sibartles).

On a consolidated basis, operating cash outflows totalled SEK 21.9 million during the first quarter of 2011 (Q1 2010: SEK -30.3 million), while cash outflows from investing activities totalled SEK 35.1 million (Q1 2010: SEK -11.5 million).

The lower than expected sales volumes, and continued raw material and delivery issues, during the period are reflected in the financial results, as the Group showed a net loss of SEK 44.7 million (Q1 2010: SEK -28.4 million).

In terms of the balance sheet, the main changes compared to the previous reporting date (31 December 2010) relate to changes in intangible assets as a result of the acquisition of forest lease contracts (Sibartles); increased inventories; decreased cash balances due to investments and the sales situation; and an increase in interest bearing liabilities due to new financial lease contracts for harvesting and road construction equipment purchased by RusForest Ust-Ilimsk.

After the end of the period, RusForest has issued a three-year bond loan amounting to SEK 500 million with a fixed interest rate of 11 per cent per annum. The bond loan proceeds will mainly go towards (i) continued expansion within harvesting and trucking capacity in both Eastern Siberia and the Arkhangelsk region (ii) continuation of development plans for Siberian mills (iii) the acquisition of additional forest leases in the Boguchany region, (iv) the future purchase of equipment for the expansion of sawmilling activities at LDK-3, and (v) working capital needs.

The treatment of the gravel business (Russian Gravel Company) as an asset held for sale means that its balance sheet is not consolidated into the forestry balance sheet on a line-by-line basis. The results are included into the forestry profit and loss account as a loss from discontinued operations, which amounted to SEK -5.4 million in Q1 2011 (Q1 2010: SEK -0.7 million).

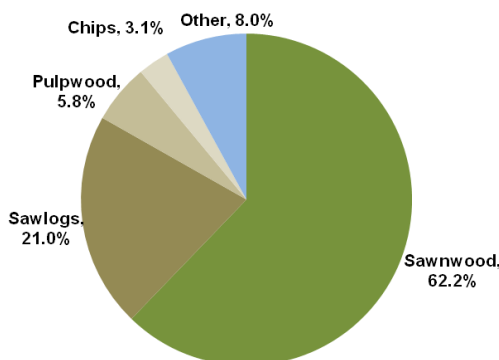
The gravel company suspended production between mid December and mid February and thereafter continued working at approximately 50 per cent capacity. Thanks to increased prepayments from customers, the cash outflows at the gravel company decreased during the reporting period, and the net cash movement totalled SEK 0.1 million (Q1 2010: SEK -4.6 million). Bottlenecks within loading, and access to rail wagons, still have a negative effect on the gravel company's ability to increase its sales volumes, as production can quite easily be ramped up. The expected sale of the asset will eliminate this item from the profit and loss statement.

Profit & Loss statement

Revenue

Group revenue for Q1 2011 amounted to SEK 91.5 million (Q1 2010: SEK 95.4 million). The Group revenue for the period had the following composition: Sawnwood, SEK 57.0 million (Q1 2010: SEK 65.8 million); Sawlogs, SEK 19.2 million (Q1 2010: SEK 14.6 million); Pulpwood, SEK 5.3 million (Q1 2010: SEK 9.3 million); Woodchips, SEK 2.8 million (Q1 2010: SEK 1.7 million) and; Other revenue SEK 7.3 million (Q1 2010: SEK 3.9 million).

Revenue Breakdown Q1 2011, percentage of total



The share of sawnwood revenue has decreased from 66 per cent for the full year 2010, to 62 per cent in Q1 2011. This was mainly a result of the lower than planned sawn wood sales volumes and increased sawlog sales from Lesprom (RusForest Magistralny). Pulpwood sales decreased as the Group started cross-cutting stems, which previously were sold as pulpwood, to produce additional saw logs for sawmilling.

Operating Expenses

RusForest's cost of sales for the period was SEK 87.6 million (Q1 2010: SEK 83.2 million). The main driver for the increase was the inclusion of LDK-3 and Infa, acquired in December 2010, and Sibartles, in February 2011, into RusForest's consolidated financial statements. On a per unit basis, the drivers were the same as described in RusForest's Year End Report: increased fuel prices (by approximately 3.5 per cent in Q1 2011), costs of spare parts and the cost of purchased saw logs. At LDK-3 purchased saw logs totalled 98 per cent of the saw logs used in production. A significant growth in prices of 15 per cent (from SEK 502/m³ to SEK 578/m³) resulted in a cost increase of SEK 2.5 million. During 2011, the Group can address this issue thanks to the acquisition of NTG in May 2011. NTG controls 807,600 m³ of annual allowable cut in the Archangelsk region, and will consequently increase LDK-3's internal supply of sawlogs in future.

Distribution expenses amounted to SEK 22.2 million (Q1 2010: SEK 26.2 million) and represented customs duties, railway tariffs, loading and hauling-to-loading costs. The decrease of these costs is due to their direct relation with the volumes shipped and the fact that LDK-3's sales are made straight off the Company's pier (FOB) without further delivery costs from the mill to the shipping port. However, railway tariffs have increased during the quarter as well as the wagon deficits. The resulting need to rent wagons from private owners at a higher cost continues to affect the Group's financial result.

Other Expenses

Financial Expenses

Financial expenses amounted to SEK 2.1 million during the period (Q1 2010: SEK 5.2 million). The decrease in financial expenses during the period is largely attributable to the early redemption of the SEK 50 million bond loan and the repayment of the Unicredit Bank loan, both in December 2010.

Income Tax

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

A deferred income tax credit has positively affected the Group's results during the first quarter of 2011. The positive effect is also a result of the amortisation of a deferred tax liability accrued by the Group for the temporary difference in value of property, plant and equipment which originated from the fixed assets appraisal performed in June 2009 when accounting for the acquisition of 50 per cent of RusForest Ltd.

Net Profit

The Group's net loss for the period was SEK 44.7 million (Q1 2010: SEK -28.4) million.

Balance sheet

Assets and Investment

A major change in the Group's balance sheet during the quarter was a result of the inclusion of the assets and liabilities of Sibartles (forest leases accounted for as intangible assets). The forestry holdings of Sibartles have been valued at USD 26.6 per m³ of timber, and allow for 165,400 m³ of harvesting per year. The useful life of these forest leases was set to 15 years. However, full scale harvesting activities can be continued after this period, as the lease contracts are valid until the year 2058. A significant increase in inventories was witnessed during the period due to a build-up of unsold finished goods, mainly at LDK-3 and Boguchany.

On the liability side, the Company is primarily financed through equity, with total equity amounting to SEK 932.7 million (31 December 2010: SEK 979.1 million) compared to non-current interest bearing liabilities of SEK 14.1 million (31 December 2010: SEK 10.7 million) and current interest bearing liabilities of SEK 33.7 million (31 December 2010: SEK 15.6 million). The increase in current interest bearing liabilities (SEK 18.1 million) relates to the new finance lease liability to Hansa Leasing for three John Deere harvester/forwarder units and additional road building equipment (both John Deere and Komatsu).

Trade and other payables increased as a result of the lower than expected sales volumes forcing subsidiaries to manage cash levels and due to the expansion of harvesting operations to maintain stocks for mid-season sawmilling.

The gravel business' assets of SEK 101.7 million (31 December 2010: SEK 100.0 million) classified as held for sale in the Group's financial statements primarily reflect the capitalised value of work done at the site, including over-burden removal, blasting, road building, the value of the railhead and the acquisition of equipment.

The gravel business' main crushing plant is being acquired under a finance lease, and the associated liability figure of SEK 18.3 million (31 December 2010: SEK 12.5 million) primarily reflects the present value of the lease payments which remain outstanding at March 31, 2011. However, the relative increase in the liability figure compared to December 31, 2010, represents liabilities for received goods and services including payables for overhauls performed during the winter idle period. These liabilities are expected to be settled during April and May from the gravel company's sales proceeds.

Cash Flow and Financial Position

The Group's closing net cash position was SEK 15.6 million compared to SEK 67.2 million at December 31, 2010. The cash outflow during the quarter ended March 31, 2011 was SEK 51.4 million (Q1 2010: outflow of SEK 3.8 million). The operating cash outflow within the forestry subsidiaries amounted to SEK 15.3 million (Q1 2010: outflow of SEK 25.6 million).

Consolidated cash outflows from investing activities, of SEK 35.1 million (Q1 2010: SEK 11.5 million), mainly represent investments relating to continued construction at the RusForest Magistralny sawmill and the purchase of Sibartles. The Group will continue investments at RusForest Magistralny until May 2011. Funding of Russian Gravel Company has decreased to SEK 1.5 million (Q1 2010: SEK 4.6 million) as a result of gravel production and sales activities performed during the reporting period covering increased lease payments (as the grace period, where the Company was paying 50 per cent of the leasing amount, now has ended).

Operations

RusForest Operational Data

Q1 2011 Actuals

	Unit	RusForest Ust-Ilimsk	RusForest Magistralny	Boguchansky LPK	LDK-3 and Infa	Consolidated 2011	Q1 2010	%
RusForest ownership interest	(start of year)	90%	100%	100%	86%			
Annual Allowable Cut (AAC)	m3	969,700	560,000	277,800	177,200	1,984,700	1,443,200	37.5%
Harvesting Sawlogs	m3	85,548	29,484	27,671	-	142,702	157,210	-9.2%
Harvesting Pulpwood	m3	32,420	12,636	-	-	45,056	55,454	-18.8%
Logs purchased	m3	4,843	-	12,144	45,004	61,991	47,876	29.5%
Sawnwood volumes	m3	22,547	-	20,792	15,817	59,156	48,648	21.6%
Planned Products	m3	611	-	-	1,651	2,262	n/a	-
Forest area	Hectares	553,547	117,514	34,129	231,554	936,744	864,784	8.3%

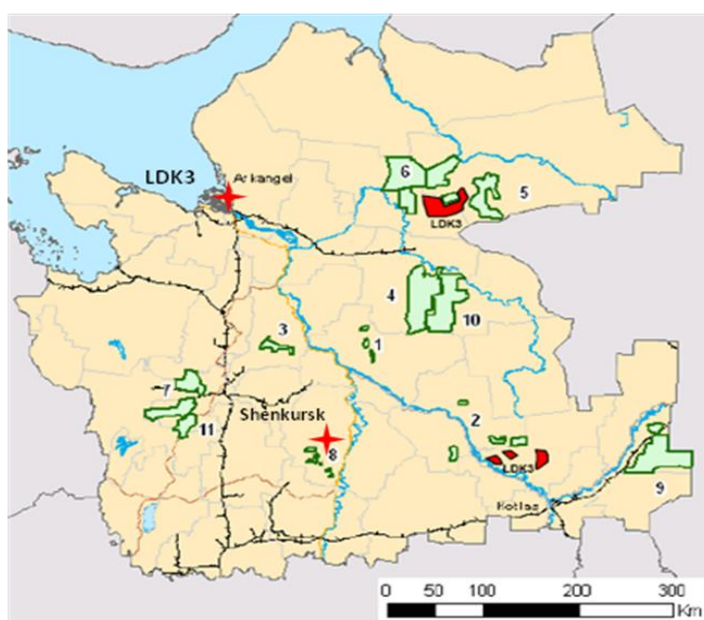
The figures shown above are given for reference purposes only. Boguchansky LPK includes Boguchansky LPK, RusForest Angara and Sibartles. RusForest Ust-Ilimsk includes Tuba Les' forest leases. RusForest Magistralny includes RusForest Magistralny, Lesprom and Bamlesstroj. The figure for 2010 harvesting has been restated to show an approximate distribution between sawlogs and pulpwood and Boguchansky LPK has been restated from stem equivalent to sawlogs.

The first quarter of 2011 was highlighted by the addition of two new production units within RusForest. It was the first quarter where LDK-3 and Infa contributed to RusForest total production and, in Krasnoyarsk, harvesting operations commenced in the newly acquired Sibartles forest lease.

In Magistralny, work on the sawmill is proceeding according to plan, and the mill has performed its first test sawnwood production in the middle of May (new pictures can be seen on the home page). All equipment has been put in place and final adjustments are ongoing, while more than sufficient sawlog stocks have been built in order to supply the mill with raw material when production starts in earnest. The official opening of the new sawmill is scheduled for the middle of June. Going forward, the sawmill will also increase the off-loading capacity for additional round logs from Magistralny, since three new rail sidings have been registered at the site to be used mainly for sawn wood.

Three new harvesting units (John Deere) were delivered to RusForest Ust-Ilimsk during the end of the reporting period. Full results from this capacity increase will be visible as soon as the equipment is tuned and operators have finished their training courses.

In Boguchany, the plan for the summer's construction works have been finalised by the new CTO, Ernst Pfefferkorn, and the remaining materials have been ordered. New boiler and log sorting capacity will, as a first step, improve log sorting efficiency and allow for increases of the sawnwood recovery in the mill. Additional dry sorting capacity is currently being delivered from Germany. This, together with additional drying capacity to be installed during 2011, will facilitate increased production in the main saw-line and an improved product mix.



In April 2011, RusForest acquired Nord Timber Group (NTG) through an issue in kind. NTG is a forestry and sawmilling company with large forestry assets located in the Arkhangelsk region in North-Western Russia. NTG has forest leases exceeding 1.1 million hectares containing high quality spruce and pine resources similar to those found in Northern Sweden. NTG's forest leases are FSC certified and the company is well-established in the region with newly built forest roads and its own railway terminals giving increased control of logistics and costs. The forest leases have an AAC of 807,600 m³. Additionally, NTG owns a sawmill in the region, which is being upgraded to reach an annual capacity of 80,000 m³, and a planing mill in the city of Arkhangelsk.

Following the successful acquisition of NTG, the planned production capacity at LDK-3 was increased and the Company's long term targets have subsequently been adjusted upwards. As a result, RusForest can now establish itself as a true global player with a sawn wood output growing over the next 4–5 years to around 800,000–850,000 m³ per annum, backed up by 2.7–2.9 million m³ of logs harvested from the Company's own forest leases.

To enable this continued expansion within harvesting and sawmilling, RusForest subsequently issued a bond loan during May 2011. The loan, which has a term of three years, amounts to SEK 500 million with a fixed interest rate of 11 per cent per annum.

The bond loan proceeds will mainly go towards (i) continued expansion within harvesting and trucking capacity in both Eastern Siberia and the Arkhangelsk region, (ii) continuation of development plans for Siberian mills, (iii) the acquisition of additional forest leases in the Boguchany region, (iv) the future purchase of equipment for the expansion of sawmilling activities at LDK-3 and (v) working capital needs.

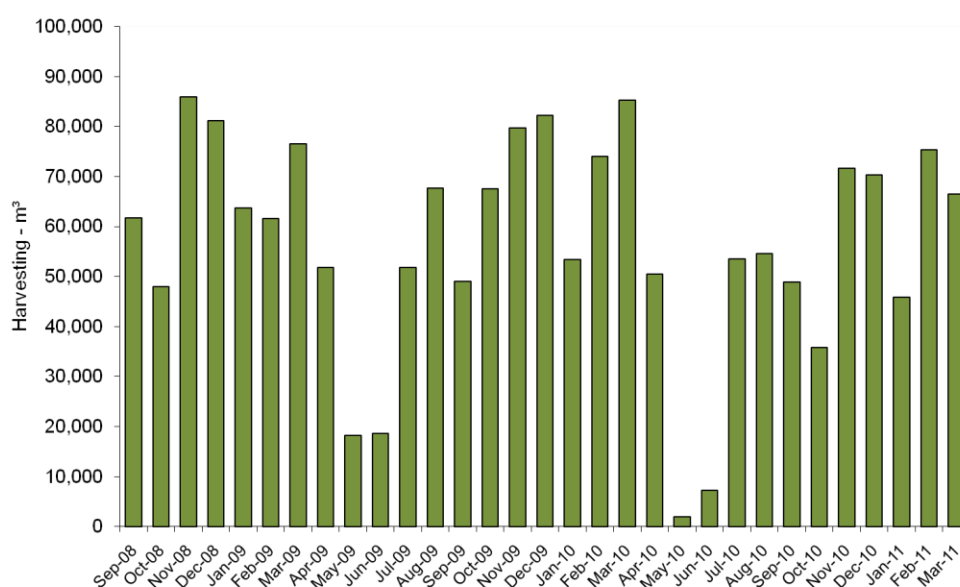
After period end, the mandatory bid procedure following the acquisition of 86 per cent of the shares in LDK-3 resulted in the acquisition of an additional 8 per cent of the shares. As a result, RusForest's shareholding increased to 94 per cent, falling short of the 95 per cent threshold required for a statutory minority squeeze-out. The Company continues to solicit share purchases from the remaining minority shareholders. Furthermore, RusForest has acquired the outstanding minority stakes in its Ust-Ilimsk based subsidiaries LLC RusForest Ust Ilimsk and LLC PIK-2005 by way of an issue in kind of a total of 847,645 RusForest shares.

Forestry Operations

RusForest's harvesting operations showed relatively stable levels throughout the first quarter, but the volumes were still not sufficient to supply all of the Company's sawmills with enough raw material to fulfil their production schedules. The operations produced 142,700 m³ of sawlogs and 45,000 m³ of pulpwood on a consolidated basis. The best performance is still being seen in Magistralny, and harvesting in the area increased by over 66 per cent compared to Q1 2010 thanks to increases in harvesting capacity operating in the region.

However, the total harvesting volume decreased by approximately 12 per cent compared to the same period in 2010. The decrease was caused by poor results at RusForest Ust-Ilimsk, among other things due to a damaged harvesting unit. RusForest expects improvements in harvesting volumes in both Ust-Ilimsk and Boguchany towards the end of 2011, thanks to the measures taken by the new local management teams. A lot of work is going into making sure that new and existing machinery will see longer working hours and increased utilization rates throughout the rest of the year.

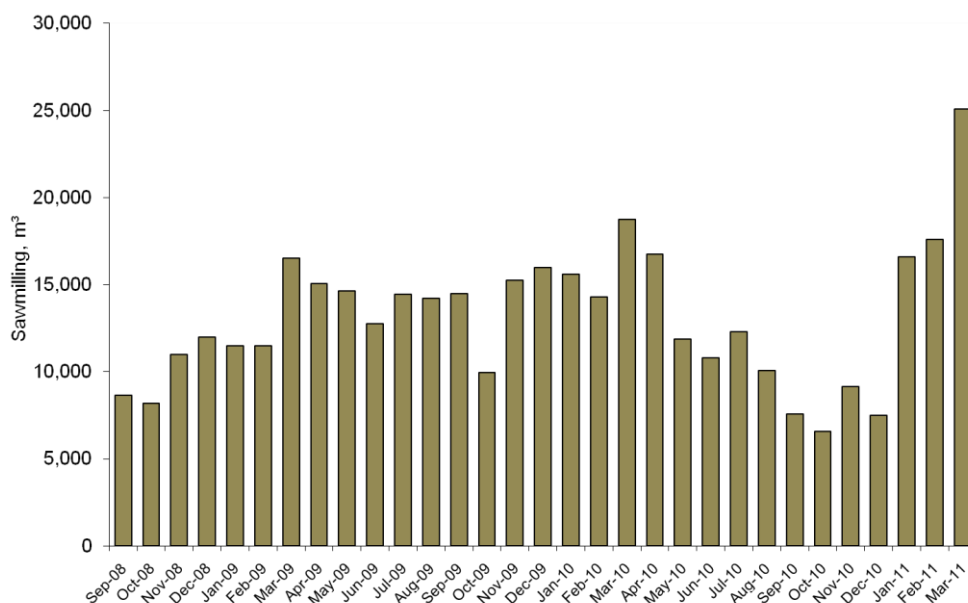
RusForest Group Harvesting, Sep 08 – Mar 11*



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

Sawmilling

RusForest Group Sawmilling, Sep 08 – Mar 11*



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

The major event within RusForest's sawmilling operations during the first quarter of 2011 was the addition of production from LDK-3 and Infa. LDK-3 produced just less than 16,000 m³ during the quarter and Infa 1,651 m³ of planned products.

Boguchansky LPK produced comparable volumes to the same period last year, while RusForest Ust-Ilimsk decreased production by approximately 14 per cent. This relative decrease was mainly due to the fact that the company is reducing production in its circular saw lines, as the management will focus on increasing production in the more modern HewSaw R200 going forward.

Outlook

Having equity funding in place from the right issue during the period, the execution of the planned investments and production improvements have continued in line with the descriptions given in this report as well as in the Prospectus published ahead of the rights issue.

Leverage has now been added through the issuance of a bond amounting to SEK 500 million in May 2011 and will continue by leasing of harvesting and log trucks, where appropriate in the operational companies. Negotiations regarding the divestment of Russian Gravel Company are continuing at the same time as bottleneck removal at the site will increase turnover and improve operational results prior to divestment.

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

The Share

Share Data

The RusForest AB share is listed on First North in Stockholm, a part of NASDAQ OMX. Trading is conducted under the ticker designation RUSF. As of March 31, 2011, the number of outstanding shares was 65,522,520. At the close of the period, the share price was SEK 14.30, and the Company's market capitalisation was approximately SEK 937.0 million. The Company's certified adviser on First North is E. Öhman J:or Fondkommission AB.

ISIN: SE0001732728

Short name on First North: RUSF

Number of shares (at March 31, 2011): 65,522,520

Warrants

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

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

Major Shareholders on March 31, 2011

Shareholder	Number	Percentage
Vostok Nafta Investment	28,165,209	43.0
JP Morgan Clearing Corp.	6,757,191	10.3
Alecta Pensionsförsäkring	4,659,490	7.1
Staffan Rasjö	3,306,069	5.0
Avanza Pension	1,527,101	2.3
SIX SIS AG	1,307,367	2.0
EFG Private Bank S.A.	1,260,000	1.9
Fonden Zenit	1,159,745	1.8
Handelsbankens Nordiska	1,021,350	1.6
JPM Chase NA	1,000,000	1.5
Others	15,358,998	23.4
Total	65,522,520	100.0

Trading data, January 2009 – March 2011



Source: NASDAQ OMX First North

Accounting policies

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

Qualitative and Quantitative Disclosures and Market Risks

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

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 3 MONTH PERIOD ENDED 31 MARCH 2011

In thousands of SEK	Note	1Q 2011	1Q 2010	12m 2010
Continuing operations				
Turnover		91,544	95,409	300,846
Cost of sales	1	(87,597)	(83,182)	(297,346)
Gross Profit		3,947	12,227	3,500
Other income		448	8,073	9,758
Distribution expenses	2	(22,190)	(26,203)	(83,770)
Administrative expenditure	3	(24,691)	(19,750)	(84,247)
Other expenses		(2,081)	(5,868)	(11,101)
Operating loss		(44,568)	(31,520)	(165,860)
Financing income		883	3,663	3,471
Financing cost		(2,115)	(5,160)	(22,545)
Net financing cost		(1,232)	(1,498)	(19,073)
Gain on bargain purchase		-	-	51,190
Share of profit of equity accounted investees		-	-	(100)
Loss before tax from continuing operations		(45,800)	(33,018)	(133,842)
Income tax		6,548	5,246	24,767
Loss for the period from continuing operations		(39,252)	(27,772)	(109,075)
Discontinued operations				
Loss after tax for the period from discontinued operations	4	(5,406)	(660)	(21,149)
Loss for the period		(44,658)	(28,432)	(130,224)
Attributable to:				
Equity holders of the parent		(43,815)	(28,261)	(127,369)
Non-controlling interests		(843)	(171)	(2,855)
Loss for the period		(44,658)	(28,432)	(130,224)

PER SHARE DATA

Per Share Data	1Q 2011	1Q 2010	12 m 2010
SEK	31/03	31/03	31/12
Earnings	(0.67)	(1.29)	(4.35)
Shareholders Equity	14.24	44.83	14.94
Share Price	14.30	23.70	12.80

Number of Shares	1Q 2011	1Q 2010	12 m 2010
	1/1 - 31/03	1/1 - 31/03	1/1-31/12
Beginning of period	65,522,520	21,840,840	21,840,840
End of Period	65,522,520	21,840,840	65,522,520
Average number of shares	65,522,520	21,840,840	29,260,742

DEFINITION OF KEY FIGURES

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

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE 3 MONTH PERIOD ENDED 31 MARCH 2011

In thousands of SEK	Note	1Q 2011	1Q 2010	12m 2010
Loss for the period		(44,658)	(28,432)	(130,224)
Other comprehensive income				
Translation difference		(1,668)	28,627	(43,321)
Other comprehensive (loss)/income for the period, net of tax		(1,668)	28,627	(43,321)
Total comprehensive (loss)/income for the period, net of tax		(46,326)	195	(173,544)
Attributable to:				
Equity holders of the parent		(45,483)	366	(170,690)
Non-controlling interests		(843)	(171)	(2,855)
Total comprehensive (loss)/income for the period, net of tax		(46,326)	195	(173,544)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

In thousands of SEK	Note	31 March 2011	31 December 2010
Assets			
Non current assets			
Property Plant and equipment		763,894	768,054
Intangible assets	5	43,252	12,212
Investments in associates		2,430	2,434
Other long-term receivables		8,213	7,553
Deferred tax asset		51,460	44,095
Total non current assets		869,249	834,348
Current assets			
Inventory		102,355	64,490
Trade and other receivables		83,839	83,691
Current tax assets		1,039	791
Loans receivable		731	725
Cash and cash equivalents		15,623	67,195
Total current assets		203,586	216,892
Assets classified as held for sale		101,712	100,018
Total assets		1,174,547	1,151,258
EQUITY			
Equity and reserves			
Share capital		655,225	655,225
Other capital		541,114	541,114
Translation reserve		(8,016)	(6,348)
Retained earnings		(214,062)	(86,693)
Income for the year		(43,815)	(127,369)
Total equity attributable to Shareholders of the Group		930,447	975,929
Non-controlling interest		2,300	3,143
Total Equity		932,747	979,072
Liabilities			
Non current liabilities			
Interest-bearing loans and borrowings		14,067	10,703
Loans payable to related companies		6,954	7,334
Deferred tax liability		53,075	53,862
Total non current liabilities		74,096	71,899
Current liabilities			
Interest bearing loans and borrowings		33,683	15,627
Trade and other payables		111,468	68,075
Current tax liabilities		754	142
Provisions		3,543	3,915
Total current liabilities		149,447	87,759
Liabilities directly associated with the assets classified as held for sale		18,258	12,528
Total liabilities		241,801	172,186
Total equity and liabilities		1,174,547	1,151,258

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 3 MONTH PERIOD ENDED 31 MARCH 2011

	1Q 2011	1Q 2010	12 m 2010
Amounts in SEK thousand			
Profit/loss after financial items	(44,913)	(28,432)	(130,224)
Adjustment for non-cash items, etc.	27,854	13,051	15,487
Paid income tax	(18)	-	(73)
Cash flow from operating activities before changes in working capital	(17,078)	(15,381)	(114,810)
Cash flow changes in working capital	(4,795)	(14,901)	(34,298)
Cash flow from operating activities	(21,873)	(30,282)	(149,108)
Investment in equipment	(17,996)	(6,997)	(69,096)
Proceeds from sales of equipment	9	-	826
VAT refund on capital investments	2,154	-	-
Payment for purchase of investments in associated undertakings	(13,349)	-	(91,508)
Interest received	64	6	372
Cash balances of acquired subsidiaries	-	-	412
Loans issued to related parties	(2,661)	(4,572)	(24,031)
Investment in financial assets	(3,326)	24	(455)
Cash flow from investing activities	(35,105)	(11,540)	(183,479)
(Decrease)/Increase in loans payable	5,600	38,016	373,414
Cash flow from financing activities	5,600	38,016	373,414
Cash flow during the period	(51,378)	(3,806)	40,827
Cash and cash equivalents, beginning of period	67,195	26,085	26,085
Exchange-rate differences on cash and cash equivalents	(194)	462	283
Cash and cash equivalents, period end	15,623	22,741	67,195

Adjustment for non-cash items, etc.	1Q 2011	1Q 2010	12 m 2010
In SEK thousand			
Depreciation	19,516	15,912	60,176
Income tax expense	(6,611)	(5,246)	(24,767)
Finance income	(883)	(3,663)	(706)
Finance expense	2,115	5,160	22,545
Net income/loss on disposal of property, plant and equipment	638	3,055	3,366
Gain on bargain purchases	-	-	(51,190)
Bad debts	23	744	660
Other comprehensive loss from assets held for sale	5,406	660	21,149
Share of losses from the associates	-	-	100
Unrealized exchange rate income or losses	-	-	(2,485)
Other non-cash items	7,652	(3,572)	(13,361)
Total:	27,854	13,051	15,487

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

01/01/2011 - 31/03/2011

Attributable to the equity holders of the parents

In thousands of SEK	Share capital	Other capital	Translation reserve	Retained earnings	Non-controlling interest	Total
Opening shareholders' equity	655,225	541,114	(6,348)	(214,062)	3,143	979,072
Loss for the period				(43,815)	(843)	(44,657)
Other comprehensive income			(1,668)			(1,668)
Total comprehensive income	-	-	(1,668)	(43,815)	(843)	(46,326)
Shareholders' equity at end of period	655,225	541,114	(8,016)	(257,877)	2,300	932,747

01/01/2010 - 31/03/2010

Attributable to the equity holders of the parents

In thousands of SEK	Share capital	Other capital	Translation reserve	Retained earnings	Non-controlling interest	Total
Opening shareholders' equity	218,408	556,687	22,434	(86,693)	-	710,836
Profit for the period				(28,261)	(171)	(28,432)
Other comprehensive income			28,627			28,627
Total comprehensive income	-	-	28,627	(28,261)	(171)	195
Shareholders' equity at end of period	218,408	556,687	51,061	(114,954)	(171)	711,031

01/01/2010 - 31/12/2010

Attributable to the equity holders of the parents

In thousands of SEK	Share capital	Other capital	Translation reserve	Retained earnings	Non-controlling interest	Total
Opening shareholders' equity	218,408	556,687	36,973	(86,693)	(1,842)	723,533
Loss for the period				(127,369)	(2,855)	(130,223)
Other comprehensive income			(43,321)			(43,321)
Total comprehensive income	0	0	(43,321)	(127,369)	(2,855)	(173,544)
Non-controlling interest in acquired subsidiaries					7,839	7,839
Costs related to the rights issue		(15,573)				(15,573)
New shares issue	436,817					436,817
Shareholders' equity at end of period	655,225	541,114	(6,348)	(214,062)	3,143	979,072

NOTES TO THE FINANCIAL STATEMENTS

The data for 2011 includes income and expenses of LDK-3 and Infa acquired in December 2010. For this reason the information presented below is not fully comparable.

Note 1. Cost of sales

	1Q 2011	1Q 2010
Personnel costs	17,136	24,324
Purchased sawlogs	21,231	15,676
Depreciation	18,411	15,520
Materials	4,513	4,407
Energy and fuel	7,815	7,780
Harvesting services	5,472	4,282
Other	13,018	11,193
	87,597	83,182

Personnel expenses are lower than in Q1 2010 mainly due to a decrease in the number of employees at Rusforest Ust-Ilimsk. The management of the same company has lowered salaries until the company meets its production and sales targets.

During the period, LDK-3 was running sawmilling activities purely (98 per cent) on sawlogs purchased from external suppliers, which resulted in increased costs for purchased saw logs in Q1 2011 compared to the same period last year. During 2011, the Group can address this issue thanks to the acquisition of NTG in May 2011. NTG controls 807,600 m³ of annual allowable cut in the Archangelsk region, and will consequently increase LDK-3's internal supply of sawlogs in future.

Note 2. Distribution expenses

	1Q 2011	1Q 2010
Personnel costs	3,040	1,394
Railway costs	10,039	12,293
Custom duty	3,613	3,672
Other	5,498	8,844
	22,190	26,203

Note 3. Administrative expenditure

	1Q 2011	1Q 2010
Personnel costs	12,600	9,999
Audit	1,067	2,030
Property tax	1,157	1,021
Consulting fees	3,739	1,269
Other	6,129	5,431
	24,691	19,750

Note 4. Segment information

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

Geographical information

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

Segment revenues and results

	Q1 2011		Q1 2010	
	Revenue	Net result	Revenue	Net result
Forestry companies	91,544	(31,944)	95,409	(25,978)
Gravel companies*	4,230	(5,406)	703	(660)
Corporate costs	-	(7,308)	-	(1,624)
Total	95,775	(44,658)	96,112	(28,262)

Segment assets

	31 March 2011	31 December 2010
Forestry companies	1,054,094	989,732
Gravel companies	101,712	100,019
Total segment assets	1,155,806	1,089,751
Corporate assets	18,741	61,507
Consolidated total assets	1,174,547	1,151,258

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

Fixed assets with a total value of SEK 113 million (SEK 68 million relate to Forestry segment and SEK 45 million to Gravel segment) are pledged as collateral with the banks and lease companies.

Assets Classified as Held for Sale

In thousands of SEK	31 March 2011	31 December 2010
Assets		
Non current assets		
Property Plant and equipment	70,558	68,844
Intangible assets	11,743	11,889
Deferred tax asset	3,233	2,811
Total non current assets	85,535	83,544
Current assets		
Inventory	6,842	4,983
Trade and other receivable	8,577	10,788
Cash and cash equivalents	758	703
Total current assets	16,177	16,474
Total assets	101,712	100,018

Liabilities directly associated with the assets classified as held for sale

In thousands of SEK	31 March 2011	31 December 2010
Liabilities		
Non current liabilities		
Interest-bearing loans and borrowings	6,081	3,977
Total non current liabilities	6,081	3,977
Current liabilities		
Interest-bearing loans and borrowings	6,428	4,994
Trade and other payables	5,749	3,557
Total current liabilities	12,177	8,551
Total liabilities	18,258	12,528

Consolidated Statement of Comprehensive Income of Gravel Segment

In thousands of SEK	1Q 2011	1Q 2010
Discontinuing operations		
Turnover	4,205	703
Cost of sales	(5,998)	(975)
Gross Profit	(1,793)	(272)
Distribution expenses	(2,390)	(375)
Administrative expenditure	(1,188)	(1,267)
Operating profit	(5,370)	(1,914)
Financing income	147	1,843
Financing cost	(606)	(983)
Net financing (cost)/income	(459)	860
<i>Income tax</i>	424	394
Loss for the period	(5,406)	(660)

Condensed statement of cash flows of the Gravel segment

In thousands of SEK	Gravel
Cash flow from operating activities	103
Cash flow from investing activities	(1,550)
Cash flow from financing activities	1,502
Cash flow during the period	56

Segment cash flows

In thousands of SEK	Forestry	Corporate	Total
Cash flow from operating activities	(15,270)	(6,603)	(21,873)
Cash flow from investing activities	(33,617)	(1,488)	(35,105)
Cash flow from financing activities	6,374	(774)	5,600
Cash flow during the period	(42,513)	(8,865)	(51,378)

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

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

Note 5. Intangible assets

The intangible assets the Group has acquired through the business combination (purchase of Sibartles, LDK-3 Inc. and Infa Ltd) are presented below:

In thousands of SEK	Forest leases	Client base	Land rights	Total
Carrying amounts				
At 31 December 2010	-	5,321	6,891	12,212
At 31 March 2011	31,428	5,019	6,805	43,252

Note 6. Parent Company

Parent Company Condensed Income Statement

In thousands of SEK	1Q 2011	1Q 2010
Turnover	-	-
Cost of sales	-	-
Gross Profit	-	-
Distribution expenses		
Administrative expenditure	(1,006)	(1,078)
Operating loss	(1,006)	(1,078)
Exchange (loss)/gain	(26,395)	4,654
Financing income	11,027	4,202
Financing cost		(2,534)
Net financing (cost)/income	(15,368)	6,322
<i>Income tax</i>		
(Loss)/profit for the period from continuing operations	(16,374)	5,244

Most of the parent company's loans to subsidiaries are denominated in USD. SEK had appreciated by 6.3 per cent to USD during Q1 2011, which has lead to negative exchange differences in the amount of SEK 26,395 thousand.

Parent Company Condensed Statement of Financial Position

In thousands of SEK	31 March 2011	31 March 2010
Assets		
Non-current assets		
Property Plant and equipment	15	40
Investments in subsidiaries	661,901	656,147
Total non-current assets	661,916	656,187
Current assets		
Loans receivable	479,125	151,616
Trade and other receivable	1,268	286
Cash and cash equivalents	7,403	11,087
Total current assets	487,796	162,989
Total assets	1,149,712	819,176
EQUITY		
Equity and reserves		
Share capital	655,225	218,408
Other capital	541,114	555,771
Retained earnings	(47,189)	(6,373)
Total equity	1,149,150	767,806
Liabilities		
Current liabilities		
Interest bearing loans and borrowings	-	50,000
Trade and other payables	562	1,370
Total current liabilities	562	51,370
Total equity and liabilities	1,149,712	819,176

Note 7. Acquisition of subsidiaries

In February 2011, the Group acquired Sibartles, located near Boguchany in the Krasnoyarsk region. The main assets of the acquired company are the forest leases conveniently located North of the sawmill. The company controls 165,400 m³ of annual allowable cut.

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	-
Forest leases	31,428
Deferred tax asset	979
Inventories	2,903
Trade and other receivables	1,226
Cash and cash equivalents	-
Loans and borrowings	(8,420)
Trade and other payables	(14,688)
Net identifiable assets and liabilities	13,429
Goodwill on acquisition	-

After the reporting date the Group has entered into a business combination with Nord Timber Group (NTG) and acquired 100 per cent of NTG's shares on 30 April 2011. NTG controls 807,600 m³ of annual allowable cut and owns a sawmill in the region, which is being upgraded to reach an annual capacity of 80,000 m³, and a planing mill in the city of Arkhangelsk.

The preliminary purchase price allocation based on the audited 2010 financial statements is provided below:

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	125,064
Forest leases	54,567
Deferred tax asset	17,280
Inventories	14,346
Trade and other receivables	19,674
Cash and cash equivalents	3,717
Loans and borrowings	(169,569)
Trade and other payables	(23,328)
 Net identifiable assets and liabilities	 41,751
 Unallocated surplus values	 386,565

The figures above show the initial purchase price allocation, and in RusForest's Q2 2011 report the fair values of NTG's fixed assets will be assessed by a professional appraiser in order to show the appropriate value of these assets in the Group's financial statements.

Forthcoming information

Annual General Meeting	26 May 2011
Interim report Q2	26 Aug 2011 (at www.rusforest.com)
Interim report Q3	23 November 2011 (at www.rusforest.com)

Nomination Committee

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

Stockholm, May 26, 2011

RusForest AB (publ)
The Board of Directors

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

For Further information, please contact

Martin Hermansson, CEO, Tel: +7 (495) 787 58 72
Vitaly Zhukov, CFO, Tel: +7 (495) 787 58 72
Erik Löfgren, External Relations, Tel: +46 (8) 771 85 00

RusForest AB (publ), Corp. Reg. No. 556694-6421
Hovslagargatan 5,
111 48 Stockholm
Telephone: +46-8-771 85 00
E-mail: info@rusforest.com
Website: www.rusforest.com

OOO RusForest Management,
10 Nikolskaya Street, Office 502
109012 Moscow
Telephone: +7 (495) 787 58 72