



RusForest AB  
**Interim Report**  
1 January – 31 March 2012



# RusForest AB

Interim Report, 1 January – 31 March 2012

## Interim results for the quarter ended 31 March 2012

- Total turnover for the quarter ended 31 March 2012 amounted to SEK 122.7 million (Q1 2011: SEK 88.2 million);
- The operating loss before financing costs for the period amounted to SEK -106.8 million (Q1 2011: SEK -44.6 million);
- Net loss for the period was SEK -115.7 million (Q1 2011: SEK -44.6 million);
- Net loss per share was SEK -1.19 (Q1 2011: SEK -0.67);
- Cash and cash equivalents decreased during the reporting period by SEK 8.5 million, from SEK 23.6 million on 31 December 2011 to SEK 15.1 million on 31 March 2012.

## Significant events during the first quarter 2012

- The Group's production volumes improved in Q1 2012 versus Q4 2011 both in harvesting and in sawmilling. Eight new harvesting groups finally arrived at their destinations during Q4 and were fully launched in Arkhangelsk, Boguchany and Magistralny which significantly improved harvesting volumes towards the end of the fourth quarter and into the first quarter. Severny Les (Arkhangelsk) showed record high harvesting results in March 2012. The sawmilling production increase was mainly seen in Boguchany and was a result of stable harvesting operations and proper supply of sawlogs;
- The shipments of produced sawnwood lagged due to logistical issues in Arkhangelsk and Boguchany as a result of the high cost of ice-class vessels and traffic jams at the Karabula railway station, respectively. The shipments of sawnwood caught up in April 2012;
- In Q1 2012, the Group recognized one-off expenses in the amount of SEK 22.6 million, including an accrual for unused vacation days and write-down of pulpwood inventory in Arkhangelsk, neither of which were directly related to Q1 operations;
- The Group continued the restructuring of Ust-Ilimsk operations and leased out the sawmill to a third party from 1 March 2012, transferring most of the Ust-Ilimsk sawmill employees to the new company leasing the sawmill (SEK 1.7 million pay-outs);
- On 15 February, RusForest was granted a bridge loan in the amount of USD 10 million from Vostok Komi (Cyprus) Ltd, a wholly owned subsidiary of Vostok Nafta Investment Ltd. The proceeds were used for working capital purposes in order to maintain sustainable production volumes at all locations and continue on-going investments in sawmilling and transportation;
- On 16 February, the East-Siberian Branch of Sberbank approved an investment loan in the amount of USD 10.5 million (SEK 70 million) for a period of seven years. The loan was granted in two tranches: USD 5 million (SEK 32 million) was paid out in February 2012 and USD 5.5 million (SEK 38 million) is expected to be paid out in Q2 2012;
- RusForest appointed Kirill Pronin as interim CFO as of 2 March 2012 after the previous CFO, Vitaly Zhukov, stepped down from his position. Mr Pronin has been employed as Project Director in Taiga Asset Management and later in RusForest Management in Moscow since 2008. Prior to joining RusForest, he worked in Transaction Advisory at PricewaterhouseCoopers' Moscow office.

## Significant events after the end of the period

- In April 2012, RusForest completed an oversubscribed rights issue of SEK 452 million (before issuing costs);
- Peter Funk, the director of the RusForest trading house, resigned from his position on 1 April 2012. Martin Hermansson took over the position going forward, backed up by two new sales managers recruited for Siberia and Arkhangelsk, respectively. On 1 April 2012, Yuehua von Fircks joined RusForest to develop sales to China. For the last 7 years Ms von Fircks has worked at the Swedish Setra Group, one of Europe's largest sawnwood producers. Her experience is extensive and comes with knowledge of local languages and the industry;
- A new employee stock option program was approved by the AGM on 10 May 2012;
- The Ust-Ilimsk harvesting operations' restructuring plan was finalized. The small planing mill in Arkhangelsk (Bakaritsa site) was shut down to focus on the main business in the area.

## CEO Comment

The results for the first quarter were very disappointing. In particular, earnings were below expectations as sawnwood sales were weaker than expected. The main reasons for the poor results were the following:

- Revenue delay from Q1 production deferred to Q2 sales (which will increase sales in Q2);
- Major breakages in Magistralny where normal production did not start until April;
- Increased distribution costs from the Siberian entities due to a monopoly increase of the railway tariffs and higher (around 80 per cent) share of Siberian shipments in total shipments;
- Lower than expected productivity of harvesting equipment on a unit basis.

The poor results were also a result of SEK 24 million in non-reoccurring costs such as:

- Holiday accruals, historical but now included due to a change in Russian legislation;
- Stock value adjustments at the harvesting companies of the Group, mainly due to weakened prices of pulp wood in Russia;
- Restructuring costs for the Ust-Ilimsk sawmill.

Despite the disappointing results, sawnwood production and availability at the sawmills is increasing. The Company expects the positive trend of higher sawnwood production to continue in the second quarter, and sales are expected to be higher than Q1.

Unfortunately, as previously disclosed, we will be selling green wood (not dried) from Boguchany at a relatively low price ex-works until the installation of new drying chambers is completed at the end of Q2.

Last year's investments in harvesting equipment and the elimination of bottlenecks at the sawmills were substantial and have led to an improvement in production levels for both the harvesting and sawmilling segments. Positive volume dynamics have been seen since the summer of 2011 through the first quarter of 2012.

Harvesting is subject to seasonality, with lower harvesting levels previously seen during the summer months in 2009 and 2010, and this is where a major change is expected in 2012 as a result of last year's road construction.

This means that the average cost per cubic meter of sawnwood is expected to stabilize at a lower level over the year due to higher production and better roads. The Company will from the first quarter not only report production volumes per segment and location, but also segment revenue. Hence the implied sales price can be calculated, subject to different terms of delivery, which can either be locally ex-works at the forest road or delivered FCA to the port.

Furthermore, off-loading of sawnwood is irregular both in context of species and qualities shipped in a certain time period for which the average price is not always an indicator. Using the first quarter as an example, volumes from LDK-3 and Boguchany were actually deferred to the second quarter for logistical reasons and will therefore be included in the Q2 2012 revenue. This had a negative effect on the result and worsened the EBITDA compared to previous quarter.

As mentioned in the recent rights issue prospectus, loss-making operations are being phased-out, and RusForest has the intention to reduce the number of harvesting employees in Ust-Ilimsk by approximately 150 people. In Ust-Ilimsk, we have also leased out the sawmill to a third party. Our focus in Ust-Ilimsk is now on harvesting, with an action plan for technical improvement and road construction set for the coming year.

In addition to our restructuring efforts in Ust-Ilimsk, we are also reducing costs in Arkhangelsk. In Bakaritsa, the Group has closed a small planing mill and key employees have been transferred to the larger planing company Infa, located next to LDK-3, but with a net reduction of 40 people in Arkhangelsk planing. LDK-3 is working on a higher budget plan for 2012 than last year and has therefore increased the number of shifts for certain parts of the mill.

The Group has set a target with planned construction of new roads corresponding to 151 km for 2012, based on the underlying need to improve the access to all existing leases. The process commenced last year and has already started to improve the situation in the new leases in Magistralny and Boguchany that were



acquired during 2011. Forest leases without road infrastructure and bridges will not be able to secure raw material stability.

Finalization of the Boguchany sawmill is the single largest item on the CAPEX list, where SEK 10.2 million has been allocated during the first three months of the year, partly financed by a credit from the Russian bank, Sberbank. Full production is expected at the beginning of the third quarter 2012.

Looking at the sawmill in Shenkursk, we will launch new drying capacity of 80,000 m<sup>3</sup> together with a new boiler during the second quarter, and we will also add an additional shift in the sawmill from 1 June.

Efficiency improvement programs with additional reductions are under implementation, and it can be repeated that the main factor for improved profitability in coming quarters is increased production volumes at the sawmills as well as a more high-value product mix once the new drying chambers have been installed in Boguchany and Shenkursk. The management team is working hard to keep up speed in production and road construction.

In Magistralny, the production did not increase until April, when production for the first time was in the range of 5,000 m<sup>3</sup> for the month. Poor performance during Q1 was a result of break-downs at the beginning of the year followed by repair works. Hence there were no significant new sawmill capacity added between Q4 2011 and Q1 2012.

RusForest's recent rights issue was successfully completed and brought the Company SEK 452 million, which after fees and debt repayments left approximately SEK 320 million in the accounts to cover planned future investments and improvements. The rights issue was oversubscribed by approximately 37 per cent with good demand in the aftermarket. We appreciate shareholders' support in the rights issue, and we will deliver on our investment plans.

There are more detailed comments on markets in the Outlook section of this report, but it is unfortunate that we have not yet seen an improvement in the underlying market for the sector. This has been clearly signalled in the pessimistic comments on the sector in quarterly reports presented by larger and more mature players in Europe and Scandinavia.

However, the main issue for RusForest during the next two quarters is to finalize the installation works of new drying chambers and other key production equipment as well as to increase productivity on harvesting units in order to improve profitability at current market prices.

Putting aside the Q1 2012 non-recurring costs of approximately SEK 24 million related to staff reduction, stock revaluation and vacation reserve accruals in the subsidiaries, the Company is presenting a slightly better result than Q4 2011.

Investments and priorities have been thoroughly described in the recent rights issues prospectus, which is available on the web page, and partly repeated in the Annual Report. These actions together make us confident that we will be able to report positive EBITDA for 2012.

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 3 million hectares of forest land with an AAC of around 3.6 million m<sup>3</sup>. During 2011 the controlled forest land increased through the acquisition of NTG in Arkhangelsk, new forest leases in Magistralny as well as two acquired harvesting companies in Boguchany.

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 415,000 m<sup>3</sup> of sawnwood, is expected to, after completion of on-going investments, gradually increase to 500,000-550,000 m<sup>3</sup> of sawnwood. There is significant potential (of up to 800,000–850,000 m<sup>3</sup> of sawnwood) within the limit of the maximum allowable harvesting.

Russia, alongside Brazil, has the world's largest timber reserves by a significant margin, and Eastern Siberia is known for its high quality pine and Siberian larch. The timber is a source of high 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 demanded by international markets. 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 forestry company in Russia by fully utilizing its forest resources, whilst earning a reasonable return for its shareholders.

## Operations

### RusForest Operational Data

1Q 2012

	Unit	RusForest Ust-Ilimsk	RusForest Magistralny	Boguchansky LPK	Arkh 1 (LDK-3, Infa, SevLes)	Arkh 2 (Shenkursk+Bakaritsa)	Consolidated 1Q 2012	Consolidated 4Q 2011	Consolidated 1Q 2011	% Q1'12 vs Q1'11	% Q1'12 vs Q4'11
RusForest ownership interest		100%	100%	100%	100%	100%					
Annual Allowable Cut (AAC)	m3	942,560	958,700	748,400	981,400	-	3,631,060	3,631,060	1,984,700	83.0%	0.0%
Sawlogs harvested	m3	86,789	42,690	62,769	40,478	-	232,725	198,289	142,702	63.1%	17.4%
Pulpwood harvested	m3	55,809	-	-	48,587	-	104,396	116,649	45,056	131.7%	(10.5%)
Logs purchased	m3	-	-	16,951	39,753	12,245	68,949	28,451	61,991	11.2%	142.3%
Sawnwood production	m3	15,653	7,321	18,078	22,592	3,918	67,562	52,847	59,156	14.2%	27.8%
Sawnwood sold	m3	14,324	7,758	11,611	6,525	3,248	43,466	52,957	40,361	7.7%	(17.9%)
Woodchips sold	m3	14,572	561	1,911	12,955	-	30,000	33,742	24,994	20.0%	(11.1%)
Planed Products sold	m3	935	-	-	2,810	1,423	5,169	6,757	1,811	185.4%	(23.5%)
Utilisation of AAC (annualised)	%	61%	18%	34%	36%	-	36%	35%	36%	0.0%	4.6%
Forest area	Hectares	565,444	746,352	374,477	1,270,018	-	2,956,290	2,956,290	936,744	215.6%	0.0%

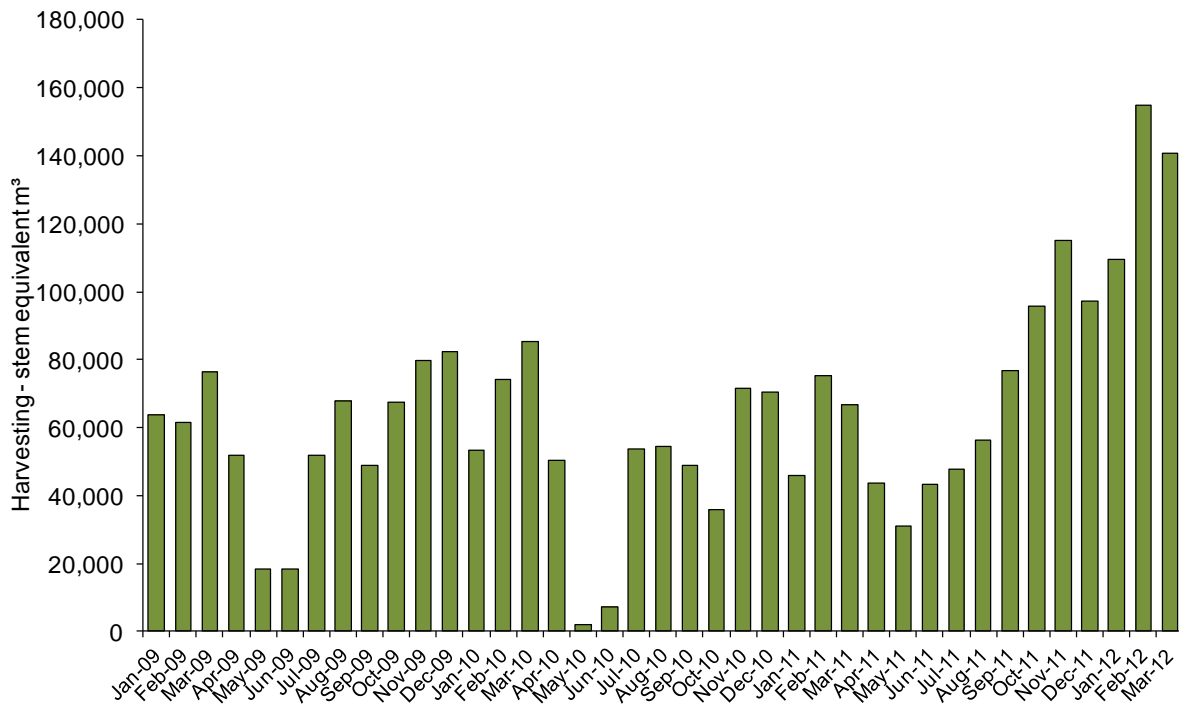
The figures shown above are given for reference purposes only. Boguchansky LPK includes Boguchansky LPK, RusForest Angara, Sibartles, ADAR, and LP LDK Kansky. RusForest Ust-Ilimsk includes Tuba Les' forest leases. RusForest Magistralny includes RusForest Magistralny, Lesprom and Bamlesstroi. Arkh1 includes Severny Les (ex-NTG harvesting operation), LDK-3 (sawmilling) and Infa (planing). Arkh2 includes Shenkursk (sawmilling) and Bakaritsa (planing) – both ex-NTG. The grouping was made based on internal supply chains.

**Harvesting** operations increased as a result of consolidating the harvesting volumes of Severny Les (ex-Nord Timber Group) compared to Q1 2011. During the end of Q4 and beginning of Q1 the Group fully deployed 6 remaining harvesting groups (out of an acquired total of 11 John Deere harvesters and forwarders) and road building equipment. This, for example, allowed Severny Les (Arkhangelsk) to show record harvesting results in March 2012. By the end of 2011 the investments in the operations were completed by 75 per cent; the final investments should be carried out during 2012 and will be directed mainly into transport capacity (log trucks and log loaders) to support the increased harvesting capacity. To increase competence, and thereby increase equipment utilization and quality and reduce costs for maintenance, Swedish instructors have recently joined the teams both in Arkhangelsk and in Siberia and were launching the new harvesting groups.

**Sawmilling** operations improved slightly in Q1 2012 compared to Q1 2011. While LDK-3 increased production due to contribution by the team of European specialists employed to improve efficiency there, the other sawmills reduced production. Boguchansky undergoes the last steps in construction activities, which comprise a new log sorting line to fit the increased saw log volumes coming from the harvesting operations. A new boiler, an automatic dry lumber sorting line together with nine new WS Valutec kilns will allow for doubling the production of kiln-dried sawnwood in 2012. In Ust-Ilimsk, due to less than ideal logistics at the production site, the sawmilling operations were rented out to a local entrepreneur from 1 March 2012. The Ust-Ilimsk sawmilling results will be consolidated into production and sales figures of the Group until 1 May 2012, when the commercial risks of selling the sawnwood and buying logs pass to the lessee. Until then the Group will be buying "sawmilling services". The harvesting operation in Ust-Ilimsk will be the main focus going forward and sawmilling investments will be considered only when the market situation has improved. Unlike in Boguchany and Magistralny, deliveries of logs to local external sawmills are done in Ust-Ilimsk. Magistralny and Shenkursk are in the final steps of construction and fine-tuning. Management expects these sawmills to contribute to growth in Q2 2012 and offset the volumes produced by Ust-Ilimsk with better financial effect.

## Forestry Operations

### RusForest Group Harvesting\*



\*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 graphs show volumes since January 2009 – the month when reliable production data could be derived from the subsidiaries.

RusForest's harvesting operations showed a relatively stable increasing trend towards the end of the year as part of the new harvesting equipment was put to use. A decline in volumes during the second and third quarters of 2011 was mainly due to widespread forest fires in Siberia and Arkhangelsk where large areas of the forests were closed for access. The harvesting volumes later increased after gaining access to more harvesting areas in Boguchany and Arkhangelsk, together with the more efficient use of new harvesting equipment delivered to Severny Les (in Arkhangelsk) in September. In Q4 and Q1 the increased harvesting capacity translated into increased volumes. However, production efficiency per unit of harvesting equipment has to increase further during 2012.

Harvesting in **Severny Les** has increased thanks to four new harvesting groups (three delivered at the end of the third quarter and one in November 2011). This, combined with a Swedish instructor being on site to train the local harvesting teams, had a positive effect on volumes during the fourth quarter 2011 and Q1 2012. The increase in accessible roads is a result of a targeted road improvement strategy which has been implemented at all units, but where Arkhangelsk has been the most successful. In Q1 Severny Les started to develop the Nizhnaya Toima forest lease area, an area with good forest, which will allow for delivering logs in bundles by river to LDK-3, which is the cheapest way of transportation.

The harvesting operations in **Lesprom** (Magistralny) received two new harvesting groups one week before the year-end. The machines were put into operation early January and are being operated by experienced Swedish operators which provide on-going coaching to the employees of Lesprom. The production improved but in March the harvesting was forced to slow down as a new harvesting area was not accessible at the time due to bureaucracy of the forest authorities. In Q2 Lesprom started development of lease areas received in 2011 under investment priority status (total AAC of about 600,000 m<sup>3</sup>).

Intensive road and bridge construction in the forest lease areas in **Boguchany** commenced during 2011, and the harvesting operations were strengthened with two new harvesting groups which were delivered at the end of 2011. Boguchany lease areas were the first to go through detailed satellite and field forest surveys with the help of Finnish company Indufor OY. The resulting detailed maps will allow for planning the harvesting

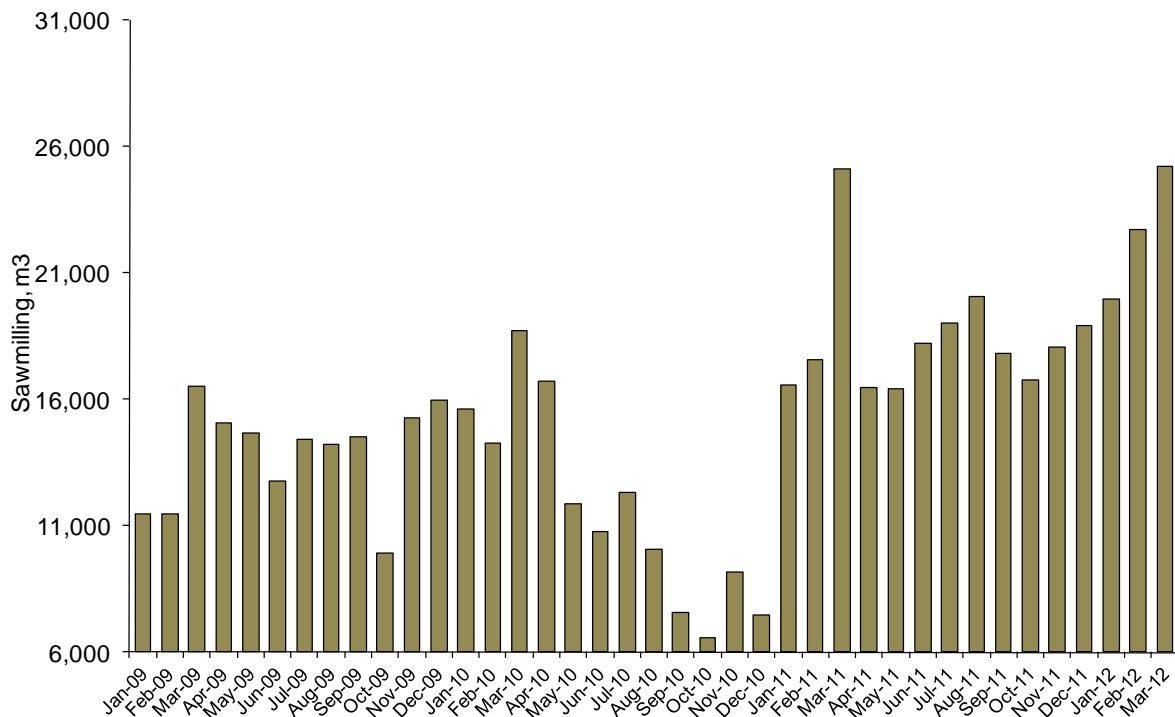


operations much better and building road network correspondingly. In Q1, Boguchany management was successful in establishing cooperation with the local contractors in harvesting and hauling operations which saves capital for the Group and brings competitiveness into the process.

**Ust-Ilimsk** harvesting operations will focus on external sales of saw- and pulp-logs. The restructuring program was finalized in early May 2012, the main measures of which will be further staff reductions, focus on CTL (cut to length) harvesting to save on transportation costs and unify the hauling fleet. No cost provision was made in Q1 2012.

## Sawmilling

### RusForest Group Sawmilling\*



\*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 graphs show volumes since January 2009 – the month when reliable production data could be derived from the subsidiaries.

The sawmilling volumes were supported by the stable production at LDK-3. However, the Siberian sawmills produced below expected capacity. Although the increasing trend from October 2011 to March 2012 is attributable to seasonality, the Group's operations were much more stable in Q4 2011 than in Q4 2010.

**LDK-3** had a good supply of logs and has been performing well despite falling market prices for spruce. The proportion of own logs to the main mill is increasing. The sawmill produced well in Q1. The shipments, however, were restrained by expensiveness of ice-class vessels and therefore LDK-3 built up stocks of sawnwood. Shipments will catch up during the April-May period.

At **Magistralny** in Siberia, the trimming of equipment continued until the end of 2011 after the launch of the sawmill in June 2011. The start-up phase has been slow due to defects on the equipment, which were caused by the equipment being stored for over two years before installation. During the fourth quarter improvements have been made which have solved the main issues. In Q1 2012, however, some more defects were exposed and following negotiations with the equipment provider these faults are to be during Q2.

In **Boguchany** the installation of a new log sorting line has been completed and five of the nine new drying chambers have been erected (see pictures on the RusForest web page). The main work remaining is on the

side of the boiler and on the dry sorting line, where work is on-going. The timing of the launch for test running shifted to the end of Q2.

**RusForest Ust-Ilimsk's** total sawmilling capacity was leased out to a third party as of 1 March 2012. The commercial risks of purchasing logs and selling sawnwood, however, passed to the leasing party from 1 May. The Ust-Ilimsk harvesting operation has taken obligation to supply sawlogs at a certain level from 1 May.

## Macroeconomic Development and the Market

There is currently quite a bit of uncertainty about market trends for sawn wood and the general state of the global economy. Most producers are expecting improved pricing for the summer period, as is usually the case due to seasonal factors, but are uncertain about the strength of this short-term trend.

Producers in Scandinavia are selling below cost even at modern sawmills, which struggle to reach profitability when raw material prices are high, especially if combined with a weak market for ready products.

Overall, the outlook for sawn timber depends on the global economy. We are cautiously optimistic for improvements in the macro environment, and we are focusing on improving our sawmill efficiency and product mix to best position ourselves for a recovery in sawnwood prices.

See Outlook section below for more information.



## Key Financial Data

Item	2012	2011	2011	2011	2011	2011
In thousands of SEK	Q1	Q4	Q3	Q2	Q1	12M
Turnover	122,683	117,715	112,052	114,328	88,227	431,794
Cost of Sales	(163,126)	(153,124)	(139,064)	(129,337)	(87,597)	(514,058)
EBITDA	(69,263)	(60,784)	(55,229)	(35,478)	(25,372)	(176,863)
Net Loss	(115,662)	(97,230)	(77,546)	(69,267)	(44,658)	(288,699)
Cash Flow During Period	(9,589)	(78,386)	(204,866)	295,757	(51,378)	(38,873)
<b>Per Share Data, SEK</b>						
Net loss	(1.19)	(1.02)	(0.80)	(0.70)	(0.67)	(3.32)
Shareholders' Equity	10.89	11.13	12.01	14.07	14.24	11.13
Share Price	1.57	5.30	7.85	11.50	14.30	5.30
Equity/Assets Ratio	47.2%	51.3%	58.0%	62.4%	79.4%	51.3%

## Financial performance

### General

The Group's results were affected by the inclusion of income and expenses of the newly acquired subsidiaries (Kansky, Adar and Nord Timber Group companies) which make the data for 2012 not quite comparable to the figures reported in 2011.

The Group showed improved dynamics in production in Q1 2012 as discussed in the operating sections, especially in harvesting in line with increased capacity. This, however, did not realize in the financial results in the current quarter as sawnwood shipments were behind the production, especially in Boguchany and Arkhangelsk and as a result the Q1 absorbed additional fixed cost without additional revenue. The Group continued construction in Boguchany and Shenkursk as well as tuning of Magistralny sawmilling equipment where more defects were exposed in Q1.

It should be noted that the operating financial results of Q1 2012 were negatively affected by SEK 24.3 million one-off expenses consisting of unused vacation accruals (SEK 13.1 million), stock adjustments (SEK 9.5 million) and restructuring costs in Ust-Ilimsk (SEK 1.7 million). The unused vacation accrual was necessary as Russian legislators finally stated that national legislation would override the recently adopted International convention N 132 "On paid vacation " (International Labour Organization, Geneva, 1970) that contained a provision for expiration of vacation, if not used within 18 months from the year end. The Group had to adjust stocks of pulpwood in Arkhangelsk as there was significant deterioration of market for pulpwood in Arkhangelsk region which led to the mark-down provision of Severny Les pulpwood stock. Restructuring costs comprised of Ust-Ilimsk sawmilling transfer of employees to the new legal entity owned by the lessee.

The non-operating items in the profit and loss were mainly driven by the increased leverage, i.e. the SEK 500 million bonds issued in May 2011 and substantially increased leasing financing. The equity-assets ratio fell to 47.2 per cent from 79.4 per cent as of the end of Q1 2011.

### Profit and loss statement

#### Revenue

The Group's revenue from the main product (sawnwood) did not change significantly due to issues with shipments in Arkhangelsk and Boguchany. As a result the operating companies built substantial stocks as of 31 March 2012, i.e. SEK 194.2 million compared with SEK 102.4 million as of the end of Q1 2011. The shipments are expected to catch up in Q2 2012.

In thousands of SEK	Sales volume	Average price (SEK)	Q1 2012	Q1 2011	Change
Sawnwood	43,466	1,376	59.8	57.0	5%
Sawlogs	36,811	527	19.4	15.9	22%
Pulpwood	62,638	186	11.7	5.3	120%
Woodchips	30,000	143	4.3	2.7	59%
Pellets	-	-	5.2	-	n/a
Other revenue (incl. planed wood)	-	-	22.3	7.3	205%
<b>Total revenue</b>			<b>122.7</b>	<b>88.2</b>	<b>39%</b>

Increase in the other revenue line was attributable to increased sales volumes of planed wood. Also, the Group subleased certain forestry areas to third party harvesting companies in Boguchany and Arkhangelsk.

### Revenue Breakdown 1Q 2012 (left) and 1Q 2011 (right), percentage of total



## Operating Expenses

RusForest's cost of sales for Q1 2012 was SEK 163.1 million (Q1 2011: SEK 87.6 million). Q1 2012 included the amounts of Kansky, Adar and NTG, acquired after Q1 2011. The significant increase in payroll cost was attributable to the accrual of unused vacations and restructuring programs in Ust-Ilimsk (see general comments). Apart from the growth of the Group and mentioned one-off items, the cost of fuel continued to increase by 10-15 per cent depending on the location during Q1 2012.

Distribution expenses amounted to SEK 32.7 million (Q1 2011: SEK 22.2 million) and included customs duties, railway tariffs, loading and hauling-to-loading costs. Railway tariffs have systematically been increased by the monopoly Russian Railways (6-11 per cent semi-annually). The wagon rates stabilized recently; however, they increased compared with Q1 2011 by some 15-20 per cent. There is still a certain wagon deficit in Russia. Management is working with the Russian Railways on changing the loading schemes to be able to ship more volumes on each wagon. Russia did not change the customs regime in 2011-Q1 2012, but changes are expected in September 2012 on accession to the WTO. Starting Q4 2011 the Group offset customs duties against the revenue according to the basis of the log sales contracts.

Payroll expense in the administrative expenses reflects the growth of the Group and also contains accrual for unused vacation introduced in Q1 2012.

## Other Income and Expenses

Other income of the Group amounted to SEK 12.1 million and primarily represented the reimbursement of overpaid stumpage following successful court cases in Ust-Ilimsk. Other expenses of the Group increased as a result of old receivables write-off following the outcome of litigations in Ust-Ilimsk, Tuba and Arkhangelsk.

## Financial Income and Expenses

Financial expenses amounted to SEK 24.5 million during the reporting period (Q1 2011: SEK 2.1 million). The increase is represented by the interest accrued on the Bond issued in May 2011 together with the effect of the Group's capital expenditure program, primarily financed through financial lease arrangements (within the covenants set by the Terms and Conditions of the Bond). In Q1 2012, RUB appreciated by almost 10 per cent to USD. The official exchange rate set by the Central bank of Russia ([www.cbr.ru](http://www.cbr.ru)) changed from 32.19 RUB per USD to 29.33 RUB per USD according. This led to a foreign exchange gain of about SEK 6 million on the financial obligations nominated in USD (mainly, financial leases and bank loans).

## Income Tax

A deferred income tax credit positively affected the Group's results during Q1 2012. The positive effect is also a result of the amortization of a deferred tax liability accrued by the Group for the temporary difference in value of property, plant and equipment.

## Net Result

The Group's net loss for the Q1 2012 was SEK 115.7 million (Q1 2011: SEK 44.7 million). The share of the loss generated by the Gravel asset was SEK 4.3 million (Q1 2011: SEK 5.4 million).

## Balance sheet

Due to the depreciation of SEK against RUB during the reporting period (4.1 per cent) the value of the assets and liabilities accordingly increased when denominated in SEK.

## Assets, Liabilities and Investment

There were no major changes in the Group composition during the reporting period.

Due to high winter season in harvesting and lagging of shipments in sawmills the Group inventory increased by 37 per cent compared with the year-end financed by a proportionate increase in the trade payables.

On the liability side, loans payable to related parties increased due to Vostok Nafta bridge loan of USD 10 million (see press releases on the details of the rights issue). Interest bearing obligations mainly represent the bond payable of SEK 500 million principal amount and liabilities under finance lease contracts.

At the extraordinary general meeting on 1 March, the shareholders approved the reduction in the nominal value of shares to 1 SEK from 10 SEK (10 times reduction) as a result of loss coverage in the parent company.

## Cash Flow and Financial Position

The Group's net cash position at 31 March 2012 amounted to SEK 15.1 million, compared to SEK 23.6 million at 31 December 2011. The net cash outflow during the reporting period was SEK 9.6 million (Q1 2011: SEK outflow 51.4 million). The operating cash flow amounted to SEK -55.9 million (Q1 2011: SEK -21.9 million) due to losses incurred in the period.

Consolidated cash outflows from investing activities during Q1 2012, amounted to SEK 23.6 million (Q1 2011: SEK 35.1 million). The Group invested SEK 25.2 million into further removal of the bottlenecks in harvesting, completion of road building teams and increase in the sawmilling capacity (in SEK million):



Construction of the sawmills	14.9
Log trucks	4.6
Harvesting supporting transport, harvesting processor head	3.8
Road construction equipment	1.9
<b>Total</b>	<b>25.2</b>

The Group paid USD 300,000 deferred compensation for ZAO ADAR acquisition with the last payment of USD 500,000 less the unforeseen claims, if any, due in July 2012.

The financial position was improved by Vostok Nafta bridge loan of USD 10 million until Sberbank investment facility in the same amount is obtained. BLPK received USD 5 million investment credit from Sberbank. In Q2 2012 the Group successfully carried out the rights issue for SEK 452 million and repaid the Vostok Nafta bridge loan in full.

## Outlook

There is currently quite a bit of uncertainty about market trends for sawn wood and the general state of the global economy. Most producers are expecting improved pricing for the summer period, as is usually the case due to seasonal factors, but are uncertain about the strength of this short-term trend.

Producers in Scandinavia are selling below cost even at modern sawmills, which struggle to reach profitability when raw material prices are high, especially if combined with a weak market for ready products.

One of RusForest's differentiating factors is that we have low-cost raw material due to our location and our strategy of vertical integration. The main challenge for RusForest today is making sawmilling operations more efficient and improving pricing for end products by improving our product mix.

This requires the installation of new drying chambers and other production equipment. Investments are still underway in particular at Boguchany, and to a lesser extent Shenkursk, where the launch of new drying chambers should have a positive effect during the second half of 2012 due to the premium pricing received on dried lumber. Producing dried wood also reduces transport costs by approximately 15 to 20 per cent from Siberia due to the reduced size and weight.

In addition to finishing installation works, the summer period is the time when we do most of the planning and field visits for harvesting over the next year. RusForest recently made a satellite-based, "GIS" survey of all forest leases in Boguchany to complement the existing forest management plan, allowing an independent appraisal of the underlying species conditions and terrain characteristics in our new forest leases. This is especially important in large areas where there are very few forest roads available. For Boguchany, the survey has confirmed the high quality timber distribution in the acquired forest leases.

Our main goal in harvesting over the next year is to increase the proportion of Larch wood, which commands a higher price in the market, particularly in Europe. The focus on more Larch harvesting was impossible at a full scale last year since the vast majority of the company's forest leases in for example Magistralny and Boguchany did not belong to the company as recently as 12 months ago. This is where the best Larch wood in Siberia exists naturally.

Leading this change requires an ambitious program for increased road intensity, where the road construction program is more aggressive than during the previous year.

Production in Magistralny has stabilized since April, and the sawmill there is undergoing further technical improvements during Q2, which should increase volumes and prices.

Overall, the outlook for sawn timber depends on the global economy. We are cautiously optimistic for improvements in the macro environment, and we are focusing on improving our sawmill efficiency and product mix to best position ourselves for a recovery in sawnwood prices.

## 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 31 March 2012, the number of outstanding shares was 95,807,694. At the close of the period, the share price was SEK 1.57 and the Company's market capitalization was approximately SEK 150.4 million. The Company's certified adviser on First North is Pareto Öhman AB.

**ISIN:** SE0001732728

**Short name on First North:** RUSF

**Number of shares** (at 31 March 2012): 95,807,694

In April 2012, RusForest carried out a rights issue of SEK 452 million before issue costs. Current shares outstanding are 479,038,470.

### Employee Stock Options

At the AGM of 10 May 2012, the shareholders approved a new employee stock options plan 2012/2015. The plan allows for employee stock options, with the right to acquire not more than 6,000,000 shares in RusForest, to be issued. Each stock option may be exercised to acquire one share in the Company for payment of an exercise price of SEK 3. The exercise price and the number of shares that each stock option entitles to subscription for shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with market practice. The board of directors shall resolve upon the allocation of employee stock options and the allocation shall be made within two categories. Category 1 includes the managing director with an allocation of not more than 3,000,000 employee stock options per person. Category 2 includes the senior management in the company, apart from the managing director, with an allocation of not more than 1,000,000 employee stock options per person.

No stock options of either category have been allocated as of the date of this report. Under the previous employee stock option program adopted at the AGM of 20 May 2010, a total of 300,000 employee stock options have been issued to Managing Director Martin Hermansson. Those options are distributed equally between three series, with an average strike price of SEK 26.14; remaining unallocated options under the 2010 program will be cancelled. More details can be found in the Company's Annual Report 2011 and on [www.rusforest.com](http://www.rusforest.com).

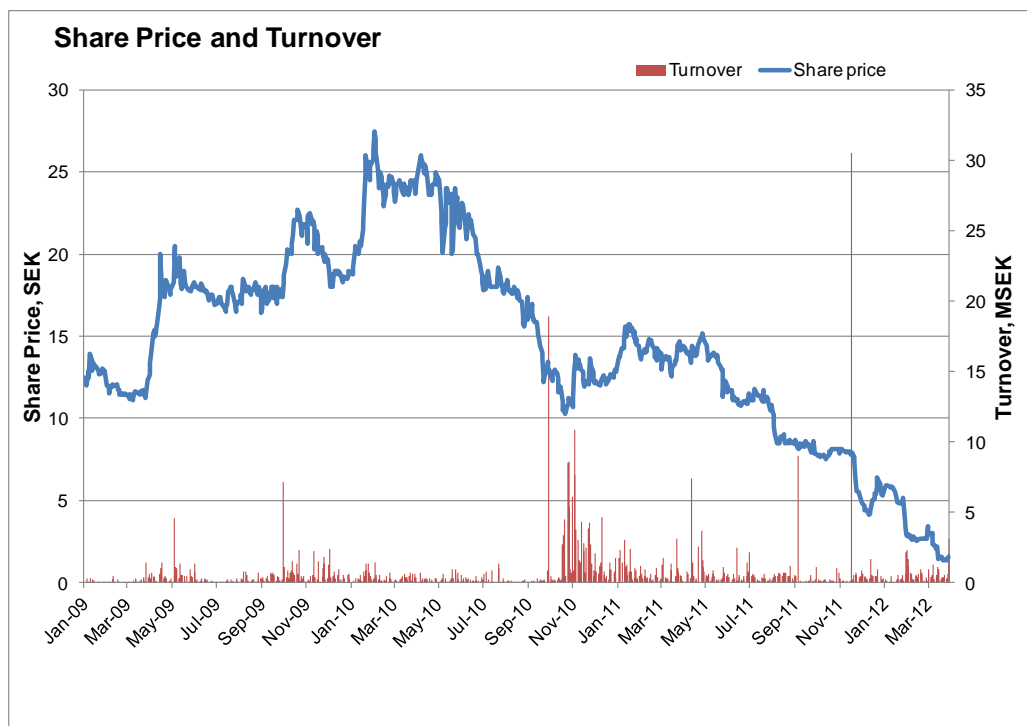
### Major Shareholders on 31 March 2012

Shareholder	Number	Percentage
Vostok Nafta Investment	28,165,209	29.4
East Capital Fonder	10,192,723	10.6
Alecta Pensionsförsäkring	9,209,490	9.6
JP Morgan Clearing Corp.	6,414,799	6.7
Morgan Stanley & Co LLC.	6,000,293	6.3
Avanza Pension	3,135,502	3.3
SSB CL Omnibus AC	2,920,343	3.0
Lillevrå Såg AB	2,722,000	2.8
Staffan Rasjö	2,697,944	2.8
Goldman Sachs & Co.	1,912,988	2.0
Others	22,436,403	23.4
<b>Total</b>	<b>95,807,694</b>	<b>100.0</b>

Source: Euroclear Sweden AB

Approximately 99.2 per cent of the shareholders used their subscription rights; therefore the composition of the shareholders did not change significantly following the rights issue.

## Trading data, January 2009 – March 2012



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.

To ensure comparability, customs duties paid related to log sales in the amount of SEK 3.3 million, SEK 3.6 million and SEK 3.5 million were offset against the revenue in Q1 2011, Q2 2011 and Q3 2011 respectively.

## 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 QUARTER ENDED 31 MARCH 2012

In thousands of SEK	Q1 2012	Q1 2011	12M 2011
<b>Continuing operations</b>			
Turnover	122,683	88,227	431,794
Cost of sales	(163,126)	(87,597)	(514,058)
<b>Gross profit/(loss)</b>	<b>(40,443)</b>	<b>630</b>	<b>(82,264)</b>
Other income	12,088	447	11,594
Distribution expenses	(32,666)	(18,873)	(79,739)
Administrative expenditure	(37,951)	(24,691)	(113,719)
Other expenses	(7,862)	(2,081)	(20,346)
<b>Operating profit/(loss)</b>	<b>(106,834)</b>	<b>(44,568)</b>	<b>(284,474)</b>
Financing income	6,350	883	2,081
Financing cost	(24,517)	(2,115)	(54,715)
<b>Net financing income/(cost)</b>	<b>(18,167)</b>	<b>(1,232)</b>	<b>(52,634)</b>
<b>Loss before tax from continuing operations</b>	<b>(125,002)</b>	<b>(45,800)</b>	<b>(337,108)</b>
Income tax	13,640	6,548	65,488
<b>Loss for the year from continuing operations</b>	<b>(111,362)</b>	<b>(39,252)</b>	<b>(271,620)</b>
<b>Discontinued operations</b>			
Loss after tax from discontinued operations	(4,300)	(5,406)	(17,079)
<b>Loss for the period</b>	<b>(115,662)</b>	<b>(44,658)</b>	<b>(288,699)</b>
Attributable to:			
Equity holders of the parent	(114,451)	(43,815)	(284,732)
Non-controlling interests	(1,211)	(843)	(3,967)
<b>Loss for the period</b>	<b>(115,662)</b>	<b>(44,658)</b>	<b>(288,699)</b>

## PER SHARE DATA

Per Share Data	Q1 2012	Q1 2011	12M 2011
SEK	31/03	31/03	31/12
Earnings	(1.19)	(0.67)	(3.32)
Shareholders' Equity	10.89	14.24	11.13
Share Price	1.57	14.30	5.30

Number of Shares	Q1 2012	Q1 2011	12M 2011
	1/1 - 31/03	1/1 - 31/03	1/1 - 31/12
Beginning of period	95,807,694	65,522,520	65,522,520
End of Period	95,807,694	65,522,520	95,807,694
Average number of shares	95,807,694	65,522,520	85,795,189

## 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.



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2012

In thousands of SEK	Q1 2012	Q1 2011	12M 2011
Loss for the period	(115,662)	(44,658)	(288,699)
<b>Other comprehensive income</b>			
Translation difference	92,230	(1,668)	(57,803)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>92,230</b>	<b>(1,668)</b>	<b>(57,803)</b>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>(23,432)</b>	<b>(46,326)</b>	<b>(346,502)</b>
Attributable to:			
Equity holders of the parent	(22,221)	(45,483)	(342,535)
Non-controlling interests	(1,211)	(843)	(3,967)
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>(23,432)</b>	<b>(46,326)</b>	<b>(346,502)</b>

The fluctuations of SEK to the main currencies have been the following during the quarter: SEK appreciated against USD by 4.4 per cent, against EUR by 1.0 per cent and depreciated against RUB by 4.1 per cent.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

In thousands of SEK	31 March 2012	31 December 2011
<b>Assets</b>		
<b>Noncurrent assets</b>		
Property Plant and equipment	1,152,417	1,095,744
Forest lease rights	459,685	445,520
Intangible assets	52,012	47,256
Investments in associates	2,132	2,349
Deferred tax asset	104,220	93,383
<b>Total noncurrent assets</b>	<b>1,770,467</b>	<b>1,684,253</b>
<b>Current assets</b>		
Inventory	194,180	141,115
Trade and other receivables	118,404	127,400
Current tax assets	245	233
Loans receivable	13,340	8,088
Cash and cash equivalents	15,102	23,571
<b>Total current assets</b>	<b>341,271</b>	<b>300,408</b>
Assets classified as held for sale	97,630	92,994
<b>Total assets</b>	<b>2,209,368</b>	<b>2,077,655</b>
<b>EQUITY</b>		
<b>Equity and reserves</b>		
Share capital	95,808	958,077
Other contributed capital	1,548,867	686,598
Translation reserve	28,080	(64,151)
Retained earnings	(518,232)	(233,500)
Loss for the period	(114,451)	(284,732)
<b>Total equity attributable to Shareholders of the Group</b>	<b>1,040,072</b>	<b>1,062,292</b>
<b>Non-controlling interest</b>	<b>2,826</b>	<b>4,037</b>
<b>Total Equity</b>	<b>1,042,897</b>	<b>1,066,329</b>
<b>Liabilities</b>		
<b>Noncurrent liabilities</b>		
Interest-bearing loans and borrowings	589,804	574,291
Deferred tax liability	104,310	106,379
<b>Total noncurrent liabilities</b>	<b>694,114</b>	<b>680,670</b>
<b>Current liabilities</b>		
Interest bearing loans and borrowings	125,988	108,665
Loans payable to related companies	135,333	72,559
Trade and other payables	190,544	133,705
Current tax liabilities	1,288	1,382
Provisions	2,069	1,736
<b>Total current liabilities</b>	<b>455,223</b>	<b>318,047</b>
Liabilities directly associated with the assets classified as held for sale	17,134	12,609
<b>Total liabilities</b>	<b>1,166,471</b>	<b>1,011,326</b>
<b>Total equity and liabilities</b>	<b>2,209,368</b>	<b>2,077,655</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2012

In thousands of SEK	Group		
	Q1 2012	Q1 2011	12M 2011
Loss for the period	(115,662)	(44,658)	(288,699)
Adjustment for non-cash items	53,480	27,598	129,337
Paid income tax	(29)	(18)	(193)
<b>Cash flow from operating activities before changes in working capital</b>	<b>(62,211)</b>	<b>(17,078)</b>	<b>(159,555)</b>
Cash flow changes in working capital	6,938	(4,795)	(25,469)
<b>Cash flow from operating activities</b>	<b>(55,273)</b>	<b>(21,873)</b>	<b>(185,024)</b>
Investment in equipment	(25,187)	(17,996)	(207,806)
Proceeds from sales of equipment	400	9	285
VAT refund on capital investments	3,795	2,154	15,179
Payment for purchase of subsidiaries	(2,098)	(13,349)	(89,592)
Interest received	-	64	2,003
Loans issued to related parties (Gravel co)	(558)	(2,661)	(13,701)
Investment in financial assets	-	(3,326)	-
<b>Cash flow from investing activities</b>	<b>(23,649)</b>	<b>(35,105)</b>	<b>(293,632)</b>
(Decrease)/Increase in loans payable	69,333	5,600	439,783
<b>Cash flow from financing activities</b>	<b>69,333</b>	<b>5,600</b>	<b>439,783</b>
<b>Cash flow during the period</b>	<b>(9,589)</b>	<b>(51,378)</b>	<b>(38,873)</b>
Cash and cash equivalents, beginning of period	23,571	67,195	67,195
Exchange-rate differences on cash and cash equivalents	1,120	(194)	(4,751)
<b>Cash and cash equivalents, period end</b>	<b>15,102</b>	<b>15,623</b>	<b>23,571</b>

In thousands of SEK	Group		
	Q1 2012	Q1 2011	12M 2011
<b>Adjustment for non-cash items</b>			
Depreciation of property, plant and equipment	30,603	18,817	89,061
Amortization of intangible assets	6,968	699	18,549
Income tax	(13,640)	(6,611)	(65,488)
Finance income	(6,350)	(883)	(2,081)
Finance expense	24,517	2,115	54,716
Net income/loss on disposal of property, plant and equipment	1,014	638	5,483
Bad debts	5,244	23	9,209
Other comprehensive loss from assets held for sale	4,300	5,406	17,079
Other non-cash items	823	7,394	2,809
<b>Total</b>	<b>53,480</b>	<b>27,598</b>	<b>129,337</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

01/01/2012 - 31/03/2012

In thousands of SEK	Attributable to the equity holders of the parents					Non-controlling interest	Total
	Share capital	Other contributed capital	Translation reserve	Retained earnings			
Opening shareholders' equity	958,077	686,598	(64,151)	(518,232)		4,037	1,066,329
Loss for the period	-	-	-	(114,451)		(1,211)	(115,662)
Other comprehensive income/(loss)	-	-	92,230	-		-	92,230
<b>Total comprehensive income/(loss)</b>	-	-	<b>92,230</b>	<b>(114,451)</b>		<b>(1,211)</b>	<b>(23,432)</b>
Decrease in share capital	(862,269)	862,269	-	-		-	-
Costs related to the rights issue	-	-	-	-		-	-
New shares issue	-	-	-	-		-	-
<b>Shareholders' equity at end of period</b>	<b>95,808</b>	<b>1,548,867</b>	<b>28,080</b>	<b>(632,683)</b>		<b>2,826</b>	<b>1,042,897</b>

01/01/2011 - 31/03/2011

In thousands of SEK	Attributable to the equity holders of the parents					Non-controlling interest	Total
	Share capital	Other contributed capital	Translation reserve	Retained earnings			
Opening shareholders' equity	655,225	541,114	(6,348)	(214,062)		3,143	979,072
Loss for the period	-	-	-	(43,815)		(843)	(44,658)
Other comprehensive income	-	-	(1,668)	-		-	(1,668)
<b>Total comprehensive income</b>	-	-	<b>(1,668)</b>	<b>(43,815)</b>		<b>(843)</b>	<b>(46,326)</b>
Costs related to the rights issue	-	-	-	-		-	-
New share issue	-	-	-	-		-	-
<b>Shareholders' equity at end of period</b>	<b>655,225</b>	<b>541,114</b>	<b>(8,016)</b>	<b>(257,877)</b>		<b>2,300</b>	<b>932,746</b>

01/01/2011 - 31/12/2011

In thousands of SEK	Attributable to the equity holders of the parents					Non-controlling interest	Total
	Share capital	Other contributed capital	Translation reserve	Retained earnings			
Opening shareholders' equity	655,225	541,114	(6,348)	(214,062)		3,143	979,072
Loss for the period	-	-	-	(284,732)		(3,967)	(288,699)
Other comprehensive income/(loss)	-	-	(57,803)	-		-	(57,803)
<b>Total comprehensive income/(loss)</b>	-	-	<b>(57,803)</b>	<b>(284,732)</b>		<b>(3,967)</b>	<b>(346,502)</b>
Acquired non-controlling interest in subsidiaries	-	-	-	(19,438)		4,861	(14,577)
New share issue	302,852	145,484	-	-		-	448,336
<b>Shareholders' equity at end of period</b>	<b>958,077</b>	<b>686,598</b>	<b>(64,151)</b>	<b>(518,232)</b>		<b>4,037</b>	<b>1,066,329</b>

At the extraordinary shareholders' meeting in RusForest AB on 1 March 2012, it was decided to reduce the nominal value of the shares from 10 SEK per share to 1 SEK per share. As a result, the share capital decreased to SEK 95.8 million as of 31 March 2012 from SEK 958.1 million as of the beginning of the quarter.

## NOTES TO THE FINANCIAL STATEMENTS

The data for 2011 includes income and expenses of LDK-3 and Infa (both since January 2011), Sibartles (since March 2011), Nord Timber Group (since May 2011), Kansky (since June 2011) and Adar (since July 2011). For this reason the information presented below is not fully comparable.

### Note 1. Cost of sales

In thousands of SEK	Q1 2012	Q1 2011
Personnel costs	43,648	17,136
Purchased sawlogs	14,607	21,231
Depreciation of property, plant and equipment	27,490	17,712
Amortization of intangible assets	6,922	699
Materials	7,687	4,513
Energy and fuel	22,476	7,815
Repairs and maintenance	6,396	4,498
Harvesting services	10,894	5,472
Forest lease	7,374	3,058
Road maintenance	3,845	-
Other	11,788	5,463
	<b>163,126</b>	<b>87,597</b>

#### Note 1.2. Road maintenance

In thousands of SEK	Q1 2012	Q1 2011
Personnel costs	901	-
Depreciation of property, plant and equipment	799	-
Energy and fuel	1,182	-
Materials	583	-
Other	380	-
	<b>3,845</b>	<b>-</b>

### Note 2. Distribution expenses

In thousands of SEK	Q1 2012	Q1 2011
Personnel costs	6,644	3,040
Railway costs	16,779	10,039
Custom duty	110	296
Other	9,133	5,498
	<b>32,666</b>	<b>18,873</b>

### Note 3. Administrative expenditure

In thousands of SEK	Q1 2012	Q1 2011
Personnel costs	22,318	12,600
Audit	987	1,067
Property tax	2,475	1,157
Consulting fees	3,777	3,739
Other	8,394	6,128
	<b>37,951</b>	<b>24,691</b>

### 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 allocated to the segments to which they belong. The Gravel segment is classified as discontinued operations.



## 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.

## Operational segments

In thousands of SEK	Q1 2012 Harvesting	Q1 2012 Sawmilling	Q1 2012 Pellets	Q1 2012 Gravel	Total
External revenues	40,982	80,081	5,245	15,947	138,630
Inter-segment revenue	52,735	8,244	-	-	60,978
Reportable segment profit before tax	(53,777)	(68,790)	(2,435)	(5,633)	(130,635)

## Assets Classified as Held for Sale – Gravel segment

In thousands of SEK	31 March 2012	31 December 2011
<b>Assets</b>		
<b>Noncurrent assets</b>		
Property Plant and equipment	67,758	66,232
Intangible assets	10,458	10,241
Deferred tax asset	4,271	2,842
<b>Total noncurrent assets</b>	<b>82,488</b>	<b>79,315</b>
<b>Current assets</b>		
Inventory	5,559	5,347
Trade and other receivable	7,862	6,805
Cash and cash equivalents	1,721	1,527
<b>Total current assets</b>	<b>15,142</b>	<b>13,679</b>
<b>Total assets</b>	<b>97,630</b>	<b>92,994</b>

## Liabilities directly associated with the assets classified as held for sale

In thousands of SEK	31 March 2012	31 December 2011
<b>Liabilities</b>		
<b>Noncurrent liabilities</b>		
Interest-bearing loans and borrowings	-	1,899
Deferred tax liability	16	16
<b>Total noncurrent liabilities</b>	<b>16</b>	<b>1,915</b>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	9,910	5,989
Trade and other payables	7,207	4,705
<b>Total current liabilities</b>	<b>17,118</b>	<b>10,694</b>
<b>Total liabilities</b>	<b>17,134</b>	<b>12,609</b>

**Consolidated Statement of Comprehensive Income - Gravel Segment**

In thousands of SEK	Q1 2012	Q1 2011	12M 2011
<b>Discontinued operations</b>			
Turnover	15,947	4,205	59,361
Cost of sales	(12,582)	(5,998)	(37,817)
<b>Gross profit</b>	<b>3,365</b>	<b>(1,793)</b>	<b>21,544</b>
Other income	-	-	2,065
Distribution expenses	(7,322)	(2,390)	(34,392)
Administrative expenditure	(1,210)	(1,188)	(4,640)
<b>Operating profit/(loss)</b>	<b>(5,167)</b>	<b>(5,371)</b>	<b>(15,423)</b>
Financing income	-	147	-
Financing cost	(467)	(606)	(1,762)
<b>Net financing income/(cost)</b>	<b>(467)</b>	<b>(459)</b>	<b>(1,762)</b>
<i>Income tax</i>	1,333	424	106
<b>Loss after tax from discontinued operations</b>	<b>(4,300)</b>	<b>(5,406)</b>	<b>(17,079)</b>

**Condensed consolidated statement of cash flows - Gravel segment**

In thousands of SEK	Q1 2012	Q1 2011	12M 2011
Cash flow from operating activities	2,175	103	4,357
Cash flow from investing activities	442	(1,550)	(6,181)
Cash flow from financing activities	(2,504)	1,502	2,701
<b>Cash flow during the period</b>	<b>113</b>	<b>55</b>	<b>877</b>

**Note 5. Parent Company****Parent company income statement**

In thousands of SEK	Q1 2012	Q1 2011
Turnover	-	-
Cost of sales	-	-
<b>Gross profit</b>	<b>-</b>	<b>-</b>
Distribution expenses	-	-
Administrative expenditure	(4,485)	(1,006)
Loss on disposal of investments	(1,568,193)	-
<b>Operating profit/(loss)</b>	<b>(1,572,678)</b>	<b>(1,006)</b>
Exchange gain/loss	6,509	(26,395)
Financing income	7,119	11,027
Financing cost	(19,083)	-
<b>Net financing income/(cost)</b>	<b>(5,455)</b>	<b>(15,368)</b>
<i>Income tax</i>	-	-
<b>Profit/(loss) for the period</b>	<b>(1,578,133)</b>	<b>(16,374)</b>

## Parent company balance sheet

In thousands of SEK	31 March 2012	31 December 2011
<b>Assets</b>		
<b>Noncurrent assets</b>		
Investments in subsidiaries	448,499	2,041,385
Loans receivable from subsidiaries	303,693	202,197
<b>Total noncurrent assets</b>	<b>752,192</b>	<b>2,243,582</b>
<b>Current assets</b>		
Current tax assets	7	6
Trade and other receivable	2,418	2,851
Cash and cash equivalents	1,815	12,618
<b>Total current assets</b>	<b>4,240</b>	<b>15,475</b>
<b>Total assets</b>	<b>756,432</b>	<b>2,259,057</b>
<b>EQUITY</b>		
<b>Equity and reserves</b>		
Share capital	95,808	958,077
Other capital	686,598	686,598
Retained losses	(721,675)	(5,811)
<b>Total equity</b>	<b>60,731</b>	<b>1,638,864</b>
<b>Liabilities</b>		
<b>Noncurrent liabilities</b>		
Interest-bearing loans and borrowings	492,112	491,175
<b>Total noncurrent liabilities</b>	<b>492,112</b>	<b>491,175</b>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	66,702	52,856
Loans payable to related companies	135,232	72,463
Trade and other payables	1,655	3,699
<b>Total current liabilities</b>	<b>203,589</b>	<b>129,018</b>
<b>Total equity and liabilities</b>	<b>756,432</b>	<b>2,259,057</b>

On 29 February 2012, RusForest AB sold its investments into RusForest Ltd, Varyag Capital (Cyprus) Limited, Eastern Bio Holding AB and B.E.N. Bio Energy Nord Ltd. to the newly formed RusForest Holding AB, a wholly owned subsidiary of RusForest AB. The transaction resulted in a loss in the parent company books of SEK 1,568.2 million. At the extraordinary shareholder meeting on 1 March, it was decided that the share capital of the parent company, in the amount of SEK 862.3 million, should be reduced to cover the accumulated losses.

**Forthcoming information**

Interim Report Q2                      23 August 2012  
Interim Report Q3                      22 November 2012

**Nomination Committee**

The Nomination Committee for the AGM 2012 was comprised of Anders F. Börjesson, Vostok Nafta (chairman); Louise Hedberg, East Capital; Leif Törnvall, Alecta and Oskar Rundlöf, Libra. A new nomination committee for the AGM 2013 will be constituted in accordance with the principles adopted at the 2012 AGM. The Nomination Committee can be contacted via e-mail on [info@rusforest.com](mailto:info@rusforest.com).

Stockholm, 24 May 2012

RusForest AB (publ)  
The Board of Directors

**For Further information, please contact**

Martin Hermansson, CEO, Tel: +7 (495) 787 58 72  
Kirill Pronin, interim CFO, Tel: +7 (495) 787 58 72

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

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