

Significant events during the three months ended June 30, 2012

- In April 2012, RusForest completed an oversubscribed rights issue of SEK 452.2 million (before issuing costs of SEK 15.6 million). As a result of the rights issue, total shares outstanding increased from 95,807,694 to 479,038,470.
- A new employee stock option program was approved at the AGM on May 10, 2012, but no options have been awarded under this program.
- Construction of the drying kilns was finalized at the Shenkursk sawmill with a nominal capacity of 80,000 m³ per year.
- The small planing mill in Arkhangelsk (at the Bakaritsa site) was shutdown and will be sold in order to focus on the main business in the area.
- Deliveries to the Middle East and in particular Syria were disrupted, and some sales of sawnwood in stock were deferred to Q3. Deliveries to these markets were prepaid, and there is no financial exposure from receivables on the balance sheet.

Significant events after the end of the period

- The sawmill in Magistralny was improved with additional equipment for sawlog debarking and in-feed. As a result, daily production capacity has increased by 50 percent.
- On July 5, 2012, RusForest obtained certificates from the Forest Stewardship Council ("FSC"), the not-for-profit organization dedicated to the promotion of responsible forest management, for the sawmills at the two main Siberian production units in Magistralny and Boguchany. The harvesting operations in Siberia went through the audit procedures and expect to receive the certificates before the end of the year. Previously, the forests leases in Arkhangelsk were FSC certified, together with LDK-3 and the RusForest Trade House.
- On August 2, 2012, RusForest appointed Garrett Soden as CEO. Martin Hermansson, the previous President and CEO, continues to support the Company as General Director of RusForest Management in Moscow. In addition, Kirill Pronin, the previous interim CFO, was appointed CFO.
- In August 2012, new drying kilns and a boiler were launched at the Boguchany sawmill. The first batch of sawnwood was loaded into the kilns on August 6, 2012. This should allow increased price realizations for sawnwood in Boguchany and better utilization of wood residues by burning woodchips and sawdust in the newly constructed boiler.
- In August 2012, RusForest began the process of selling all of the Company's assets in Ust-Ilimsk.
- On August 22, 2012, Russia joined the World Trade Organization ("WTO"), which is expected to increase competition and foreign investment in Russia. The Russian forestry sector has average export tariffs of 25 percent on round logs (harvested timber) that will be lowered to 13-15 percent (depending on species) within certain quotas under the new WTO membership. The effect of this for RusForest will not be clear until quotas have been distributed later this year and both importers and exporters have all necessary licenses registered.

CEO Comment

Dear RusForest Shareholders,

As you know, I joined the company as CEO earlier this month. After a brief review, it is clear that our cash balance is tight and that we are unlikely to meet our 2012 production, sales and EBITDA guidance provided to you during the rights issue earlier this year.

RusForest has near-term operational and financing challenges. We are losing money today due to low price realizations for our sawnwood products, low capacity utilization in our harvesting and sawmilling operations, low residual product sales and high transportation costs. However, we have significant forestry expertise on our Board and in our management team, and we know how to address these challenges long-term.

I plan to focus all of my efforts on the following:

1. Selling non-core assets to raise additional cash;
2. Strengthening management to deliver operational results; and
3. Exploring strategic and financial alternatives to create shareholder value.

In order to restore our credibility in the capital markets, I have recommended to the Board that we do not update our guidance until we have better visibility into our construction and production upgrades.

RusForest is unique in the capital markets today as the only publicly-traded forestry company focused on Russia. The Company is vertically integrated from forest leases through sawmills, is self-sufficient in raw material supply and has access to some of the highest-quality, lowest-cost timber in the world. The challenges of operating in Russia are well-known, but RusForest has limited competition and significant country expertise.

I commend the previous management of RusForest for creating this unique platform, and I am excited to join the company with a clear mandate to drive efficiency and execute a strategic plan to create value for shareholders.

I look forward to meeting you and updating you on our progress in the weeks and months ahead.

Kind regards,

Garrett Soden
CEO, *RusForest AB*

Company Overview

RusForest is a Swedish forestry company operating in Eastern Siberia and the Arkhangelsk region in Northwest Russia. RusForest is listed on NASDAQ OMX Stockholm First North (ticker symbol "RUSF"). RusForest's largest shareholder is Vostok Nafta Investment Ltd, which owns approximately 29 percent of the Company's shares.

Since its establishment in 2006, RusForest has increased its forest leases and sawmilling capacity both by strategic acquisitions and internal development projects. Through long-term lease agreements, the Company controls approximately 3 million hectares of forest land with an annual allowable cut ("AAC") of approximately 3.6 million m³.

RusForest's principal business is to process the premium quality pine, spruce and larch logs from its own forest leases into a wide range of sawnwood products. The Group's total sawmilling capacity is greater than 400,000 m³ of sawnwood per year. There is significant potential for more processing within the limit of the maximum allowable harvesting.

RusForest's strategic objective is to become a leading independent integrated forestry company in Russia while earning an attractive return for shareholders.



Boguchany newly erected log sorting line

Operations

RusForest Operational Data

Three months ended June 30, 2012, by location from from West to East

	Unit	Arkhangelsk 1	Arkhangelsk 2 (Shenkursk)	Boguchany	Ust-Ilimsk	Magistralny	Consolidated Q2 2012	Consolidated Q2 2011	% Q2'12 vs Q2'11
RusForest ownership interest		94.6% in LDK-3	100%	100%	100%	100%			
Forest leases									
Annual Allowable Cut (AAC)	m3	958,800	-	748,400	942,560	958,700	3,608,460	3,631,060	(1%)
Forest area	Hectares	1,270,577	-	374,477	565,444	746,352	2,956,850	2,956,290	0%
Utilization of AAC (annualised)	%	25%	n/a	30%	23%	18%	24%	18%	33%
Production									
Sawlogs harvested	m3	36,709	n/a	36,967	30,750	27,381	131,806	97,890	35%
Pulpwood harvested	m3	24,326	n/a	-	24,258	-	48,584	35,281	38%
Logs purchased	m3	53,483	11,522	4,948	3,078	-	73,030	90,635	(19%)
Sawnwood production	m3	29,565	6,831	15,543	5,116	10,529	67,584	51,692	31%
Sales volumes									
Sawlogs sold	m3	1,697	-	15,916	20,991	13,371	51,976	60,341	(14%)
Pulpwood sold	m3	39,833	-	-	7,831	389	48,053	54,054	(11%)
Sawnwood sold	m3	33,450	6,258	19,696	10,521	8,938	78,863	42,963	84%
Woodchips sold	m3 solid	8,157	840	3,254	7,131	-	19,382	41,381	(53%)
Planed Products sold	m3	5,605	-	-	1,092	-	6,697	5,491	22%

Three months ended June 30, 2011, by location from from West to East

	Unit	Arkhangelsk 1	Arkhangelsk 2 (Shenkursk)	Boguchany	Ust-Ilimsk	Magistralny	Consolidated Q2 2011
RusForest ownership interest		94.6% in LDK-3	100%	100%	100%	100%	
Forest leases							
Annual Allowable Cut (AAC)	m3	981,400	-	748,400	942,560	958,700	3,631,060
Forest area	Hectares	1,270,018	-	374,477	565,444	746,352	2,956,290
Utilisation of AAC (annualised)	%	14%	n/a	31%	19%	12%	18%
Production							
Sawlogs harvested	m3	11,294	n/a	37,370	31,252	17,974	97,890
Pulpwood harvested	m3	22,162	n/a	-	13,119	-	35,281
Logs purchased	m3	70,001	6,079	2,298	12,256	-	90,635
Sawnwood production	m3	25,945	2,688	8,114	14,197	748	51,692
Sales volumes							
Sawlogs sold	m3	8,247	-	6,801	18,660	26,634	60,341
Pulpwood sold	m3	15,997	-	-	38,057	-	54,054
Sawnwood sold	m3	17,646	2,715	10,126	12,476	-	42,963
Woodchips sold	m3 solid	20,749	2,176	-	18,456	-	41,381
Planed Products sold	m3	2,992	1,053	-	1,446	-	5,491

Six months ended June 30, 2012, by location from from West to East

	Unit	Arkhangelsk 1	Arkhangelsk 2 (Shenkursk)	Boguchany	Ust-Ilimsk	Magistralny	Consolidated 1H 2012	Consolidated 1H 2011	% 1H'12 vs 1H'11
RusForest ownership interest		94.6% in LDK-3	100%	100%	100%	100%			
Forest leases									
Annual Allowable Cut (AAC)	m3	958,800	-	748,400	942,560	958,700	3,608,460	3,631,060	(1%)
Forest area	Hectares	1,270,577	-	374,477	565,444	746,352	2,956,850	2,956,290	0%
Utilistion of AAC (annualised)	%	31%	n/a	41%	42%	22%	34%	19%	80%
Production									
Sawlogs harvested	m3	77,187	n/a	99,736	117,538	70,071	364,531	222,683	64%
Pulpwood harvested	m3	72,913	n/a	-	80,067	-	152,980	67,701	126%
Logs purchased	m3	93,236	23,767	21,899	3,078	-	141,979	152,626	(7%)
Sawnwood production	m3	52,157	10,749	33,621	20,769	17,850	135,146	110,848	22%
Sales volumes									
Sawlogs sold	m3	14,895	-	23,456	30,561	33,073	101,985	73,399	39%
Pulpwood sold	m3	93,425	-	-	37,452	2,749	133,626	68,844	94%
Sawnwood sold	m3	39,975	9,506	31,307	24,845	16,696	122,329	83,324	47%
Woodchips sold	m3 solid	21,112	840	5,165	21,703	561	49,381	66,375	(26%)
Planed Products sold	m3	8,415	1,423	-	2,027	-	11,866	7,753	53%

Six months ended June 30, 2011, by location from from West to East

	Unit	Arkhangelsk 1	Arkhangelsk 2 (Shenkursk)	Boguchany	Ust-Ilimsk	Magistralny	Consolidated 1H 2011
RusForest ownership interest		94.6% in LDK-3	100%	100%	100%	100%	
Forest leases							
Annual Allowable Cut (AAC)	m3	981,400	-	748,400	942,560	958,700	3,631,060
Forest area	Hectares	1,270,018	-	374,477	565,444	746,352	2,956,290
Utilistion of AAC (annualised)	%	7%	n/a	27%	34%	9%	19%
Production							
Sawlogs harvested	m3	11,294	-	65,041	116,800	29,548	222,683
Pulpwood harvested	m3	22,162	-	-	45,539	-	67,701
Logs purchased	m3	115,005	6,079	14,442	17,099	-	152,626
Sawnwood production	m3	41,762	2,688	28,906	36,744	748	110,848
Sales volumes							
Sawlogs sold	m3	8,247	-	7,865	23,483	33,804	73,399
Pulpwood sold	m3	15,997	-	-	52,847	-	68,844
Sawnwood sold	m3	25,857	2,715	20,728	34,025	-	83,324
Woodchips sold	m3	29,057	2,176	-	35,142	-	66,375
Planed Products sold	m3	4,643	1,053	-	2,057	-	7,753

Notes to the volume figures:

- The figures presented are given for reference purposes only. The grouping was made based on internal supply chains. Arkhangelsk 1 includes Severny Les (ex-NTG harvesting operation), LDK-3 (sawmill, 94.6 percent owned) and Infa (planing mill). Arkhangelsk 2 includes Shenkursk sawmill and discontinued Bakaritsa planing mill (both ex-NTG). Boguchany includes Boguchansky LPK (sawmill), RusForest Angara, Sibartles, and ADAR. Ust-Ilimsk includes Tuba Les forest leases and several other lease-holding companies. Magistralny includes RusForest Magistralny (sawmill), Lesprom and Bamlesstroj.
- Pulp logs are not able to be sold in Boguchany and Magistralny and are therefore not shown in production figures. However, AAC utilization takes into account inevitable harvesting of pulpwood as Russian law does not allow selective harvesting and requires so called "clear cutting".

Operational highlights, three months ended June 30, 2012

- The amount of forest area leased did not change, except for minor adjustments by the forestry authorities in Arkhangelsk. There were no new acquisitions after June 30, 2011.
- Total AAC utilization increased to 24 percent in Q2 2012 compared with 18 percent in Q2 2011.
- Sawnwood shipments grew by 84 percent in Q2 2012 versus Q2 2011 due to delayed Q1 shipments by LDK-3, increased production in Boguchany and the launch of the Magistralny sawmill in June 2011.
- Price realizations in Q2 2012 were lower than expected due to a delay in finishing the driers at the sawmills in Shenkursk and Boguchany.
- The Company suffered from low shipments of woodchips in Q2 2012 both in Arkhangelsk and Ust-Ilimsk due to oversupply and reconstruction works at local pulp mills.

The composition of the Group did not change materially from June 30, 2011 to June 30, 2012. However, there were acquisitions in the harvesting segment of the Group completed in 1H 2011, including the NTG group of companies operating in Arkhangelsk (consolidated in May 2011) and forest leases in Boguchany (February and June 2011). Harvesting volume results as well as AAC utilization are therefore not comparable between periods. In addition, the Magistralny sawmill was officially started in June 2011.

Harvesting operations increased in Q2 2012 as a result of consolidating the harvesting volumes of Severny Les (ex-NTG) compared to Q2 2011, but also due to the addition of equipment in the other subsidiaries (11 harvesting groups). The most obvious trend is that harvesting started in June 2012 and that logs can now be transported on infrastructure built last season. Road construction is a long-term investment, but with a pay-back period that usually is very short if the alternative, as with RusForest in the past, is a raw material deficit at the sawmills.

Sawmilling operations improved by 31 percent in Q2 2012 compared with Q2 2011. The reason the increase was not larger is because the drying chambers at the Boguchany sawmill were launched only in August 2012 and not during Q2 2012 as initially expected. The main saw line improvements in Magistralny that took place in June 2012 are expected to improve production for future months, even if they lowered production in June 2012 due to the downtime. The main positive effect from increased drying capacity (higher price realizations) is expected to be seen during the second half of the year.

Sawmilling volumes generally were supported by the stable production at LDK-3 and are expected to be more consistent in the future. It should also be noted that, despite the sublease of the saw line in Ust-Ilimsk, total production volumes have increased in relation to previous periods.

The Group continues to experience logistical challenges with shipment of sawnwood due to poor development of transport infrastructure in Russia, i.e. congestion on the railway, unstable wagon supply and reconstruction in sea ports. Therefore, the Group has not been able to make up for low shipments of sawnwood in Q1 2012.

Regional Update

Northwest Russia:

Arkhangelsk Harvesting

Harvesting in Arkhangelsk has seen continued problems with the Rottne harvesting machines, with the manufacturer having a weak support function for spare part supplies in Russia. This has been countered by investments into our own stock of spare parts, which is usually kept by the equipment producer.

LDK-3

The Arkhangelsk sawmill (LDK-3) reached an all-time high production of 11,800 m³ in June 2012 with positive EBITDA. Production cost per cubic meter is followed closely at each sawmill, and the target is to get the new mills in Boguchany and Magistralny down to the cost levels already seen at LDK-3. Long-term, LDK-3 will need to be reconstructed, and the Company is in negotiations with a partner for wood pellet production at the same site.

Shenkursk

The sawmill in Shenkursk saw the launch of the drying chambers during the end of Q2 2012, but the mill is still dependent on the dry sorting line scheduled to begin in Q3 2012 in order to produce sawnwood for export.

Eastern Siberia:Ust-Ilimsk

Q2 2012 was the first quarter where sawmill production in Ust-Ilimsk was leased to a third party and not included in RusForest total production. In August 2012, the Company began a process to sell all assets in Ust-Ilimsk.

Magistralny

Harvesting in Magistralny has started in the new forest leases acquired in 2011, without which it would not have been possible to supply the mill with logs during the summer months. Also, there have been management changes in Magistralny aimed at strengthening the harvesting division.

The Magistralny sawmill went through a second round of modernization in June 2012. As previously mentioned, equipment-related problems due to poor procurement in 2008-2009 resulted in additional investments.

Boguchany

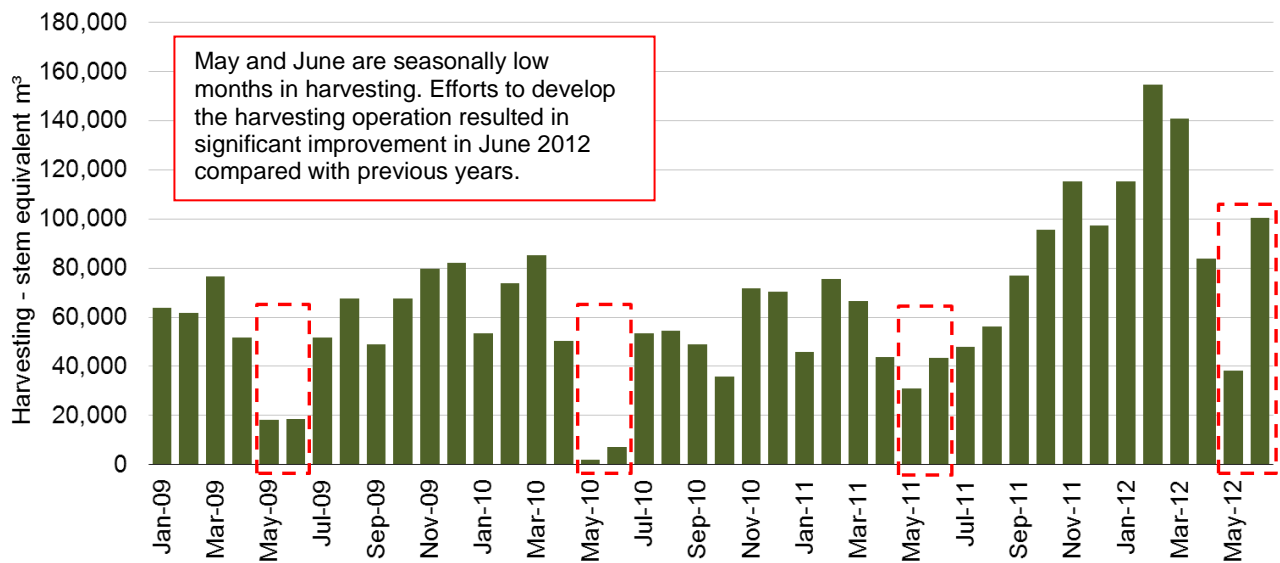
The Boguchany sawmill launched new drying chambers and a boiler in August. As in Magistralny, this is the main opportunity to improve results as it allows the company to sell a higher value product in dried wood. In contrast, un-dried ("green" wood) is difficult to sell, takes more effort to handle and also costs more to ship to the end customer due to additional weight. Following the establishment of a strong raw material supply base during 2011, the share of larch wood (which sells at a premium) is expected to increase during the coming year, further enhancing revenue.

Capital Expenditures

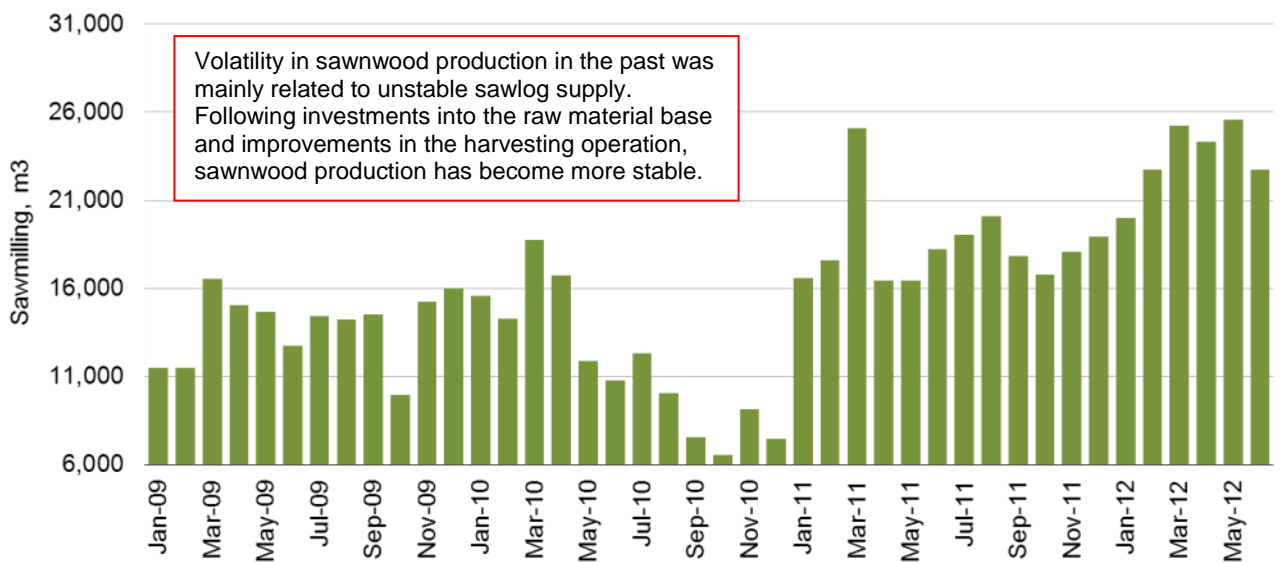
The table below presents actual investments made during 1H 2012 in comparison with the estimate made in the prospectus prepared for the Rights Issue in April 2012. Management is reviewing all capital expenditures in order to conserve cash and re-deploy equipment from non-core asset sales.

In millions of SEK	Original Capex Budget 2012	Spent as of June 30, 2012
Harvesting	108.5	22.5
Sawmills	67.1	43.5
Total amount	175.6	66.1

*RusForest Group Harvesting Dynamics**



*RusForest Group Sawmilling Dynamics**



* 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 was 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.

Macroeconomic Development and the Market

The global economic situation during Q2 2012 offered little improvement compared with Q1 2012. In addition, the weakening of the Euro has benefited European producers like Finland and Germany, which are gaining market share.

The current weak market fundamentals are expected to continue into next year.

Pulpwood markets are almost non-existent in Eastern Siberia and softening in the Arkhangelsk region. Payment discipline by the pulp mills is weak and has led to increased receivables for Arkhangelsk.

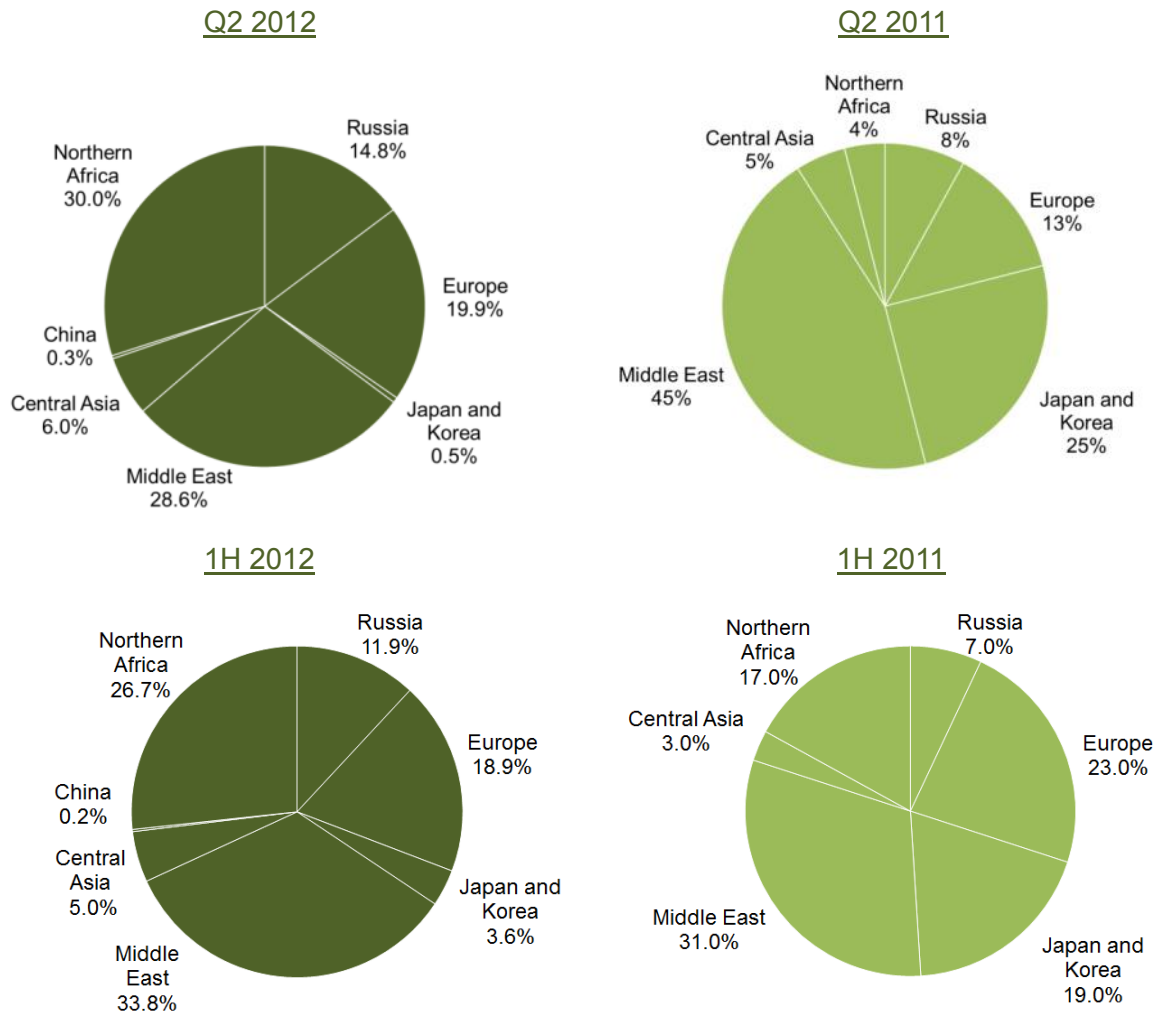
The impact of Russia's entry into the World Trade Organization on log exports will not be seen until later this year. Exports will still be regulated by export quotas, and the current export tax of 25 percent will be reduced to 13-15 percent within certain quotas. The largest effect is expected on pricing of pulp logs in the Arkhangelsk region since Finnish imports most likely will return in the regions close to the Finnish border. Exports to China depend more on the inner state of the Chinese economy, where a restart in construction activity is expected during 2013.

To improve our market positioning and sales prices, the Company has engaged an experienced Swedish sales and logistics consultant to revise our sales strategy and access higher value markets.

Due to the unrest in Syria, RusForest is redirecting shipments from the Middle East to Northern Africa. In addition, prices for green spruce in South Korea have fallen, and the Group has stopped selling there. Volumes to Japan remained very low due to high quality requirements in that market. Stability in production at the different mills should help reduce the share of exports destined for the less attractive Middle East and North African markets going forward.

See **Outlook** section below for more information.

RusForest Sawnwood Sales by Geography (based on volumes)



Source: RusForest Trading, LDK-3

We have been selling sawnwood mainly in the Middle East and North Africa for several reasons. First, these markets purchase large volumes of sawnwood and have offered the best price for lower grades in recent years with competitive transportation logistics from Siberia through the Black Sea. In addition, these markets buy sawnwood on pre-payment while most other markets are paying 45-60 days after delivery. Lastly, these markets do not require FSC certification. In the future, as production stabilizes with our new drying chambers and we finalize the FSC certification process, RusForest will target higher value markets.

Key Financial Data

	2012		Q4	2011		
	Q2	Q1		Q3	Q2	Q1
Volumes, m3						
Sawlogs harvested	131,806	232,725	198,289	115,739	97,891	124,792
Sawlogs sold	51,976	50,009	64,526	55,091	60,341	13,058
Sawnwood produced	67,584	67,562	52,847	54,684	51,692	59,156
Sawnwood sold	78,863	43,466	52,957	82,208	42,963	40,361
In thousands of SEK						
Turnover	154,226	122,683	117,715	112,052	114,328	88,227
Cost of Sales	(209,114)	(163,126)	(153,124)	(139,064)	(129,337)	(87,597)
EBITDA	(92,222)	(69,263)	(60,784)	(55,229)	(35,478)	(25,372)
Net Loss	(184,800)	(115,662)	(97,230)	(77,546)	(69,267)	(44,658)
Operating Cash Flow	(97,182)	(55,273)	(31,186)	(48,157)	(83,807)	(21,873)
Investing Cash Flow	(33,242)	(23,649)	(13,319)	(142,007)	(115,796)	(35,105)
Per Share Data, SEK						
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Earnings	(0.46)	(1.19)	(1.02)	(0.80)	(0.70)	(0.67)
Shareholders Equity	2.49	10.89	11.13	12.01	14.07	14.24
Share Price	0.94	1.57	5.30	7.85	11.50	14.30
Equity/Assets Ratio	56.8%	47.2%	51.3%	58.0%	62.4%	79.4%

Financial performance

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

Although the Group's EBITDA in Q2 2012 was affected by certain non-recurring items (as presented below), the Group continued to incur losses at the EBITDA (operations) level.

Q2 2012 versus Q1 2012

	Q2 2012 SEKth	Q1 2012 SEKth	Q2 2012 USDm	Q1 2012 USDm
IFRS results				
Revenue (gross, at ports)	154,226	122,683	22.0	17.5
Operating profit/(loss)	(140,038)	(106,834)	(20.0)	(15.3)
add back depreciation and amortization non-cash expense	45,467	37,571	6.5	5.4
add back impairment of investment into Filial #2	2,349		0.3	
EBITDA unadjusted	(92,222)	(69,263)	(13.2)	(9.9)
a. Write-off of loan receivable to TransNafta	7,458		1.1	
b. Doubtful receivables	5,846	5,244	0.8	0.7
c. Slow-moving and obsolete non-wood materials	5,873		0.8	
d. Tax, other claims and fee of bankruptcy manager (Tuba)	3,005		0.4	
e. Stock adjustments in Arkhangelsk Q1		4,759		0.7
f. Unused vacation accrual Q1		13,102		1.9
g. Ust-Ilimsk restructuring Q1		1,711		0.2
h. (income) leasing payable correction NTG	(4,669)		(0.7)	
i. (income) compensation of overpaid leases	(1,920)	(5,831)	(0.2)	(0.8)
j. Other items	3,069	(429)	0.3	(0.1)
Non-recurring items	18,662	18,556	2.6	2.7
EBITDA adjusted	(73,560)	(50,707)	(10.5)	(7.2)
Harvesting	(33,398)	(14,633)	(4.8)	(2.1)
Sawmilling	(22,200)	(19,222)	(3.2)	(2.8)
Pellets	(2,549)	(2,036)	(0.4)	(0.3)
Unallocated	(15,413)	(14,817)	(2.2)	(2.0)
EBITDA adjusted, by segments	(73,560)	(50,707)	(10.5)	(7.2)

The company generated increased losses in Q2 2012 compared to Q1 2012 due to harvesting seasonality and a revaluation of stock in Boguchany.

Production volumes did not increase from Q1 to Q2 2012 (large seasonal reduction in harvesting and flat sawmilling). However, revenues increased because of an increase in shipments.

In general, the increase in Q2 2012 revenues from Q1 2012 was driven by sawnwood sales, while most of the increase in losses from Q1 to Q2 2012 is from harvesting due to the almost two months of seasonal standstill and the extensive repairs of harvesting equipment to prepare for summer harvesting.

Increase in losses attributable to sawmilling is an accounting correction for stock valuation in the Boguchany sawmill.

The reasons for losses in Q2 2012 are outlined below.

Prices/revenue

- The market for sawnwood continues to be challenging, as reported by most if not all major participants in the industry.
- In Q2 2012, the Group continued to sell large volumes of green (undried) sawnwood in Boguchany and a low percentage (10 percent) of larch volumes in both Boguchany and Magistralny.

Actions to increase the average price of sawnwood

- Dried wood is expected to increase as a share of production through the launch of new drying chambers in Boguchany and Shenkursk, resulting in higher prices and lower transport costs.

- FSC certification of forests and sawmills (chain of custody) is expected to increase market reach, especially for Siberian sales to Europe.
- The share of larch in harvesting and sawnwood production is expected to increase, resulting in higher average prices and less competition from Scandinavia.
- A more even log supply as a result of road construction is expected to increase log quality which results in better grading and higher average prices.
- Receiving quotas for log exports to China and Europe under the new WTO rules would allow export of logs not consumed in sawmills.

Cost

- Harvesting results are generally low in Q2 every year due to seasonality (poor weather conditions for logging and hauling). Therefore, in Q2 2012, the Group suffered more than a month of fixed cost with no revenue in the harvesting segment and extensive repairs of harvesting equipment in April-May 2012.
- The Group has not yet reached appropriate utilization rates in all stages of production. In Q2 2012, AAC utilization was low (less than 25 percent). Harvesting equipment utilization, excluding seasonality, was low due to poor infrastructure in the forest and lack of detailed knowledge about the forest itself, as Soviet-era data is largely obsolete. Sawmill capacity utilization was low as construction and modernization came close to being finalized only in Q3 2012 for the Boguchany and Shenkursk sawmills and June 2012 for the Magistralny sawmill.
- High Q2 2012 transportation costs are due to the remoteness and inefficiency of the Karabula railway station in Boguchany in general and repairs of the internal railways in Magistralny in Q2 2012.
- The Group continued to incur losses related to the Ust-Ilimsk operation even though the sawmill was leased to a third party. This is due to the fact that the harvesting areas near Ust-Ilimsk are not rich in forest, and it requires time and investment to build roads and get access to more attractive remote areas.
- Other contributing factors included corporate overhead and losses from non-core assets (planing and pellets).

Actions to improve costs

- Increase capacity utilization through the following:
 1. AAC: sublease or cancel undeveloped forest leases
 2. Harvesting groups: sell inefficient harvesting groups (old or without proper service from the equipment supplier), use subcontractors where possible and build roads to most promising areas
 3. Sawmills: complete construction of the sawmills and strengthen management
 4. Delivery: try to increase loaded volume per wagon and consider different types of delivery (containers, other type of wagons)
- Divest non-core assets - eliminate cash burn from non-core assets
- Streamline corporate structure and management structures in the regions to lower administrative expenses

Profit and loss statement

Revenue

The Group's revenue from the main product (sawnwood) increased in line with volumes. Sawnwood volumes increased by 84 percent in Q2 2012 compared with Q2 2011. The revenue increased by 67 percent for the same period. The difference is attributable to the fact that most of the total increase in sawnwood sales volumes comes from LDK-3 (Arkhangelsk 1), i.e. 15,804 m³ out of 35,900 m³. LDK-3 is selling FOB Arkhangelsk and the average price is approximately 30 percent lower than in Siberia where the price includes delivery to the border. Overall prices remain depressed as described in the Market Overview.

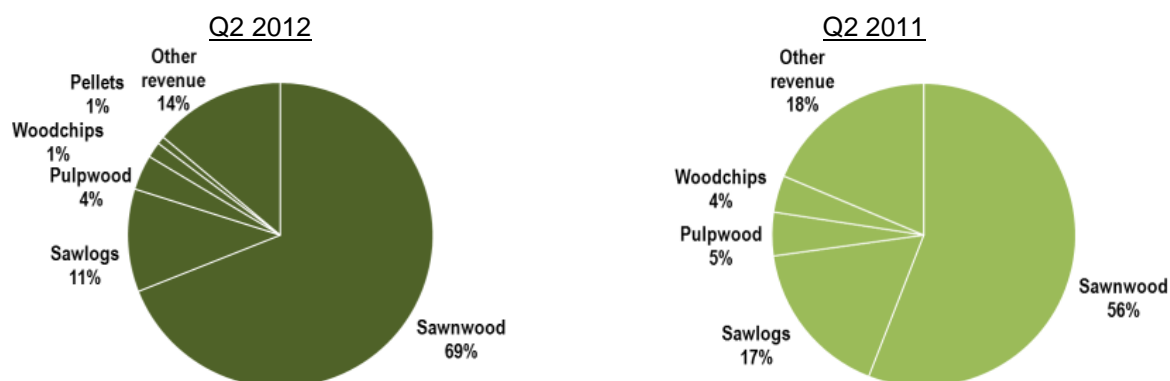
Revenue breakdown, three months ended June 30, 2012

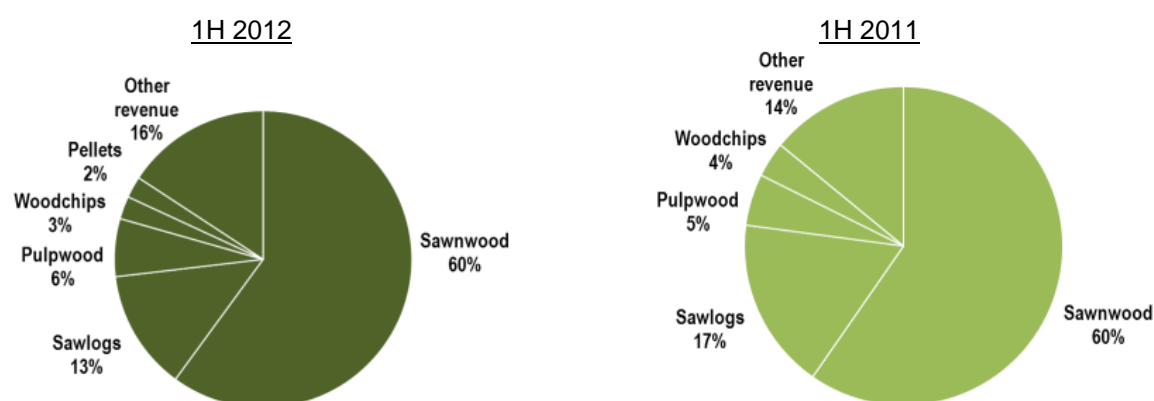
	Sales volume (m3)	Average price (SEK)	Q2 2012 SEKm	Q2 2011 SEKm	Change
Sawnwood	78,863	1,350	106.4	63.9	67%
Sawlogs	51,976	324	16.8	19.3	(13%)
Pulpwood	48,053	119	5.7	5.3	8%
Woodchips	19,381	133	2.6	4.5	(43%)
Pellets	-	-	1.3	-	100%
Other revenue (incl.planed wood)	-	-	21.4	21.3	1%
Total revenue			154.3	114.3	35%

Revenue breakdown, six months ended June 30, 2012

	Sales volume (m3)	Average price (SEK)	1H 2012 SEKm	1H 2011 SEKm	Change
Sawnwood	122,329	1,359	166.2	120.9	160%
Sawlogs	101,985	355	36.2	35.3	88%
Pulpwood	133,626	131	17.4	10.6	229%
Woodchips	49,381	139	6.9	7.3	53%
Pellets	-	-	6.5	0	100%
Other revenue (incl.planed wood)	-	-	43.6	28.5	105%
Total revenue			276.9	202.6	37%

RusForest Revenue Breakdown





Operating Expenses

RusForest's cost of sales for Q2 2012 was SEK 209.1 million (Q2 2011: SEK 129.3 million) - see Note 1 to the financial statements. Q2 2012 included full amounts for Kansky, Adar and NTG, acquired towards the end of Q2 2011. Apart from the growth of the Group, all of the cost items nearly doubled due to increased harvesting volumes. Harvesting of logs (both saw and pulp) increased by approximately 35% percent compared with Q2 2011 coupled with an 84 percent increase in volumes of sawnwood shipments. See comment on the financial performance in Q2 2012 for an explanation of losses.

Distribution expenses amounted to SEK 32.9 million (Q2 2011: SEK 24.0 million) and included customs costs (except duties offset against revenue), railway tariffs, loading and hauling-to-loading costs. Railway tariffs have been systematically increased by the monopoly Russian railways (10-15 percent semi-annually). Wagon rates have recently stabilized but increased compared with Q2 2011 by approximately 15-20 percent.

Increased payroll expenses in the administrative expenses reflect the growth of the Group.

Other Income and Expenses

Other income of the Group amounted to SEK 8.5 million and primarily represented the reimbursement of overpaid stumpage fees following successful court cases in Ust-Ilimsk (including Tuba plots).

Other expenses of the Group amounted to SEK 20.7 million. Other expenses included a one-time write-off of a SEK 7.5 million loan receivable from a shell company associated with Trans Nafta. This loan was part of a coal business transaction in 2008 when Varyag Resources AB, later renamed RusForest, was an investment company. In 2010, Victor Kondrachuk, the main partner in Trans Nafta, died and the repayment of the loan is unlikely. This write-off accounts for the major part of the SEK 13.6 million adjustment for non-cash items in the cash flow statement. The remaining portion of the adjustment is a provision for outstanding receivables following a general revision of historic receivables based on the outcomes of related court cases.

In Q2 2012, the Group repaid all of the claims by the tax authorities (approximately SEK 8 million) that led the Tuba lease holding company into bankruptcy proceedings. In addition, the Group was ordered to accrue compensation for the bankruptcy manager and penalties in the total amount of SEK 3.1 million. Management considered the payment justified when compared to the value of the forest leases held by Tuba in Ust-Ilimsk.

See balance sheet comment for explanation of impairment of investments into associates.

Financial Income and Expenses

Financial expenses during Q2 2012 amounted to SEK 43.7 million (Q2 2011: SEK 13.4 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 of the Bond).

Included in financial expenses is a foreign exchange loss of SEK 13.7 million that the Group incurred in Q2 2012 due to the depreciation of RUB (functional currency) by 12% against USD as most of the bank loans and most of the financial leases are USD denominated. See condensed statement of comprehensive income for the explanation of the exchange rate dynamics.

Income Tax

The Group generated deferred income tax credit on tax losses to be carried forward. The related gain was offset by a provision of SEK 28.3 million to bring deferred tax assets in line with deferred tax liabilities.

Net Result

The Group's net loss for Q2 2012 was SEK 184.8 million (Q2 2011: SEK 69.3 million). The share of the loss generated by the Gravel asset was SEK 1.5 million (Q2 2011: SEK 6.5 million).

Balance sheet

The exchange rate of SEK against RUB as of June 30, 2012 returned to the level of the rate at December 31, 2011 (RUB 4.72 per SEK compared with RUB 4.66 per SEK). Therefore, the effect of translation was minimal when comparing June 30, 2012 to December 31, 2011 balances.

Assets, Liabilities and Investment

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

Intangible assets increased as a result of additional investment into the power connection in Boguchany to be finalized in Q3 2012. Investment into Filial #2 company of SEK 2.3 million was impaired as most of the company assets were divested as part of the Ust-Ilimsk restructuring.

Following the high winter season in harvesting and lagging of shipments in the sawmills in Q1 2012, inventory levels returned to year-end levels.

Loans receivable decreased by SEK 7.5 million following the write-off of a loan to the shell company related to the Trans Nafta (see income statement analysis). The balance of SEK 5.0 million as of June 30, 2012 represented short-term promissory notes pledged for the Sberbank loan signed in Q1 2012 to complete construction in Boguchany.

At the extraordinary general meeting on March 1, 2012, shareholders approved the reduction in the nominal value of shares to SEK 1 from SEK 10 per share (10 times reduction) as a result of loss coverage in the parent company. In April 2012, the Group carried out a rights issue for SEK 437 million (SEK 452 million before issue costs). These two events explain the increase in the share and other capital from December 31, 2011 to June 30, 2012.

Interest bearing obligations include the 3-year unsecured corporate bond (SEK 500 million with May 2014 maturity) plus the liabilities under finance lease contracts.

On the current liabilities side, trade payables were normalized following the rights issue.

Cash Flow and Financial Position

The Group's cash balance at June 30, 2012 amounted to SEK 82.6 million, compared with SEK 15.1 million at March 31, 2012. The increase is attributable to the rights issue carried out in April 2012 offset by investments and working capital normalization outflow. Working capital as of June 30, 2012 amounted to SEK 114.9 million compared with SEK 131.8 million at year-end.

Consolidated cash outflows from investing activities during Q2 2012 amounted to SEK 33.2 million (Q2 2011: SEK 115.8 million). The Group invested SEK 38.8 million, mainly into finalization of reconstruction of the sawmills. Payment of SEK 3.4 million in Q1 2012 represents a deferred payment for shares in ZAO ADAR.

Investment into equipment and harvesting areas

In millions of SEK	Q2 2012	Q2 2011	1H 2012	1H 2011
Acquisition of additional forest leases	-	50.6	3.4	63.9
Road construction equipment and investment into roads	5.4	20.1	7.3	20.1
Harvesting equipment	3.4	5.6	11.8	5.6
Sawmilling equipment	29.9	19.2	43.5	37.2
Investment into equipment and forest leases	38.8	95.5	66.1	126.8

The Group received financing from the main shareholder (Vostok Nafta) in Q4 2011 and Q1 2012 to fund the acquisition of the pellets business in Q4 2011 and to cover liquidity needs in Q1 2012. These loans were converted into equity during the Rights Issue, and the amount of cash actually received in Q2 2012 from the Rights Issue (SEK 319.3 million) was reduced accordingly by the amount of loans from Vostok Nafta converted into equity. The Group did not receive new loans in Q2 2012, except for rollover of a loan in LDK-3 until June 2013 (i.e., out of USD 3.5 million, USD 3.0 million was rolled over and USD 0.5 million repaid).

Outlook

The outlook for sawnwood prices, corresponding to 60-70 percent of total revenue, depends on the macro environment, and we expect stable prices in the market in the near future with little improvement. However, we expect to increase our average price realization through an improved product mix in Boguchany, Magistralny and Arkhangelsk.

During Q2 2012, RusForest participated in a global benchmarking exercise, which confirmed that the targets set in relation to the self-cost of internal raw material deliveries are realistic and among the lowest in the world.

Equipment launches and the large investment program during the last year are fundamentally changing the future outlook for our sawmill operations. However, it has taken longer than expected for the Group's sawmills to reach profitability. As a result, Management will perform impairment tests for all of the Group's sawmills during Q3 2012, and it is expected that this will lead to an impairment charge in Q3 2012.

In general, our current goal at RusForest is to create a smaller, more efficient operation that generates returns for shareholders. In the quarters ahead, we will sell non-core assets to raise cash and focus on strengthening management to deliver operational results and improved financial performance.

The Share

Share Data

ISIN: SE0001732728

Short name on NASDAQ OMX First North: RUSF

Number of shares at June 30, 2012: 479,038,470

Number of shares at August 31, 2012: 479,038,470

The RusForest AB share is listed on NASDAQ OMX First North Stockholm. At the close of the period, the share price was SEK 0.94 and the Company's market capitalization was approximately SEK 450.3 million. In April 2012, RusForest carried out a rights issue of SEK 452 million before issue costs. The Company's certified adviser on First North is Pareto Öhman AB. The Company has also contracted Pareto Öhman AB to enhance liquidity in the RusForest share.

Employee Stock Options

At the AGM on May 10, 2012, shareholders approved a new employee stock option plan 2012/2015. The plan allows for employee stock options to be issued with the right to acquire not more than 6,000,000 shares in RusForest. 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 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 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 May 20, 2010, a total of 300,000 employee stock options were issued to Martin Hermansson, the General Director of RusForest Management. 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 the Company's website at www.rusforest.com.

Major Shareholders on June 30, 2012

Shareholder	Number	Percentage
Vostok Nafta	140,826,045	29.4
East Capital Funds	51,350,615	10.7
Alecta	46,047,450	9.6
JP Morgan Clearing Corp.	30,818,596	6.4
Morgan Stanley & Co LLC.	25,788,091	5.4
Avanza Pension	17,566,173	3.7
SSB CL Omnibus AC	15,351,166	3.2
Lillevrå Såg AB	11,835,000	2.5
Staffan Rasjö	9,989,720	2.1
Goldman Sachs & Co.	9,953,301	2.1
Others	119,512,313	24.9
Total	479,038,470	100.0

Source: Euroclear Sweden AB

During the April 2012 rights issue, approximately 99.2 percent of the shareholders exercised their subscription rights. As a result, the composition of the shareholders did not change significantly following the rights issue.

Trading data, January 2009 – June 2012

Share Price and Turnover



Source: NASDAQ OMX Stockholm 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 except that it has not been prepared in the Swedish language. The Group and Parent Company have applied the same accounting and valuation principles as in the most recent Annual Report.

To improve comparability, customs duties paid related to log sales in the amounts of SEK 3.3 million, SEK 3.5 million and SEK 3.5 million were offset against the revenue in Q1 2011, Q2 2011 and Q3 2011, respectively, and the figures for comparative periods have been restated accordingly.

It has taken longer than expected for the Group's sawmills to reach profitability. As a result, Management will perform impairment tests for all of the Group's sawmills during Q3 2012, and it is expected that this will lead to an impairment charge in Q3 2012.

Corporate overhead and corporate financial costs were not allocated to any operational segment and are presented as "unallocated" in the segment results disclosure.

This report has not been reviewed by the auditors of RusForest.

Qualitative and Quantitative Disclosures and Market Risks

In order to continue as a going concern, the Group must generate profit from its forestry operations or secure additional funding. The Group does not have sufficient working capital to meet its obligations over the next 12 months and may need to pursue additional credit facilities, delay discretionary expenditures, sell assets and/or raise additional equity. There can be no assurance that these initiatives will be successful or that capital will be available when needed.

The Group's risk factors are described in detail in the most recent Annual Report.

Condensed Consolidated Income Statement

In thousands of SEK	Q2 2012	Q2 2011	6M 2012	6M 2011	12M 2011
Continuing operations					
Turnover	154,226	114,328	276,909	202,555	431,794
Cost of sales	(209,114)	(129,337)	(372,240)	(216,934)	(514,058)
Gross profit/(loss)	(54,888)	(15,009)	(95,331)	(14,379)	(82,264)
Other income	8,461	5,083	19,294	5,531	11,594
Distribution expenses	(32,923)	(23,951)	(65,589)	(42,824)	(79,739)
Administrative expenditure	(37,662)	(24,385)	(75,613)	(49,076)	(113,719)
Other expenses	(20,677)	(4,107)	(27,284)	(6,188)	(20,346)
Impairment of investments in associates	(2,349)	-	(2,349)	-	-
Operating profit/(loss)	(140,038)	(62,369)	(246,872)	(106,936)	(284,474)
Financing income	612	209	693	1,092	2,081
Financing cost	(43,654)	(13,364)	(61,903)	(15,479)	(54,715)
Net financing income/(cost)	(43,042)	(13,155)	(61,210)	(14,387)	(52,634)
Loss before tax from continuing operations	(183,081)	(75,524)	(308,082)	(121,323)	(337,108)
Income tax	(246)	12,797	13,394	19,345	65,488
Loss from continuing operations	(183,326)	(62,727)	(294,687)	(101,978)	(271,620)
Discontinued operations					
Loss after tax from discontinued operations	(1,474)	(6,540)	(5,774)	(11,946)	(17,079)
Loss for the period	(184,800)	(69,267)	(300,461)	(113,924)	(288,699)
Attributable to:					
Equity holders of the parent	(184,390)	(66,687)	(298,840)	(110,501)	(284,732)
Non-controlling interests	(410)	(2,580)	(1,621)	(3,423)	(3,967)
Loss for the period	(184,800)	(69,267)	(300,461)	(113,924)	(288,699)

Per Share Data

Per Share Data	Q2 2012	Q2 2011	6M 2012	6M 2011	12M 2011
SEK	30/06	30/06	30/06	30/06	31/12
Earnings	(0.46)	(0.70)	(1.20)	(1.37)	(3.32)
Shareholders' Equity	2.49	14.07	2.49	14.07	11.13
Share Price	0.94	11.50	0.94	11.50	5.30

Number of Shares	Q2 2012	Q2 2011	6M 2012	6M 2011	12M 2011
Beginning of period	95,807,694	65,522,520	95,807,694	65,522,520	65,522,520
End of Period	479,038,470	95,807,694	479,038,470	95,807,694	95,807,694
Average number of shares	403,234,580	95,534,564	249,521,137	80,445,636	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 be anti-dilutive.

Condensed Consolidated Statement of Comprehensive Income

In thousands of SEK	Q2 2012	Q2 2011	6M 2012	6M 2011	12M 2011
Loss for the period	(184,800)	(69,267)	(300,461)	(113,924)	(288,699)
Other comprehensive income					
Translation difference	(103,566)	51,010	(11,336)	49,342	(57,803)
Other comprehensive income/(loss) for the period, net of tax	(103,566)	51,010	(11,336)	49,342	(57,803)
Total comprehensive income/(loss) for the period, net of tax	(288,366)	(18,257)	(311,797)	(64,582)	(346,502)
Attributable to:					
Equity holders of the parent	(288,018)	(15,677)	(310,238)	(61,159)	(342,535)
Non-controlling interests	(347)	(2,580)	(1,558)	(3,423)	(3,967)
Total comprehensive income/(loss) for the period, net of tax	(288,366)	(18,257)	(311,797)	(64,582)	(346,502)

The fluctuations of SEK to the Company's main currencies are presented below. SEK depreciated against RUB as of the end of Q1 2012 and returned to approximately the year-end rate at June 30, 2012. EUR depreciated against SEK in Q2 2012, making exporters from EUR-zone more competitive (Germany, Finland).

SEK for 1 unit of foreign currency			
	EUR	USD	RUB
December 31, 2011	8.92	6.89	0.21
March 31, 2012	8.84	6.63	0.23
June 30, 2012	8.76	7.04	0.21

Source: www.oanda.com

Condensed Consolidated Statement of Financial Position

In thousands of SEK	June 30, 2012	December 31, 2011
Assets		
Noncurrent assets		
Property Plant and equipment	1,090,307	1,095,744
Forest lease rights	425,830	445,520
Intangible assets	55,114	47,256
Investments in associates	-	2,349
Deferred tax asset	80,180	93,383
Total noncurrent assets	1,651,431	1,684,253
Current assets		
Inventory	152,494	141,115
VAT refundable	52,095	65,547
Trade and other receivables	63,132	61,853
Current tax assets	191	233
Loans receivable	4,989	8,088
Cash and cash equivalents	82,589	23,571
Total current assets	355,490	300,408
Assets classified as held for sale	91,951	92,994
Total assets	2,098,872	2,077,655
EQUITY		
Equity and reserves		
Share capital	479,038	958,077
Other capital	1,602,296	686,598
Translation reserve	(75,549)	(64,151)
Accumulated loss	(518,232)	(233,500)
Loss for the period	(298,840)	(284,732)
Total equity attributable to Shareholders of the Group	1,188,713	1,062,292
Non-controlling interest	2,479	4,037
Total Equity	1,191,192	1,066,329
Liabilities		
Noncurrent liabilities		
Interest-bearing loans and borrowings	588,215	574,291
Deferred tax liability	80,223	106,379
Total noncurrent liabilities	668,438	680,670
Current liabilities		
Interest bearing loans and borrowings	68,643	108,665
Loans payable to related companies	-	72,559
Trade and other payables	150,789	133,705
Current tax liabilities	1,328	1,382
Provisions	787	1,736
Total current liabilities	221,547	318,047
Liabilities directly associated with the assets classified as held for sale	17,695	12,609
Total liabilities	907,681	1,011,326
Total equity and liabilities	2,098,872	2,077,655

Condensed Consolidated Statement of Cash Flows

In thousands of SEK	Q2 2012	Q2 2011	6M 2012	6M 2011	12M 2011
Loss for the year	(184,800)	(69,267)	(300,461)	(113,924)	(288,699)
Adjustment for non-cash items	109,489	25,855	162,969	53,451	129,337
Paid income tax	-	(19)	(29)	(37)	(193)
Cash flow from operating activities before changes in working capital	(75,312)	(43,431)	(137,522)	(60,510)	(159,555)
Cash flow changes in working capital	(21,870)	(40,376)	(14,933)	(45,171)	(25,469)
Cash flow from operating activities	(97,182)	(83,807)	(152,455)	(105,681)	(185,024)
Investment in equipment	(38,785)	(70,757)	(62,657)	(88,753)	(207,806)
Proceeds from sales of equipment	1,290	11	1,690	20	285
VAT refund on capital investments	4,247	2,393	8,042	4,547	15,179
Payment for purchase of subsidiaries	-	(24,711)	(3,414)	(38,060)	(89,592)
Interest received	6	(64)	6	-	2,003
Loans issued to Gravel segment	-	(7,578)	(558)	(10,239)	(13,701)
Investment in financial assets	-	(15,092)	-	(18,416)	-
Cash flow from investing activities	(33,242)	(115,798)	(56,891)	(150,901)	(293,632)
New share issues	319,272	-	319,272	-	-
New share issues (transaction cost)	(15,553)	-	(15,553)	-	-
Increase/(decrease) in loans payable	(101,171)	495,360	(31,837)	500,961	439,783
Cash flow from financing activities	202,549	495,360	271,882	500,961	439,783
Cash flow during the period	72,125	295,756	62,536	244,379	(38,873)
Cash and cash equivalents, beginning of period	15,102	15,623	23,571	67,195	67,195
Exchange-rate differences on cash and cash	(4,638)	1,972	(3,518)	1,777	(4,751)
Cash and cash equivalents, period end	82,589	313,351	82,589	313,351	23,571

In thousands of SEK	Q2 2012	Q2 2011	6M 2012	6M 2011	12M 2011
Adjustment for non-cash items					
Depreciation of property, plant and equipment	37,790	22,359	68,393	41,176	89,061
Amortization of intangible assets	7,676	4,211	14,644	4,910	18,549
Income tax	246	(12,734)	(13,394)	(19,345)	(65,488)
Finance income	5,657	(209)	(693)	(1,092)	(2,081)
Finance expense	37,386	13,364	61,903	15,479	54,716
Net income/loss on disposal of property, plant and equipment	3,054	862	4,068	1,500	5,483
Bad debts	13,592	949	18,836	972	9,209
Other comprehensive loss from assets held for sale	1,474	6,540	5,774	11,946	17,079
Impairment of investments in associates	2,349	-	2,349	-	-
Other non-cash items	264	(9,487)	1,088	(2,095)	2,809
Total	109,489	25,855	162,969	53,451	129,337

Condensed Consolidated Statement of Changes in Equity

Jan 1, 2012 - June 30, 2012

Attributable to the equity holders of the parents

In thousands of SEK	Share capital	Share premium	Translation reserve	Retained earnings	Non-controlling interest	Total
Opening shareholders' equity	958,077	686,598	(64,151)	(518,232)	4,037	1,066,329
Loss for the period	-	-	-	(298,840)	(1,621)	(300,461)
Other comprehensive income/(loss)	-	-	(11,399)	-	63	(11,336)
Total comprehensive income/(loss)	-	-	(11,399)	(298,840)	(1,558)	(311,797)
Decrease in share capital	(862,269)	862,269	-	-	-	-
Costs related to the rights issue	-	(15,553)	-	-	-	(15,553)
New shares issue	383,230	68,982	-	-	-	452,212
Shareholders' equity at end of period	479,038	1,602,296	(75,549)	(817,072)	2,479	1,191,192

Jan 1, 2011 - June 30, 2011

Attributable to the equity holders of the parents

In thousands of SEK	Share capital	Share premium	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	-	-	-	(110,501)	(3,423)	(113,924)
Other comprehensive income	-	-	49,342	-	-	49,342
Total comprehensive income	-	-	49,342	(110,501)	(3,423)	(64,582)
Acquired non-controlling interest in subsidiaries	-	-	-	(16,527)	2,023	(14,504)
New share issue	302,852	145,484	-	-	-	448,336
Shareholders' equity at end of period	958,077	686,598	42,994	(341,090)	1,743	1,348,322

Jan 1, 2011 - Dec 31, 2011

Attributable to the equity holders of the parents

In thousands of SEK	Share capital	Share premium	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	-	-	-	(284,732)	(3,967)	(288,699)
Other comprehensive income/(loss)	-	-	(57,803)	-	-	(57,803)
Total comprehensive income/(loss)	-	-	(57,803)	(284,732)	(3,967)	(346,502)
Acquired non-controlling interest in subsidiaries	-	-	-	(19,438)	4,861	(14,577)
New share issue	302,852	145,484	-	-	-	448,336
Shareholders' equity at end of period	958,077	686,598	(64,151)	(518,232)	4,037	1,066,329

Parent Company Income Statement

In thousands of SEK	6M 2012	6M 2011
Administrative expenditure	(10,249)	(6,210)
Loss on disposal of investments	(1,568,193)	-
Operating profit/(loss)	(1,578,442)	(6,210)
Exchange gain/loss	(24,009)	(19,800)
Financing income	16,032	27,555
Financing cost	(41,734)	(18,753)
Net financing income/(cost)	(49,711)	(10,998)
<i>Income tax</i>	-	-
Profit/(loss) for the period	(1,628,153)	(17,208)

Parent company balance sheet

In thousands of SEK	June 30, 2012	December 31, 2011
Assets		
Non-current assets		
Property Plant and equipment	-	-
Investments in subsidiaries	441,767	2,041,385
Loans receivable from subsidiaries	447,829	202,197
Total non-current assets	889,596	2,243,582
Current assets		
Current tax assets	8	6
Trade and other receivable	3,504	2,851
Cash and cash equivalents	57,852	12,618
Total current assets	61,364	15,475
Total assets	950,960	2,259,057
EQUITY		
Equity and reserves		
Share capital	479,038	958,077
Other capital	740,027	686,598
Retained earnings	(771,695)	(5,811)
Total equity	447,370	1,638,864
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	493,050	491,175
Total-non current liabilities	493,050	491,175
Current liabilities		
Interest-bearing loans and borrowings	7,384	52,856
Loans payable to related companies	-	72,463
Trade and other payables	3,156	3,699
Total current liabilities	10,540	129,018
Total equity and liabilities	950,960	2,259,057

On February 29, 2012, RusForest AB sold its investments in 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 accounts of SEK 1.568.2 million. At the extraordinary shareholder meeting on March 1, 2012, it was resolved that the share capital of the parent company, in the amount of SEK 862.3 million, should be reduced to cover the accumulated losses.

On April 18, 2012, RusForest AB completed a new share issue for approximately SEK 452 million before issue costs. Following the Rights Issue, the number of shares in RusForest increased by 383,230,776 shares from 95,807,694 shares to a total of 479,038,470 shares, and the share capital increased by SEK 383,230,776 from SEK 95,807,694 to SEK 479,038,470.

Notes to the Financial Statements

The data for 2011 includes income and expenses of Sibartles (since February 2011), NTG (since May 2011), Kansky (since June 2011) and Adar (since July 2011). For this reason, the periods presented below are not comparable.

Note 1. Cost of sales

In thousands of SEK	Q2 2012	Q2 2011	6M 2012	6M 2011
Personnel costs	50,448	34,783	94,096	57,281
Purchased sawlogs	20,282	34,259	34,889	40,963
Purchased sawnwoods	18,357	1,013	20,539	4,027
Purchased woodchips	1,143	-	1,750	-
Depreciation of property, plant and equipment	34,021	25,725	61,511	44,427
Amortization of intangible assets	7,607	4,211	14,529	4,910
Materials	15,915	4,561	20,814	6,599
Energy and fuel	23,529	8,830	46,005	19,718
Repairs and maintenance	9,848	3,598	16,244	8,096
Harvesting services	4,158	3,508	15,052	10,432
Forest lease	9,255	4,384	16,629	7,672
Road maintenance	4,099	1,638	7,944	3,010
Other	10,450	2,827	22,237	9,799
Total	209,114	129,337	372,240	216,934

Note 1.2. Road maintenance

In thousands of SEK	Q2 2012	Q2 2011	6M 2012	6M 2011
Personnel costs	1,268	457	2,169	880
Depreciation of property, plant and equipment	1,026	601	1,825	931
Energy and fuel	1,068	317	2,250	742
Materials	94	4	677	23
Other	644	260	1,024	434
Total	4,099	1,638	7,944	3,010

Note 2. Distribution expenses

In thousands of SEK	Q2 2012	Q2 2011	6M 2012	6M 2011
Personnel costs	5,984	3,776	12,628	6,816
Railway costs	16,598	11,401	33,377	21,440
Custom duty	187	1,103	297	1,399
Other	10,154	7,671	19,287	13,169
Total	32,923	23,951	65,589	42,824

Note 3. Administrative expenditure

In thousands of SEK	Q2 2012	Q2 2011	6M 2012	6M 2011
Personnel costs	21,380	13,394	43,698	25,994
Audit	1,006	1,150	1,993	2,217
Property tax	3,805	265	6,280	1,422
Consulting fees	2,540	5,513	6,317	9,252
Other	8,931	4,063	17,325	10,191
Total	37,662	24,385	75,613	49,076

Note 4. Segment information

The operating segment definitions were developed by senior management in order to enable effective and efficient operating performance based on the split of the production units in Eastern 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 presented as unallocated. 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, the Parent Company does not own any non-current assets and generates only financial income and expenses in addition to administration costs and director salaries. Therefore, all non-current assets are located in Russia, and all of the Group's operations are based in Russia.

Operational segments, results for six months ended June 30, 2012

In thousands of SEK	Inter-segment		Total revenue	Loss before tax
	revenue	External revenue		
Harvesting	67,278	57,427	124,705	(100,291)
Sawmilling	10,564	184,959	195,522	(146,455)
Planing	243	28,056	28,299	(11,728)
Pellets	-	6,468	6,468	(6,869)
Unallocated	-	-	-	(42,738)
Total from continuing operations	78,085	276,909	354,994	(308,082)
Gravel	-	40,383	40,383	(8,261)
Total from discontinued operations	-	40,383	40,383	(8,261)
Total	78,085	317,292	395,377	(316,343)

Operational segments, results for six months ended June 30, 2011

In thousands of SEK	Inter-segment		Total revenue	Loss before tax
	revenue	External revenue		
Harvesting	16,238	45,217	61,456	(42,118)
Sawmilling	12,443	137,444	149,887	(62,701)
Planing	419	19,894	20,313	(4,570)
Pellets	-	-	-	-
Unallocated	704	-	704	(11,933)
Total from continuing operations	29,804	202,555	232,359	(121,323)
Gravel	-	18,339	18,339	(12,721)
Total from discontinued operations	-	18,339	18,339	(12,721)
Total	29,804	220,894	250,698	(134,044)

Corporate overhead and corporate financial costs were not allocated to any operational segment and are presented as "unallocated".

Assets classified as held for sale – Gravel segment

In thousands of SEK	June 30, 2012	Dec 31, 2011
Non-current assets		
Property Plant and equipment	63,687	66,232
Intangible assets	9,536	10,241
Deferred tax asset	5,107	2,842
Total non-current assets	78,330	79,315
Current assets		
Inventory	6,170	5,347
Trade and other receivable	7,065	6,805
Cash and cash equivalents	386	1,527
Total current assets	13,621	13,679
Total assets	91,951	92,994

Liabilities directly associated with the assets classified as held for sale - Gravel segment

In thousands of SEK	June 30, 2012	Dec 31, 2011
Non-current liabilities		
Interest-bearing loans and borrowings	-	1,899
Deferred tax liability	16	16
Total non-current liabilities	16	1,915
Current liabilities		
Interest-bearing loans and borrowings	6,924	5,989
Trade and other payables	10,755	4,705
Total current liabilities	17,679	10,694
Total liabilities	17,695	12,609

Consolidated Statement of comprehensive income - Gravel Segment

In thousands of SEK	6M 2012	6M 2011	12M 2011
Discontinued operations			
Turnover	40,383	18,339	59,361
Cost of sales	(22,564)	(14,683)	(37,817)
Gross profit	17,819	3,656	21,544
Other income	-	-	2,065
Distribution expenses	(22,684)	(12,172)	(34,392)
Administrative expenditure	(2,649)	(2,307)	(4,640)
Operating profit/(loss)	(7,513)	(10,823)	(15,423)
Financing income	-	-	-
Financing cost	(748)	(1,899)	(1,762)
Net financing income/(cost)	(748)	(1,899)	(1,762)
Income tax	2,488	776	106
Loss after tax from discontinued operations	(5,774)	(11,946)	(17,079)

Condensed consolidated statement of cash flows - Gravel segment

In thousands of SEK	6M 2012	6M 2011	12M 2011
Cash flow from operating activities	5,042	1,601	4,357
Cash flow from investing activities	(1,643)	(6,251)	(6,181)
Cash flow from financing activities	(4,582)	6,403	2,701
Cash flow during the period	(1,183)	1,753	877

Reporting calendar

Interim Report Q3 2012 November 30, 2012
Year-End Report 2012 March 15, 2013

Nomination Committee

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

Stockholm, August 31, 2012

RusForest AB (publ)
The Board of Directors

For additional information, please contact:

Robert Eriksson – Investor Relations, telephone: +46 701 11 26 15
Mia O'Connor – Investor Relations, telephone: +46 8 771 85 00



RusForest AB (publ)
Hovslagargatan 5
SE-111 48 Stockholm, Sweden
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, Russia
Telephone: +7 (495) 787 58 72