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Press Release

Stockholm, 22 September 2010

RusForest proposes rights issue amounting to approximately SEK 440 million, in kind authorisation and acquires a majority stake in LDK-3

The Board of Directors of RusForest AB (publ) ("RusForest" or the "Company") has decided to propose to the extraordinary general meeting to resolve upon both a rights issue amounting to approximately SEK 440 million before issue expenses and an authorisation for an issue in kind to enable acquisition of shares in companies within the group in which Nord Timber Group ("NTG") is a part. The Board of Directors has also decided to acquire 86 percent of OAO "LDK-3" and 100 percent of OOO "Infa", a sawmilling operation located in the city of Arkhangelsk, in North West Russia, and a planing mill located on the same site.

The transactions are prompted by both a capital need to facilitate the development of RusForest's existing operations in Ust Ilimsk, Magistralny and Boguchany as well as make possible RusForest's expansion into North West Russia, which are central steps in RusForest's development plan to become Russia's leading independent forestry and sawmilling company.

Summary

- The Board of Directors of RusForest has decided to propose to the extraordinary general meeting to be held on 8 October 2010, to resolve upon a rights issue amounting to approximately SEK 440 million, before issue expenses¹, through a new share issue with preferential rights for the existing shareholders of RusForest (the "Rights Issue")
- Vostok Nafta, who currently hold 49.9 percent of the shares in RusForest have committed to subscribe for its pro-rata share of the Rights Issue
- The proceeds from the Rights Issue will be used in order to create increased value for RusForest's shareholders by accelerating the development of RusForest's existing operations and facilitating the Company's expansion into North West Russia
- Terms of the Rights Issue: one (1) existing share in RusForest will entitle the holder to subscribe for two (2) new shares at the subscription price of SEK 10 per share
- Record date for participation in the Rights Issue: 15 October 2010
- The subscription period is expected to be 18 October – 1 November 2010
- The trading period for subscription rights is expected to be between 19 and 27 October 2010
- The Board of Directors of RusForest has decided to propose to the extraordinary general meeting to be held on 8 October 2010, to resolve upon an authorisation for an

¹ The issue expenses are estimated to amount to approximately SEK 10 million.

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issue in kind to enable acquisition of shares in companies within the group in which NTG is a part (the "In Kind Authorisation")

- The Board of Directors of RusForest AB has decided to acquire 86 percent of OAO "LDK-3" and 100 percent of OOO "Infa", a sawmilling operation located in the city of Arkhangelsk, in North West Russia, and a planing mill located on the same site. The acquisition of LDK-3 is contingent of Russian anti-monopoly approval, which is expected to be attained before the end of the year and of formal approval by the Board of Directors of the seller, which is expected to be attained before the end of September.
- Having reached critical size, RusForest aims to initiate the process for listing on NASDAQ OMX Stockholm.

Background and reasons

The combination of access to cheap, high quality, raw material coupled with lower costs for several other input items provides Russian forestry companies with a long term competitive advantage over western competitors. Simultaneously, there are obstacles for Russian companies to fully utilize these advantages. Examples of this are substandard infrastructure in harvesting areas, seasonality in raw material supplies, low value added processing and a widespread use of outdated machinery and techniques within production.

RusForest has continuously been working on improving its production techniques and has focused on using state of the art equipment within its value chains. The Company's objective is to develop into Russia's leading independent forestry and sawmilling company, with a harvest around 1.8-2.0 million m³ and a sawmilling production of 550,000-600,000 m³ in the medium term. There are however some important steps that the Company needs to take in order to ensure a satisfactory speed of operational development and to fully utilize the opportunities that Russian forestry operations provide.

The main initiatives that RusForest plan to carry out in order to make possible the development into Russia's leading independent forestry and sawmilling company are set out below.

- To conclude its investment and development plans. In particular, the completion of the Magistralny sawmill and the expansion into North West Russia through the acquisition of LDK-3;
- To expand sawmilling at the LDK-3 site by construction of a new state of the art sawmill with a production capacity above 200,000 m³ of dried sawnwood per year, even though LDK-3 showed a net profit during the first half of 2010;
- To develop the forest infrastructure, including harvesting and transportation capacity, as steps to ensure the long term development of the Company's harvesting areas and raw material sourcing plans – initially with the focus of stable log supplies during the summer period of 2011 and coming years;
- To increase capacity at several of the Company's existing operations by de-bottlenecking and reorganization of the production flows. The bottle necks at the sites mainly consist of lacking sorting and drying capacity (both dry and green sorting) at the sawmills in combination with partially underdeveloped infrastructure in the forest areas. On top of pure capacity increases, developed sorting and drying capacity is also expected to lead to increased margins through larger volumes of further processed sawnwood and a superior product mix – for instance by ensuring that a larger volume of larch sawnwood will reach end customers already dried; and
- General improvement and efficiency measures at the existing operations. Efforts which previously have been partially underdeveloped due to a large focus on acquisitions and consolidation.

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With regard to the above, and in order to provide RusForest with the financial flexibility needed to utilize the opportunities of Russian forestry, the Board of Directors of RusForest has decided to carry out the Rights Issue in the amount of approximately SEK 440 million before issue expenses, the In Kind Authorisation and the acquisition of LDK-3 which are described in further detail below.

LDK-3

As part of its development plan to become the leading independent forestry and sawmilling company in Russia, RusForest aims to start operations in the Arkhangelsk area, as this would allow RusForest to establish a strong presence in Russia's three largest and most developed forestry regions. Furthermore, operations in Arkhangelsk would allow the Company to efficiently supply the Russian and European markets from North West Russia as well as increasing focus in Siberia towards the fast growing Asian and Central Asian markets.

Consequently, the Board of Directors has decided to acquire initially 86 percent of OAO "LDK-3" and 100 percent of OOO "Infa", a sawmilling operation located in the city of Arkhangelsk, in North West Russia, and a planing mill located on the same site.

LDK-3 is one of the largest sawmill enterprises in the Arkhangelsk region, with an monthly production of around 8,000 m³ sawnwood and 1,800-2,000 m³ planed products at Infa. LDK-3 is located on an industrial site of approximately 86 hectares and has access to well developed log sorting, good drying and dry sorting capacity along with export storage space allowing for storage of around 20,000 m³ of finished products. The facility's own port area with two piers of a total length of 254 meters, and individual port cranes, allow for very efficient handling of finished goods through direct loading onto ocean going vessels for export. The port has a capacity to load in excess of 400,000 m³ sawnwood per year.

LDK-3's location also allows for deliveries of sawlogs by rail, waterways (barges or log-driving) or truck. In the vicinity of the facility's log sorting area there is also sufficient space for the storage of sawlogs, which ensures efficient raw material flows to the sawmill. LDK-3 controls forest leases with an annual allowable cut (AAC) amounting to 177,200 m³, which to date have been used to a limited extent. RusForest aims to double the Company's controlled AAC in the Arkhangelsk area and develop its own harvesting operations in order to increase the share of internally supplied sawlogs at the site.

The acquisition of LDK-3 is contingent of Russian anti-monopoly approval, which is expected to be attained before the end of the year and of formal approval by the Board of Directors of the seller, which is expected to be attained before the end of September. In the acquisition of 86 percent of LDK-3, RusForest is subject to mandatory bid for the remaining shares held by minority shareholders.

The rights issue

The Board of Directors of RusForest AB has decided to propose to the extraordinary general meeting to be held on 8 October 2010, to resolve upon a new share issue, amounting to a approximately SEK 440 million before issue expenses², with preferential rights to the existing shareholders of RusForest. One (1) existing share in RusForest will entitle the holder to subscribe for two (2) new shares at the subscription price of SEK 10 per share. The Rights Issue will increase the Company's share capital by a maximum of SEK 436 816 800, from SEK 218 408 400 to a maximum of SEK 655 225 200 through the subscription of a maximum of 43 681 680 new shares, each with a quota value of SEK 10.

Vostok Nafta, who currently hold 49.9 percent of the shares in RusForest have committed to subscribe for its pro-rata share of the Rights Issue.

² The issue expenses are estimated to amount to approximately SEK 10 million.



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As previously communicated, the shareholder Vostok Komi (Cyprus) Limited (a wholly owned subsidiary of Vostok Nafta Investment Ltd) has provided interim financing for the funding of RusForest's development initiatives. The financing, amounting to USD 12 million, was provided by way of two short term unsecured loans with bullet maturity on 30 November 2010 and a fixed annual interest rate of 15 percent. In addition to subscription by way of payment, the shareholder Vostok Komi (Cyprus) Limited has the right to make payment for subscribed shares by way of set-off against claims which are based upon the interim financing which was received by RusForest from Vostok Komi (Cyprus) on 1 July 2010 and 15 September 2010. As at 21 September 2010 the total claims, including accrued interest, amounted to USD 12 220 000.

"RusForest is one of Vostok Nafta's core holdings and as the single largest shareholder we remain extremely optimistic about the opportunities in front of us as RusForest is about to become Russia's leading independent forestry and sawmilling company. Russia is the last forestland frontier and we believe it will experience the same type of development as the North American and Scandinavian forest industries during the 19th Century, where the abundant supply of low cost timber led to world-leading corporations being built and the creation of vast fortunes. With the acquisition of LDK-3, RusForest has taken key positions in the two forest regions in Russia best placed to serve the fast growing markets in China and the high margin markets in Europe. This will offer RusForest a unique market reach and the possibility of efficiently applying best Scandinavian working practice to a Russian cost base. Over the past two decades we have seen private ownership established in almost all Russian industry sectors, and we foresee that this development will continue and eventually lead to RusForest being able to convert its long-term forest leases to full ownership", comments Vostok Nafta's Managing Director, Per Brilioth.

Detailed information regarding the Rights Issue will be presented in the prospectus that will be prepared and published for the Rights Issue. The prospectus is expected to be published on, or around, 14 October 2010 and will be made available on the Company's website and be distributed to the Company's shareholders.

In Kind Authorisation

Through the acquisition of LDK-3, RusForest gain a very strong foundation for its operations in the Arkhangelsk region. RusForest hope to couple this investment with acquisitions of shares in companies within the group in which NTG is a part. To enable this, the Board of Directors has therefore decided to propose that the extraordinary general meeting of RusForest, to be held on 8 October 2010, resolve in accordance with the In Kind Authorisation. The In Kind Authorisation is made as a result of the previously communicated negotiations conducted with the aim to merge RusForest and NTG, or for the parties to find opportunities to cooperate in the Arkhangelsk area as an alternative to an outright merger.

NTG has a large presence in the Arkhangelsk region, with a leased forest area of over 1.0 million hectares of quality Spruce and Pine forests similar to those in Northern Sweden. NTG's forest districts are all well established with quality roads, constructed by the existing owners, and with own rail terminals as a way to both secure logistics and control costs. Harvesting in NTG is expected to reach 400,000 m³ in 2011, and the log outtake from the forests was close to 100,000 m³ during the first quarter of 2010.

By the acquisition of LDK-3, the Board of Directors believe RusForest will attain a strong position for its operations in the Arkhangelsk area, and to some extent secure additional control of the raw material supplies in the area. Possible acquisitions of shares in NTG would further strengthen this position.

List change

RusForest aims to initiate the process for listing on NASDAQ OMX Stockholm.

*RusForest offers a unique opportunity to invest in Russian forestry: www.RusForest.com
RusForest AB's Certified Adviser on First North is E. Öhman J:or Fondkommission AB.*



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Preliminary timetable and key data

8 October	Extraordinary shareholders meeting to resolve upon the Rights Issue and the In Kind Authorisation
13 October	RusForest share traded without subscription rights
Around 14 October	Planned date for publishing of prospectus regarding the Rights Issue
15 October	Record date for participation in the Rights Issue, i.e. shareholders registered in the share register of RusForest as of this date will receive subscription rights for participation in the Rights Issue
18 October– 1 November	Subscription period in the Rights Issue
19 – 27 October	Trading period for subscription rights
Around 4 November	Planned date for publication of preliminary outcome of the Rights Issue

Advisors

E. Öhman J:or Fondkommission are financial advisors to RusForest and Renaissance Capital are co-lead manager. Öhman is also issuing agent in connection with the Rights Issue and Advokatfirman Vinge KB is legal advisor to RusForest. Mannheimer Swartling Ryssland AB has been legal advisor with regards to the acquisition of LDK-3 and Infa.

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About RusForest AB (publ)

RusForest is the only listed Russian forestry and sawmilling company, with operations based in Eastern Siberia and long term leases covering over 850 thousand hectares of forest land. Russia has the world's largest forest reserves by a significant margin, and Eastern Siberia is world renowned for its Pine and Larch of exceptional quality.

Through a series of acquisitions and development projects RusForest increased sawnwood production by 37.9 percent in 2009, to 166,333 m³, in spite of weak market conditions. RusForest has a number of exciting development projects, in particular the turn-key sawmill in Magistralny which is expected to add a further 50 percent to RusForest's sawnwood volumes upon completion.

IMPORTANT INFORMATION

This press release is not an offer for subscription for shares in RusForest. A prospectus relating to the Rights Issue referred to in this press release will be filed with the Swedish Financial Supervisory Authority. After approval and registration of the prospectus by the Swedish Financial Supervisory Authority, the prospectus will be published and made available on inter alia RusForest's website.

The distribution of this press release in certain jurisdictions may be restricted. This press release does not constitute an offer of, or an invitation to purchase, any securities of RusForest in any jurisdiction.

This press release does not constitute or form part of an offer or solicitation to purchase or subscribe for securities in the United States. The securities referred to herein may not be sold in the United States absent registration or an exemption from registration under the US Securities Act of 1933, as amended. RusForest does not intend to register any portion of the offering of the securities in the United States or to conduct a public offering of the securities in the United States. Copies of this announcement should not be made in and may not be distributed or sent into the United States, Canada, Australia, Singapore, South Africa, Switzerland, Japan or Hong Kong.

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