

PRESS RELEASE

RusForest Strengthens Equity by SEK 450 million and Secures Russian Strategic Investor

- *Intended offer to bondholders of debt restructuring, whereby the bond's nominal amount and accrued interest is reduced by approximately 50 percent to SEK 263.75 million, the coupon is reduced to zero percent and the term of the bond is extended to 2018. The reduced amount can be exchanged for new shares in RusForest*
- *Intended new share issue of approximately SEK 86 million with preferential rights for existing shareholders in RusForest*
- *Strategic partnership with Russian investment company, Nova Capital, which intends to invest approximately SEK 100 million of cash into RusForest through a directed new share issue*

December 12, 2012, Stockholm, Sweden – RusForest AB (publ) (“RusForest” or the “Company”) (NASDAQ OMX: RUSF), a Swedish forestry company with operations in Russia, today announced a transaction that includes a restructuring offer to bondholders, an underwritten rights issue and a directed issue to a Russian strategic investor, Nova Capital LLC or one of its affiliates (“Nova”).

As communicated in RusForest’s recent quarterly reports, the Company has been exploring strategic and financial alternatives. This process has included discussions with various shareholders, bondholders and potential industrial partners.

The Board of Directors of RusForest intends to propose to (i) the bondholders at a bondholders’ meeting (the “Bondholders’ Meeting”) to reduce the bond’s nominal amount and accrued interest by approximately 50 percent, reduce the coupon to zero percent and extend the term of the bond to 2018, and (ii) the shareholders at an extraordinary general meeting (the “EGM”) to resolve on a new share issue by way of a set-off to bondholders (the “Debt-to-Equity Swap”), a new share issue with preferential rights for existing shareholders (the “Rights Issue”) and a directed new share issue to Nova (the “Directed New Share Issue”). The steps all together (the “Transaction”) will strengthen RusForest’s equity by approximately SEK 450 million.

In light of the prevailing market conditions, which are more challenging than previously anticipated, and due to delays in RusForest’s on-going improvements to its sawmills, the Company is in need of additional funds to cover working capital requirements over the next twelve months.

Summary

- The Board of Directors of RusForest intends to propose to the bondholders at a Bondholders’ Meeting to be held on or about January 25, 2013, a reduction of the bond’s nominal amount and accrued interest by approximately 50 percent to SEK 263.75 million, a reduction of the coupon to zero percent, as well as an extension of the term of the bond to 2018 followed by, subject to the approval of shareholders at the EGM, the possibility to subscribe for new shares by way of a set-off.

- The Board of Directors of RusForest intends to propose to the shareholders at an EGM to be held on or about February 1, 2013, to resolve on the Debt-to-Equity Swap amounting to approximately SEK 264 million, the Rights Issue amounting to approximately SEK 86 million, and the Directed New Share Issue amounting to approximately SEK 100 million. The completion of the transactions is conditional upon a 90 percent acceptance level in the Debt-to-Equity Swap.
- Vostok Nafta, the Company's largest shareholder with 29.4 percent of the shares, has undertaken to subscribe for its part of the Rights Issue, amounting to approximately SEK 25 million and, in addition, to guarantee the remaining part of the Rights Issue amounting to approximately SEK 61 million. This is inter alia subject to Vostok Nafta receiving an exemption from the mandatory offer rules (if required) and a 90 percent acceptance level in the Debt-to-Equity Swap.
- Nova has undertaken to subscribe for all shares in the Directed New Share Issue at an amount of approximately SEK 100 million. This undertaking is also, among other conditions, subject to a 90 percent acceptance level in the Debt-to-Equity Swap.
- The Transaction is intended to be conditional upon all parts of the Transaction and subject to approval at the Bondholders' Meeting and the EGM.

Management Comments

Garrett Soden, CEO of RusForest, commented, "The solution presented today is comprehensive. The debt restructuring and the two equity issues will address the Company's short-term liquidity challenge and will enable us to develop the full potential of our forestry and sawmilling assets by increasing production and reducing unit costs. With Nova Capital as the new leading shareholder, we will have a strong Russian strategic partner to help us reach profitability. I am convinced that this proposal is the best alternative for all stakeholders and provides maximum exposure to the upside in our asset portfolio."

President of Nova Capital, Alexander Rudik, said, "Nova Capital will support RusForest by further strengthening the Company's forestry expertise in Russia. Our decision to invest in RusForest demonstrates our long-term commitment to the Russian forestry sector. We believe this transaction is in the best interest of both bondholders and shareholders of RusForest as it will help unlock the substantial upside in the Company's assets."

Background and Rationale

RusForest is making progress on many fronts but continues to face operational and financial challenges. The Board of Directors and the management of RusForest expect that the current difficult market situation will continue into 2013.

The Company is working on improvements and, over the past few months, has reduced loss-making operations in Arkhangelsk, Shenkursk and Ust-Ilimsk in order to focus on the core operations in Eastern Siberia. Additionally, RusForest is in discussions over the sale of non-core assets. In parallel, the Company is strengthening management in order to increase price realizations for sawnwood products and to increase capacity utilization in the harvesting and sawmilling operations.

The challenging market conditions and resulting poor margins have caused RusForest's cash position to decrease more rapidly than previously anticipated. Part of the proceeds from the planned new share issues will therefore be used to cover the need for additional working capital.

Furthermore, as communicated in the Q3 2012 report, RusForest is in the process of reviewing the book values of the Company's sawmills and expects to record an impairment of up to SEK 500 million in the year-end results to be released in March 2013. This impairment is the result of continued losses and lowered fair value expectations from the asset sale process. The sawmill impairment is expected to cause the Company to breach its corporate bond debt-to-equity ratio covenant of 75 percent, but a successful Transaction will remedy the anticipated covenant breach and eliminate the next interest payment due in May 2013.

Finally, a strategic partnership with Nova will accelerate RusForest's turnaround efforts. The Company gains a local partner with extensive experience in the Russian forestry sector. Nova shows its commitment to RusForest by nominating directors to the Board and injecting capital.

The Transaction will provide RusForest with a viable balance sheet, cash resources and stronger Russian forestry expertise. It is RusForest's belief that the proposed measures facilitate the operational turnaround and provide the best platform to create value for all stakeholders.

Debt Restructuring

The Board of Directors of RusForest intends to convene a Bondholders' Meeting to be held on or about January 25, 2013, and intends to propose to the bondholders at the Bondholders' Meeting a reduction of the bond's nominal amount and accrued interest by approximately 50 percent to SEK 263.75 million, a reduction of the coupon to zero percent, as well as an extension of the term of the bond to 2018, followed by, subject to approval by shareholders at the EGM, the possibility to subscribe for new shares by way of a set-off.

Further details regarding the Bondholders' Meeting and the Board of Directors' proposal for the Bondholders' Meeting, including the complete notice and board proposals, will be announced, published on the Company's website (www.rusforest.com) and sent to the bondholders in connection with the Board of Directors' decision well before the Bondholders' Meeting.

Debt-to-Equity Swap, Rights Issue and Directed New Share Issue

The Board of Directors of RusForest intends to propose to the shareholders at an EGM to be held on or about February 1, 2013, to resolve on the Debt-to-Equity Swap, the Rights Issue and the Directed New Share Issue amounting to approximately SEK 450 million in total. The intended terms of the Debt-to-Equity Swap, the Rights Issue and the Directed New Share Issue are summarized below:

- **Debt-to-Equity Swap:** Following the above intended amendments to the bond, bondholders will be offered to subscribe for new shares by way of a set-off against the new nominal amount and accrued interest at SEK 0.04 per share. Based on a remaining bond debt post Bondholders' Meeting of SEK 263.75 million, and if all bondholders accept the offer, the number of shares in RusForest will increase by 6,593,750,000 shares.
- **Rights Issue:** Existing shareholders shall be entitled to six (6) subscription rights for each existing share held. For one (1) subscription right, one (1) new share can be acquired at

SEK 0.03 per share. At full subscription, this will add 2,874,230,820 new shares in RusForest.

- **Directed New Share Issue:** Nova will, subject to the below conditions, subscribe for new shares to an amount of approximately SEK 100 million at SEK 0.03 per share. A successful Directed New Share Issue will add 3,350,000,000 new shares in RusForest.

Based on a full Debt-to-Equity Swap, a fully-subscribed Rights Issue and the Directed New Share Issue, bondholders will hold approximately 50 percent, current shareholders will hold approximately 25 percent, and Nova will hold approximately 25 percent of RusForest's outstanding shares after completion of the Transaction.

The completion of both the Debt-to-Equity Swap and the Rights Issue is intended to be conditional upon bondholders representing at least 90 percent of the bond's nominal amount post-reduction accepting to exchange their bonds for new shares (such condition being able to be waived by the Board of Directors of the Company).

Further details regarding the EGM and the Board of Directors' proposals for the EGM, including the complete notice and board proposals, will be announced and published on the Company's website in connection with the Board of Directors' decision well before the EGM.

In order to achieve a quota value that makes it possible to carry out the share issues, the Board of Directors of RusForest also intends to propose to the shareholders at the EGM to resolve on a reduction of the share capital through a reduction of the quota value to SEK 0.01 from the current SEK 1. In addition, in order for RusForest to have a reasonable share price post-Transaction, the Board intends to propose a reverse share split where one hundred (100) shares in RusForest will be consolidated into one (1) share.

Detailed information regarding the Debt-to-Equity Swap, the Rights Issue and the Directed New Share Issue will be presented in the notice to the Bondholders' Meeting, in the notice to the EGM, in the Board of Directors' complete proposal and in the prospectus to be prepared and published before commencement of the subscription period in the Rights Issue and the Debt-to-Equity Swap.

Voting Requirements

A binding acceptance of the intended proposal for the Bondholders' Meeting will require, according to the terms of the bond, that at least half of the outstanding nominal amount of the bond is represented at the Bondholders' Meeting and that three quarters of the nominal amount represented votes in favor of the proposal. The intended proposal for the EGM must, under the Swedish Companies Act, be supported by shareholders holding not less than two thirds of both the votes cast and the shares represented at the EGM.

Conditions for Bondholders' Meeting and EGM

The intention is that each proposal for the Bondholders' Meeting and the EGM shall be conditional upon acceptance of the other proposals, meaning that if one proposal is not accepted, the other proposals will fall. Once approved, the resolutions will be conditional only upon the conditions in the resolutions.

Subscription Undertakings and Underwriting

Vostok Nafta, the Company's largest shareholder with 29.4 percent of the shares, has (i) stated that it intends to apply for an exemption from the mandatory offer rules (if necessary) and (ii) has undertaken to subscribe for its portion of the shares within the limits of such exemption, as well as (iii) underwriting the remaining part of the Rights Issue without consideration. Vostok Nafta's subscription undertaking and underwriting of the Rights Issue is conditional upon: (a) receipt of the Swedish Financial Supervisory Authority's approval of the prospectus and any supplement thereof in respect of the Rights Issue and the Debt-to-Equity Swap; (b) the bondholders and the shareholders approving all proposals concerning the Transaction at the Bondholders' Meeting and the EGM, respectively, with qualified majority where so required; (c) at least 90 percent acceptance level in the Debt-to-Equity Swap; and (d) an exemption being granted, if required, from the Swedish Securities Council (Sw. Aktiemarknadsnämnden) in respect of making any mandatory bid. All conditions can be waived at the discretion of Vostok Nafta.

Nova has undertaken to subscribe for approximately SEK 100 million in the Directed New Share Issue. Nova's subscription undertaking is conditional upon: (a) receipt of the Swedish Financial Supervisory Authority's approval of the prospectus and any supplement thereof in respect of the Rights Issue and the Debt-to-Equity Swap; (b) the bondholders and the shareholders approving all proposals at the Bondholders' Meeting and the EGM, respectively, with qualified majority where so required; (c) at least 90 percent acceptance level in the Debt-to-Equity Swap; (d) Nova obtaining, through the Directed New Share Issue, a stake of not less than 25.0 percent ownership in the Company; (e) Nova being granted an exemption by the Swedish Securities Council from any obligation to make any mandatory bid, if required; (f) the shares issued in the Rights Issue having been subscribed and paid for; (g) Vostok Nafta having subscribed for its pro-rata share in the Rights Issue and any residual amount in accordance with Vostok Nafta's underwriting; and (h) Vostok Nafta having the right to asset sale proceeds amounting to at least USD five (5) million. All conditions can be waived at the discretion of Nova. Nova has further committed to transfer the Directed New Share Issue funds into an escrow account at the latest on January 15, 2013.

Intended Timetable

The Bondholders' Meeting is intended to be held on January 25, 2013, and the EGM on February 1, 2013. A more detailed preliminary timetable will be communicated in connection with the Board of Directors' formal resolutions to convene the meetings and propose the above mentioned transactions.

Advisors

Pareto Öhman AB is financial advisor and Advokatfirman Vinge KB is legal advisor to RusForest in connection with the Transaction. Norton Rose LLP and Advokatfirman Lindahl KB are legal advisors to Nova Capital.



About Nova Capital

Nova Capital is a Moscow-based investment company established in 2011. The company primarily invests in Russia with a strong focus on the forestry sector as well as agriculture and real estate. Nova is invested in the Russian forestry sector through OOO Lesresurs, which has harvesting and sawmilling operations in Eastern Siberia. For additional information, please visit Nova's website at: www.nova-capital.ru

About RusForest

RusForest is a Swedish forestry company operating in eastern Siberia and the Arkhangelsk region of Russia. The Company controls approximately 3 million hectares of timber through long-term leases with an annual allowable cut ("AAC") of approximately 3.6 million cubic meters. RusForest owns five sawmills in close proximity to its forest leases and is self-sufficient in raw material to produce more than 400,000 cubic meters per year of sawnwood products. The Company is listed on NASDAQ OMX Stockholm First North (ticker symbol "RUSF"). RusForest's largest shareholder is Vostok Nafta, which owns approximately 29 percent of the Company's shares. For additional information, please visit the Company's website at: www.rusforest.com

RusForest AB's Certified Adviser on First North is Pareto Öhman AB.

For further information about the proposed transactions, please contact:

Robert Eriksson, RusForest Investor Relations, telephone: +46 (701) 11 26 15