



## PRESS RELEASE

### **RusForest Announces Sale of Arkhangelsk Assets**

December 2, 2014, Stockholm, Sweden – RusForest AB (publ) (“RusForest” or the “Company”) (NASDAQ OMX: RUSF), a Swedish forestry company with operations in Russia, announces the sale of its Arkhangelsk assets in Northwest Russia for approximately \$31 million, including the related debt. RusForest expects to receive a total of approximately \$12 million in net cash from the transaction.

RusForest has executed a definitive sale and purchase agreement with several buyers, including ZAO Lesozavod 25, for the Arkhangelsk LDK-3 sawmill and related pellet mill, as well as for all of its forest leases and harvesting companies in the Arkhangelsk region for a total of approximately \$31 million, including all outstanding debt. The Arkhangelsk sawmill has an annual capacity of 120,000 cubic meters of sawnwood, and the pellet mill has an annual capacity of 100,000 tons of pellets. The Arkhangelsk LDK-3 sawmill and the harvesting company, Severny Les, hold forest leases with 851,000 cubic meters of annual allowable cut (“AAC”).

The transaction is expected to close in the next week. The net cash received by RusForest after repayment of the sawmill’s debts is expected to be approximately \$12 million. RusForest has already received a cash pre-payment of \$5.7 million, and the remainder of the cash is expected to be received in four tranches within the next twelve months.

Last year, RusForest intended to grow the Arkhangelsk business segment due to the attractive port location. The Company successfully completed the pellet mill earlier this year as the first step in the Arkhangelsk investment program. The current sawmill in Arkhangelsk is outdated and requires significant investment to maintain profitability. The management of RusForest evaluated the possibility of building a new sawmill in Arkhangelsk, but, due to the ongoing crisis in Ukraine and the related sanctions against the Russian financial sector, RusForest concluded that it is not possible to finance the construction of a new sawmill at the LDK-3 site without significant shareholder dilution. The Company has therefore decided to divest the entire Arkhangelsk operation in order to focus on RusForest’s profitable operations in Eastern Siberia.

Following the divestment of the Arkhangelsk assets, RusForest will be a debt-free company with a profitable core business in Magistralny, Eastern Siberia. Pro forma for the sale of Arkhangelsk, RusForest has total annual sawmilling capacity of 90,000 cubic meters of sawnwood and forestry leases with approximately 1.7 million cubic meters of AAC.

Matti Lehtipuu, the Company’s Group CEO, commented, “RusForest is a positive example of a business turnaround towards a profitable, debt-free business. Now that we have divested all loss-making and non-core operations, we are committed to increasing profitability and identifying new growth opportunities. We plan to begin negotiating the merger of RusForest with Nova Capital’s profitable forestry business in Eastern Siberia, Lesresurs, and we continue to focus on increasing shareholder value.”

Based on the current RUB/USD exchange rate, the sale of the Arkhangelsk unit is expected to result in an impairment of approximately \$7.5 million in the Q4 2014 financials to be released on March 31, 2015.



## **About RusForest AB**

RusForest is a Swedish forestry company operating in Eastern Siberia. The Company controls long-term timber leases and utilizes these resources to produce a wide range of sawnwood products. RusForest is listed on NASDAQ OMX Stockholm First North (ticker "RUSF").

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

For additional information, please visit the Company's website at [www.rusforest.com](http://www.rusforest.com) or contact:

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