RusForest acquires additional forest lease-holding companies in Boguchany, Krasnoyarsk region

RusForest AB (publ) (“RusForest” or the “Company”) has entered into an agreement to acquire ZAO ADAR (“Adar”) and OOO LP LDK Kansky (“Kansky”) in the Krasnoyarsk region. The two companies hold forest leases with a combined Annual Allowable Cut (AAC) of 470,600 m³. The acquisitions are conditioned upon, inter alia, the two companies having settled certain debts.

Adar holds a pine-dominated forest lease located approximately 110 km north of the Boguchansky LPK sawmill, with an AAC of 262,700 m³ and covering an area of 110,343 hectares. The remaining term of the forest lease is 44 years. Kansky holds a larch-dominated forest lease, located approximately 170 km north of the Boguchansky LPK sawmill with an AAC of 207,900 m³ and covering an area of 109,493 hectares. The remaining term of the forest lease is 43 years.

The new forest leases complement RusForest’s existing assets in the region well, especially in light of the fact that the Company is expanding drying and sorting capacity at the Boguchansky LPK sawmill. The transactions, when completed, will increase the Company’s AAC in the Boguchany region to 748,400 m³, and will allow Boguchansky LPK to become self-sufficient in terms of raw material supplies and help reduce raw material related costs starting from the 2011/2012 season.

RusForest’s long-term objective for the Boguchansky LPK sawmill is to reach an annual sawnwood output of 200,000 m³ through the construction of additional drying and sorting capacity at the site.

Following the acquisitions, RusForest will invest into additional harvesting equipment during the autumn of 2011 and will continue to strengthen the local management in harvesting as well as in road construction.

“The competition with regards to access to high quality raw material continues to increase in Russia, not least in Siberia where Chinese companies have become very active recently. In addition, two large state-funded projects in the Krasnoyarsk region, Angara Paper (with Södra as a partner) and Kraslesinvest (Boguchansky pulp-mill), also have a significant impact. The acquisitions of Adar and Kansky will allow Boguchansky LPK to become self-sufficient in terms of sawlog deliveries in the future, decreasing supply-related raw material risks while allowing for increased production and reduced raw material related costs”, comments RusForest’s CEO, Martin Hermansson.

The acquisitions are conditioned upon both Kansky and Adar having settled certain debts, as well as upon conditions customary for acquisitions of this kind, including no material adverse change having occurred in the target companies between signing and closing.
Following the acquisitions of Adar and Kansky, RusForest’s consolidated AAC will amount to approximately 3.3 million m³.

For further information please contact:

Martin Hermansson, CEO, phone: +7 903 015 64 65, +7 985 921 92 32

or

Erik Löfgren, External Relations, phone: +46 705 45 34 20

About RusForest AB (publ)

RusForest is forestry and sawmilling company operating in Eastern Siberia and the Arkhangelsk region of Russia. The Company controls long term forest leases with an annual allowable cut of approximately 2.8 million m³, and utilizes these resources to produce a wide range of sawnwood products. Eastern Siberia is renowned for its Pine and Larch of exceptional quality, while the Arkhangelsk Region in northwest Russia has high quality spruce and pine forests similar to those found in northern Sweden.

RusForest's goal is to develop into a leading independent integrated forestry and sawmilling company in Russia, with an annual harvest of 2.7–2.9 million m³ and an annual sawnwood production of 800,000–850,000 m³ during the coming four to five years.