



PRESS RELEASE

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The groundwood line in Rottneros Mill to be closed down, CTMP production planned to increase significantly

Following an extensive and long-term strategic analysis, Rottneros' Board of Directors has decided to discontinue the production of groundwood pulp in Rottneros Mill as there are no prospects for long-term sustainable profitability. The decision means that about 40 people will be made redundant. The cost of the closure is expected to amount to approximately 60 MSEK. Production is expected to cease at the end of 2022, following the conclusion of trade union negotiations which are now beginning. The Group plans to invest 160 - 200 MSEK to significantly increase capacity and production in the mill's CTMP line.

The extensive strategic analysis carried out by the company shows that the prospects for long-term sustainable profitability are insufficient for groundwood pulp. Partly due to the dramatically changed situation on the electricity market with very high and highly volatile prices as a result. Partly a structurally decreasing demand for the end products where groundwood pulp is used, mainly printing and writing paper, which makes it difficult to reach a sufficiently high price level.

In 2021, the Group's production of groundwood pulp amounted to 64 000 tons, corresponding to 16 percent of Rottneros' total production of 395 300 tons. During the same year, the groundwood line's share of the Group's net sales amounted to just over 10 percent, while the contribution, including electricity hedges, to the Group's net profit was marginal. The costs for the closure, approximately 60 MSEK, consist mainly of redundancy costs and will be charged in the Group's earnings for the third quarter. Only a minor part is write-downs of fixed assets.

The Group's electricity needs will be affected by a closure of the groundwood line, but also by increased CTMP production. As a result, the Group's portfolio of electricity futures will be adjusted, and surpluses will be realized at current market prices. The value of the Group's electricity futures is high, meaning that the profit impact from the closure is estimated to be substantially lower than the cost of the closure.

During the past five years, investments in Rottneros Mill have exceeded 600 MSEK in total. They have mainly been related to the goal of fossil-free production and increased production of CTMP. The latter has increased from 80 000 to 120 000 tons annually during recent years.

The Group is conducting a pre-study for the further development of the CTMP line. The goal is to reach a production level of at least 150 000 tons annually from today's 120 000 tons,





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with an expected investment cost of 160 to 200 MSEK. The pre-study also addresses the issues of raw material supply and long-term stable and competitive electricity prices. The pre-study is expected to be completed in the fourth quarter of 2022.

"The decision to close the groundwood line is of course associated with great sadness for us, given the employees affected and Rottneros' over a century long in groundwood pulp. Unfortunately, the financial prospects are insufficient for continued operations of the groundwood line in the long term, mainly due to the sharply changed situation in the electricity market, especially in the two southern price areas SE3 and 4. At the same time, it is important to emphasize our significant investment plans within CTMP, the most important product segment of Rottneros Mill. The continued positive long-term profitability outlook within CTMP implies that we plan for a significant production increase during the coming three-year period. Our investments in packaging within Rottneros Packaging and in the raw materials company Nykvist Skogs are further evidence that our position in Värmland has grown in a significant way during recent years", says Lennart Eberleh, Rottneros' President and CEO.

Invitation to investor information

All participants can follow the presentation via the link at 9 a.m. today, August 16: <https://www.finwire.tv/webcast/rottneros/presentation-2022/>

The presentation will be held in English. Questions can be asked in writing via the link in English or Swedish.

For more information please contact:

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This is information that Rottneros is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.00 (CEST) on 16 August 2022.

Rottneros is an independent producer of market pulp. The Group comprises the parent company Rottneros AB, listed on Nasdaq Stockholm, and its subsidiaries Rottneros Bruk AB and Vallviks Bruk AB with operations involving the production and sale of market pulp. The Group also includes Rottneros Packaging AB, which manufactures fibre trays, and the wood procurement company SIA Rottneros Baltic in Latvia and the forest operator Nykvist Skogs AB. The Group has about 316 employees and had a turnover of approximately SEK 2.3 billion in 2021.

