

## PRESS RELEASE

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### **Statement by the Board of Directors of Rottneros AB (publ) in relation to Arctic Paper S.A.'s public takeover offer**

**The Board of Directors of Rottneros unanimously recommends the shareholders to accept the offer from Arctic Paper**

#### ***Background***

This statement is made by the Board of Directors of Rottneros AB (publ) ("Rottneros" or the "Company") pursuant to the rules concerning public takeover offers on the stock market adopted by NASDAQ OMX Stockholm (the "Takeover Rules").

Arctic Paper S.A. ("Arctic Paper") has today, on 7 November 2012, announced a public offer to the shareholders in Rottneros to transfer all of their shares in Rottneros to Arctic Paper (the "Offer").

Arctic Paper offers 0.1872 newly issued Arctic Paper shares for each Rottneros share. The Offer values each Rottneros share to SEK 2.30 per share<sup>1</sup> based on Arctic Paper's closing price on 6 November 2012, the last trading day prior to the announcement of the Offer.

In addition, Arctic Paper offers shareholders who as per 2 November 2012 held 2,000 shares or less in Rottneros a cash consideration of SEK 2.30 per share in Rottneros (the "Cash Offer"). For detailed terms and conditions regarding the Cash Offer, reference is made to Arctic Paper's press release.

Arctic Paper is listed on the Warsaw Stock Exchange but will in relation to the Offer apply for a secondary listing on NASDAQ OMX Stockholm.

The Offer represents a premium of:

- 14.4 per cent compared to the last quoted price prior to the trading halt on 6 November 2012, of SEK 2.01 for the Rottneros share, the last trading day prior to the announcement of the Offer;
- 26.2 per cent compared to the volume weighted average price of SEK 1.82 for the Rottneros share during the last 30 calendar days up to and including 6 November 2012; and
- 27.3 per cent compared to the volume weighted average price of SEK 1.81 for the Rottneros share during the last 90 calendar days up to and including 6 November 2012.

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<sup>1</sup> Based on a PLN/SEK exchange rate of 2.0749 per 6 November 2012, the last trading day prior to the announcement of the Offer.

The Offer values Rottneros at approximately SEK 351 million, based on 152,571,925 outstanding shares in Rottneros.

According to the preliminary timetable included in the press release in which the Offer was made public, the acceptance period is expected to run from around 22 November 2012 to around 12 December 2012.

Based on all shareholders in Rottneros accepting the Offer and no shareholders choosing to accept the Cash Offer, Rottneros shareholders will own 34 per cent of the shares in Arctic Paper after completion of the Offer.

Arctic Paper has for a longer period of time held discussions with the Board of Directors of Rottneros (the "Board") regarding a combination of the two companies. As part of this process, the Board has engaged Lenner & Partners as financial advisors and Setterwalls as legal advisors.

The Board has, upon request by Arctic Paper, allowed Arctic Paper to conduct a limited confirmatory due diligence in connection with the preparations of the announcement of the Offer. Arctic Paper has not received any non-public price-sensitive information regarding Rottneros.

Rottneros has conducted a limited confirmatory due diligence regarding Arctic Paper and Arctic Paper has informed Rottneros that no non-public price-sensitive information has been disclosed regarding Arctic Paper.

### ***The Board's Considerations***

During 2008 and 2009 Rottneros went through an operational restructuring where the number of pulp mills was reduced from five to two. During 2009, a financial restructuring was performed in which the Company's debt was reduced to zero. The ambition was to mitigate the Company's high operational risk with a low financial risk and establish the preconditions for making necessary investments in the Vallvik Mill, and also to re-introduce dividends. The production capacity in the Vallvik Mill has since been expanded and dividends to shareholders have been re-introduced. The financial position is still sound, though Rottneros remains a rather small company with a market capitalization of approximately SEK 300 million and net turnover of approximately SEK 1.5 billion. The Board has assessed several possible merger and acquisition opportunities during the last couple of years.

Considering the factors each shareholder has to take into account prior to their decision to accept, or not to accept, the Offer, the Board of Directors of Rottneros wish to make the following concluding comments:

- A merger will result in both shareholder groups gaining the benefits of a significant reduction in the volatility of earnings and cash flows with ensuing lower operating risk. Over time, this should entail a lower cost of financing and a higher valuation of the shares.
- The yearly synergies are estimated to be approximately SEK 80 million before tax and the costs to achieve these are rather limited. The estimated synergies are significant in relation to both companies' current earnings. All things equal, this will substantially strengthen the new group's future capacity for investments and dividends.
- The Offer to Rottneros shareholders implies a not insignificant premium compared to the current share price, but most of all the Offer implies that Rottneros shareholders will own 34 per cent of the new group and through that will have a share in the value of the synergies described above.
- For Rottneros shareholders the Offer represents an upstream integration in the value chain through them becoming owners of Arctic Paper's current operations in fine graphic paper. In the view of the Board, this represents both a risk and an opportunity. It is a risk

because the market for fine graphic paper is under a lot of pressure with limited or even declining growth. But it also means an opportunity to take part in developing one of Europe's leading players in its field with a focus on bulky book paper and other paper products in the premium segment and with a presence in the growing Eastern European market.

For further information about the Offer, reference is made to Arctic Paper's press release which was made public earlier today, and can be found at [www.arcticpaper.com](http://www.arcticpaper.com).

### ***The Board's Recommendation***

Arctic Paper has for a longer period of time shown interest in a merger between Rottneros and Arctic Paper. The Board has been positive to the proposal as in the Board's view – given the right terms and conditions – it provides the right preconditions to create value for Rottneros' shareholders and that it will be to the benefit of employees.

The discussions that have taken place with Arctic Paper have resulted in the offer Arctic Paper is announcing today to the shareholders of Rottneros, which the Board is presenting to Rottneros' shareholders for their final decision.

The Board requests shareholders to carefully read the press release that Arctic Paper has made public today, as well as the Offer Document that Arctic Paper will make public on or around 21 November 2012, in advance of making their final decision.

The Board has considered what is in the best interest of all shareholders with respect to the Offer consideration, the current position of Rottneros, the future development of the Company and the associated possibilities and risks. As the consideration comprises shares in Arctic Paper, the prospects for the combined company have been evaluated in particular.

As part of this evaluation, the Board has in particular taken into account:

- The premium the Offer implies for Rottneros' shareholders;
- That Arctic Paper is controlled by a shareholder holding 75 per cent of the shares, who is also the largest shareholder in Rottneros with a 20 per cent stake;
- That Arctic Paper is a Polish company with a primary listing in Poland, but that Arctic Paper will have a secondary listing in Stockholm;
- That the liquidity in the Arctic Paper share is rather limited at present;
- The possibilities of realizing the estimated synergies; and
- That Rottneros' shareholders with 2,000 shares or less are offered a choice of receiving a cash consideration.

Based on the information that Rottneros has received from Arctic Paper and the information that has been included in Arctic Paper's press release, the Board is of the opinion that the Offer will not involve any material changes to the future operations nor for the overall strategy of Rottneros' production units, and that it will not involve any major changes for employees (including terms of employment). However, some administrative functions in these units may be coordinated with Arctic Paper's units in Sweden. The operations at Rottneros' head office will be coordinated with Arctic Paper's units in Sweden and its head office in Poland, which will result in some limited redundancies.

The Board has been informed that Arctic Paper intends to offer certain individuals in the Rottneros management team an incentive arrangement, providing the Offer is completed. The payment is conditional upon the active participation of these key individuals in forming the new group and that they have not terminated their employment before 30 June 2013 and 31 December 2013, respectively. The incentive arrangement for all entitled employees amounts to a maximum of SEK 1.2 million in aggregate. The Board is of the opinion that the management incentive arrangement

would be beneficial in relation to the shareholders' interests and has thus approved Arctic Paper's arrangement as well as its intention to offer this arrangement.

As part of the Board's evaluation of the Offer and its recommendation, the Board has taken into account a fairness opinion from KPMG AB ("KPMG"). Rottneros engaged KPMG as an independent advisor to issue a fairness opinion on whether the Offer is deemed fair from a financial perspective. The Board has taken part of KPMG's evaluation and its underlying materials.

KPMG has in its assignment, amongst other things, taken into consideration internal information from the management of both Arctic Paper and Rottneros concerning business descriptions, historical financial results, financial budgets and projections and other documentation. KPMG has also conducted interviews with the respective management teams of Arctic Paper and Rottneros and with the Chairman of the Board of Rottneros. KPMG has also conducted analyses of public information including competitors' annual reports and general industry reports.

KPMG's fairness opinion is attached to this press release and will also be published in the Offer Document.

KPMG's opinion is that the Offer is to be considered fair for Rottneros' shareholders from a financial perspective.

In conclusion, and based on the above, the Board of Directors of Rottneros unanimously recommends the shareholders of Rottneros to accept the Offer.

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The Board of Directors of Rottneros AB (publ)

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Rottneros discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The Information was submitted for publication on Wednesday 7 November 2012 at 08.30 CET.

NB. In case of any discrepancy between the English and Swedish language versions, the Swedish language version shall prevail.

<p>Rottneros is an independent producer of market pulp. The Group comprises the parent company Rottneros AB, listed on NASDAQ OMX 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 the wood procurement company Rottneros Baltic SIA in Latvia. The Group has around 298 employees and had a turnover of approximately SEK 1.5 billion in the 2011 financial year.</p>
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