

PRESS RELEASE

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Work on the financial restructuring of Rottneros continues: industrial investor prepared to invest SEK 250 million

Rottneros AB's plans for financial restructuring are at an advanced stage. The company is planning a directed share issue for a new investor and a preferential rights issue for existing shareholders. This assumes that an agreement on actual terms can be reached with the company's creditors, principal owner and the potential industrial investor.

- An international industrial investor, who could achieve synergies by acquiring a larger shareholding in Rottneros, has registered an interest, under certain circumstances, in providing the company with a capital contribution by means of a directed share issue in the order of SEK 250 million. These circumstances include an assurance of being able to achieve an ownership share of just over 50 percent, which also assumes dispensation from the stock exchange's compulsory offer rules, and the approval of an extraordinary general meeting of Rottneros AB. The new share issue is intended to be used for investments in the Swedish mills to secure their future capacity to generate positive cash flows.
- The planned financial restructuring programme also includes a preferential rights issue in the order of SEK 100 million.
- Discussions with the company's creditors are proceeding with a view to facilitating an injection of external capital in accordance with the above, on the one hand, and reducing the company's debt burden by means of writing down the debt and converting it into equity on the other. As a result, the creditors would become significant shareholders in the company. All in all, the company believes this would maximise the probability of the creditors recovering their original claims.

Intensive negotiations are under way with the industrial investor, the company's creditors and the company's principal owner to identify a structure that satisfies the in part conflicting interests of all parties.

Decision on future direction

The strategic decision concerning the Group's future direction, which has been made by significantly reducing the share of the company's production that is in direct competition with eucalyptus-based pulp products in the southern hemisphere, has largely been implemented. This has resulted in the closure of most of the company's units with negative cash flows.

- Utansjö Mill was closed a year ago and the majority of the assets in the company, with the exception of the relatively new CTMP facility, were disposed of over the winter.
- Preparations to establish our own eucalyptus-based production in the southern hemisphere via the South Africa project, using CTMP equipment from Utansjö, continue, which requires Rottneros AB to be financially stable.

- The winding up of Rottneros Miranda within the framework of Spanish insolvency legislation continues. Negotiations with a potential buyer of the shares in the company are ongoing, which may mean that the pulp mill will re-open, though without Rottneros as a partner.
- Disposal of the assets in Rockhammar Mill, including freeing up of operating capital, brought in a cash sum of more than SEK 150 million.

Rottneros AB now essentially comprises manufacture of softwood-based sulphate pulp at Vallvik Mill, production of spruce pulp and CTMP production based on spruce, complemented by smaller volumes of aspen and birch at Rottneros Mill, the project in South Africa using the CTMP equipment from Utansjö Mill, and the small-scale packaging operation SilviPak.

Improved liquidity

The company's liquidity has improved during 2009 after a very difficult situation around the turn of the year. This has been achieved as a result of the measures described above, liquidation of operating capital, and a dramatic reduction in investment activity. At present the company has cash and cash equivalents of almost SEK 150 million and unused credit facilities of approximately SEK 75 million. Approximately SEK 120 million of the company's total borrowing of SEK 690 million will be repaid on 30 June 2009.

The market situation has improved significantly during April and May, but price level and profitability remain unsatisfactory.

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