

## PRESS RELEASE

**Rottneros AB** (publ)  
Box 600, SE-194 26 Upplands Väsby, Sweden  
Tel. +46 8 590 010 00 [www.rottneros.com](http://www.rottneros.com)

Upplands Väsby, 11 March 2009

### **Rottneros restructures: Rockhammar Mill sold and electricity supply for the South Africa venture confirmed**

**Rottneros AB (publ) and Korsnäs AB have reached an agreement to the effect that Korsnäs will acquire the CTMP production at Rockhammar Mill. The purchase sum is SEK 145 million. Following the takeover, production in Rockhammar will focus on pulp for internal deliveries to the cartonboard-manufacturing facility at Korsnäs' paper mill at nearby Frövi. The remaining production at Rockhammar Mill will be transferred to Rottneros Mill.**

**Rottneros also wishes to announce that the supply of electricity to the planned jointly owned pulp mill in South Africa has been confirmed. These measures are a continuation of the steps to develop the company outlined at Rottneros' Annual General Meeting in 2008.**

The price Korsnäs AB is paying for Rockhammar Mill is higher than the book value, which means that Rottneros is realising a capital gain of approximately SEK 50 million. The sale will reduce Rottneros' debt by SEK 115 million and strengthen short-term liquidity by around SEK 40 million. In 2008 Rockhammar Mill generated sales of almost SEK 250 million and produced approx. 62,000 tonnes of pulp. The buyer will offer all 60 or so employees continued employment.

"The transaction represents a marked improvement in the Group's financial position from both a cash flow and profit perspective, as the price significantly exceeds the book value," says Ole Terland, Chief Executive Officer and President of Rottneros.

The sale of Rockhammar Mill is what is known as an "asset purchase transaction", which means that the majority of the assets in the company are being transferred to Korsnäs. The transaction is subject to the approval of the relevant competition authorities, and is expected to be completed during the current month.

#### **Industrial logic**

"The transaction is logical from a long-term industry perspective, and is right for both the Rottneros Group and Korsnäs. The Korsnäs Group, which purchases approximately one quarter of the CTMP pulp produced at Rockhammar, is striving to secure the majority of its pulp supply through its own resources, for reasons of cost and security of supply. At the same time Rottneros needs to release capital to further develop the Group, particularly within the CTMP area, and to reduce its debt/equity ratio," says Ole Terland, Chief Executive Officer and President of Rottneros.

The transaction with Korsnäs also means that the companies will start a long-term cooperation to jointly develop CTMP pulps for use within the cartonboard area. This will lead to a widening of production at Rottneros Mill, which has not previously produced this grade. As a result Rottneros Mill will be able to make complementary deliveries to Frövi Mill.

### **Final negotiations in South Africa**

Rottneros is also announcing that Pulp United, the company in South Africa which plans to build a CTMP mill based on eucalyptus wood as a raw material, has received confirmation of allocation of the electricity required. The municipality within which it is planned to build the mill has given Pulp United written confirmation that the state energy company ESKOM has provided a written undertaking to supply the total power of 50 MW applied for. The energy price will be based on the government-regulated tariff system.

The intention is for Rottneros to be the largest shareholder in the company, but without a majority. Confirmation of the electricity supply makes it possible to enter into the final phase of drawing up contracts, in the first instance with the project partners NCT Forestry Products, Swedfund and the South African development bank IDC. This means that building of the facility may begin during the first half of the year.

Behind the decision to sell Rockhammar Mill, which largely uses aspen as a raw material, is Rottneros' effort to concentrate the production of mechanical paper pulp at Rottneros Mill and the planned pulp facility in South Africa. The first steps in this process were the closure of Utansjö Mill in the summer of 2008, in which high wood and electricity prices were a major contributory factor, and the plans to sell the CTMP facility in Utansjö, which is only a few years old, to Pulp United.

### **Reduced dependence on aspen**

The disposal of Rockhammar Mill enables Rottneros to reduce production of CTMP pulp based on aspen. This is in line with the Group's strategy, as it is difficult for Swedish aspen to compete on price in the global market against the significantly cheaper South American and South African varieties of eucalyptus.

As a result, the company's production at the mills in Vallvik and Rottneros will mainly comprise long-fibre pulp based on spruce and pine. Production of short-fibre CTMP pulp based on hardwood will mainly take place at the mill in South Africa. Ole Terland is particularly pleased that there is now every indication that the plans to establish a CTMP mill in South Africa are nearing realisation.

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For further information please contact: Ole Terland, President, +46 8 590 010 00  
Karl Ove Grönqvist, CFO, +46 8 590 010 00

Rottneros is one of the world's leading independent producers of market pulp. The Group comprises the parent company Rottneros AB, listed on OMX Nordic Exchange Stockholm, and its subsidiaries Rottneros Bruk AB, Rockhammars Bruk AB and Vallviks Bruk AB in Sweden and Rottneros Miranda, S.A. in Spain, all with operations involving the production and sale of market pulp. The Group also includes the wood procurement companies Rottneros Baltic SIA in Latvia and Rottneros Madeiras in Portugal, the sales company Rottneros S.A. in Belgium and Utansjö Mill, which is in the process of closure. The Group also has a new division, Rottneros Packaging, which produces food packaging made from paper pulp. The Group has around 630 employees and an annual turnover of approximately SEK 2.9 billion.