

## Annual General Meeting Report

### Summary of the President's statement

Rottneros' objective is to be a customer-focused pulp producer and a world leader in mechanical market pulp, as well as a leading European supplier of fibre-based food packaging. At least half of the sales will be in profitable and growing market niches, while the rest will be among a limited number of long-term customers. Rottneros will further endeavour to stabilise profits over a business cycle. These were the words with which Rottneros' President Ole Terland opened his speech at the Annual General Meeting, held in Sunne on 24 April.

He said that the company is living up to most of these ambitions, although it is encountering strong competition on the wood market when buying raw materials and on the pulp market when selling its products. The cost level in the company's factories is on a par with that of its competitors, and is competitive, but needs to be cut back further. Environmental investments are required, primarily at the sulphate factories in Vallvik in Sweden and Miranda in Spain.

He also stated that 2007 had seen both negative and positive events. On the positive side, pulp prices rose from USD 730 to USD 870/tonne, and pulp consumption increased. On the negative side, the dollar rate fell from SEK 7.00 to SEK 6.00, and wood prices rose strongly by 20-30%.

For Rottneros' part, the key events were publication of the plans to invest in a CTMP mill in South Africa, based on the facility in Utansjö; the decision to build a SilviPak factory in Miranda; and the inauguration of the steam turbine in Vallvik, making the mill largely self-sufficient in terms of electricity.

#### Positive elements

Ole Terland identified a number of positive elements in the results for 2007, although the overall result – a loss of SEK 301 million – was negative. Among the positive internal factors he mentioned were the fact that the multi-year savings programme achieved its target of SEK 100 million and that the Group's production and deliveries reached record levels.

He further stated that the pulp market had been strong, with price increases countering the weakening of the USD. What has been most problematic, and the factor which directly or indirectly underlies a large element of Rottneros' weak results, is the fact that the Group's wood costs rose by almost SEK 200 million. The single largest minus item was the write-downs of SEK 284 million in Utansjö occasioned the decision to close down the mill during the second quarter of 2008. In commenting on the weak performance of the Rottneros share in 2007, Ole Terland showed a graph which clearly illustrated the link between the dollar rate and the share price.

#### Three future projects

Ole Terland highlighted three future projects for Rottneros. The first is the implementation of the South Africa project, intended to confirm Rottneros as world leader for a new grade of mechanical pulp, i.e. CTMP from eucalyptus. The project will provide low-cost production with low exposure to the dollar, and should lead to a direct improvement in Rottneros' financial position.

The second is implementation of the SilviPak investment by taking a leading position in Europe within packaging products for chilled and frozen meals.

The third is to develop the Group's factories so that there is an even better match between product quality and customers' expectations, cost-effectiveness is competitive, and production of green electricity increases.

Ole Terland said that in order to fund these investments, the company needs to raise prices, using the value added its pulp products offer the customer as an argument for this. This applies not least to Rottneros' customised niche products. Rottneros must further strive to free up working capital. Sale of the CTMP facility in Utansjö to the South Africa project is another important element. The company must also be open to various collaborations and, finally, perhaps ask its shareholders for more money.

#### **Production records at all mills**

In describing the Group's units, Ole Terland stated, among other things, that production records had been broken at all the mills, and that availability had been high. Vallvik has invested successfully in unbleached pulp for electrical applications. The closure of Utansjö offers Rottneros Mill a unique opportunity to optimise the grade and customer register for both mechanical pulp and CTMP. Rockhammar has applied for a license to increase production from 66,000 to 90,000 tonnes per year. The Miranda plant requires environmentally related investments, which will however result in lower energy costs.

Where SilviPak is concerned, he said that the packaging has attracted a very high level of interest among customers, which is confirmed among other things by the breakthrough order announced on the day of the meeting. The high level of interest has resulted in a decision to build a new factory in Miranda, which will be ready during the third quarter, and in plans to build a new factory hall for SilviPak at Rottneros Mill.

#### **Remaining units vigorous**

Ole Terland compared the raw material costs for Utansjö Mill, which will be closed during the second quarter, and the other mills in the Group. He stated that the remaining units are vigorous, in contrast to Utansjö; in the case of the mechanical mills in Rockhammar and Rottneros because they have lower wood costs, and in the case of the sulphate mills in Vallvik and Miranda because they are less electricity-intensive.

With respect to the South Africa project, which, if a final agreement is signed, will see the CTMP facility in Utansjö being sold to the company – which will be jointly owned with the local company NCT Forestry – and installed in the pulp mill to be built there, Ole Terland said that the supply of eucalyptus wood at competitive prices is very good. He also stated that the long-term energy costs are low, the infrastructure is good, and there is a strong forestry industry tradition in the region.

Having presented the results for the first quarter of 2008 – a loss of SEK 122 million largely as a result of provisions of SEK 90 million for the close-down of Utansjö Mill and a loss of SEK 15 million on the mill – Ole Terland set out the expectations for the rest of 2008.

#### **Strong market to continue in 2008**

He stated that the main problems facing the forestry industry are the dollar rate, wood prices, charging ability, and financing. He considers electricity prices to be manageable, while global climate issues favour the sector because its products are renewable, and growing forests absorb carbon dioxide.

Where the market is concerned, Ole Terland considers the pulp market is likely to remain strong in 2008. This applies in particular to Asia, and above all China, where demand is outstripping domestic production. He emphasised that India, which is short of wood domestically and primarily produces pulp from the current year's growth and recycled fibre, is becoming an interesting pulp

market for global players. He also stated that the pulp price is supported by a weak dollar and high global wood prices.

### **Appropriation of profits**

The Annual General Meeting approved the proposal of the Board of Directors and President not to pay a dividend for 2007. A sum of SEK 296,309,865 will be carried forward.

### **Directors' fees**

In accordance with the proposal of the Nominating Committee, the Annual General Meeting voted that the directors' fees should be as follows: SEK 500,000 for the chairman, SEK 250,000 for ordinary members not employed in the company, and a daily fee of SEK 10,000 for committee members for each day of committee work. It is proposed that employee representatives are paid a fee of SEK 25,000 per person for the time required to read up on material prior to meetings. Auditors' fees are based on invoices approved by the President.

### **Board of Directors**

Per Eiritz, Johan Holmgren, Kjell Ormegard and Ingrid Westin Wallinder were re-elected as member of the Board at the Annual General Meeting, together with Rune Ingvarsson as Chairman and Roger Asserståhl as a new appointment.

### **Authorisation to transfer treasury shares**

The Annual General Meeting authorised the Board, in the period until the next AGM, to take decisions on one or more occasions regarding the transfer of shares in the company (shares which were previously acquired under the company's buyback programme). Transfer of treasury shares may not exceed the number of treasury shares owned by the company at any time.

### **Nominating Committee**

The Annual General Meeting voted that the Nominating Committee should comprise the Chairman of the Board plus two members, whereby the Chairman is not the chairman of the Nominating Committee. Of the independent members, one shall represent the company's largest shareholder and one shall represent one of the company's four other major shareholders.

### **The Board's Committees**

The Board was authorised to appoint an Audit Committee, Finance Committee and Compensation Committee from among its members.

Upplands Väsby, 24.04.2008  
Rottneros AB (Publ.)

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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, Utansjö 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 SIA Rottneros Baltic in Latvia and Rottneros Madeiras in Portugal as well as a sales company, Rottneros S.A., in Belgium. The Group now has a new division, Rottneros Packaging, which produces food packaging made from paper pulp. The Group has around 720 employees and an annual turnover of approximately SEK 2.9 billion.