

PRESS RELEASE

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Rottneros Plans of moving parts of the Utansjö plant to South Africa

The Rottneros Group and the South African forestry co-operative NCT have signed a Letter of Intent regarding the possible construction of a jointly owned mill for the production of mechanical pulp of the CTMP type, in South Africa. If the plans are implemented the CTMP production line at the Utansjö mill of Rottneros will be moved to South Africa. The new mill could be taken into use during 2009, which will mean that the Utansjö plant will run at its current capacity until the end of 2008.

Rottneros announced plans at the end of August 2006 to close down operations of the mechanical pulp at the Utansjö plant, due to the unreasonably high electricity prices which greatly affects the cost of production of mechanical pulp. One of the alternatives mentioned at the time was to completely or in part, move production to a country with lower and more stable electricity prices than Sweden. The section being considered for moving is the CTMP production line of Utansjö Bruk, which commenced its operations as recently as April 2005. As the current situation stands the selection falls to South Africa.

Exact details of what will happen at the Utansjö plant have not yet been finalised but this will be part of what will be investigated during 2007.

Competitive production costs

– South Africa fulfils all the demands we make on relocation, says Rottneros' CEO Lars Blecko. For example the country offers very good supply of Eucalyptus wood and other raw materials at competitive prices. Our affiliate, NCT, markets 1.8 million tonnes of pulp wood yearly of which 1 million tonnes is Eucalyptus which is very well suited for the production of CTMP. In addition, the harbour town of Richards Bay on the Indian Ocean, where the factory will be situated, has very good infrastructure.

NCT Forestry Co-operative Ltd (NCT) is a co-operative of timber growers which sells round wood that is produced from the approximately 300 000Ha's of plantations owned by its more than 2000 members. The main market supplied is the hardwood pulping sector. Currently the majority of the timber is exported from the three wood chipping facilities, in which NCT has invested in Richards Bay and Durban, to Japanese pulp and paper producers.

NCT has been investigating possibilities to beneficiate the unprocessed timber and has for this reason established the company Pulp United (Pty) Ltd that has evaluated an establishment for production of a Eucalyptus based bleached, CTMP pulp in Richards Bay. In addition it has secured an option on a suitable site and has received all environmental approvals.

– The potential of a partnership between Rottneros and NCT should allow for an interesting project utilising a secure and desirable fibre source, favourably priced electricity and proven technical and marketing capabilities, says Peter Keyworth, General Manager- Special Projects at NCT.

– NCT is an ideal affiliate. The co-operative has an ample supply of Eucalyptus wood and has its own facilities for the production of wood chips, which are currently being exported to Japan. The company has good knowledge of the South African pulpwood market whilst we have good knowledge of the global pulp market, emphasises Lars Blecko.

The planned pulp mill is expected initially to have a production capacity of 140 000 ton per year and could be taken into use during 2009. The pulp would probably mainly be exported to Europe and Asia. A jointly owned company will erect and run the factory.

The cost of erecting the pulp mill will amount to approximately 1 billion SEK. The mill is expected to be very profitable and become one of the more competitive CTMP facilities in the world. This is a very good solution for Rottneros in solving the problems they have experienced at Utansjö.

Leading in CTMP development

– We will be the first in the world to in large scale produce Eucalyptus based CTMP. The full scale tests that have been performed at the Rockhammar mill, where the CTMP production was developed 1974, have shown very good results. Consequently we will have the opportunity to once again lead the development of CTMP, which is the pulp quality that has good future growth potential says Lars Blecko.

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Rottneros is one of the world's leading independent manufacturers of market pulp. The Group consists of the parent company, Rottneros AB, which is listed on the Stockholm Stock Exchange, along with its subsidiaries Rottneros Bruk AB, Rockhammars Bruk AB, Utansjö Bruk AB and Vallviks Bruk AB in Sweden as well as Rottneros Miranda, S.A. in Spain, with activities involving production and sales of market pulp; the Group also includes the raw materials purchasing companies Rottneros Baltic SIA in Latvia and Rottneros Madeira in Portugal, as well as a sales company in Belgium. The Group has established a new business area, Rottneros Packaging, for production of pulp-based packaging materials for food use. With approximately 750 employees, the Group has a turnover of approximately SEK 2.7 billion