

## PRESS RELEASE

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### **Due to the high electricity prices, Rottneros is initiating negotiations on the closure of Utansjö Mill with a view to moving the mill out of Sweden**

**Rottneros' Board of Directors has instructed the Group's President and CEO to initiate negotiations with the relevant trade unions on the closure of Utansjö Mill. A total of 150 people will be affected.**

The dramatic increase in electricity prices has made it impossible for Utansjö Mill to become profitable. As late as April 2005, a new production line for mechanical pulp of the CTMP type was put into operation. Since the decision to invest SEK 300 million in the CTMP line was taken in spring 2004, the price of electricity has risen from SEK 0.23/kWh to a little over SEK 0.70/kWh.

The Board and management of Rottneros have concluded that since there is currently no possibility of a lasting, acceptable electricity price level, it is time to initiate negotiations with the trade unions on closing down operations at Utansjö Mill. The intention is to move the mill to a country with lower and more stable electricity prices.

The measure is an expansion of the cost-saving programme that was announced in February this year. At that time, the Group announced its intention to implement a programme to save SEK 100 million with a particular focus on variable costs, including cutting the headcount by 70. The programme has now been expanded to include the entire operation at Utansjö Mill.

"The units in our Group that have been hit the hardest by the exorbitant electricity prices are the mills in Rottneros and Utansjö. Both mills produce mechanical pulp, a process which requires more energy than our chemical pulp production, which is better for the environment because the forest raw materials are utilised almost twice as effectively," says Rottneros' President and CEO Lars Blecko.

"The reason that we have chosen the mill in Utansjö is that it is an ultramodern facility and relatively easy to dismantle, and also the fact that the mill is located close to the sea, which would facilitate transportation. For these reasons, moving the mill would be cost effective. Rottneros Mill is not affected at this time, other than the fact that we have imposed a freeze on investments and recruitment there."

"Being forced to shut down a mill that is vital to an entire community is extremely distressing. We have a mill in which we have invested considerable funds and which is operating well with skilled employees, a good supply of raw materials, a strong customer base, a solid market and no shortage of orders. If we had an electricity market with reasonable prices, we would have had great potential for success. If the circumstances change, we may reconsider this decision," says Lars Blecko.

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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 the Stockholm Stock Exchange, and its subsidiaries Rottneros Rockhammar AB, Utansjö Bruk AB and Vallviks Bruk AB in Sweden as well as 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 of Latvia

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and Rottneros Madeiras of Portugal. The Group also has a new business area, Rottneros Packaging, which produces food packing materials made from paper pulp. The Group has 800 employees and net sales of approximately SEK 2.4 billion.