

PRESS RELEASE FROM ROTTNEROS AB
AGM release from Rottneros AB

SUMMARY OF THE PRESIDENT'S ADDRESS

Operational objectives

Rottneros has six operational objectives. Pulp production shall be our core business, we shall be a world leader in mechanical pulps and a non-integrated pulp supplier working according to a niche strategy. We shall also have a strong financial position irrespective of the economic climate, we shall grow both organically and through acquisitions and we shall spread our risks – as most recently through our new division Rottneros Packaging. This was stated by Lars Blecko, President and CEO of the Rottneros Group, at the Annual General Meeting in Sunne, Sweden on 26 April.

Summing up 2005, he stated that the result for the year – a loss of SEK 103 million after net financing – is of course unsatisfactory, but that the result was impaired by SEK 70 million in non-recurring costs in conjunction with the restructuring of Utansjö Mill, as a result of which unprofitable magnesite production has ceased. In addition, a poorer price trend than expected and high energy prices also had a negative effect on the result.

Taking the offensive, on the other hand, the new CTMP facility had been commissioned and fine-tuned and commenced full production in the first quarter 2006. Lars Blecko also confirmed that production and delivery reached record levels at some of the Group's mills.

Electricity costs are the biggest problem

The cost item that is most problematic at present for Rottneros is energy. The Group is one of Sweden's biggest consumers of electricity and an increase in the cost of electricity of SEK 0.10 per kWh brings about a change in its result of SEK 90 million. The company's costs are rising further as its current electricity price hedging gradually reaches its end. Moreover, the Group's electricity consumption has risen by around 60 GWh as a result of the transition from magnesite production to CTMP in Utansjö.

The problem is further exacerbated by the fact that electricity prices are rising more in Sweden than in competitors' countries. Neither is there any sign at present that an improvement is in sight. This is partly due to an energy policy that is detrimental to primary industries, and partly to poorly functioning competition between producers in the electricity market. In order to counter the problem to some extent, Rottneros has joined the newly formed BasEl – a company with the purpose of importing and producing cost-effective electricity. The company will also invest in increased electricity production of its own at Vallvik, said Lars Blecko.

Where wood raw materials are concerned, Rottneros does not own any forests of its own and therefore is wholly dependent on good relationships with long-term suppliers. Its Swedish and Spanish procurement organisations are complemented by subsidiaries in Latvia and Portugal which have the task of procuring wood. Storm Gudrun in early 2005 caused a certain imbalance in the wood market, resulting in higher transport costs, increased competition for hardwood and increased imports from Russia. Overall, wood costs increased as a consequence of the storm.

Investments in 2005 amounted to SEK 234 million, compared with just over SEK 280 million in 2004. Lars Blecko stated that essentially these related to the new CTMP facility at Utansjö Mill, which was officially opened by King Carl Gustaf XVI in October.

Electricity costs increased substantially in the first quarter

Lars Blecko presented the result for the first quarter 2006, which was a loss after net financing of SEK 43 million, compared with a loss of SEK 24 million for the same period last year. The result was reduced by reserves of SEK 27 million in respect of the new savings programme announced in early February. He stated that the result was negatively affected by substantially increased electricity costs and the fact that price increases did not materialise during the first half of the reporting period.

As a result of the high electricity prices a savings programme has been adopted, involving savings of SEK 100 million. A consequence of this is that the number of employees of the Group will be cut by around 70.

Rottneros Packaging – a new line of business

Lars Blecko also presented the Group's new division – Rottneros Packaging, which is initially to produce food packaging made from paper pulp that will be used for chilled and frozen food. The business is based on Asian technology combined with Rottneros's expertise in pulp. The new business broadens the spread of the company's risk exposure into the food industry, which is relatively insensitive to economic fluctuations. The aim is to achieve sales of approximately 500 million items of packaging per year and turnover of around SEK 300 million within a five-year period, he stated.

According to Lars Blecko, the market did not develop as expected in 2005. It was characterised by oversupply, with a poor price trend as a consequence. New capacity was added in the global market during the year. In Canada, however, capacity was taken out of operation due to the weak market. In contrast, he noted that the market has developed positively in the year to date.

The price of the Rottneros share fell just over 9 percent during 2005, from SEK 7.50 to SEK 6.80. Nonetheless, Lars Blecko was pleased to note the positive trend in recent months, which had returned the price to over SEK 8.

Good demand

For the remainder of 2006 Lars Blecko anticipates continued good demand for paper and pulp and expects that China's import requirements will remain high. The shutdown of capacity in Canada has brought the market more into equilibrium than in 2005. Although new capacity will be added in South America in the second half, he expects price increases globally.

Where Rottneros is concerned, without making any forecasts he stated that:

- the starting point is good thanks to the company's strong financial position
- there is concern regarding substantially higher electricity prices
- the facilities are in good condition
- the new CTMP facility in Utansjö has been fine-tuned
- the price trend for pulp has been positive in the year to date

CONCERN REGARDING HIGH ELECTRICITY PRICES

Rottneros's AGM has expressed its concern regarding the rapid increase in electricity prices to levels that present a serious threat to Rottneros's groundwood and CTMP mills. The current level of electricity prices will have effects in the future, with investments being abandoned and as a result a risk of well-functioning facilities that are dominant employers in their locations being forced out. As well as job losses, this would also imply extensive destruction of capital. However, the AGM assumes that a socioeconomically acceptable solution will be reached in the matter and backs the statement made in Dagens Industri by independent electricity traders and six major representatives of consumer interests: "Sweden must act to counter extreme electricity prices" (Dagens Industri, 31 March 2006).

APPROPRIATION OF PROFIT

The AGM approved the motion by the Board and President to pay a dividend of SEK 18,021,246 – corresponding to SEK 0.10 (0.20) per share – for the 2005 financial year, with retained earnings of SEK 559,279,236 being carried forward. The record day for the dividend will be 2 May and the dividend is expected to be sent out from VPC on 5 May 2006.

BOARD OF DIRECTORS

The AGM re-elected Lars Blecko, Johan Holmgren, Ingrid Lindquist, Lennart Nellbeck and Bengt Nordin to the Board of Directors. Ingrid Westin Wallinder and Torsten Körsell (formerly a deputy Board member) were elected as new Board members. Bengt Nordin was elected as Chairman of the Board.

AUTHORISATION TO SELL THE COMPANY'S SHARES

The AGM authorised the Board to decide to sell shares in the company on one or several occasions during the period up to the next AGM (shares acquired previously under the company's buyback programme). The number of shares sold may not exceed the number of shares held by the company at the time of the sale.

ELECTION COMMITTEE

The AGM resolved that the Election Committee shall consist of the Chairman of the Board as well as two further members and that the Chairman of the Board shall not chair the Election Committee. Of the independent members, one shall be a representative of the company's biggest shareholder and one shall represent one of the company's four next biggest shareholders.

BOARD COMMITTEES

Authorisation of the Board to appoint members of the Audit Committee, Finance Committee and Compensation Committee from among its members.

Upplands Väsby, Sweden, 26 April 2006

Rottneros AB (Publ.)

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 and Rottneros Madeiras of Portugal. The Group has 804 employees and net sales of approximately SEK 2.4 billion.