

**PRESS RELEASE  
FROM  
ROTTNEROS AB**

## **AGM release from Rottneros AB**

### **SUMMARY OF THE PRESIDENT'S ADDRESS**

#### **Long-term objective**

Our long-term objective is to be a pure pulp producer, the world leader in mechanical pulps, a non-integrated supplier with a niche strategy, to be in a strong financial position irrespective of the economic climate and to grow organically and through acquisitions. The Group's niche strategy is an important tool for achieving this; its function is to support the long-term objective and to help the business remain stable. This was stated by Lars Blecko, President and CEO of the Rottneros Group, in his address to Rottneros' Annual General Meeting in Sunne, Sweden on 26 April.

He reported that the Group's result for the first quarter was weak, with a loss after net financial items of SEK 24 million. The primary reason given was that prices had been worse than expected since the boom in paper pulp had failed to materialise. As a result, the production line for magnefite pulp, which was to have been permanently shut down in early March, ceased production early on 12 January. At the same time, existing stocks of magnefite were sold at a low price. The adjustment in stock levels and the bringing forward of the phase-out of magnefite production in Utansjö due to the market situation had a negative effect of around SEK 35 million on the result for the first quarter.

#### **Proactive initiatives**

The first quarter also saw Rottneros taking a proactive approach. The major initiative was the start-up of the CTMP production line in Utansjö. Lars Blecko emphasised how cost-effective the investment has been, since a substantial part of the now redundant magnefite line was able to be utilised in the new line. He estimates that this reduced the costs of the investment by around 70%. He also confirmed that the schedule had been met. Lars Blecko then said that although the first quarter 2005 had been weak, it nonetheless represented a marked improvement on the last quarter 2004 when the loss after net financial items was SEK 66 million.

Taking the year as a whole, Lars Blecko reported that in operational terms 2004 was a good year for the Group with high availability in the mills and several units achieving record production. Demand for pulp increased, with a resulting increase in deliveries. The problematic aspects were the low dollar exchange rate and the fact that pulp prices fluctuated at a low level.

### **Radical restructuring**

During the year the Group implemented radical restructuring measures by winding up the loss-making business at Rockhammar Timber sawmill and phasing out unprofitable magnesite pulp production at Utansjö Mill. These measures gave rise to non-recurring costs of SEK 116 million, stated Lars Blecko. He expects the effects of the cost cutting programme – which was introduced in 2003, includes the restructuring measures and was completed in early 2005 – to contribute around SEK 100 million annually to the Group's result.

Global pulp deliveries increased in 2004. China, which has been a growing and increasingly important market for several years, accounted for the greatest increase. Regarding the cost picture for the production of paper pulp, Lars Blecko stated that Sweden and thus Rottneros were holding up well on the world market for both sulphate pulp and CTMP. For both grades Sweden is well below the cost level in North America for pulp supplied to the European market, which is so important to Rottneros. Where sulphate pulp is concerned, however, and specifically short-fibre eucalyptus pulp, Brazil is difficult to compete with on cost. Nonetheless, he does not expect the volumes produced there to reach the European market in particularly large volumes, being destined instead mainly for the Asian market.

For some years Rottneros' strategy has been to endeavour to report a positive result at all times. An active hedging strategy enabled to Group to succeed in this for 20 consecutive quarters. This trend was temporarily interrupted by the third quarter 2004, reported Lars Blecko. The reasons for this were the low dollar rate and non-recurring restructuring costs. He includes in these the substantial loss on magnesite pulp at Utansjö, since the stocks have now been disposed of or written down. He stated that since the hedging strategy was introduced in 2000, it had contributed over SEK 300 million to the Group's result.

### **Strong demand in 2005**

In respect of the market outlook for the rest of 2005 Lars Blecko stated that although strong demand for pulp was expected for most of the year, a number of factors remained uncertain. These include the development of the dollar as well as the economic climate and paper market in Western Europe. In addition, new capacity for eucalyptus pulp is coming on-stream in South America. Lars Blecko believes that the North American market will be strong.

The Rottneros Group will focus on maintaining high availability at the mills and will continue its work to develop new customers and markets within the framework of its niche strategy. The Group will also benefit from lower costs as a result of the restructuring measures.

Regarding the result for full-year 2005, Lars Blecko stated the following:

“The first quarter 2005 has seen a strengthening of the pulp market compared with the fourth quarter last year, but this development has been weaker than anticipated.

“The company expects the positive market situation, with price increases in USD, to remain for most of 2005. There is considerable uncertainty regarding the development of the dollar, but the Group expects to report a small profit after net financial items for full-year 2005.”

#### **APPROPRIATION OF PROFIT**

The AGM approved the motion by the Board and CEO to pay a dividend of SEK 36,042,894 – corresponding to SEK 0.20 (0.30) per share – for the 2004 financial year, with retained earnings of SEK 644,343,894 being carried forward. The record day for the dividend will be 29 April and the dividend is expected to be sent out from VPC on 4 May 2005.

#### **BOARD OF DIRECTORS**

The AGM re-elected Board members Bengt Nordin, Lars Blecko and Lennart Nellbeck, as well as Johan Holmgren, Ingrid Lindquist and Johan Wetter. Torsten Körsell was elected as a deputy Board member.

#### **BUY-BACK OF OWN SHARES**

The AGM authorised the Board to decide on the acquisition of a maximum of 10% of the company’s own outstanding shares. In addition, the AGM authorised the Board to transfer such shares. At the statutory Board meeting which took place following the AGM the Board authorised the management to commence the buy-back programme.

#### **ELECTION COMMITTEE**

The AGM resolved that the Nominating Committee be replaced by an Election Committee as described below.

The Election Committee shall consist of the Chairman of the Board as well as two members representing the Company’s two largest shareholders as of 30 September each year. The Nominating Committee is to be appointed as soon as possible.

#### **BOARD COMMITTEES**

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

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Upplands Väsby, Sweden, 26 April 2005

Rottneros AB (Publ.)

The Rottneros Group, listed on the Stockholm Stock Exchange, is one of the world’s leading non-integrated producers of market pulp. The Group includes the parent company Rottneros AB, five pulp mills in Sweden and Spain, as well as raw materials purchasing companies in Latvia and Portugal. The Group also has marketing companies in Germany and Belgium. Production capacity amounts to 700,000 tonnes. The Group has around 835 employees and turnover of approximately SEK 2,400 million.