

PRESS RELEASE FROM ROTTNEROS AB

Utansjö Mill: CTMP facility in continuous operation as scheduled Low prices for discontinued magnesite behind loss

Following a four-week streamlining period, the new production line for CTMP built by pulp producer Rottneros at Utansjö Mill is now producing paper pulp that is being sold on the market and the facility has thus been taken into continuous operation. The investment of around SEK 280 million is therefore in its final phase.

The new CTMP (Chemi-Thermo-Mechanical Pulp) facility has a production capacity of up to 100,000 tonnes of pulp per year, making Utansjö's total capacity – including existing groundwood pulp production – around 180,000 tonnes. The installation of the new production line proceeded entirely according to plan, with the result that the schedule has been met.

The investment in CTMP production, along with the discontinuation of the unprofitable production of magnesite pulp, is part of the action plan for Utansjö Mill started over two years ago. The phase-out of magnesite pulp was one of the restructuring measures presented by the Group in autumn 2004.

“Demand for CTMP has increased in recent years,” states Lars Blecko, Rottneros' President and CEO. “In contrast, demand for magnesite pulp has been in decline for some years.”

The phase-out of magnesite has proceeded entirely according to plan as regards both the schedule and restructuring costs. Demand and prices for magnesite pulp during the period were significantly lower than foreseen, however.

“In view of the market situation, we stopped producing magnesite earlier than scheduled and were forced to phase out our stocks of magnesite at a considerably lower price than estimated. This has resulted in a non-recurring cost which is the sole reason for the loss reported by the Group for the first quarter,” emphasises Lars Blecko.

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