

## PRESS RELEASE

Upplands Väsby 9 Jan. 2008

### **Closure of Utansjö Bruk to take place in second quarter of 2008**

**The Rottneros Board has asked the Group's CEO to conclude negotiations with the relevant trade unions on implementing the planned closure of Utansjö Mill. The intention is to stop production at the mill in the second quarter of 2008. A total of 140 employees are affected.**

The decision to discontinue operations at Utansjö Mill was taken back in August 2006 when negotiations with union representatives according to the Swedish Co-Determination Act were initiated. The reason for this move was the dramatically increased electricity prices which were making it impossible to achieve profitability at Utansjö Mill.

Although electricity prices have since fallen for short periods, the prices from 2008 are still at an unacceptable level for the long term. Pulpwood prices have also risen dramatically. The Rottneros Board and management have concluded that, under these circumstances, it is impossible to keep the mill running until the end of 2008, which was the original intention.

The size of the financial provisions needed for the closure will be announced in connection with the publication of the year-end release on 1 February. Provisions for the closure will negatively impact the first quarter 2008 profits while the write-down resulting from a valuation of the plant's fair value will affect 2007. The closure of the Utansjö mill will positively affect the group's cash-flow for 2008.

The intention is to move the production line for pulp of the CTMP type, which went into operation in 2005, to a country with lower energy prices and good access to raw materials at acceptable prices. This resulted in a letter of intent signed by Rottneros and the South African forest company NCT in March 2007 on the possibility of building a jointly-owned mill for the production of mechanical pulp of the CTMP type in South Africa.

If the plans are carried out, the CTMP line at Utansjö Mill will be sold to a jointly owned company in South Africa and a new mill could be operational in 2009. A definite decision on this investment will be taken in the first quarter of 2008.

"The fundamental reason for Utansjö's problems is the long-range, high Swedish electricity prices that are affecting all of our electricity-intensive basic industries. Combined with high wood costs, they have made it impossible for us to continue our operation in Utansjö," says Rottneros' President and CEO, Lars Blecko.

"Naturally, it is extremely difficult to have to take a decision that directly affects 140 of our employees and indirectly impacts an entire area. We have an efficient mill in which we have invested heavily which has skilled employees, a sound customer structure, a good market, a strong order book and a good industrial location with an own port. It is just regrettable that the cost structure is such that it is impossible to continue to operate the mill."

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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 OMX Nordic Exchange in Stockholm, and its subsidiaries Rottneros Bruk AB, Rockhammars Bruk AB, Utansjö Bruk AB and Vallviks Bruk AB in Sweden and 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 SIA Rottneros Baltic in Latvia and Rottneros Madeiras in Portugal as well as the sales company Rottneros S.A. in Belgium. The Group also has a new division, Rottneros Packaging, which produces food packaging made from paper pulp. The Group has around 750 employees and net sales of approximately SEK 2.7 billion.