

Rottneros

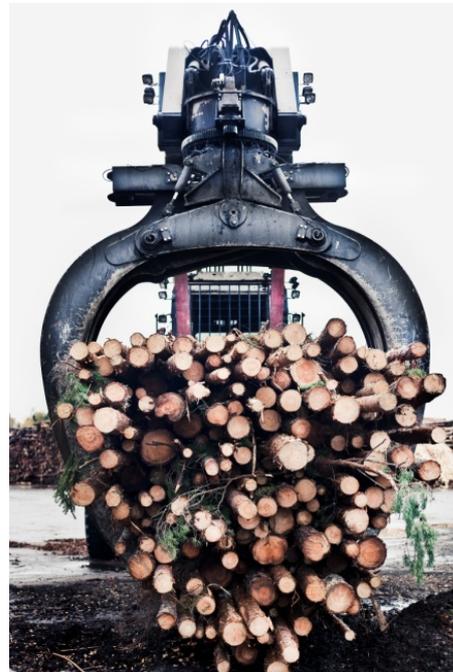
Year-end Report January-December 2011

	Quarter			Interim period	
	IV 2011	III 2011	IV 2010	Full year 2011	Full year 2010
Net turnover, SEK m	337	367	402	1,513	1,684
Income after net financial items, SEK m ¹	-44	16	13	28	138
<i>including items affecting comparability</i>	-44	-132	13	-120	138
Earnings per share after net financial items, SEK ¹	-0.29	0.11	0.08	0.18	0.90
<i>including items affecting comparability</i>	-0.29	-0.86	0.08	-0.79	0.90
Profit/loss after tax, SEK m ¹	-48	12	8	4	125
<i>including items affecting comparability</i>	-48	-136	8	-144	125
Earnings per share after tax, SEK ¹	-0.32	0.08	0.06	0.02	0.82
<i>including items affecting comparability</i>	-0.32	-0.89	0.06	-0.95	0.82
Cash flow before investments per share, SEK	-0.15	0.18	0.26	0.23	1.33
Cash flow per share, SEK	-0.69	0.00	-0.10	-0.74	0.51

	31-12-2011	30-09-2011	31-12-2010
Shareholders' equity per share, SEK	6.65	7.03	8.05
Equity/assets ratio, %	75	78	82

¹ Excluding total write-downs and one-off costs of SEK 148 million, which are described in more detail under 'Significant events', page 4

- Profit after net financial items amounted to SEK 28 (138) million for the full year 2011 before write-downs and one-off costs. Profit after net financial items amounted to SEK -44 (13) million for the fourth quarter of 2011. Costs of SEK 25 million for the normal maintenance shutdown at Vallvik Mill have been charged to this quarter.
- The result for the third quarter of 2011 was charged with write-downs of SEK -118 million and one-off costs of SEK -30 million (SEK -148 million in total). Loss after net financial items amounted to SEK -120 million for the full year 2011 after these write-downs and one-off costs.
- As a consequence of the weak market for mechanical pulp, Rottneros Mill is implementing an improvement programme involving changes to the product range as well as staff reductions and cutting other production costs.
- The board proposes a dividend of 0.10 (0.20) Swedish kronor per share for the financial year 2011.



Wood processing at Vallvik Mill.

CEO's statement

2011 was a year of two quite different halves. Demand for sulphate pulp was good during the first six months of the year, which resulted in prices increasing to a new record level of USD 1,025 per tonne by midsummer. However, the price of mechanical pulp remained virtually static despite the good momentum for chemical pulp. Global stock levels for pulp increased, which was probably due to purchasers worrying about further price rises. The market psychology changed during the summer; demand for printing and writing paper was weak, the financial crisis worsened in Member States in the Eurosystem and high levels of pulp stock suddenly became a good reason to push pulp prices down. This price correction did not cease during the third quarter but accelerated instead during the autumn, and the final months of the year were noticeably weak. Purchasers of pulp were very inclined to postpone any buying as pulp would soon be cheaper, and the risk of running out of pulp was considered to be worth taking in spite of consumer stocks being at a record low. The price of NBSK (bleached long fibre sulphate pulp) fell to approximately USD 830 per tonne by the end of the year. Stocks continued to rise despite global pulp producers taking significant production curtailments. These price fluctuations occurred against the background of the US dollar weakening during the first half of the year and then strengthening again during the autumn. For the Swedish pulp industry this means that the average pulp price for the year was almost SEK 500 per tonne lower than in 2010, despite record high USD pulp prices. This obviously had an adverse effect on the result. Before the one-off items charged to Quarter 3, the full-year result for Rottneros before depreciation fell from SEK 224 to 98 million.

We completed extensive improvements and investments at Vallvik Mill during the last quarter of the year; this satisfied the requirements imposed on us by the authorities, but also boosted production capacity at the factory by almost 20%. These investments constituted an important reason for our financial reconstruction and rights issue which took place at the end of 2009. Weak demand during the third quarter meant that no costly measures were approved to minimise production losses during the shutdown and start up, which resulted in volume losses being slightly higher than estimated. These have been included under the item 'negative effect on result from annual maintenance shutdown'; they were previously forecast at SEK 15-20 million, but ended up as SEK 25 million. So far the results of these investments appear to be very promising. A full evaluation cannot be made until the operation has been running for a longer period and it has been possible to see the impact of both winter and summer climates on the process and biological water purification plant.

Negotiations have been concluded in respect of the improvement programme at Rottneros Mill, which was announced in September, and notices of termination given and early retirements arranged. The programme will be fully implemented during the summer. The mill restricted production quite significantly during the last quarter – approximately one week per month – in order to balance stocks while avoiding unnecessary price compression through focussing on volumes.

There was certainly a high level of macroeconomic uncertainty at the start of 2012, at least in those Member States in the Eurosystem and, as regards the export industry, a disadvantageous relationship between the value of the Euro and the Swedish krona. On the other hand, our customers' stock levels are low, activity is good in China – a country that is becoming increasingly important – Swedish timber prices are falling and electricity has been at its lowest winter level for some time. The official pulp price index (PIX) experienced a slight upturn in January after having continuously fallen since the end of June, so there are signs that the pulp price has bottomed out this time round.

The prospects for 2012 are unusually uncertain although they appear to be brighter. The situation seems more promising on leaving the gloomy fourth quarter behind us at a time when timber and electricity prices are falling and also as the fall in PIX prices of pulp in Europe tailed off in December and started to rise slightly in January.

Ole Terland
President and CEO

THE PULP MARKET

Markets and products

The chemical pulp market developed well throughout the first six months of 2011; USD prices rose while demand has also been good. However, prices gradually fell during the second half of 2011 as a consequence of lower demand for pulp in Europe and the US. This price drop diminished by the end of 2011 and the NBSK price stabilised, amounting to USD 834 per tonne at the end of the year.

The price gap between mechanical pulp, and in particular CTMP, compared with chemical pulp was at a historically wide level throughout 2011. The price of CTMP in USD was significantly lower than the price of chemical pulp and demand was also weaker during the latter part of the year.

Statistics for bleached chemical market pulp for the total global market showed that deliveries for January to November 2011 amounted to 37.3 (36.0) million tonnes, which was 3.6% higher than the same period in 2010. Ninety per cent (91% for the same period in 2010) of the global supply capacity for bleached chemical pulp was utilised for the period January to November. An estimated 92% (93%) of production capacity was utilised for the same period.

Global producer stocks of bleached chemical pulp amounted to 4.4 million tonnes at the end of November. Stock levels were consequently 0.7 million tonnes higher compared with the beginning of the year.

Long-fibre chemical pulp (NBSK) (produced at Vallvik)

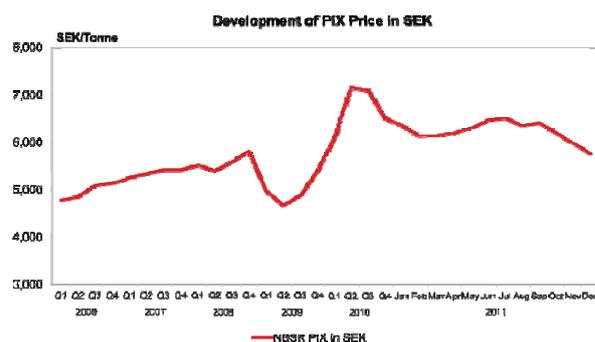
The price was USD 949 per tonne at the beginning of the year and USD 834 per tonne at the end of December. The market for long-fibre chemical pulp is actually quite well balanced, despite increasing stock levels and price cuts. Producer stock levels for long-fibre chemical pulp are normal and correspond to 34 days' production.

Supplies of bleached long-fibre chemical pulp increased between January and November 2011 and were 3.7% higher than the same period in 2010. Delivery capacity utilisation during the period January to November 2011 amounted to 91% (93% for the same period in 2010) and production capacity utilisation was approximately 93% (94%).

Mechanical pulp and CTMP (produced at Rottneros)

The price of short-fibre CTMP was approximately USD 600-650 per tonne in the Western European market at the beginning of the year. The price level was lower in Asia and the several attempts that were made to raise this price level were unsuccessful. Although the price of short-fibre CTMP in Asia rose by USD 30 per tonne to USD 580 per tonne during the summer of 2011, it fell back again in the autumn. Demand for CTMP increased more rapidly than demand for chemical pulp at the beginning of 2011, probably driven by the abnormally large price differences. However, demand abated during the autumn months. There were no changes in supplies between January and November compared with the same period of 2010. Supplies amounted to 2.5 million tonnes between January and November 2011.

Delivery capacity utilisation was 96% (96%) and production capacity utilisation was 96% (98%) for the period January to November 2011.



The PIX price for NBSK in Europe fell in 2011, with an average of SEK 476 per tonne for the whole year compared with the full year 2010.

PRODUCTION AND DELIVERIES

The Group's pulp mills at Rottneros and Vallvik have a combined annual production capacity of almost 400,000 tonnes. Production amounted to 324,100 (323,000) tonnes in 2011. This increase is attributable to Vallvik Bruk and can be explained by higher capacity as a consequence of the investments made. Production of groundwood pulp at Rottneros Mill reduced by 14,500 tonnes in 2011 compared with the previous year. This was due to market-related production restrictions and also the fire in June.

Deliveries amounted to 311,400 (330,300) tonnes for 2011. The reduction compared with the previous year is entirely related to Rottneros Mill.

PRODUCTION (TONNES)				
	Okt-Dec 2011	Okt-Dec 2010	Full year 2011	Full year 2010
Sulphate pulp	38,600	39,000	199,600	184,500
Groundwood pulp	14,600	20,000	59,100	73,600
CTMP	17,200	16,000	65,400	64,900
TOTAL	70,400	75,000	324,100	323,000

DELIVERIES (TONNES)				
	Okt-Dec 2011	Okt-Dec 2010	Full year 2011	Full year 2010
Sulphate pulp	43,300	44,600	191,500	190,100
Groundwood pulp	12,000	19,600	55,900	73,200
CTMP	17,400	16,200	64,000	67,000
TOTAL	72,700	80,400	311,400	330,300

Maintenance shutdowns and seasonal variations

There was a holiday shutdown at Rottneros Mill during July and August, which was combined with repair work resulting from the fire in June. The annual maintenance shutdown at Vallvik Mill took place in November 2011. This shutdown resulted in a loss of production and higher maintenance costs, and it is considered that the result for the fourth quarter of 2011 has been adversely affected by approximately SEK 25 million. Costs relating to maintenance shutdowns are recognised in the period during which the shutdown takes place. The Rottneros Group is not otherwise affected by seasonal variations to any appreciable extent.

SIGNIFICANT EVENTS

Write-downs and one-off costs

The result for the full year 2011 has been charged with write-downs of SEK -118 million and one-off costs of SEK -30 million (SEK -148 million in total) from the third quarter. The various items are described below.

As Rottneros has no access to or control over the liquidation process for Rottneros Miranda SA, together with the protracted crisis in the Spanish property market and uncertainty as to when the situation can be stabilised, Rottneros has written down the entire net receivable relating to Rottneros Miranda SA, which had a book value of SEK 53 million.

Work is continuing as regards finding a new use for the CTMP line from Utansjö. Work is in progress with several interesting projects and one alternative is still to locate it in South Africa, which was the original plan. However, the likelihood of this project actually being realised at the present time is considered to be so low that the capitalised project costs, primarily from the period 2007 to 2009, have now been written off. These amount to SEK 19 million and have been charged to the result.

Profitability at Rottneros Mill is unsatisfactory and an improvement programme has started. These improvements relate not only to customer structure but also the product portfolio and measures to reduce costs. As part of the measures to reduce costs, the number of employees at the mill will be cut by approximately 20 per cent. These measures will be carried out during the spring of 2012. As a consequence of the profitability situation and the uncertain prospects for the groundwood pulp market, the mill's fixed assets were written down by SEK 65 million. This write-down resulted in the annual rate of the depreciation according to plan reducing by approximately SEK 9 million from and including the fourth quarter of 2011.

As of the staff reductions at Rottneros Mill, provision was made for a restructuring reserve amounting to SEK 11 million; this was charged in its entirety to the result for the third quarter of 2011.

INVOICING AND RESULTS**Full year 2011 compared with full year 2010**

DEVIATION ANALYSIS		
	Full year 2011	Full year 2010
NBSK PIX	960	930
SEK/USD	6.50	7.21
NBSK SEK	6,229	6,705
OPERATING INCOME	-117	138
Price		63
Currency		-134
Volume		-4
Variable costs		-50
Total write-downs and one-off costs		-148
Other		18
TOTAL	-255	

Group net turnover amounted to SEK 1,513 (1,684) million for the full year 2011. The average price of long-fibre sulphate pulp (NBSK) in USD increased by 3% (from USD 930 to USD 960), while the average price of NBSK pulp converted into SEK fell from SEK 6,705 to SEK 6,229 per tonne, a reduction of 7%.

The average price of electricity on the Nord Pool electricity exchange amounted to SEK 0.43 per kWh for the full year 2011, compared with SEK 0.54 per kWh for the same period of the previous year.

- Group operating profit amounted to SEK -117 (138) million for the full year 2011. The result for the full year 2011 has incurred SEK -148 million as a consequence of write-downs and one-off costs during the third quarter of 2011. Hedging activities realised for the full year 2011 amounted to SEK 0 (43) million.
- Group profit after net financial items amounted to SEK -120 (138) million and includes net financial items of SEK -3 (0) million. Net financial items include financial exchange losses of SEK -1 (5) million.
- Loss/profit after tax amounted to SEK -144 (125) million.
- Earnings per share after tax were SEK -0.95 (0.82).
- Cash flow per share amounted to SEK -0.74 (0.51).
- Profit after net financial items amounted to SEK 28 (138) million adjusted for write-downs and one-off costs. This corresponds to a profit after net financial items per share of SEK 0.18 (0.90).

October to December 2011 compared with October to December 2010

DEVIATION ANALYSIS		
	Oct-Dec 2011	Oct-Dec 2010
NBSK PIX	887	957
SEK/USD	6.75	6.78
NBSK SEK	5,985	6,493
OPERATING INCOME	-43	15
Price		-15
Currency		-1
Volume		0
Variable costs		-6
Total write-downs and one-off costs		-
Other		-36
TOTAL	-58	

Group net turnover amounted to SEK 337 (402) million for October to December 2011. The average price of long-fibre sulphate pulp (NBSK) in USD reduced from by 7% (from USD 957 to USD 887) and the average price for NBSK pulp converted into SEK fell from SEK 6,493 to SEK 5,985 per tonne, a reduction of 8%.

The average price of electricity on the Nord Pool electricity exchange amounted to SEK 0.33 per kWh for October to December 2011, compared with SEK 0.61 per kWh for the same period of the previous year.

- Group operating profit amounted to SEK -43 (15) million for the fourth quarter of 2011. Hedging activities realised for the fourth quarter of 2011 amounted to SEK -13 (27) million.
- Group profit after net financial items amounted to SEK -44 (13) million and includes net financial items of SEK -1 (-2) million. Net financial items include financial exchange losses of SEK -1 (0) million.
- Profit after tax amounted to SEK -48 (8) million.
- Earnings per share after tax were SEK -0.32 (0.06).
- Cash flow per share amounted to SEK -0.69 (-0.10).

October to December 2011 compared to July to September 2011

DEVIATION ANALYSIS		
	Oct-Dec 2011	Jul-Sep 2011
NBSK PIX	887	992
SEK/USD	6.75	6.48
NBSK SEK	5,985	6,425
OPERATING INCOME	-43	-131
Price		-21
Currency		11
Volume		-5
Variable costs		-7
Total write-downs and one-off costs		148
Other		-38
TOTAL		88

Group net turnover amounted to SEK 337 million for the fourth quarter of 2011 compared with SEK 367 million for the third quarter of 2011. The average price of long-fibre sulphate pulp (NBSK) in USD fell from USD 992 to USD 887, while the average price of NBSK pulp converted into SEK fell from SEK 6,425 to 5,985 per tonne, a reduction of 7%.

The average price of electricity on the Nord Pool electricity exchange amounted to SEK 0.33 per kWh for the fourth quarter of 2011, compared with SEK 0.35 per kWh for the third quarter of 2011.

- Group operating profit amounted to SEK -43 million for the fourth quarter of 2011 compared with the third quarter of 2011, when operating profit amounted to SEK -131 million. The result for the third quarter of 2011 incurred SEK -148 million as a consequence of write-downs and one-off costs. Hedging activities realised for the fourth quarter of 2011 amounted to SEK -13 (-6) million.
- Group profit after net financial items amounted to SEK -44 million for the fourth quarter of 2011 compared with SEK -132 million for the third quarter of 2011.

INVESTMENTS AND FINANCIAL POSITION

- Group investments in fixed assets amounted to SEK 157 (125) million for 2011. Investments relate primarily to the biological water purification plant and bleaching plant at Vallvik Mill.
- The Group had liquid funds amounting to SEK 21 million at the end of December 2011, compared with SEK 155 million at the end of December 2010.
- The Group had total interest-bearing liabilities of SEK 47 million on 31 December 2011 (SEK 39 million on 31 December 2010). Interest-bearing net liabilities amounted to SEK 26 million compared with an interest-bearing net receivable of 116 million on 31 December 2010.
- Approved but unutilised credit facilities amounted in total to SEK 63 million on 31 December 2011 and total approved credit facilities amounted to SEK 100 million. From 1 January 2012, total approved credit facilities amounted to SEK 150 million.
- The equity/assets ratio amounted to 75% as at 31 December 2011, which is seven percentage units lower than on 31 December 2010.
- Equity per share amounted to SEK 6.65 (SEK 8.05 on 31 December 2010).

CASH FLOW

- Cash flow from operating activities before investments amounted to SEK 35 (202) million for the whole of 2011 and included cash flow of SEK -1 (44) million from financial hedging.
- Cash flow after investing activities amounted to SEK -113 (94) for the whole of 2011.

AVERAGE NUMBER OF EMPLOYEES

The average number of employees was 298 (308) for the whole of 2011.

TAX

Deferred tax assets amounted to SEK 73 million on 31 December 2011, which is a reduction of SEK 9 million compared with 31 December 2010. Recorded deferred tax assets correspond to a carry forward of deductions for unutilised losses of SEK 277 million. In addition there are tax losses carry-forward of SEK 144 million, for which deferred tax assets have not been recorded.

PARENT COMPANY

The parent company's profit after net financial items amounted to SEK -90 (180) million for 2011. This result has incurred write-downs of receivables of SEK -72 million in total. The write-downs relate to the receivable for Rottneros Miranda SA and also capitalised project costs, which are described under 'Significant Events' on page 4. In addition, profit after net financial items for 2011 was affected by an amount of SEK 16 (154) million in respect of group contributions received and paid.

All pulp invoicing within the Group was centralised at the parent company up until 30 November 2010, which had served as a distributor for all of the mills and had been receiving sales commission for this service at normal rates. The respective mills have been responsible for invoicing and distribution from 1 December 2010. Profit after net financial items includes hedging activities realised for the entire Group, which affected the result by SEK 0 (43) million.

Profit after net financial items for the parent company amounted to SEK -6 (175) million for the fourth quarter of 2011. Profit for the fourth quarter of 2011 includes SEK 16 (154) million in respect of group contributions received and paid and also hedging activities realised for the entire Group, which affected the result by SEK -13 (27) million.

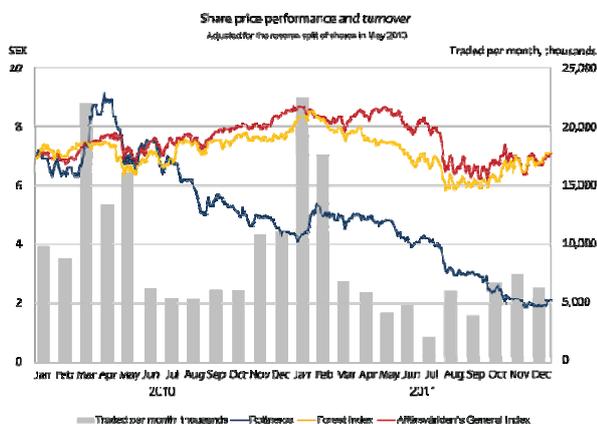
The parent company's balance sheet and income statement can be found on page 14.

SHARE INFORMATION

NUMBER OF SHARES

	31 December 2011
Registered number of shares	153,393,890
- of which treasury shares	821,965

Share price



LARGEST SHAREHOLDERS AT 31 DECEMBER 2011

Shareholder	Number of shares (=votes)	Percentage of capital
Nemus Holding AB	30,857,435	20.1
Skagen Verkst Verdipapirfond	12,204,585	8.0
Danske Bank A/S	6,451,273	4.2
DNB NOR Bank ASA Sverige	6,451,273	4.2
HSB Nordbank AG	5,599,860	3.6
Robur Försäkring	4,758,714	3.1
Aliz Invest AB	4,280,000	2.8
Nordea Bank AB	3,500,274	2.3
BBVA Ireland P.L.C	2,323,139	1.5
NTC GIC Govt of Singapore Inv Corp	2,169,279	1.4
Total holdings of 10 largest shareholders	78,595,832	51.2
Rottneros AB (treasury stock from buy-back)	821,965	0.5
Other shareholders	73,976,093	48.3
TOTAL	153,393,890	100.0

Sale of treasury shares

The number of shares in Rottneros amounts to 153,393,890. Rottneros' holding of treasury shares amounts to 821,965 shares. The AGM held in 2011 authorised the Board to make decisions regarding the transfer of shares in the company for the period up until the next AGM. There has not been any such transfer as yet.

Transactions with closely related parties

There have been transactions between Rottneros and related parties. These have been conducted on normal market terms, but have not materially affected the company's position and performance.

Dividends

A resolution was made at the AGM on 19 April 2011 to issue a dividend of SEK 0.20 per share, which corresponds in total to SEK 31 million. This dividend was paid out in April 2011. The Board will propose at the AGM on 19 April 2012 the issue of a dividend of SEK 0.10 per share for the financial year 2011.

RISK MANAGEMENT

The company's operational work involves a number of measures and strategies – for example, focusing on niches and various specific customer segments – aimed at reducing the Group's dependence on market pulp list prices and moderating fluctuations in profitability over a business cycle. The factors that have the greatest impact on the Group's results are linked with exchange rates and the prices of pulp, timber and electricity.

Profit/loss after financial items										
Group	2011								2010	
	IV	III	II	I	Full year	IV	III	II	I	Full year
Profit/loss after financial items	-44	-132	37	19	-120	13	64	50	11	138
Whereof:										
Currency hedges	-4	-1	5	7	7	24	13	0	3	40
Pulp price hedges	-	-	-	-	-	-	-	-	-	-
Electricity hedges	-9	-5	1	6	-7	3	-	-	-	3
Total hedges	-13	-6	6	13	0	27	13	0	3	43
Green electricity	3	5	6	6	20	5	8	6	8	27

Currency exposure, USD and EUR

Although Rottneros issues invoices in different currencies, the main underlying currency for pulp prices is predominantly USD. Around 15% of invoicing is contracted in SEK, with EUR as the invoicing currency. The underlying exposure to USD is thus very high, while the direct inflow of USD (the real flow) corresponds to just over 40%. However, the impact of exchange rate fluctuations on indirect exposure is delayed, as the normal duration of a contract is between one and three months.

The average USD exchange rate was 10% lower for the full year 2011 compared with the same period of the previous year, amounting to an average of SEK 6.50/USD for the period compared with SEK 7.21/USD for the full year 2010. The impact on turnover of a lower average USD exchange rate in relation to SEK for the full year 2011 amounted to SEK -134 million compared with the full year 2010.

At the end of December 2011, currencies were hedged in the form of forward contracts concluded for USD 35 million at an average rate of SEK 6.82/USD and EUR 5 million at an average rate of SEK 9.08/EUR for deliveries in 2012. In addition to this, currencies were hedged in the form of forward contracts concluded for EUR 12 million at an average rate of SEK 9.18/EUR for electricity purchases for 2012 to 2015.

Pulp price

The price of pulp (NBSK) is set in USD, while production costs are largely incurred in local currencies. Pulp prices were not hedged in 2011.

Electricity

All physical electricity for the Swedish mills is purchased directly via the Nord Pool electricity exchange. Electricity prices are listed in EUR. At the end of December 2011, electricity was hedged corresponding to the percentage of forecast consumption shown in the table. Average prices in EUR/MWh are specified in the table together with average prices in SEK/kWh (based on EUR forward rates as of 31 December 2011).

ELECTRICITY HEDGING AT 31 DECEMBER 2011			
Year	Part hedged	EUR/MWh	SEK/kWh
2012	49%	48.7	0.45
2013	42%	45.4	0.41
2014	28%	46.5	0.43
2015	14%	49.0	0.45

Hedging contracts for EUR were concluded in respect of electricity costs for 2012 to 2015 amounting in total to EUR 12 million at an average rate of SEK 9.18/EUR.

The average price level for electricity on Nord Pool amounted to SEK 0.43 per kWh for the whole of 2011.

See pages 26 to 30 of the Annual Report for 2010 for further information on risk.

MARKET VALUE (SEK million) DECEMBER 2011				
Hedging	Hedged volume	Hedge price	Market value	Reference - spot rate 31 December 2011
Currency USD, forward sell	USD 35 m	6.82 SEK/USD	-4	6.93 SEK/USD
Currency EUR, forward sell	EUR 5 m	9.08 SEK/EUR	1	8.95 SEK/EUR
Currency EUR, forward buy	EUR 12 m	9.18 SEK/EUR	-1	8.95 SEK/EUR
Electricity	416,520 MWh	SEK 0.433/kWh	-26	SEK 0.30/kWh
Total market value			-30	

MARKET VALUE (SEK million) DECEMBER 2010				
Hedging	Hedged volume	Hedge price	Market value	Reference - spot rate 31 December 2010
Currency USD, forward sell	USD 14 m	7.26 SEK/USD	8	6.80 SEK/USD
Electricity	80,875 MWh	SEK 0.397/kWh	17	SEK 0.771/kWh
Total market value			25	

The table above shows the market values of all hedging contracts. The valuation refers to the liquidation value; i.e. a valuation is made in accordance with the forward contracts on 31 December 2011. The reference value refers to the spot rate on 31 December and is provided as supplementary information. As a result of the application of IFRS/IAS, these market values are reflected in the balance sheet and in some cases in the income statement, but are also shown here as supplementary information.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34 'Interim Financial Reporting', which complies with Swedish law through the application of the Swedish Financial Reporting Board's Recommendation RFR 1 'Supplementary Accounting Rules for Groups' together with RFR 2 'Accounting for Legal Entities', in respect of the parent company.

The accounting principles, definitions of key ratios and calculation methods are the same as those applied in the last Annual Report, except as regards the following:

- Amendments to the existing standard IAS 24, which entered into force on 1 January 2011. Revised IAS 24 'Related Party Disclosures' clarifies and simplifies the definition of 'related party'. Rottneros has applied the revised standard with effect from 1 January 2011. The amended accounting principle has not yet had any effect on recognised amounts, though requires further information in the company's financial reports.
- The parent company's comparative figures have been amended as a consequence of the Swedish Financial Accounting Board having withdrawn UFR 2 Group contributions and shareholders' contributions. Group contributions are reported for the financial year commencing on 1 January 2011 or later in accordance with RFR 2[IAS27]p2 and also RFR 2[IAS18]p3. This amendment applies retroactively. The amended reporting had a positive effect of SEK 114 million on the net income of the parent company for the full year 2010. The amendment had no effect on the company's equity.

FORECAST FOR 2012

The company is not providing an earnings forecast for 2012.

FORTHCOMING FINANCIAL INFORMATION

19 April 2012 Interim Report January-March 2012
18 July 2012 Interim Report January-June 2012
19 October 2012 Interim Report January-September 2012
24 January 2013 Year-end Report for 2012

The AGM for Rottneros AB will be held in Stockholm on Thursday 19 April 2012.

The Annual Report for 2011 will be available from the company's website during Week 11 of 2012.

For more information, please visit Rottneros' updated website, www.rottneros.com.

Stockholm, 27 January 2012

Ole Terland
President and Chief Executive Officer

This report has not been reviewed by the company's auditors.

Analyst and press conference

Analysts and journalists are invited to a press conference on 27 January at 10.00.

Location: Rottneros Head Office, World Trade Center, Kungsbron 1, C6, Stockholm, Sweden

Please register with Hella Wopfner, hella.wopfner@rottneros.com, telephone: +46 8 590 010 12

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www.rottneros.com

Rottneros discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. This information was submitted for publication on 27 January 2012 at 08.00. A Swedish and an English version of this report have been drawn up. The Swedish version shall apply in the event of differences between the two reports.

DEFINITIONS OF KEY RATIOS

Equity/assets ratio

Shareholders' equity as a percentage of the balance sheet total

Interest-bearing net assets/liabilities

Liquid assets minus interest-bearing liabilities

Debt/equity ratio

Interest-bearing net assets/liabilities divided by shareholders' equity

Operating margin

Operating profit after depreciation as a percentage of net turnover for the period

Profit margin

Profit after net financial items as a percentage of net turnover for the period

Net profit/loss

Net profit/loss is the profit/loss after tax

Earnings per share

Net profit/loss divided by the average number of shares

Return on capital employed

Profit after net financial items plus interest expense for the past twelve-month period divided by the average capital employed for the period in question

Capital employed

Balance sheet total less non-interest-bearing operating liabilities including deferred tax liabilities

Return on equity

Net profit for the past twelve-month period as a percentage of average shareholders' equity for the period in question

Interest coverage ratio

Profit after net financial items plus interest expense, divided by interest expense

P/E ratio

Share price at the end of the period in relation to earnings per share after tax

Direct yield

Dividend as a percentage of the share price at the end of the period

Operating cash flow/share

Cash flow from operating activities and normal investments divided by the number of shares

Cash flow before investments/share

Cash flow from operating activities divided by the number of shares

GLOSSARY

GLOSSARY			
BEK	Bleached Eucalyptus Kraft, bleached eucalyptus pulp.	Mechanical pulp	Pulp produced using a mechanical process for fibre separation and processing. Has a higher level of bulk, stiffness and opacity than chemical pulp.
Chemical pulp	Pulp produced by cooking pulpwood together with chemicals. Has higher brightness and strength than mechanical pulp.	NBSK	Northern Bleached Softwood Kraft: bleached long-fibre sulphate pulp. The leading indicator of world market prices.
CTMP	Chemi-Thermo-Mechanical Pulp. Development of TMP, where the raw material is impregnated with chemicals. Stronger than TMP.	TMP	Thermo-Mechanical Pulp: mechanical pulp produced using a technique in which the chips are preheated with steam.
ECF	Elemental Chlorine Free, sulphate pulp bleached using chlorine dioxide only.	UKP	Unbleached Kraft Pulp: unbleached sulphate pulp.
Groundwood pulp (SGP)	Mechanical pulp made from roundwood.		

CONSOLIDATED PROFIT/LOSS ACCOUNTS (SEK MILLION)

	Okt-Dec 2011	Okt-Dec 2010	Full year 2011	Full year 2010
Net turnover	337	402	1,513	1,684
Change in inventories, finished goods	-3	-23	60	-25
Other income	16	43	90	121
TOTAL INCOME	350	422	1,663	1,780
Raw materials and consumables	-221	-225	-1,001	-961
Other costs	-119	-113	-450	-393
Personnel costs	-50	-49	-209	-202
Depreciation/amortisation and write-downs ¹	-3	-20	-120	-86
TOTAL OPERATING COSTS	-393	-407	-1,780	-1,642
OPERATING INCOME	-43	15	-117	138
Financial income	1	0	2	6
Financial expenses	-2	-2	-5	-6
Net financial items	-1	-2	-3	0
INCOME AFTER NET FINANCIAL ITEMS	-44	13	-120	138
Tax on income for the year	-4	-5	-24	-13
NET PROFIT/LOSS AFTER TAX	-48	8	-144	125
Earnings after tax/share (SEK) ²	-0.32	0.06	-0.95	0.82

¹ In the fourth quarter of 2011 write downs of SEK -12 million that had been recorded as write downs of fixed assets in the third quarter of 2011 were reclassified as write-downs of current assets. The underlying depreciation for the fourth quarter of 2011 consequently amounts to SEK-15 million.

² Profit after tax per share, after dilution, is the same as the profit after tax per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK MILLION)

	Okt-Dec 2011	Okt-Dec 2010	Full year 2011	Full year 2010
NET PROFIT/LOSS AFTER TAX	-48	8	-144	125
Other comprehensive income				
Cash-flow hedging, income before tax	-14	-8	-54	20
Cash-flow hedging, tax effect	3	3	14	-5
Exchange rate differences	0	-2	1	-2
Reclassification adjustment ³	0	1	0	1
TOTAL OTHER COMPREHENSIVE INCOME	-11	-6	-39	14
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-59	2	-183	139

KEY INDICATORS THAT AFFECT TURNOVER

Pulp price NBSK, USD ¹	887	957	960	930
SEK/USD ²	6.75	6.78	6.50	7.21
Pulp price NBSK, SEK	5,985	6,493	6,229	6,705
Rottneros' deliveries, tonnes	72,700	80,400	311,400	330,300

¹ Source: FOEX NBSK PIX.

² Source: Swedish central bank yearly average.

³ Cumulative amount of exchange rate differences reclassified from equity to profit or loss according to IAS 21.

CONSOLIDATED BALANCE SHEET (SEK MILLION)

	Dec 2011	Dec 2010
Intangible fixed assets	3	2
Tangible fixed assets	760	720
Financial fixed assets	78	145
Total fixed assets	841	867
Inventories	276	213
Current receivables	209	259
Liquid funds	21	155
Total current assets	506	627
TOTAL ASSETS	1,347	1,494
Shareholders' equity	1,014	1,228
Longterm liabilities		
Interest-bearing	5	10
Non interest-bearing	11	0
Total longterm liabilities	16	10
Current liabilities		
Interest-bearing	42	29
Non interest-bearing	275	227
Total current liabilities	317	256
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,347	1,494

CASH-FLOW ANALYSIS (SEK MILLION)

	Full year 2011	Full year 2010
Operating income	-117	138
Adjustment for non cash-flow items		
Depreciation/amortisation and write-downs	120	86
Profit/loss from disposal of fixed assets	-4	-21
Write-downs of receivables	72	-
Other non cash-flow items	14	4
	85	207
Paid financial items	0	-5
Received/paid taxes	-1	2
Cash-flow from current operations before change in working capital	84	204
Change in working capital	-49	-2
Cash-flow from current operations	35	202
Acquisition of fixed assets	-157	-125
Sale of fixed assets	4	22
Change in long-term receivables	5	-5
Cash-flow from investing activities	-148	-108
Proceeds from the issue of shares	-	1
New loans	37	-
Repayment of loans	-28	-51
Utbetalad utdelning	-30	-
Cash-flow from financing activities	-21	-50
Cash-flow for the year	-134	44
Liquid funds at beginning of year	155	111
Cash-flow for the year	-134	44
Translation difference in liquid funds	0	0
Liquid funds at end of year	21	155

SHARE DATA¹

		2011	2010	2009	2008	2007	2006
Shares, opening ²	No.	152,572	1,525,719	180,212	180,212	180,212	180,212
Shares issued ²	No.	-	0	1,345,507	-	-	-
No. of company's own shares bought back ²	No.	-	-1,373,147	-	-	-	-
Shares closing ²	No.	152,572	152,572	1,525,719	180,212	180,212	180,212
Average number of shares ²	No.	152,572	152,572	26,884	18,021	18,021	18,021
Operating profit or loss/share ^{2,5}	SEK	-0.77	0.90	-6.18	-16.95	-19.99	-0.43
Earnings after net financial items/share ⁵	SEK	-0.79	0.90	-2.58	-21.33	-21.30	-1.29
Earnings after tax/share ⁵	SEK	-0.95	0.82	-2.59	-18.35	-16.69	-0.45
Operating cash flow/share ^{3,5}	SEK	-0.74	0.51	2.74	-13.34	-5.59	1.93
Equity/share ⁵	SEK	6.65	8.05	7.14	44.96	58.29	77.83
Dividend ^{5,6}	SEK	0.10	0.20	-	-	-	1.00
Dividend/equity/share	%	1.5	2.5	-	-	-	1.3
Share price at end of period ⁵	SEK	2.11	4.37	6.90	10.50	23.10	65.50
Share price/equity/share	Times	0.3	0.5	1.0	0.2	0.4	0.8
P/E ratio/share	Times	Neg	5.3	Neg	Neg	Neg	Neg
Direct yield ⁴	%	4.7	4.6	-	-	-	1.5

¹ No key ratios were influenced by any dilution effect.

² The number of shares is stated in thousands, excluding treasury shares held by Rottneros.

³ Cash-flow after normal investments but excluding strategic investments.

⁴ Direct yield is calculated in relation to the closing listed price.

⁵ There was a reverse share split in April 2010, where ten existing shares were combined into one share. The comparison periods have been adjusted for this reverse split.

⁶ For 2011 proposed dividend is used.

KEY RATIOS EIGHT QUARTERS

	2011				2010			
	IV	III	II	I	IV	III	II	I
Net turnover, SEK m	337	367	409	400	402	413	462	407
Return on equity after full tax, %	Neg	Neg	8.5	10.4	10.8	10.1	9.2	5.2
Return on capital employed, %	Neg	Neg	11.0	11.9	11.6	10.7	9.5	6.1
Equity/assets ratio, %	75	78	83	83	82	81	78	76
Equity/share, SEK ¹	6.65	7.03	8.00	8.13	8.05	8.03	7.59	7.26
Earnings after tax/share, SEK ¹	-0.32	-0.89	0.17	0.09	0.06	0.37	0.32	0.07
Cash flow before investments/share, SEK	-0.15	0.18	0.36	-0.16	0.26	0.19	0.42	0.46
Operating cash flow/share, SEK ¹	-0.69	0.00	0.22	-0.27	-0.10	0.07	0.28	0.26
Operating margin, %	Neg	Neg	8.8	5.2	3.5	16.7	10.3	1.7

¹ There was a reverse share split in April 2010, where ten existing shares were combined into one share. The comparison periods have been adjusted for this reverse split.

CHANGE IN SHAREHOLDERS' EQUITY (SEK MILLION)

	Full year 2011	Full year 2010
Opening shareholders' equity	1,228	1,089
Total comprehensive income for the period	-183	139
Dividend	-31	-
Closing shareholders' equity	1,014	1,228

QUARTERLY DATA (SEK MILLION)

	2011				2010				2009			
	IV	III	II	I	IV	III	II	I	IV	III	II	I
Net turnover	337	367	409	400	402	413	462	407	363	345	367	433
Operating profit/loss before depreciation	-40	-50	54	39	35	88	61	40	32	-45	31	-80
Depreciation/amortisation and write-downs	-3	-81	-18	-18	-20	-20	-13	-33	-26	-25	-23	-30
Operating profit/loss	-43	-131	36	21	15	68	48	7	6	-70	8	-110
Net financial items	-1	-1	1	-2	-2	-4	2	4	-6	113	-5	-5
Profit/loss after financial items	-44	-132	37	19	13	64	50	11	0	43	3	-115
Tax	-4	-4	-11	-5	-5	-8	0	0	0	0	0	0
Profit/loss after tax	-48	-136	26	14	8	56	50	11	0	43	3	-115
Pulp production, 1,000 tonnes	70.4	77.2	88.0	88.5	75.0	82.6	84.0	81.4	86.7	70.9	88.8	89.5
Pulp deliveries, 1,000 tonnes	72.7	74.3	81.0	83.4	80.4	75.8	86.8	87.3	81.9	89.7	99.4	105.7

PARENT COMPANY PROFIT/LOSS ACCOUNTS (SEK MILLION)

	Okt-Dec 2011	Okt-Dec 2010	Full year 2011	Full year 2010
Net turnover	3	273	27	1,533
Other income	-5	28	12	70
TOTAL INCOME	-2	301	39	1,603
Raw materials and consumables	-	-265	-8	-1,512
Other costs	-16	-10	-114	-64
Personnel costs	-4	-6	-24	-25
Depreciation	0	0	0	-2
TOTAL OPERATING COSTS	-20	-281	-146	-1,603
OPERATING INCOME	-22	20	-107	0
Profit from participations in group companies	16	154	16	171
Financial income, other	1	2	3	15
Financial expenses, other	-1	-1	-2	-6
Net financial items	16	155	17	180
INCOME AFTER NET FINANCIAL ITEMS	-6	175	-90	180
Tax on income for the year	-1	-51	-1	-60
NET PROFIT/LOSS AFTER TAX	-7	124	-91	120

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK MILLION)

	Okt-dec 2011	Okt-dec 2010	Full year 2011	Helår 2010
NET PROFIT/LOSS AFTER TAX	-7	124	-91	120
Other comprehensive income				
TOTAL OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-7	124	-91	120

PARENT COMPANY BALANCE SHEET (SEK MILLION)

	Dec 2011	Dec 2010
Intangible fixed assets	2	-
Tangible fixed assets	1	1
Financial fixed assets	318	373
Total fixed assets	321	374
Current receivables	743	707
Liquid funds	8	79
Total current assets	751	786
TOTAL ASSETS	1,072	1,160
Shareholders' equity	973	1,095
Current liabilities		
Interest-bearing	-	25
Non interest-bearing	99	40
Total current liabilities	99	65
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,072	1,160

SIX YEAR REVIEW						
	2011	2010	2009	2008	2007	2006
KEY INDICATORS THAT AFFECT TURNOVER						
Pulp price NBSK, USD ¹	960	930	657	852	794	675
SEK/USD ²	6.50	7.21	7.65	6.58	6.76	7.37
Pulp price NBSK, SEK	6,229	6,705	4,989	5,617	5,368	4,977
Rottneros' deliveries, tonnes	311,400	330,300	376,700	617,900	714,700	699,500
Turnover and income, SEK million						
Net turnover	1,513	1,684	1,508	2,663	2,927	2,690
Profit/loss before depreciation	4	224	-62	-82	75	148
Depreciation	-120	-86	-104	-224	-435	-155
Operating profit/loss after depreciation	-117	138	-166	-306	-360	-7
Net financial items	3	0	97	-79	-24	-16
Profit/loss after net financial items	-120	138	-69	-385	-384	-23
Profit/loss after tax	-144	125	-69	-331	-301	-8
Balance sheet items, SEK million						
Fixed assets	841	867	849	1,149	1,123	1,363
Inventories	276	213	215	447	493	397
Current receivables	209	259	230	391	572	570
Liquid funds	21	155	111	45	121	122
Shareholders' equity	1,014	1,228	1,089	810	1,050	1,403
Long-term interest-bearing liabilities	5	10	57	692	173	177
Long-term non interest-bearing liabilities	11	0	1	14	49	85
Current interest-bearing liabilities	42	29	44	82	452	304
Current non interest-bearing liabilities	275	227	214	434	585	483
Balance sheet total	1,347	1,494	1,405	2,032	2,309	2,452
Financial ratios						
Operating margin, %	-7.8	8.2	-11.0	-11.5	-12.3	-0.3
Profit margin, %	-8.0	8.2	-4.6	-14.4	-13.1	-0.9
Return on capital employed, %	Neg	11.6	Neg	Neg	Neg	Neg
Return on equity after full tax, %	Neg	10.8	Neg	Neg	Neg	Neg
Equity/assets ratio, %	75	82	78	40	45	57
Debt/equity ratio, Times	0.0	-0.1	0.1	1.0	0.6	0.3
Interest cover, Times	Neg	26.2	Neg	Neg	Neg	Neg
Other						
Capital expenditure, SEK m	157	125	10	191	163	113
Average no. of employees	298	308	387	667	718	754

¹ Source: FOEX NBSK PIX.

² Source: Swedish central bank yearly average.

Rottneros, a company that was originally established in the 1600s, is an independent and flexible supplier of customised paper pulp of high quality. Rottneros has been able to adapt in order to meet high customer expectations by continually developing its products and maintaining high levels of delivery reliability, technical support and service.

Rottneros has an annual production capacity of almost 400,000 tonnes of pulp at two mills in Sweden. Increasingly intensive product development in line with the requirements of customers will result in profitability that is higher and more stable throughout the business cycle.

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