

**THE ROTTNEROS GROUP**  
**INTERIM REPORT JANUARY–JUNE 2008**  
**QUARTERLY REPORT APRIL–JUNE 2008**

Amounts in SEK million except per-share data.

		<b>2008</b>	<b>2007</b>
Net turnover, SEK m	Jan - Jun	1 528	1 519
	Apr - Jun	780	779
Income after net financial items, SEK m	Jan - Jun	-179	19
	Apr - Jun	-57	5
Earnings per share after net financial items, SEK	Jan - Jun	-0,99	0,10
	Apr - Jun	-0,31	0,02
Profit/loss after tax, SEK m	Jan - Jun	-129	9
	Apr - Jun	-40	4
Earnings per share after tax, SEK	Jan - Jun	-0,72	0,05
	Apr - Jun	-0,23	0,02
Cash flow per share, SEK	Jan - Jun	0,50	0,26
	Apr - Jun	0,31	0,11
Shareholders' equity per share, SEK		5,23	5,83 (31.12.2007)
Equity/assets ratio		39 %	45 % (31.12.2007)

- The Group is posting a loss after net financial items of SEK -179 (19) million for the first half of 2008, of which SEK 115 million can be attributed to the losses in operation of Utansjö Mill until its closure, and associated close-down expenses.
- The income after net financial items for the second quarter of 2008 amounted to SEK -57 (5) million.
- The loss bringing pulp production at Utansjö Mill ceased at the turn of May/June. The closure has had a significant net positive cash-flow effect on the Rottneros Group as a result of working capital being freed up and fixed assets being sold.
- A programme of measures is under way to release liquid funds in the order of SEK 150 million; this includes the effects of the closure of Utansjö Mill.
- Higher costs for wood and electricity have reduced earnings in the first half of 2008 by SEK 86 million compared with the equivalent period of 2007.

- After completing its main study, Rottneros has decided to go ahead with plans to establish a presence in South Africa. The Board has asked the CEO to conclude negotiations on and sign the necessary agreements. In July Rottneros and its co-partner NCT received oral information from the South African state-owned energy company Eskom regarding sufficient supply of electricity for the planned CTMP-mill at Richards Bay in South Africa.
- The company is not providing a forecast for the full year 2008.

## **THIS IS ROTTNEROS**

*Rottneros, with origins dating back to the 1600s, is a non-integrated, flexible supplier of customised, high-quality paper pulp. Through continuous product development, high delivery reliability, technical support and service, Rottneros is able to adapt to the changing requirements of discerning customers.*

*Rottneros has a total annual production capacity of some 600,000 tonnes of pulp, produced at four mills in Sweden and Spain, making the Group one of the ten largest suppliers of market pulp in the world. The company works to achieve a higher and more stable level of profitability over the course of an economic cycle through increasingly intensive product development in line with customer demands. The Group has introduced a comprehensive financial hedging policy to even out cyclical fluctuations in earnings.*

## **THE PULP MARKET**

### **Market and products**

The market for all grades of pulp has continued to perform well during the first half of 2008, with rising prices. Deliveries in the first five months of 2008 for that part of the total global market for bleached chemical pulp that reports statistics (19 countries) were 16.8 (15.7) million tonnes, an increase of 6.5 % or 1,029,000 tonnes on 2007. Delivery capacity utilisation for bleached chemical pulp in the January-May period was 91 % (93 % for the equivalent period of 2007). Production capacity utilisation for the same period was 92 % (93 %).

The average price of bleached long-fibre chemical pulp in the first half of 2008 was USD 889 per tonne (USD 764), an increase of 16 %. The notified price of long-fibre chemical pulp (NBSK) at the end of the second quarter was USD 920 per tonne, although this has not been fully accepted by the market.

The price of short-fibre chemical pulp has increased from around USD 780 per tonne at the beginning of the year to USD 840 at the end of the period.

Global producer stocks of bleached chemical pulp were 3,201,000 tonnes at the beginning of the year, and 3,457,000 tonnes at the end of May.

### **Long-fibre chemical pulp (NBSK) (produced in Vallvik)**

The price at the beginning of the year was USD 880 per tonne. The notified price has been raised by a further USD 40 per tonne during the period under review, although according to the PIX index around USD 20 per tonne of this increase has been realised. The positive development in the market for long-fibre chemical pulp has continued, with supply and demand currently in equilibrium.

Delivery capacity utilisation for the January-May period was 91 % (95 % for the equivalent period of 2007), and production capacity utilisation for the same period was around 94 % (94 %). Delivery capacity utilisation for the April-May period was 94 % (94 % for April-May 2007), and production capacity utilisation 91 % (91 %).

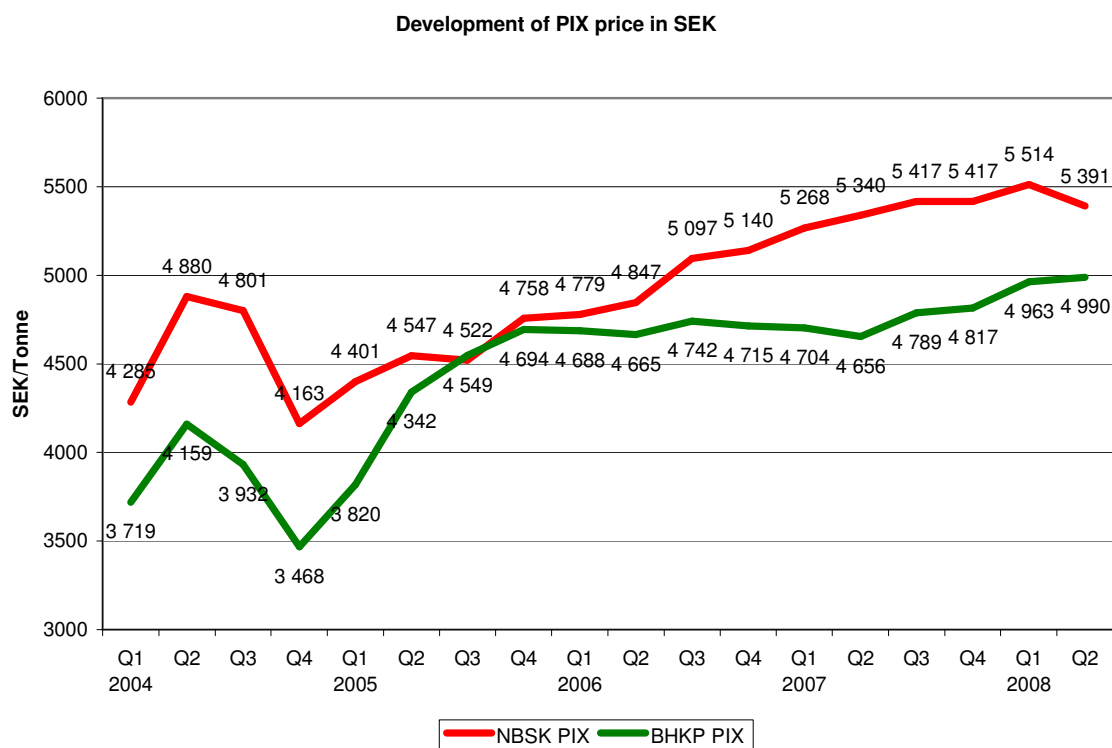
### Short-fibre chemical pulp (produced in Miranda)

The price of eucalyptus pulp (BEK) was raised during the period from USD 780 to USD 840 per tonne.

Delivery capacity utilisation for the January-May period was 91 % (90 % for the equivalent period of 2007), and production capacity utilisation for the same period was approx. 91 % (91 %). Delivery capacity utilisation for the April-May period was 92 % (93 % for April-May 2007), and production capacity utilisation 87 % (86 %).

### Mechanical pulp and CTMP (produced in Rottneros, Rockhammar and Utansjö)

During the period, prices for short-fibre CTMP were raised in line with the price for short-fibre chemical pulp, with a slightly better price trend for long-fibre CTMP. The period has been characterised by both good demand and high production. Delivery capacity utilisation for the January-May period was 98 % (97 % for the equivalent period of 2007), and production capacity utilisation 98 % (93 %).



### PRODUCTION AND DELIVERIES

The Group's mills in Rottneros, Rockhammar and Vallvik in Sweden, and Miranda in Spain, have a combined production capacity of just under 600,000 tonnes per year. Total production in 2007 was 730,100 tonnes. Operations at Utansjö Mill ceased at the turn of May/June, reducing production for the first half of 2008 by 4 %, compared with the equivalent period of 2007, to 346,900 (362,400) tonnes. The closure of Utansjö reduces the Group's annual production capacity to the new level of just under 600,000 tonnes. Annual maintenance shutdowns will be implemented in Vallvik and Rottneros during the third quarter, and in Miranda during the fourth quarter. All costs relating to maintenance shutdowns are recognised in the period in which the shutdown takes place. Deliveries in the first half of 2008 totalled 362,400 (376,100) tonnes, a reduction of 4 %.

<b>PRODUCTION (TONNES)</b>	<b>Apr - Jun 2008</b>	Apr - Jun 2007	<b>Jan - Jun 2008</b>	Jan - Jun 2007
Sulphate pulp	84 300	89 300	174 100	174 800
Groundwood pulp	32 700	38 400	70 500	77 500
CTMP	45 600	58 400	102 300	109 900
<b>TOTAL</b>	<b>162 600</b>	<b>186 100</b>	<b>346 900</b>	<b>362 200</b>

<b>DELIVERIES (TONNES)</b>	<b>Apr - Jun 2008</b>	Apr - Jun 2007	<b>Jan - Jun 2008</b>	Jan - Jun 2007
Sulphate pulp	90 100	92 800	174 000	178 300
Groundwood pulp	45 100	43 400	79 100	79 700
CTMP	51 100	57 000	109 300	118 100
<b>TOTAL</b>	<b>186 300</b>	<b>193 200</b>	<b>362 400</b>	<b>376 100</b>

## INVOICED SALES AND RESULTS

### January–June 2008 compared with January–June 2007

The Group generated a net turnover for the period of SEK 1,528 (1,519) million. As Rottneros Packaging is in a build-up phase, results for this business area are not reported separately.

Sales for the first half of 2008 were SEK 9 million up on the equivalent period of 2007, mainly due to: *lower delivery levels, SEK -55 million; a weaker USD, SEK -202 million; higher USD pulp prices, SEK 215 million; and other changes, SEK 51 million.* The average price in USD of long-fibre sulphate pulp (NBSK) increased by 16 % from USD 764 to USD 889 per tonne, while the average price of NBSK pulp converted into SEK increased from SEK 5,305 to 5,450 per tonne, a rise of 3 %. The average price in USD of eucalyptus pulp (BEK) increased from USD 674 to USD 812 per tonne, or 20 %, while the equivalent average price converted into SEK increased from SEK 4,678 to 4,976 per tonne, a rise of 6 %.

The result includes provision for close-down expenses totalling SEK 90 million at Utansjö Mill, where production ceased at the turn of May/June. Operations at Utansjö Mill have been a significant loss-maker for the Rottneros Group for a number of years. In total the closure affects around 140 employees. The closure will have a substantial net positive cash-flow effect on the Rottneros Group as a result of working capital being freed up.

Two thirds of the loss for the first half of 2008 can be attributed to operations at Utansjö. Utansjö Mill's operating loss after financial items for the first half of 2008 was SEK -115 million, including close-down expenses.

The price increases for pulp in USD have largely been countered by the weak US dollar rate and, taken as a whole, the price increase converted into EUR and SEK is not sufficient to compensate for higher raw material prices.

The average price of electricity in the first half of 2008 on the Nord Pool exchange was SEK 0.40 per kWh, compared with SEK 0.23 per kWh in the same period of 2007. For 2009 and beyond, electricity is currently being traded on Nord Pool at prices around SEK 0.60 per kWh.

The supply of wood during the period functioned well, although the price level for pulp wood remains high. Overall, wood costs increased by SEK 76 million compared with the equivalent period of 2007.

The Group is posting an operating loss of SEK -158 (33) million for January-June 2008, including provision for close-down expenses of SEK 90 million at Utansjö Mill.

The close-down expenses of SEK 90 million for Utansjö Mill and increased wood costs of SEK 76 million have had the biggest impact on earnings for 2008 compared with last year. Electricity costs, including the effect of electricity hedges, increased by SEK 10 million in the period January to June 2008 compared with the equivalent period of 2007. Fuel oil costs have increased by SEK 9 million on 2007. The Group's result is also encumbered by exchange rate differences totalling SEK -11 (-2) million in the period January to June 2008. Depreciation of fixed assets is SEK 20 million lower than in 2007. Hedging transactions during the first half of 2008 resulted in a loss of SEK -36 (-52) million.

The Group is posting a loss after net financial items of SEK -179 (19) million, including a net financial expense of SEK -21 (-14) million. The loss after tax was SEK -129 (9) million. Earnings per share after tax were SEK -0.72 (0.05). Cash flow per share was SEK 0.50 (0.26).

#### April–June 2008 compared with April–June 2007

The Group generated a net turnover of SEK 780 (779) million for the April-June period.

Sales for the second quarter were SEK 1 million higher than the equivalent period of 2007, mainly due to: *lower delivery levels, SEK -28 million; weaker USD, SEK -115 million; higher USD pulp prices, SEK 107 million; and other changes, SEK 37 million.* The average price in USD of long-fibre sulphate pulp (NBSK) increased by 16% from USD 777 to USD 900 per tonne, while the average price of NBSK pulp converted into SEK showed only a marginal increase from SEK 5,340 to SEK 5,391 per tonne. The average price in USD of eucalyptus pulp (BEK) increased from USD 678 to USD 833 per tonne, or 23 %, while the equivalent average price converted into SEK increased from SEK 4,656 to SEK 4,990 per tonne, a smaller rise of 7 %.

The Group is posting an operating loss of SEK -48 (11) million for the second quarter of 2008. Compared with the corresponding period of 2007, the result has been negatively affected by higher wood costs of SEK 20 million and electricity costs (including realised hedging transactions) of SEK 5 million. Fuel oil costs have increased by SEK 9 million, compared with the same quarter of 2007. Depreciation is SEK 11 million lower than in 2007. Taken as a whole, the price increase converted into SEK and EUR is not sufficient to compensate for higher raw material prices. Hedging transactions during the quarter resulted in a loss of SEK -22 (-32) million.

The Group is posting a loss after net financial items of SEK -57 (5) million, including a net financial expense of SEK -9 (-6) million. The loss after tax was SEK -40 (4) million. Earnings per share after tax were SEK -0.23 (0.02). Cash flow per share was SEK -0.31 (0.11).

	2008		2007				Full year
	II	I	IV	III	II	I	
<b>Profit/loss after financial items</b>	<b>-57</b>	<b>-122</b>	<b>-321</b>	<b>-82</b>	<b>5</b>	<b>14</b>	<b>-384</b>
<u>Whereof:</u>							
Currency hedges	-1	6	25	6	2	6	39
Pulp price hedges	-24	-22	-20	-16	-15	-12	-63
Electricity hedges	3	2	10	-22	-19	-14	-45
<b>Total hedges</b>	<b>-22</b>	<b>-14</b>	<b>15</b>	<b>-32</b>	<b>-32</b>	<b>-20</b>	<b>-69</b>
<b>IAS 39</b>	<b>2</b>	<b>-12</b>	<b>-3</b>	<b>-</b>	<b>15</b>	<b>-2</b>	<b>10</b>
<b>Green electricity</b>	<b>13</b>	<b>11</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>22</b>

April–June 2008 compared with January–March 2008

The Group's net turnover increased during the second quarter of 2008 to SEK 780 million from SEK 748 million in the first quarter. The increase in sales was mainly due to: *higher delivery levels, SEK 43 million; weaker USD, SEK -38 million; higher USD pulp prices, SEK 18 million; and other changes, SEK 8 million.* The average price in USD of long-fibre sulphate pulp (NBSK) increased from USD 878 to USD 900 per tonne, while the average price of NBSK pulp converted into SEK fell from SEK 5,514 to SEK 5,391 per tonne, down 2 %. The average price in USD of eucalyptus pulp (BEK) increased from USD 790 to USD 833 per tonne, or 5 %, while the corresponding average price converted into SEK increased marginally from SEK 4,963 to 4,990 per tonne.

The Group is posting an operating loss for the second quarter of SEK -48 million, compared with a first-quarter operating loss of SEK -110 million. The first quarter of 2008 includes close-down expenses totalling SEK 90 million for Utansjö Mill. The main costs which have increased in relation to the first quarter of 2008 are electricity costs (up SEK 4 million) and freight costs (up SEK 10 million). Hedging transactions during the quarter resulted in a loss of SEK -22 (-14) million. The Group is posting a loss after net financial items of SEK -57 million for the second quarter of 2008, compared with SEK -122 million for the first quarter.

**PARENT COMPANY**

The loss after net financial items in the parent company was SEK -68 (-63) million for the first half of 2008. All pulp invoicing in the Group has been centralised in the parent company. This means that the parent company acts as distributor for all the mills, for which it is paid sales commission at normal rates. The notes relating to Group sales therefore also apply to sales in the parent company. The result includes a loss of SEK -36 (-52) million relating to hedging transactions for the entire Group.

The loss after net financial items in the parent company was SEK -34 million for the second quarter of 2008, compared with SEK -41 million in the equivalent period of 2007 and SEK -34 million in the first quarter of 2008.

The parent company's operations include Rottneros Packaging, which entails a cost burden as the business area is in a start-up phase. Costs relating to the South Africa project are also included in the parent company's results.

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

**ROTTNEROS PACKAGING**

In 2006 Rottneros started producing packaging made from paper pulp for chilled and frozen ready meals under the SilviPak brand. This venture, which is run as a new business area called Rottneros Packaging, is expected to account for around 15 % of Group sales within a five-year period and capture around 5 % of the European market. As the venture is in a build-up phase, results for this business area are not reported separately.

The Board of Directors has decided to increase SilviPak's production capacity by investing in a new factory for the production of packaging adjacent to the pulp mill in Miranda, Spain. This is an investment of just over SEK 50 million, and the factory is expected to go into operation in the third quarter of 2008.

## **THE SOUTH AFRICA PROJECT**

In March 2007 Rottneros and the South African forestry company NCT signed a declaration of intent to look into the opportunities for building a jointly owned factory to produce mechanical paper pulp of CTMP grade in South Africa. The idea is to use the fixed assets from Utansjö, which include a new pulp line for the production of CTMP pulp, as the basis for the new establishment in South Africa.

After completing its main study, Rottneros has decided to go ahead with plans to establish a presence in South Africa. The Board has asked the CEO to conclude negotiations on and sign the necessary agreements, mainly concerning electricity supply and financing. For more information see “Subsequent events” page 9.

Essentially, the structure of the agreements means that Rottneros will undertake to build and equip a factory with a production capacity of 165,000 tonnes for the production of CTMP pulp based on eucalyptus wood. The CTMP facility in Utansjö will form the basis for the new factory. The investment will be project-financed via the jointly owned company. A new factory could be ready to go into operation at the end of 2009. The pulp, which is initially intended to be exported to South East Asia and Europe, will be sold through Rottneros’ marketing organisation. NCT will be responsible for delivery of wood. Rottneros will acquire a proportion of an associated company that has prospects of achieving good profitability and represents a strategic investment.

## **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 1.1, Supplementary accounting rules for groups, and RFR 2.1, Accounting for legal entities, with respect to the parent company. The accounting principles, definitions concerning ratios and calculation methods are otherwise the same as those used in the most recent annual report. No new standards have entered into force which impact on Rottneros’ financial position or results.

## **RISK MANAGEMENT**

Operationally, the company employs a number of measures and strategies, such as focusing on certain niches and specific customer segments, in order to reduce the Group’s dependence on the list price of market pulp and minimise fluctuations in profitability over the course of an economic cycle. The establishment of a new business area, Rottneros Packaging, and the company’s expansion into a new stage in the value chain is another step in the process of reducing the Group’s unilateral dependence on fluctuations in the pulp market. As a complement to its operational strategy, the company also has a strategy for dealing with financial risks. By employing advanced methods of managing financial risks, Rottneros seeks to stabilise the Group’s volatile earnings trend and, above all, create a stable foundation to avoid loss-making periods. The risks that have the greatest impact on consolidated earnings are associated with exchange rates, pulp prices, wood and electricity.

## **USD**

Although Rottneros invoices in different currencies, the underlying currency for pulp prices is largely USD. This means that the underlying exposure to USD is very high, but the direct inflow of USD (the real flow) only corresponds to around 40 % of sales. The portion of sales contracted in EUR, about 10 %, has been hedged for 2008.

The average USD exchange rate in the first half of 2008 was 12 % lower than in 2007, at 6.13 against 6.94. The lower average USD rate against SEK during the first half had a negative impact on turnover of SEK -202 million compared with the same period of 2007.

At the end of June, currency hedging in the form of forward contracts for USD 26 million had been concluded, at an average rate of SEK 6.02 per USD. These contracts relate to 2008. At the end of the quarter, hedging contracts for EUR 12 million had also been concluded at an average rate of EUR 9.27 per SEK for deliveries in 2008.

### Pulp Prices

The price of pulp (NBSK) is set in USD, while production costs are largely incurred in local currencies. Pulp price forward contracts for two- and three-year periods have been signed for an original total volume of 168,000 tonnes, maturing from the beginning of the fourth quarter of 2006 onwards. The hedges represent 5,000 tonnes per month in 2008 and 4,000 tonnes per month in 2009, and expire in September 2009. The level of hedging is USD 635 per tonne.

### Electricity

For 2008 around 20 % of the Group's electricity consumption has been hedged at SEK 0.27 per kWh and for 2009 13 % has been hedged at SEK 0.25 per kWh. The average price of electricity for 2007 on the Nord Pool exchange was around SEK 0.25 per kWh and for the first half of 2008 around SEK 0.40 per kWh.

For further information on risk, see the Annual Report 2007, pages 33-36.

The table below shows the market value of all hedging contracts. The amounts are assessed by independent parties and represent the liquidation value, i.e. the value according to forward contracts as at 30 June 2008. The reference value is the spot rate on 30 June and is provided as supplementary information. The hedge contracts have a term of one to two years. 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.

#### **MARKET VALUE (SEK million) JUNE 2008:**

<i>Hedging</i>	<i>Hedged volume</i>	<i>Hedge price</i>	<i>Market value</i>	<i>Reference - spot rate</i> <i>30 June 2008</i>
Currency, USD, forward	USD 26 m	6,02 SEK/USD	0	5,98 SEK/USD
Currency, EUR, forward	EUR 12 m	9,27 SEK/EUR	-2	9,41 SEK/EUR
Pulp price	66 000 tonnes	635 USD (PIX)	-102	USD 905/5,98 SEK/USD
Electricity	92 400 MWh	SEK 0.261 /kWh	36	SEK 0.54/kWh
<b>Total market value</b>			<b>-68</b>	

#### **MARKET VALUE (SEK million) JUNE 2007:**

<i>Hedging</i>	<i>Hedged volume</i>	<i>Hedge price</i>	<i>Market value</i>	<i>Reference - spot rate</i> <i>30 June 2007</i>
Currency, USD, forward	USD 20 m	6,86 SEK/USD	1	6,86 SEK/USD
Currency, EUR, forward	EUR 38 m	9,28 SEK/EUR	1	9,24 SEK/EUR
Pulp price, in SEK	126 000 tonnes	634 USD (PIX)	-123	USD 791/6,86 SEK/USD
Electricity	468 900 MWh	SEK 0.309 /kWh	21	SEK 0.234/kWh
<b>Total market value</b>			<b>-100</b>	

### **SALE OF TREASURY SHARES**

The 2008 Annual General Meeting authorised the Board, in the period until the next AGM, to take decisions regarding the transfer of shares in the company. No such transfer has taken place during the period under review.



## **INVESTMENTS AND FINANCIAL POSITION**

The Group's investments in fixed assets in the first half of 2008 totalled SEK 94 million (50).

The majority of the investments relate to a new packaging factory in Miranda, Spain.

The Group's liquid funds at the end of the second quarter were SEK 156 million, compared with SEK 121 million at year-end 2007. At 30 June 2008 the company had interest-bearing liabilities of SEK 718 million (625 at year-end 2007) and net borrowing of SEK 562 million (504). Approved but unutilised lines of credit totalled SEK 5 million at 30 June 2008. Parts of Rottneros' syndicated loan fall due during the year, and negotiations are under way to extend these. The equity/assets ratio was 39 % at 30 June 2008, compared with 56 % at 30 June 2007. Shareholders' equity per share was SEK 5.23 (5.83 at year-end 2007).

## **CASH FLOW**

Cash flow from operations before investments was SEK -2 million (99) in the first half of 2008. This figure includes cash flow from financial hedging of SEK -39 million (-48). The cash flow after investments was SEK -96 million (49). Investments were financed by borrowings. The closure of Utansjö Mill is expected to have a significant positive cash-flow effect on the Rottneros Group, as a result of working capital being freed up and fixed assets being sold. A programme of measures is under way to free up liquid funds in the order of SEK 150 million; this includes the effects of the closure of Utansjö Mill. The measures are mainly expected to give effect during 2008.

## **AVERAGE NUMBER OF EMPLOYEES**

The average number of employees during the reporting period was 704 (745).

## **SUBSEQUENT EVENTS**

On July 23, i.e. after the reporting period, Rottneros and its co-partner NCT received oral information from the South African state-owned energy company Eskom regarding sufficient supply of electricity for the planned CTMP-mill at Richards Bay in South Africa. This means that price negotiations can start as soon as there is a written confirmation.

## **OUTLOOK FOR 2008**

Price increases were implemented during the first half of 2008, resulting in the price of short-fibre chemical pulp (BHKP) rising from USD 780 to USD 840 per tonne and the price of long-fibre chemical pulp (NBSK) rising to around USD 900 per tonne. The price trend in USD has, however, had a smaller effect on the price of pulp in SEK as a result of the falling US dollar and, overall, the price increases have not been sufficient to compensate for higher raw material costs. In terms of inputs, the price of wood remains high, despite the fact that the downturn in the sawmill industry is forcing down the price of sawmill timber. The price of electricity in the first half was just over SEK 0.15 per kWh higher than in the equivalent period of 2007.

The company expects the equilibrium in the pulp market to remain favourable. Additional short-fibre pulp will become available in 2008 thanks to new production capacity, primarily in South America. However, the closures announced in 2007 and at the beginning of 2008 must also be taken into account.

The company is not providing a forecast for the full year 2008.

**UPCOMING FINANCIAL INFORMATION**

24 October 2008 - Interim report (9 months) 2008

3 February 2009 - Year-end release for 2008

For further information, please visit Rottneros' updated website: [www.rottneros.com](http://www.rottneros.com).

The half-year report provides a fair review of the company's and the Group's operations, position and results, and describes significant risks and uncertainties to which the company and the companies comprising the Group are subject.

Upplands Väsby, 24 July 2008

Rune Ingvarsson  
*Chairman of the Board*

Roger Asserståhl  
*Board Member*

Per Eiritz  
*Board Member*

Johan Holmgren  
*Board Member*

Mikael Lilja  
*Board Member*

Hans Åke Nordstrand  
*Board Member*

Kjell Ormegard  
*Board Member*

Ingrid Westin Wallinder  
*Board Member*

Ole Terland  
*President and Chief Executive Officer*

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

Ole Terland will be available on telephone number +46 8 407 21 01 between 08:00 and 08:45 CET on 25 July.

Meeting for analysts and journalists

Analysts and journalists are invited to a meeting at 09:00 CET on 25 July at Hallvarsson & Halvarsson, Birger Jarlsgatan 6B, tel. +46 8 407 20 00. Please register with Herbert Rock, tel. +46 8 407 22 45, e-mail: [herbert.rock@halvarsson.se](mailto:herbert.rock@halvarsson.se)

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The information provided is that which Rottneros AB is required to publish in accordance with the Securities Market Act and/or the Financial Instruments Act. The information was submitted to the media for publication on 25 July 2008 at 07:30 CET.

**CONSOLIDATED PROFIT/LOSS ACCOUNTS (SEK million)**

	Apr - Jun 2008	Apr - Jun 2007	Jan - Jun 2008	Jan - Jun 2007	Full year 2007
Net turnover	780	779	1 528	1 519	2 927
Change in inventories, finished goods	-92	-15	-52	-21	84
Other income	18	19	14	35	57
<b>Total income</b>	<b>706</b>	<b>783</b>	<b>1 490</b>	<b>1 533</b>	<b>3 068</b>
Raw materials and consumables	-454	-457	-960	-888	-1 859
Other costs	-168	-172	-371	-334	-718
Personnel costs	-103	-103	-259	-200	-415
Depreciation	-29	-40	-58	-78	-436
<b>Total operating costs</b>	<b>-754</b>	<b>-772</b>	<b>-1 648</b>	<b>-1 500</b>	<b>-3 428</b>
<b>Operating income</b>	<b>-48</b>	<b>11</b>	<b>-158</b>	<b>33</b>	<b>-360</b>
Financial income	1	2	2	2	9
Financial expenses	-10	-8	-23	-16	-33
<b>Net financial items</b>	<b>-9</b>	<b>-6</b>	<b>-21</b>	<b>-14</b>	<b>-24</b>
<b>Income after net financial items</b>	<b>-57</b>	<b>5</b>	<b>-179</b>	<b>19</b>	<b>-384</b>
Tax on income for the year	17	-1	50	-10	83
<b>Net profit/loss after tax</b>	<b>-40</b>	<b>4</b>	<b>-129</b>	<b>9</b>	<b>-301</b>
No. of shares at beginning of period <sup>1)</sup>	180 212	180 212	180 212	180 212	180 212
No. of company's own shares bought back <sup>1)</sup>	-	-	-	-	-
No. of shares at end of period <sup>1)</sup>	180 212	180 212	180 212	180 212	180 212
Average no. of shares <sup>1)</sup>	180 212	180 212	180 212	180 212	180 212
Earnings after tax/share (SEK) <sup>2)</sup>	-0,23	0,02	-0,72	0,05	-1,67
<b>Key indicators that affect turnover</b>					
Pulp price NBSK, USD <sup>3)</sup>	900	777	889	764	794
USD/SEK <sup>4)</sup>	5,99	6,87	6,13	6,94	6,76
Pulp price NBSK, SEK	5 391	5 340	5 450	5 305	5 368
Rottneros' deliveries, tonnes	186 300	193 200	362 400	376 100	714 700

<sup>1)</sup> The number of shares is given in thousands.

<sup>2)</sup> There are no programs that lead to dilution.

<sup>3)</sup> Source: PIX/Market Pulse.

<sup>4)</sup> Source: Swedich central bank yearly average.

**CONSOLIDATED BALANCE SHEET (SEK million)**

	<b>Jun 2008</b>	<b>Jun 2007</b>	<b>Dec 2007</b>
Intangible fixed assets	29	29	22
Tangible fixed assets	1 039	1 265	1 015
Financial fixed assets	141	46	86
<b>Total fixed assets</b>	<b>1 209</b>	<b>1 340</b>	<b>1 123</b>
Inventories	464	377	493
Current receivables	583	607	572
Liquid funds	156	105	121
<b>Total current assets</b>	<b>1 203</b>	<b>1 089</b>	<b>1 186</b>
<b>Total assets</b>	<b>2 412</b>	<b>2 429</b>	<b>2 309</b>
<b>Shareholders' equity</b>	<b>942</b>	<b>1 352</b>	<b>1 050</b>
<b>Longterm liabilities</b>			
Interest-bearing	171	175	173
Non interest-bearing	44	96	49
<b>Total longterm liabilities</b>	<b>215</b>	<b>271</b>	<b>222</b>
<b>Current liabilities</b>			
Interest-bearing	547	246	452
Non interest-bearing	708	560	585
<b>Total current liabilities</b>	<b>1 255</b>	<b>806</b>	<b>1 037</b>
<b>Total shareholders' equity and liabilities</b>	<b>2 412</b>	<b>2 429</b>	<b>2 309</b>

**CASH-FLOW ANALYSIS (SEK million)**

	<b>Jan - Jun 2008</b>	<b>Jan - Jun 2007</b>	<b>Jan - Dec 2007</b>
Operating income	-158	33	-360
<b>Adjustment for non cash-flow items</b>			
Depreciation	58	78	436
Profit/loss from disposal of fixed assets	5	1	16
Other non cash-flow items	71	-	-
	<b>-24</b>	<b>112</b>	<b>92</b>
Paid financial items	-24	-17	-28
Paid taxes	-6	-7	-5
<b>Cash-flow from current operations before change in working capital</b>	<b>-54</b>	<b>88</b>	<b>59</b>
Change in working capital	52	11	4
<b>Cash-flow from current operations</b>	<b>-2</b>	<b>99</b>	<b>63</b>
Acquisition of fixed assets	-94	-50	-163
<b>Cash-flow from capital investments</b>	<b>-94</b>	<b>-50</b>	<b>-163</b>
New loans	132	-	119
Repayment of loans	-1	-47	-4
Dividend paid	-	-18	-18
<b>Cash-flow from financing</b>	<b>131</b>	<b>-65</b>	<b>97</b>
<b>Cash-flow for the period/year</b>	<b>35</b>	<b>-16</b>	<b>-3</b>
Liquid funds at beginning of year	121	122	122
Cash-flow for the period/year	35	-16	-3
Translation difference in liquid funds	-	-1	2
Liquid funds at end of period/year	156	105	121

**SHARE DATA** <sup>1),5)</sup>

		Jun 2008	Jun 2007	2007	2006	2005	2004	2003
No. of shares at beginning of period <sup>2)</sup>	No.	180 212	180 212	180 212	180 212	180 212	180 722	182 980
No. of company's own shares bought back <sup>2)</sup>	No.	-	-	-	-	-	510	2 258
No. of shares at end of period <sup>2)</sup>	No.	180 212	180 212	180 212	180 212	180 212	180 212	180 722
Average number of shares <sup>2)</sup>	No.	180 212	180 212	180 212	180 212	180 212	180 392	181 422
Operating profit or loss/share	SEK	-0,88	1,18	-2,00	-0,04	-0,50	-0,64	0,67
Earnings after net financial items/share	SEK	-0,99	0,10	-2,13	-0,13	-0,57	-0,67	0,64
Earnings after tax/share	SEK	-0,72	0,05	-1,67	-0,05	-0,35	-0,50	0,47
Operating cash-flow/share <sup>3)</sup>	SEK	0,50	0,26	-0,56	0,19	-2,28	-0,41	-0,23
Equity/share	SEK	5,23	7,50	5,83	7,78	8,45	9,28	9,50
Dividend	SEK	-	-	0,00	0,10	0,10	0,20	0,30
Dividend/equity per share	%	-	-	-	1,3	1,2	2,2	3,2
Share price at end of period	SEK	1,50	5,50	2,31	6,55	6,80	7,55	8,55
Share price/equity per share	Times	0,3	0,7	0,4	0,8	0,8	0,8	0,9
P/E ratio	Times	-	-	Neg	Neg	Neg	Neg	18,3
Direct yield <sup>4)</sup>	%	-	-	-	1,5	1,4	2,6	3,5

<sup>1)</sup> There are no programs that lead to dilution.

<sup>2)</sup> The number of shares is given in thousands.

<sup>3)</sup> Cash-flow after normal investments but excluding strategic investments.

<sup>4)</sup> Direct yield is calculated in relation to the closing listed price.

<sup>5)</sup> Year 2003 has not been recalculated in respect of the IFRS transition. Adjustment should be made for IAS 39.

**CHANGE IN SHAREHOLDERS' EQUITY (SEK million)**

	Jan - Jun 2008	Jan - Jun 2007	Full year 2007
Opening shareholders' equity	1 050	1 403	1 403
Adjustment of opening shareholders' equity in respect of the IFRS transition (for specification see enclosure)	21	-42	-34
Profit/loss for the year	-129	9	-301
Dividend	-	-18	-18
Closing shareholders' equity	942	1 352	1 050

**QUARTERLY DATA (SEK million)**

	2008		2007				2006			
	II	I	IV	III	II	I	IV	III	II	I
Net turnover	780	748	721	687	779	740	713	662	615	700
<b>Operating profit/loss before depreciation</b>	<b>-19</b>	<b>-81</b>	<b>9</b>	<b>-44</b>	<b>51</b>	<b>60</b>	<b>69</b>	<b>47</b>	<b>36</b>	<b>-4</b>
Depreciation	-29	-29	-320	-38	-40	-38	-42	-36	-38	-39
<b>Operating profit/loss</b>	<b>-48</b>	<b>-110</b>	<b>-311</b>	<b>-82</b>	<b>11</b>	<b>22</b>	<b>27</b>	<b>11</b>	<b>-2</b>	<b>-43</b>
Net financial items	-9	-12	-10	-	-6	-8	-6	-10	-	-
<b>Profit/loss after financial items</b>	<b>-57</b>	<b>-122</b>	<b>-321</b>	<b>-82</b>	<b>5</b>	<b>14</b>	<b>21</b>	<b>1</b>	<b>-2</b>	<b>-43</b>
Tax	17	33	71	22	-1	-9	3	-2	4	10
<b>Profit/loss after tax</b>	<b>-40</b>	<b>-89</b>	<b>-250</b>	<b>-60</b>	<b>4</b>	<b>5</b>	<b>24</b>	<b>-1</b>	<b>2</b>	<b>-33</b>
Pulp production, 1 000 tonnes	162,6	184,3	190,0	177,9	186,1	176,1	181,1	167,8	175,4	174,6
Pulp deliveries, 1 000 tonnes	-186,3	-176,1	-174,2	-164,5	-193,2	-182,9	-178,9	-168,7	-164,2	-187,7

**PARENT COMPANY PROFIT/LOSS ACCOUNTS (SEK million)**

	Apr - Jun 2008	Apr - Jun 2007	Jan - Jun 2008	Jan - Jun 2007	Full year 2007
Net turnover	781	781	1 530	1 516	2 905
Change in inventories, finished goods	-1	1	-1	1	-
Other income	8	11	11	48	104
<b>Total income</b>	<b>788</b>	<b>793</b>	<b>1 540</b>	<b>1 565</b>	<b>3 009</b>
Raw materials and consumables	-769	-793	-1 507	-1 534	-2 922
Other costs	-40	-32	-77	-78	-169
Personnel costs	-13	-8	-24	-17	-36
Depreciation	-1	-2	-3	-3	-6
<b>Total operating costs</b>	<b>-823</b>	<b>-835</b>	<b>-1 611</b>	<b>-1 632</b>	<b>-3 133</b>
<b>Operating income</b>	<b>-35</b>	<b>-42</b>	<b>-71</b>	<b>-67</b>	<b>-124</b>
Financial income	13	10	25	19	45
Financial expenses	-12	-9	-22	-15	-298
<b>Net financial items</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>-253</b>
<b>Income after net financial items</b>	<b>-34</b>	<b>-41</b>	<b>-68</b>	<b>-63</b>	<b>-377</b>
Tax on income for the year	11	11	20	8	22
<b>Net profit/loss after tax</b>	<b>-23</b>	<b>-30</b>	<b>-48</b>	<b>-55</b>	<b>-355</b>

**PARENT COMPANY BALANCE SHEET (SEK million)**

	Jun 2008	Jun 2007	Dec 2007
Intangible fixed assets	11	13	13
Tangible fixed assets	24	16	19
Financial fixed assets	533	503	520
<b>Total fixed assets</b>	<b>568</b>	<b>532</b>	<b>552</b>
Inventories	2	-	2
Current receivables	1 200	922	1 345
Liquid funds	69	26	21
<b>Total current assets</b>	<b>1 271</b>	<b>948</b>	<b>1 368</b>
<b>Total assets</b>	<b>1 839</b>	<b>1 480</b>	<b>1 920</b>
<b>Shareholders' equity</b>	<b>707</b>	<b>1 022</b>	<b>755</b>
<b>Longterm liabilities</b>			
Interest-bearing	150	150	150
Non interest-bearing	-	-	-
<b>Total longterm liabilities</b>	<b>150</b>	<b>150</b>	<b>150</b>
<b>Current liabilities</b>			
Interest-bearing	556	270	432
Non interest-bearing	426	38	583
<b>Total current liabilities</b>	<b>982</b>	<b>308</b>	<b>1 015</b>
<b>Total shareholders' equity and liabilities</b>	<b>1 839</b>	<b>1 480</b>	<b>1 920</b>

## SIX YEAR REVIEW

	Jan - Jun 2008	Jan - Jun 2007	2007	2006	2005	2004		2003		
						Remaining operations	Total	Remaining operations	Total	
<b>Key indicators that effect turnover</b>										
Pulp price NBSK, USD <sup>1)</sup>	889	764	794	675	611			617		524
USD/SEK <sup>2)</sup>	6,13	6,94	6,76	7,37	7,48			7,35		8,09
Pulp price NBSK, SEK	5 450	5 305	5 368	5 581	4 565			4 532		4 235
Rottneros' deliveries, tonnes	362 400	376 100	714 700	699 500	666 700			625 000		641 100
<b>Turnover and income, SEK million</b>										
Net turnover	1 528	1 519	2 927	2 690	2 411	2 429	2 272	2 356	2 380	
Profit/loss before depreciation	-100	111	75	148	9	48	129	109	239	
Depreciation	-58	-78	-435	-155	-138	-138	-162	-223	-117	
Operating profit/loss after depreciation	-158	33	-360	-7	-129	-90	-33	-114	122	
Net financial items	-21	-14	-24	-16	-12	-13	-5	-7	-7	
Profit/loss after net financial items	-179	19	-384	-23	-141	-103	-38	-121	115	
Profit/loss after tax	-129	9	-301	-8	-91	-63	-31	-91	85	
<b>Balance sheet items, SEK million</b>										
Fixed assets	1 209	1 340	1 123	1 363	1 435		1 349		1 249	
Inventories	464	377	493	397	430		474		388	
Current receivables	583	607	572	570	595		572		443	
Liquid funds	156	105	121	122	125		157		252	
Assets from discontinued operations	-	-	-	-	26		16		-	
Shareholders' equity	942	1 352	1 050	1 403	1 523		1 673		1 717	
Long-term interest-bearing liabilities	171	175	173	177	180		186		42	
Long-term non interest-bearing liabilities	44	96	49	85	118		174		158	
Current interest-bearing liabilities	547	246	452	304	375		56		6	
Current non interest-bearing liabilities	708	560	585	483	405		472		414	
Liabilities from discontinued operations	-	-	-	-	10		7		-	
Balance sheet total	2 412	2 429	2 309	2 452	2 611		2 568		2 332	
<b>Financial ratios</b>										
Operating margin	%	-10,4	2,1	-12,3	-0,3	-5,3	-3,7	-1,5	-4,9	5,1
Profit margin	%	-11,7	1,2	-13,1	-0,9	-5,8	-4,2	-1,7	-5,2	4,8
Return on capital employed	%	Neg	4	Neg	Neg	Neg	Neg	Neg	Neg	7
Return on equity after full tax	%	Neg	2	Neg	Neg	Neg	Neg	Neg	Neg	5
Equity/assets ratio	%	39	56	45	57	58	58	65	65	73
Debt/equity ratio	Times	0,8	0,3	0,6	0,3	0,4	0,4	0,2	0,2	0,0
Interest cover	Times	Neg	2,5	Neg	Neg	Neg	Neg	Neg	Neg	18,2
<b>Other</b>										
Capital expenditure	SEK m	94	50	163	113	234	234	283	283	193
Average no. of employees		704	745	718	754	804	804	835	835	857

<sup>1)</sup> Source: PIX/Market Pulse

<sup>2)</sup> Source: Swedish central bank yearly average

<sup>3)</sup> Year 2003 has not been recalculated in respect of IFRS. Adjustment should be made for IAS 39.