

**THE ROTTNEROS GROUP**  
**INTERIM REPORT JANUARY-MARCH 2008**  
**QUARTERLY REPORT JANUARY-MARCH 2008**

Amounts in SEK except per-share data.

|   |           | <b>2008</b> | <b>2007</b> |              |
|---|-----------|-------------|-------------|--------------|
| Net turnover, SEK m                               | Jan - Mar | 748         | 740         |              |
| Income after net financial items, SEK m           | Jan - Mar | -122        | 14          |              |
| Earnings per share after net financial items, SEK | Jan - Mar | -0,68       | 0,08        |              |
| Profit/loss after tax, SEK m                      | Jan - Mar | -89         | 5           |              |
| Earnings per share after tax, SEK                 | Jan - Mar | -0,49       | 0,03        |              |
| Cash flow per share, SEK                          | Jan - Mar | 0,19        | 0,15        |              |
| Shareholders' equity per share, SEK               |           | 5,31        | 5,83        | (31.12.2007) |
| Equity/assets ratio                               |           | 41 %        | 45 %        | (31.12.2007) |

- After provision for close-down expenses of SEK 90 million at Utansjö Mill, the Group is posting a loss after net financial items of SEK -122 (14) million for the first quarter.
- On 9 January 2008 it was announced that Rottneros' Board of Directors has asked the Group's CEO to conclude negotiations with the relevant trade unions concerning implementation of the previously agreed closure of Utansjö Mill. The intention is for production at the mill to cease during May 2008.
- Higher costs for wood have reduced earnings in the first quarter by SEK 72 million compared with 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. The supply of electricity is uncertain.
- Ole Terland took up the position of CEO and President on 1 February 2008.
- 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 700,000 tonnes of pulp, produced at five 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 more stable and higher level of profitability over the course of the 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 at the start of 2008, with rising prices. Deliveries in the first two months of 2008 for that part of the total global market for bleached chemical market pulp that reports statistics (19 countries) were 6.5 (6.2) million tonnes, an increase of 8.1 % or 489,000 tonnes on 2007. Delivery capacity utilisation for bleached chemical pulp in the January-February period was 91 % (91 % for the equivalent period of 2007). Production capacity utilisation for the same period was 98 % (96 %).

The average price of bleached long-fibre chemical pulp in the first quarter of 2008 was USD 878 per tonne (USD 752), an increase of 17 %. The price of long-fibre chemical pulp (NBSK) at the end of the quarter was USD 880 per tonne. The price of short-fibre chemical pulp increased from around USD 780 at the beginning of the year to USD 800 per tonne at the end of the period. With effect from 1 April, further price increases of USD 40 per tonne have been announced for all grades of pulp.

Global producer stocks of bleached chemical pulp were 3,201,000 tonnes at the beginning of the year, and 3,668,000 tonnes at the end of February.

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

The price at the beginning of the year was USD 880 per tonne, and has been raised by a further USD 40 per tonne in the second quarter. The positive development in the market for long-fibre chemical pulp has continued, with supply and demand currently in equilibrium.

Delivery capacity utilisation on the market for the January-February period was 92 % (96 % for the equivalent period of 2007), and production capacity utilisation for the same period was 98 % (97 %).

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

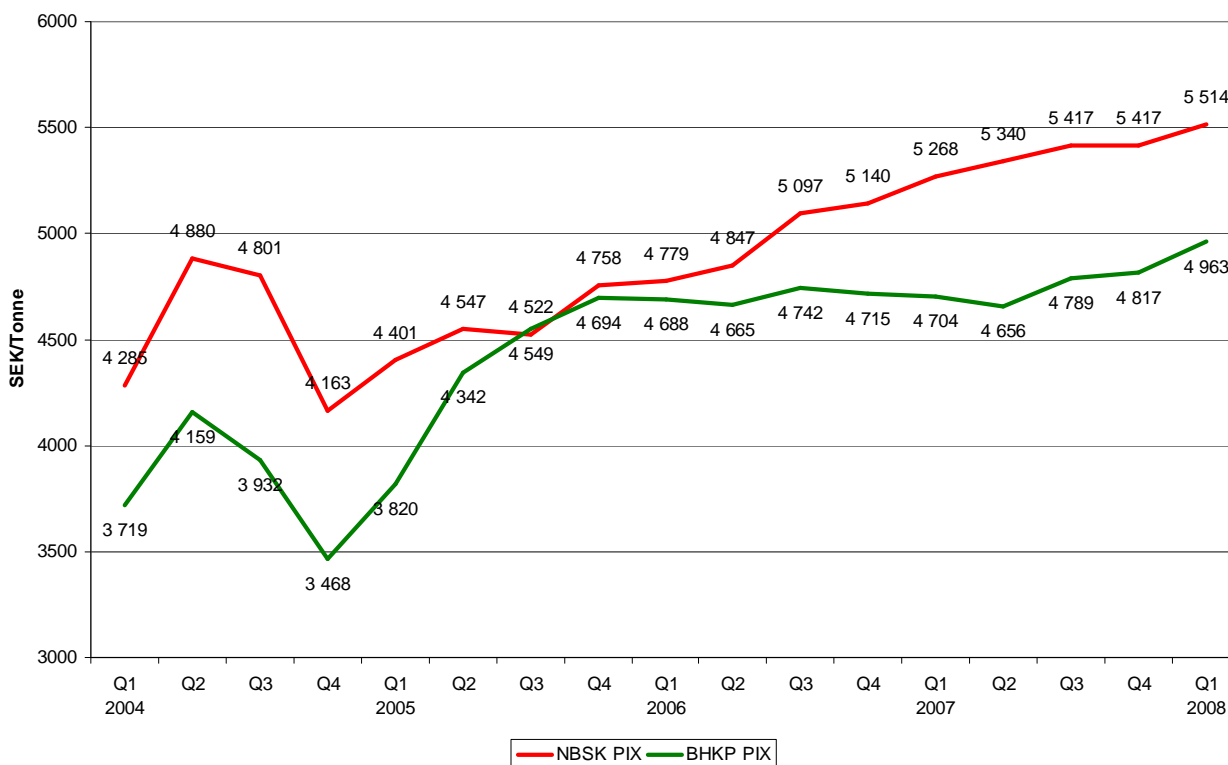
The price of eucalyptus pulp (BEK) was raised during the quarter from USD 780 to USD 800 per tonne. The positive price trend continues and, with effect from April, the price has been raised by a further USD 40 per tonne to USD 840 per tonne.

Delivery capacity utilisation for the January-February period was 89 % (85 % for the equivalent period of 2007), and production capacity utilisation for the same period was 97 % (95 %).

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

During the quarter, 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-February period was 102 % (96 % for the equivalent period of 2007), and production capacity utilisation was 101 % (92 %).

Development of PIX price in SEK



## PRODUCTION AND DELIVERIES

The Group's five mills in Rottneros, Rockhammar, Utansjö and Vallvik in Sweden, and Miranda in Spain, have a combined production capacity of just over 700,000 tonnes per year. Total production in 2007 was 730,000 tonnes. Production in the first quarter of 2008 was 184,300 (176,100) tonnes, an increase of 5 %. The closure of Utansjö will reduce the Group's annual production capacity by around 160,000 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 quarter of 2008 totalled 176,100 (182,900) tonnes, down 6,800 tonnes from 2007.

| <b>PRODUCTION (TONNES)</b> | <b>Jan - Mar 2008</b> | Jan - Mar 2007 |
|----------------------------|-----------------------|----------------|
| Sulphate pulp              | 89 800                | 85 500         |
| Groundwood pulp            | 37 800                | 39 100         |
| CTMP                       | 56 700                | 51 500         |
| <b>TOTAL</b>               | <b>184 300</b>        | <b>176 100</b> |
|                            |                       |                |
| <b>DELIVERIES (TONNES)</b> | <b>Jan - Mar 2008</b> | Jan - Mar 2007 |
| Sulphate pulp              | 83 900                | 85 500         |
| Groundwood pulp            | 34 000                | 36 300         |
| CTMP                       | 58 200                | 61 100         |
| <b>TOTAL</b>               | <b>176 100</b>        | <b>182 900</b> |

## INVOICED SALES AND RESULTS

### January-March 2008 compared with January-March 2007

The Group generated a net turnover of SEK 748 million (740). As Rottneros Packaging is still in a build-up phase, results for this business area are not reported separately.

Sales for the period were SEK 8 million up on the previous year, mainly due to: *lower delivery levels, SEK -27 million; a weaker USD, SEK -86 million; higher USD pulp prices, SEK 108 million; and other changes, SEK 13 million.* The average price in USD of long-fibre sulphate pulp (NBSK) increased from USD 752 to USD 878 per tonne, while the average price of NBSK pulp converted into SEK increased from SEK 5,268 to SEK 5,514 per tonne, an increase of 5 %. The average price in USD of eucalyptus pulp (BEK) increased from USD 671 to USD 790 per tonne, or 18 %, while the corresponding average price converted into SEK increased from SEK 4,704 to SEK 4,963 per tonne, an increase of just under 6 %.

The result includes provision for close-down expenses of SEK 90 million at Utansjö Mill. On 9 January it was announced that Rottneros' Board of Directors has asked the Group's CEO to conclude negotiations with the relevant trade unions concerning implementation of the previously agreed closure of Utansjö Mill. Production at the mill will cease during May 2008. In total the closure will affect around 140 employees.

The close-down will net have a substantial positive effect on cash flow for the Rottneros Group as a result of freeing up working capital.

The majority of the loss for the quarter can be attributed to the Group's operations in Utansjö. Utansjö Mill's operating loss for the quarter after financial items was SEK -105 million, including close-down expenses.

The price increases for pulp in USD have largely been countered by the falling US dollar and, taken as a whole, the price increase converted into EUR and SEK is not sufficient to compensate for higher raw material prices. The Group's results are also encumbered by exchange rate differences, which totalled SEK -11 million (1) for the first quarter.

The average price of electricity for the quarter on the Nord Pool exchange was SEK 0.37 per kWh, compared with SEK 0.25 per kWh in the same period of 2007. For 2009 and beyond, electricity is currently being traded on Nord Pool at prices around SEK 0.50 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 72 million compared with the equivalent period of 2007.

The Group is posting an operating loss for the period of SEK -110 million (22), including provision for close-down expenses at Utansjö Mill of SEK 90 million.

The close-down expenses of SEK 90 million for Utansjö Mill and increased wood costs of SEK 72 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 5 million during the quarter compared with the equivalent period of 2007. Hedging transactions during the quarter resulted in a net loss of SEK -14 million (-19).

The Group is posting a loss after net financial items of SEK -122 million (14), including a net financial expense of SEK -12 million (-8). The loss after tax was SEK -89 million (5). Earnings per share after tax were SEK -0.49 (0.03). Cash flow per share was SEK 0.19 (0.15).

#### January-March 2008 compared with October-December 2007

The Group generated a net turnover of SEK 748 million (721).

Sales for the quarter were SEK 27 million up on 2007, mainly due to: *higher delivery levels, SEK 8 million; a weaker US dollar, SEK -17 million; higher USD pulp prices, SEK 30 million; and other changes, SEK 6 million.* The average price in USD of long-fibre sulphate pulp (NBSK) increased from USD 844 to USD 878 per tonne, while the average price of NBSK pulp converted into SEK increased from SEK 5,417 to SEK 5,514 per tonne, an improvement of 2 %. The average price in USD of eucalyptus pulp (BEK) increased from USD 751 to USD 790 per tonne, or 5 %, while the corresponding average price converted into SEK increased from SEK 4,817 to SEK 4,963 per tonne, a smaller increase of 3 %.

The Group is posting an operating loss of SEK -110 million (-311), with the first quarter of 2008 including close-down expenses of SEK 90 million for Utansjö Mill and the fourth quarter of 2007 including a writedown of the fixed assets at Utansjö of SEK 284 million.

Increased wood costs of SEK 12 million have had the biggest impact on earnings for the quarter compared with the fourth quarter of 2007. Electricity costs, including hedging, have fallen by SEK 5 million during the quarter. Hedging transactions during the quarter resulted in a net loss of SEK -14 million (15).

The Group is posting a loss after net financial items of SEK -122 million (-321), including a net financial expense of SEK -12 million (-10). The loss after tax was SEK -89 million (-250). Earnings per share after tax were SEK -0.49 (-1.39). Cash flow per share was SEK 0.19 (-0.77).

|  | 2008        | 2007        |            |            |            | Full year   |
|--|-------------|-------------|------------|------------|------------|-------------|
|  | I           | IV          | III        | II         | I          |             |
| <b>Profit/loss after financial items</b> | <b>-122</b> | <b>-322</b> | <b>-81</b> | <b>5</b>   | <b>14</b>  | <b>-384</b> |
| <u>Whereof:</u>                          |             |             |            |            |            |             |
| Currency hedges                          | 6           | 25          | 6          | 2          | 6          | 39          |
| Pulp price hedges                        | -22         | -20         | -16        | -15        | -12        | -63         |
| Electricity hedges                       | 2           | 10          | -22        | -19        | -14        | -45         |
| <b>Total hedges</b>                      | <b>-14</b>  | <b>15</b>   | <b>-32</b> | <b>-32</b> | <b>-20</b> | <b>-69</b>  |
| <b>IAS 39</b>                            | <b>-12</b>  | <b>-3</b>   | <b>-</b>   | <b>15</b>  | <b>-2</b>  | <b>10</b>   |
| <b>Green electricity</b>                 | <b>11</b>   | <b>6</b>    | <b>4</b>   | <b>6</b>   | <b>6</b>   | <b>22</b>   |

#### **PARENT COMPANY**

The loss after financial items for the first quarter of 2008 in the parent company was SEK -34 million (-23). All pulp invoicing in the Group has been centralised in the parent company. 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 -14 million (-20) relating to hedging transactions for the entire Group. The parent company's operations include Rottneros Packaging; this 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 13.

## **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 business is still 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 SEK 50 million and the factory is expected to go into operation in the second quarter of 2008.

The intention is to convert the Swedish business into an independent subsidiary company on 1 July 2008, under the name Rottneros Packaging AB.

## **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 for the fixed assets in Utansjö, which include a new pulp line for the production of CTMP pulp, to be used 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 funding. For the moment the supply of electricity for the project is uncertain.

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**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, while the parent company's financial statements have been prepared in accordance with Recommendation RR 32 of the Swedish Financial Accounting Standards Council. The accounting principles are the same as those used in preparing the most recent annual financial statements. A detailed description of the Group's accounting principles is given in Rottneros' Annual Report 2007, pages 51-54.

## 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 Group also has a strategy for dealing with financial risk. 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

Most of the real flow in USD, which is estimated at around 40 % of the total inflow, is hedged. 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 quarter of 2008 was 10 % lower than in 2007, averaging 6.28 against 7.01. The lower average USD rate against SEK during the period had a negative impact on turnover of SEK -86 million compared with the same period of 2007.

At the end of March, currency hedging in the form of forward contracts for USD 17 million had been concluded, at an average rate of SEK 6.03 per USD. These contracts relate to 2008. At the end of the quarter, hedging contracts for EUR 18 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-year 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 636 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 quarter of 2008 SEK 0.37 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 31 March 2008. The reference value is the spot rate on 31 March and is provided as supplementary information. The hedge contracts have a term of one to three 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.

| <b>MARKET VALUE (SEK million) MARCH 2008:</b> |                      |                    |                     |      |                              |
|---|----------------------|--------------------|---------------------|------|------------------------------|
| <i>Hedging</i>                                | <i>Hedged volume</i> | <i>Hedge price</i> | <i>Market value</i> |      | <i>Reference - spot rate</i> |
|   |                      |                    |                     |      | <i>31 March 2008</i>         |
| Currency, USD, forward                        | USD 17 m             | 6,03               | SEK/USD             | -1   | 5,95 SEK/USD                 |
| Currency, EUR                                 | EUR 18 m             | 9,27               | SEK/EUR             | -2   | 9,37 SEK/EUR                 |
| Pulp price                                    | 81 000 tonnes        | 636                | USD (PIX)           | -123 | USD 880/5,95 SEK/USD         |
| Electricity                                   | 116 400 MWh          | SEK 0.263          | /kWh                | 19   | SEK 0.347/kWh                |
| Total market value                            |                      |                    |                     | -107 |                              |

| <b>MARKET VALUE (SEK million) MARCH 2007:</b> |                      |                    |                     |      |                              |
|---|----------------------|--------------------|---------------------|------|------------------------------|
| <i>Hedging</i>                                | <i>Hedged volume</i> | <i>Hedge price</i> | <i>Market value</i> |      | <i>Reference - spot rate</i> |
|   |                      |                    |                     |      | <i>31 March 2007</i>         |
| Currency, USD, forward                        | USD 10 m             | 7,05               | SEK/USD             | 1    | 7,00 SEK/USD                 |
| Currency, EUR, forward                        | EUR 45 m             | 9,28               | USD/EUR             | -2   | 9,34 SEK/EUR                 |
| Pulp price, in SEK                            | 141 000 tonnes       | 634                | USD (PIX)           | -98  | USD 730/7,00 SEK/USD         |
| Electricity                                   | 641 400 MWh          | SEK 0.313          | /kWh                | -10  | SEK 0.210/kWh                |
| Total market value                            |                      |                    |                     | -109 |                              |

## **SALE OF TREASURY SHARES**

The 2007 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.

## **INVESTMENTS AND FINANCIAL POSITION**

The Group's investments in fixed assets in the quarter were SEK 45 million (29).

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

The Group's liquid funds at the end of the first quarter were SEK 125 million, compared with SEK 121 million at year-end 2007. At 31 March 2008, the company had interest-bearing liabilities of SEK 662 million (474) and net borrowing of SEK 537 million (324). Approved but unutilised lines of credit totalled SEK 196 million. The equity/assets ratio was 41 %, compared with 55 % in 2007. Shareholders' equity per share was SEK 5.31 (5.83 at year-end 2007).

## **CASH FLOW**

Cash flow from operations before investments was SEK -12 million (57). The figure includes cash flow from financial hedging of SEK -17 million (-17). The cash flow after investments was SEK -57 million (28). Investments were financed by cash flow from operations.

## **AVERAGE NUMBER OF EMPLOYEES**

The average number of employees during the reporting period was 710 (746).



## OUTLOOK FOR 2008

Price increases were implemented during the first quarter of 2008, raising the price for short-fibre chemical pulp (BHKP) from USD 780 to USD 800 per tonne. Further price increases of USD 40 per tonne for all grades of pulp have been announced with effect from 1 April. 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 high price of wood is expected to continue. The price of electricity in the first quarter was slightly lower than the fourth quarter of 2007 but just over SEK 0.10 higher than 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

25 July 2008 - Interim report (6 months) 2008

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).

Upplands Väsby, 24 April 2008

Ole Terland  
President and Chief Executive Officer

Ole Terland and Karl Ove Grönqvist will be available on telephone number +46 565 166 64 between 08:00 and 09:00 on 24 April.

### Meeting for analysts and journalists

Analysts and journalists are invited to a meeting at 10:00 on 25 April at Hallvarsson & Halvarsson, Birger Jarlsgatan 6B, tel. +46 8 407 20 00. Please register with Camilla Nilsson, tel. +46 8 407 22 22, e-mail: [camilla.nilsson@halvarsson.se](mailto:camilla.nilsson@halvarsson.se)

Rottneros AB (publ), org. no. 556013-5872, Box 600, 194 26 Upplands Väsby, Sweden. Tel. +46 8 590 010 00, fax +46 8 590 010 01. [www.rottneros.com](http://www.rottneros.com)

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

|   | Jan - Mar<br>2008 | Jan - Mar<br>2007 | Full year<br>2007 |
|---|-------------------|-------------------|-------------------|
| Net turnover  | 748               | 740               | 2 927             |
| Change in inventories, finished goods                 | 40                | -6                | 84                |
| Other income  | -4                | 16                | 57                |
| <b>Total income</b>                                   | <b>784</b>        | <b>750</b>        | <b>3 068</b>      |
| Raw materials and consumables                         | -506              | -431              | -1 859            |
| Other costs   | -203              | -162              | -718              |
| Personnel costs                                       | -156              | -97               | -415              |
| Depreciation  | -29               | -38               | -436              |
| <b>Total operating costs</b>                          | <b>-894</b>       | <b>-728</b>       | <b>-3 428</b>     |
| <b>Operating income</b>                               | <b>-110</b>       | <b>22</b>         | <b>-360</b>       |
| Financial income                                      | 1                 | -                 | 9                 |
| Financial expenses                                    | -13               | -8                | -33               |
| <b>Net financial items</b>                            | <b>-12</b>        | <b>-8</b>         | <b>-24</b>        |
| <b>Income after net financial items</b>               | <b>-122</b>       | <b>14</b>         | <b>-384</b>       |
| Tax on income for the year                            | 33                | -9                | 83                |
| <b>Net profit/loss after tax</b>                      | <b>-89</b>        | <b>5</b>          | <b>-301</b>       |
| No. of shares at beginning of period <sup>1)</sup>    | 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           |
| Average no. of shares <sup>1)</sup>                   | 180 212           | 180 212           | 180 212           |
| Earnings after tax/share (SEK) <sup>2)</sup>          | -0,49             | 0,03              | -1,67             |

**Key indicators that affect turnover**

|                                    |         |         |         |
|------------------------------------|---------|---------|---------|
| Pulp price NBSK, USD <sup>3)</sup> | 878     | 752     | 794     |
| USD/SEK <sup>4)</sup>              | 6,28    | 7,01    | 6,76    |
| Pulp price NBSK, SEK               | 5 514   | 5 268   | 5 368   |
| Rottneros' deliveries, tonnes      | 176 100 | 182 900 | 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)**

|   | Mar 2008     | Mar 2007     | Dec 2007     |
|---|--------------|--------------|--------------|
| Intangible fixed assets                           | 33           | 33           | 22           |
| Tangible fixed assets                             | 1 018        | 1 282        | 1 015        |
| Financial fixed assets                            | 118          | 41           | 86           |
| <b>Total fixed assets</b>                         | <b>1 169</b> | <b>1 356</b> | <b>1 123</b> |
| Inventories                                       | 534          | 390          | 493          |
| Current receivables                               | 512          | 571          | 572          |
| Liquid funds                                      | 125          | 150          | 121          |
| <b>Total current assets</b>                       | <b>1 171</b> | <b>1 111</b> | <b>1 186</b> |
| <b>Total assets</b>                               | <b>2 340</b> | <b>2 467</b> | <b>2 309</b> |
| <b>Shareholders' equity</b>                       | <b>956</b>   | <b>1 363</b> | <b>1 050</b> |
| <b>Longterm liabilities</b>                       |              |              |              |
| Interest-bearing                                  | 172          | 176          | 173          |
| Non interest-bearing                              | 51           | 82           | 49           |
| <b>Total longterm liabilities</b>                 | <b>223</b>   | <b>258</b>   | <b>222</b>   |
| <b>Current liabilities</b>                        |              |              |              |
| Interest-bearing                                  | 490          | 298          | 452          |
| Non interest-bearing                              | 671          | 548          | 585          |
| <b>Total current liabilities</b>                  | <b>1 161</b> | <b>846</b>   | <b>1 037</b> |
| <b>Total shareholders' equity and liabilities</b> | <b>2 340</b> | <b>2 467</b> | <b>2 309</b> |

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

|   | Jan - Mar 2008 | Jan - Mar 2007 | Jan - Dec 2007 |
|---|----------------|----------------|----------------|
| Operating income  | -110           | 22             | -360           |
| <b>Adjustment for non cash-flow items</b>                                 |                |                |                |
| Depreciation  | 29             | 38             | 436            |
| Profit/loss from disposal of fixed assets                                 | -              | -              | 16             |
| Other non cash-flow items   | 94             | -              | -              |
|   | <b>13</b>      | <b>60</b>      | <b>92</b>      |
| Paid financial items  | -13            | -9             | -28            |
| Paid taxes  | -3             | -3             | -5             |
| <b>Cash-flow from current operations before change in working capital</b> | <b>-3</b>      | <b>48</b>      | <b>59</b>      |
| Change in working capital   | -9             | 9              | 4              |
| <b>Cash-flow from current operations</b>                                  | <b>-12</b>     | <b>57</b>      | <b>63</b>      |
| Acquisition of fixed assets   | -45            | -29            | -163           |
| <b>Cash-flow from capital investments</b>                                 | <b>-45</b>     | <b>-29</b>     | <b>-163</b>    |
| New loans   | 59             | -              | 119            |
| Repayment of loans  | -              | -2             | -4             |
| Dividend paid   | -              | -              | -18            |
| <b>Cash-flow from financing</b>   | <b>59</b>      | <b>-2</b>      | <b>97</b>      |
| <b>Cash-flow for the period/year</b>                                      | <b>2</b>       | <b>26</b>      | <b>-3</b>      |
| Liquid funds at beginning of year   | 121            | 122            | 122            |
| Cash-flow for the period/year   | 2              | 26             | -3             |
| Translation difference in liquid funds                                    | 2              | 2              | 2              |
| Liquid funds at end of period/year  | 125            | 150            | 121            |

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

|   |       | Mar 2008 | Mar 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   | -0,61    | 1,12     | -2,00   | -0,04   | -0,50   | -0,64   | 0,67    |
| Earnings after net financial items/share              | SEK   | -0,68    | 0,08     | -2,13   | -0,13   | -0,57   | -0,67   | 0,64    |
| Earnings after tax/share                              | SEK   | -0,49    | 0,03     | -1,67   | -0,05   | -0,35   | -0,50   | 0,47    |
| Operating cash-flow/share <sup>3)</sup>               | SEK   | 0,19     | 0,15     | -0,56   | 0,19    | -2,28   | -0,41   | -0,23   |
| Equity/share  | SEK   | 5,31     | 7,56     | 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   | 1,70     | 6,05     | 2,31    | 6,55    | 6,80    | 7,55    | 8,55    |
| Share price/equity per share                          | Times | 0,3      | 0,8      | 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)**

|  | March 2008 | March 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) | -5         | -45        | -34            |
| Profit/loss for the year   | -89        | 5          | -301           |
| Dividend   | -          | -          | -18            |
| Closing shareholders' equity   | 956        | 1 363      | 1 050          |

**QUARTERLY DATA (SEK million)**

|  | 2008        | 2007        |            |           |           | 2006      |           |           |            |
|--|-------------|-------------|------------|-----------|-----------|-----------|-----------|-----------|------------|
|  | I           | IV          | III        | II        | I         | IV        | III       | II        | I          |
| Net turnover                                     | 748         | 721         | 687        | 779       | 740       | 713       | 662       | 615       | 700        |
| <b>Operating profit/loss before depreciation</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         | -320        | -38        | -40       | -38       | -42       | -36       | -38       | -39        |
| <b>Operating profit/loss</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                              | -12         | -10         | -          | -6        | -8        | -6        | -10       | -         | -          |
| <b>Profit/loss after financial items</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  | 33          | 71          | 22         | -1        | -9        | 3         | -2        | 4         | 10         |
| <b>Profit/loss after tax</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                    | 184,3       | 190,0       | 177,9      | 186,1     | 176,1     | 181,1     | 167,8     | 175,4     | 174,6      |
| Pulp deliveries, 1 000 tonnes                    | -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)**

|   | Jan - Mar<br>2008 | Jan - Mar<br>2007 | Full year<br>2007 |
|---|-------------------|-------------------|-------------------|
| Net turnover                            | 749               | 735               | 2 905             |
| Change in inventories, finished goods   | -                 | -                 | -                 |
| Other income                            | 3                 | 37                | 104               |
| <b>Total income</b>                     | <b>752</b>        | <b>772</b>        | <b>3 009</b>      |
| Raw materials and consumables           | -738              | -741              | -2 922            |
| Other costs                             | -37               | -46               | -169              |
| Personnel costs                         | -11               | -9                | -36               |
| Depreciation                            | -2                | -1                | -6                |
| <b>Total operating costs</b>            | <b>-788</b>       | <b>-797</b>       | <b>-3 133</b>     |
| <b>Operating income</b>                 | <b>-36</b>        | <b>-25</b>        | <b>-124</b>       |
| Financial income                        | 12                | 9                 | 45                |
| Financial expenses                      | -10               | -6                | -298              |
| <b>Net financial items</b>              | <b>2</b>          | <b>3</b>          | <b>-253</b>       |
| <b>Income after net financial items</b> | <b>-34</b>        | <b>-22</b>        | <b>-377</b>       |
| Tax on income for the year              | 9                 | -4                | 22                |
| <b>Net profit/loss after tax</b>        | <b>-25</b>        | <b>-26</b>        | <b>-355</b>       |

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

|   | Mar 2008     | Mar 2007     | Dec 2007     |
|---|--------------|--------------|--------------|
| Intangible fixed assets                           | 12           | 14           | 13           |
| Tangible fixed assets                             | 22           | 15           | 19           |
| Financial fixed assets                            | 529          | 500          | 520          |
| <b>Total fixed assets</b>                         | <b>563</b>   | <b>529</b>   | <b>552</b>   |
| Inventories                                       | 2            | -            | 2            |
| Current receivables                               | 1 348        | 1 033        | 1 345        |
| Liquid funds                                      | 32           | 26           | 21           |
| <b>Total current assets</b>                       | <b>1 382</b> | <b>1 059</b> | <b>1 368</b> |
| <b>Total assets</b>                               | <b>1 945</b> | <b>1 588</b> | <b>1 920</b> |
| <b>Shareholders' equity</b>                       | <b>731</b>   | <b>1 070</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                                  | 476          | 321          | 432          |
| Non interest-bearing                              | 588          | 47           | 583          |
| <b>Total current liabilities</b>                  | <b>1 064</b> | <b>368</b>   | <b>1 015</b> |
| <b>Total shareholders' equity and liabilities</b> | <b>1 945</b> | <b>1 588</b> | <b>1 920</b> |

## SIX YEAR REVIEW

|  | Jan - Mar<br>2008 | Jan - Mar<br>2007 | 2007    | 2006    | 2005    | 2004                    |       | 2003                    |         |      |
|--|-------------------|-------------------|---------|---------|---------|-------------------------|-------|-------------------------|---------|------|
|  |                   |                   |         |         |         | Remaining<br>operations | Total | Remaining<br>operations | Total   |      |
| <b>Key indicators that effect turnover</b> |                   |                   |         |         |         |                         |       |                         |         |      |
| Pulp price NBSK, USD <sup>1)</sup>         | 878               | 752               | 794     | 675     | 611     |                         |       | 617                     | 524     |      |
| USD/SEK <sup>2)</sup>                      | 6,28              | 7,01              | 6,76    | 7,37    | 7,48    |                         |       | 7,35                    | 8,09    |      |
| Pulp price NBSK, SEK                       | 5 514             | 5 268             | 5 368   | 4 977   | 4 565   |                         |       | 4 532                   | 4 235   |      |
| Rottneros' deliveries, tonnes              | 176 100           | 182 900           | 714 700 | 699 500 | 666 700 |                         |       | 625 000                 | 641 100 |      |
| <b>Turnover and income, SEK million</b>    |                   |                   |         |         |         |                         |       |                         |         |      |
| Net turnover                               | 748               | 740               | 2 927   | 2 690   | 2 411   | 2 429                   | 2 272 | 2 356                   | 2 380   |      |
| Profit/loss before depreciation            | -81               | 60                | 75      | 148     | 9       | 48                      | 129   | 109                     | 239     |      |
| Depreciation                               | -29               | -38               | -435    | -155    | -138    | -138                    | -162  | -223                    | -117    |      |
| Operating profit/loss after depreciation   | -110              | 22                | -360    | -7      | -129    | -90                     | -33   | -114                    | 122     |      |
| Net financial items                        | -12               | -8                | -24     | -16     | -12     | -13                     | -5    | -7                      | -7      |      |
| Profit/loss after net financial items      | -122              | 14                | -384    | -23     | -141    | -103                    | -38   | -121                    | 115     |      |
| Profit/loss after tax                      | -89               | 5                 | -301    | -8      | -91     | -63                     | -31   | -91                     | 85      |      |
| <b>Balance sheet items, SEK million</b>    |                   |                   |         |         |         |                         |       |                         |         |      |
| Fixed assets                               | 1 169             | 1 356             | 1 123   | 1 363   | 1 435   |                         | 1 349 |                         | 1 249   |      |
| Inventories                                | 534               | 390               | 493     | 397     | 430     |                         | 474   |                         | 388     |      |
| Current receivables                        | 512               | 571               | 572     | 570     | 595     |                         | 572   |                         | 443     |      |
| Liquid funds                               | 125               | 150               | 121     | 122     | 125     |                         | 157   |                         | 252     |      |
| Assets from discontinued operations        | -                 | -                 | -       | -       | 26      |                         | 16    |                         | -       |      |
| Shareholders' equity                       | 956               | 1 363             | 1 050   | 1 403   | 1 523   |                         | 1 673 |                         | 1 717   |      |
| Long-term interest-bearing liabilities     | 172               | 176               | 173     | 177     | 180     |                         | 186   |                         | 42      |      |
| Long-term non interest-bearing liabilities | 51                | 82                | 49      | 85      | 118     |                         | 174   |                         | 158     |      |
| Current interest-bearing liabilities       | 490               | 298               | 452     | 304     | 375     |                         | 56    |                         | 6       |      |
| Current non interest-bearing liabilities   | 671               | 548               | 585     | 483     | 405     |                         | 472   |                         | 414     |      |
| Liabilities from discontinued operations   | -                 | -                 | -       | -       | 10      |                         | 7     |                         | -       |      |
| Balance sheet total                        | 2 340             | 2 467             | 2 309   | 2 452   | 2 611   |                         | 2 568 |                         | 2 332   |      |
| <b>Financial ratios</b>                    |                   |                   |         |         |         |                         |       |                         |         |      |
| Operating margin                           | %                 | -14,6             | 2,9     | -12,3   | -0,3    | -5,3                    | -3,7  | -1,5                    | -4,9    | 5,1  |
| Profit margin                              | %                 | -16,3             | 1,8     | -13,1   | -0,9    | -5,8                    | -4,2  | -1,7                    | -5,2    | 4,8  |
| Return on capital employed                 | %                 | Neg               | 3       | 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                        | %                 | 41                | 55      | 45      | 57      | 58                      | 58    | 65                      | 65      | 73   |
| Debt/equity ratio                          | Times             | 0,7               | 0,4     | 0,6     | 0,3     | 0,4                     | 0,4   | 0,2                     | 0,2     | 0,0  |
| Interest cover                             | Times             | Neg               | 3,1     | Neg     | Neg     | Neg                     | Neg   | Neg                     | Neg     | 18,2 |
| <b>Other</b>                               |                   |                   |         |         |         |                         |       |                         |         |      |
| Capital expenditure                        | SEK m             | 45                | 106     | 163     | 113     | 234                     | 234   | 283                     | 283     | 193  |
| Average no. of employees                   |                   | 710               | 746     | 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.