

**THE ROTTNEROS GROUP**  
**INTERIM REPORT JANUARY – JUNE 2007**  
**QUARTERLY REPORT APRIL – JUNE 2007**

Amounts in SEK million except per share data

		<b>2006</b>	<b>2005</b>	
Net turnover, SEK m	Jan - Jun	1 519	1 315	
	Apr - Jun	779	615	
Income after net financial items, SEK m	Jan - Jun	19	-45	
	Apr - Jun	5	-2	
Earnings per share after net financial items, SEK financial items, SEK	Jan - Jun	0,10	-0,25	
	Apr - Jun	0,02	-0,01	
Profit/loss after tax, SEK m	Jan - Jun	9	-31	
	Apr - Jun	4	2	
Earnings per share after tax, SEK	Jan - Jun	0,05	-0,18	
	Apr - Jun	0,02	0,00	
Cash flow per share, SEK	Jan - Jun	0,26	-0,20	
	Apr - Jun	0,11	0,11	
Shareholders' equity per share, SEK		7,50	7,78	(31.12.2006)
Equity/assets ratio		56 %	57 %	(31.12.2006)

- The income after net financial items for the first half of 2007 improved by SEK 64 million and amounted to SEK 19 (-45) million.
- The income after net financial items for the second quarter of 2007 amounted to SEK 5 (-2) million.
- The increased cost of wood and a wood shortage negatively impacted the profit in the amount of SEK 75 million compared to the same period last year. Wood prices are expected to remain high for the rest of the year.
- As part of the cost-cutting programme, the Board has decided to assign management the task of entering into negotiations regarding staff cuts at Rottneros Mill to reduce the headcount by about 30. To make this staff reduction possible, an investment of around SEK 20 million in a new control room has been proposed.
- The Board has decided to invest in a new factory for the production of SilviPak, Rottneros packaging concept for chilled and frozen food. The factory will be built 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 during the second quarter of 2008.

- The company is expecting the pulp market to remain strong and for price increases to continue during the year.
- The company will not be providing a forecast for the full year 2007.

## **ROTTNEROS IN BRIEF**

*Rottneros, with its origins in 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 meet the high expectations of its customers.*

*Rottneros has a total production capacity of more than 700,000 tonnes of pulp per year produced at five mills in Sweden and Spain, making the Group one of the ten biggest suppliers of market pulp in the world. Increasingly intensive product development in line with customer demands will lead to higher and more stable profitability throughout an economic cycle. The Group has a comprehensive financial hedging policy to even out earnings over the economic cycles.*

## **THE PULP MARKET**

### **Market and products**

The market for all grades of pulp continued to develop well in the first half of 2007. Delivery capacity utilisation for bleached chemical pulp globally for the January – May period was 93 % (96 % for the same period in 2006). Production capacity utilisation for the same period was 93 % (95 %).

The price of bleached long-fibre chemical pulp amounted to an average of USD 770 per tonne (April – June USD 785 per tonne). Price increases have been implemented gradually during the second quarter resulting in an increase in the price of long-fibre chemical pulp (NBSK) to 800 USD/tonne. The price of short-fibre chemical pulp increased during the second quarter from USD 670 to USD 700.

Global producer stocks of bleached chemical pulp were at 3,044,000 tonnes at the beginning of the year, and at the end of May the preliminary figure was 2,900,000 tonnes.

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

The price at the beginning of the year was USD 760 per tonne. Further price increases were implemented in the second quarter up to USD 800 per tonne. The long-fibre chemical pulp market continued to develop well during the quarter and there is currently a shortage of this grade of pulp.

Delivery capacity utilisation for the January – May period was 95 % (95 % for the same period in 2006), and production capacity utilisation for the same period was 94 % (93 %). Delivery capacity utilisation for the April – May period was 95 % (92 % for April – May 2006), and production capacity utilisation was 92 % (89 %).

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

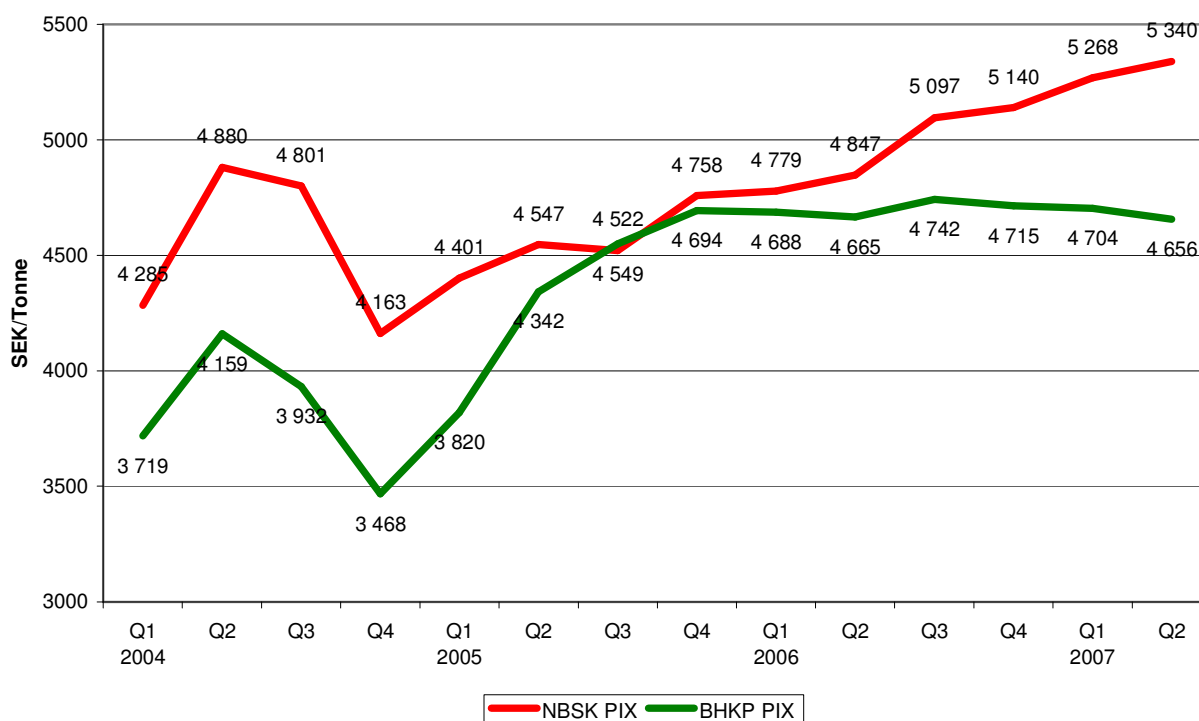
The price of eucalyptus pulp (BEK) has been raised from USD 670 per tonne to USD 700 per tonne. The average price for the January – June period amounted to USD 675 per tonne and for April – June, USD 685 per tonne.

Delivery capacity utilisation for the January – May period was 91 % (98.0 % for the same period the previous year), and production capacity utilisation for the same period was 92 % (98 %). Delivery capacity utilisation for the April – May period was 93 % (97 % for April - May 2006), and production capacity utilisation was 86 % (93.0 %).

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

The price of short-fibre CTMP increased in the second quarter to the same extent as the price of short-fibre chemical pulp, i.e. by USD 30. The period was characterised by both high demand and high production levels. Delivery capacity utilisation for the January – May period was 100 % (100 % for the same period in 2006), and production capacity utilisation was 97 % (96 %).

Price development of PIX in SEK



### PRODUCTION AND DELIVERIES

The Group's five mills in Rottneros, Rockhammar, Utansjö, Vallvik and Miranda in Spain have a combined production capacity of around 700,000 tonnes per year. Production during the first half of 2007 amounted to 362,200 (350,100) tonnes, an increase of 3 %. Production during the second quarter amounted to 186,100 (175,500) tonnes, an increase of 6 %. Calculated over a rolling twelve-month period, the production level exceeds 711,000 tonnes. Production during the first half, mainly the first quarter, was affected by a wood shortage, which was also the reason for the decision to move maintenance work in Rottneros and Utansjö forward and the annual maintenance shutdown at Rockhammar to the first quarter. Although the shortage of wood did not cause any interruption in production in the second quarter, it necessitated a switch in production to utilise the types of wood that were available. Annual maintenance shutdowns are planned in Vallvik and Rottneros in the third quarter and in Miranda and Utansjö in the fourth quarter. All of the costs relating to the maintenance shutdowns are reported in the period the shutdown takes place. The maintenance shutdowns in combination with other stoppages relating to the wood shortage caused a reduction in production during the first quarter. Since the maintenance shutdowns in the first quarter have only been moved forward, the company does not expect, in the present situation, the number of maintenance shutdown days in 2007 to exceed the number in 2006.

Deliveries from the mills in the first half of 2007 amounted to 376,100 (351,900) tonnes, which is 24,200 tonnes more than the previous year. During the second quarter, deliveries amounted to 193,200 (164,200) tonnes.

<b>PRODUCTION (TONNES)</b>	<b>Apr - Jun 2007</b>	Apr - Jun 2006	<b>Jan - Jun 2007</b>	Jan - Jun 2006
Sulphate pulp	89 300	84 300	174 800	170 800
Groundwood pulp	38 400	35 900	77 500	71 500
CTMP	58 400	55 300	109 900	107 800
<b>TOTAL</b>	<b>186 100</b>	<b>175 500</b>	<b>362 200</b>	<b>350 100</b>

<b>DELIVERIES (TONNES)</b>	<b>Apr - Jun 2007</b>	Apr - Jun 2006	<b>Jan - Jun 2007</b>	Jan - Jun 2006
Sulphate pulp	92 800	77 600	178 300	171 700
Groundwood pulp	43 400	31 000	79 700	69 400
CTMP	57 000	55 600	118 100	110 800
<b>TOTAL</b>	<b>193 200</b>	<b>164 200</b>	<b>376 100</b>	<b>351 900</b>

The average capacity utilisation at the mills during the period amounted to 101 % (97), which breaks down as sulphate pulp 101 % (99), groundwood pulp 102 % (94) and CTMP 100 % (96).

## INVOICED SALES AND RESULTS

### January – June 2007

The Group's net turnover amounted to SEK 1,519 million (1,315). As the Rottneros Packaging operation is in the build-up phase, the accounts for this business area are not reported separately.

Sales for 2007 were SEK 204 million higher than the previous year, mainly due to: *increased delivery levels (SEK 91 million), a weaker USD (SEK -143 million) and higher pulp prices in USD (SEK 256 million)*. The average price of long-fibre sulphate pulp (NBSK) expressed in USD increase from USD 635 to USD 764, while the average price of NBSK pulp converted into SEK increased from SEK 4,816 to SEK 5,305 per tonne, an improvement of 10 %. The average price in USD of eucalyptus pulp (BEK) increased from USD 617 to USD 674 per tonne or 9 %, while the corresponding average price converted to SEK increased from SEK 4,678 to 4,686 per tonne, a marginal increase.

The ongoing cost-cutting programme has resulted in cost savings for the period of around SEK 45 million and savings are expected to reach the planned level of SEK 85 million in 2007. The price of electricity on NordPool, which increased dramatically last year, was an average of SEK 0.23 per kWh in the first half of 2007. In the long-term perspective, however, the price of electricity in the coming years remains a threat to mechanical pulp production. Starting in 2008 Rottneros will purchase electricity through Nord Pool at around SEK 0.40 per kWh.

The supply of wood was disrupted during the period due to a number of different factors and this led to rising wood prices in both the first and second quarters. The poor wood supply also caused an increase in wood transportation costs due to the longer distances travelled. All in all, wood costs are SEK 75 million higher than the same period last year.

In March it was announced that the Rottneros Group and the South African forest company NCT had signed a letter of intent to jointly evaluate the possibility of building a jointly-owned mill for the production of mechanical pulp of the CTMP type in South Africa.

If the outcome of the evaluation is positive, the CTMP line at Utansjö Mill will be moved to South Africa. If Rottneros enters into an agreement with NCT at the end of 2007/beginning of 2008, a new mill could be up and running in 2009, which would mean that Utansjö Mill would continue to operate at its current capacity until the end of 2008. The part of Utansjö Mill that would be moved is the CTMP line, which has only been in operation since April 2005. Negotiations on the closure continue at the same time as the conditions for establishing a mill in South Africa are being assessed. No definitive plan has been drawn up as yet.

If the project is implemented, Rottneros will become a shareholder in a company that will have the potential to achieve good profitability and, at the same time, the project is expected to lower the company's indebtedness.

The Group's operating profit amounted to SEK 33 million (-45).

The costs that had the biggest impact on profits for the period compared to the same period the previous year are the increased wood costs of SEK 75 million. Electricity costs, taking into account effective electricity hedges, were SEK 20 lower during the period than the corresponding period in 2006. Profits for the first half of 2006 were charged with a restructuring provision of SEK 27 million and around SEK 10 million for costs relating to the introduction of new niche grades at Utansjö. Realised hedging activities during the first half of 2006 produced a result that was SEK 97 million lower than the previous year, amounting to SEK -52 million (45).

The Group's profit after net financial items was SEK 19 million (-45) and includes a net financial expense of SEK -14 million (0). The profit after tax was SEK 9 million (-31). The tax cost for the period includes an adjustment for temporary differences. The Group's estimated tax rate without this adjustment is around 30 %. Earnings per share after tax amounted to SEK 0.05 (-0.18). The cash flow per share was SEK 0.26 (-0.20).

#### April – June 2007 compared to April – June 2006

The Group's net turnover amounted to SEK 779 million (615).

Sales for 2007 were SEK 164 million higher than the previous year, mainly due to *increased delivery levels (SEK 106 million), a weaker USD (SEK -63 million) and higher pulp prices in USD (SEK 121 million)*. The average price of long-fibre sulphate pulp (NBSK) expressed in USD increased from USD 655 to USD 777, while the average price of NBSK pulp converted into SEK increased from SEK 4,846 to SEK 5,340 per tonne, an improvement of 10 %. The average price in USD of eucalyptus pulp (BEK) increased from USD 632 to USD 678 per tonne or by 7 %, while the corresponding average price converted into SEK fell from SEK 4,665 to 4,656 per tonne.

The Group's operating profit amounted to SEK 11 million (-2).

The costs that had the biggest impact on profits for the quarter compared to the same period the previous year are mainly the increased wood costs amounting to SEK 47 million. Electricity costs, taking into account electricity hedges, were SEK 4 million lower for the quarter than the same period in 2006. The result of realised hedging activities during the quarter amounted to SEK -33 million (24).

The Group's profit after net financial items amounted to SEK 5 million (-2) and this includes a net financial expense of SEK -6 million (0). The profit after tax was SEK 4 million (2). Earnings per share after tax were SEK 0.02 (0.00). The cash flow per share was SEK 0.11 (0.11).

	2007		2006				Full year
	II	I	IV	III	II	I	
<b>Profit/loss after financial items</b>	<b>5</b>	<b>14</b>	<b>21</b>	<b>1</b>	<b>-2</b>	<b>-43</b>	<b>-23</b>
<u>Whereof:</u>							
Currency hedges	2	6	14	7	9	6	36
Pulp price hedges	-15	-12	-8	-	-	-	-8
Electricity hedges	-19	-14	14	29	15	15	73
<b>Total hedges</b>	<b>-32</b>	<b>-20</b>	<b>20</b>	<b>36</b>	<b>24</b>	<b>21</b>	<b>101</b>
<b>IAS 39</b>	<b>15</b>	<b>-2</b>	<b>-10</b>	<b>9</b>	<b>6</b>	<b>2</b>	<b>7</b>
<b>Green electricity</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>15</b>

#### April – June 2007 compared to January – March 2007

Sales during the quarter were SEK 39 million higher than the first quarter of 2007. The increase is mainly due to: *higher delivery levels (SEK 42 million)*, *a weaker USD (SEK -16 million)*, *higher pulp prices in USD (SEK 25 million)* and *other changes (SEK -12 million)*. The continued pulp price increases had only a minor impact during the quarter due to the lower USD rate.

The cost of wood continued to rise in the second quarter and costs were a total of SEK 19 million higher than the first quarter. The production volume in the second quarter was 10,000 tonnes higher than in the first quarter. Realised hedging activities resulted in a loss in the second quarter of SEK -32 million, compared to SEK -20 million for the first quarter of 2007. The profit after financial items for the second quarter of 2007 amounted to SEK 5 million, compared to SEK 14 million for the first quarter of 2007.

#### **PARENT COMPANY**

The parent company's result after net financial items for the first half of 2007 amounted to SEK -63 million (26). All pulp invoicing within the Group is centralised through the parent company. The parent company acts as a distributor for all of the mills and receives normal sales commission for this. The notes relating to the Group's sales therefore also apply to the parent company's sales. The result includes realised hedging activities for the entire Group which impacted profits by SEK -52 million (45).

The parent company's loss after net financial items for the second quarter amounted to SEK -41 million (3). This includes a loss of SEK -33 million (24) relating to realised hedging activities for the entire Group.

The parent company's balance sheet and income statement are on page 15.

#### **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 operated as a new business area called Rottneros Packaging, is expected to account for around 15 % of the Group's sales within a five-year period and take about a 5 % share of the European market. As the operation is still in the build-up phase, the accounts for this business area are not reported separately.

The Group 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 during the second quarter of 2008.

## ACCOUNTING PRINCIPLES

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, while the parent company's accounts have been prepared in accordance with RR 32. The accounting principles are the same as those used in the preparation of the most recent annual accounts. A detailed description of the Group's accounting principles can be found in Rottneros' 2006 Annual Report on pages 46 – 48.

## RISK MANAGEMENT

With respect to its operations, the company works with a number of measures and strategies, such as focusing on niches and various specialised customer segments, in an attempt to reduce the Group's dependency on market pulp list prices and to reduce fluctuation in profitability over an economic cycle. The establishment of the Rottneros Packaging business area and expansion into a new stage in the value chain is another step in the process of reducing the Group's one-sided dependence on fluctuations in the pulp market. As a complement to the operational strategy, the Group also has a strategy for dealing with financial risk. Through more advanced management of this risk, Rottneros is striving to stabilise the Group's volatile earnings trend, and above all, create a secure foundation from which to avoid unprofitable periods. The risks that have the greatest impact on the Group's earnings are associated with exchange rates, pulp prices and electricity. The price of wood is another significant factor affecting Rottneros' earnings.

### USD

The biggest portion of direct flows in USD, which is estimated at 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 only corresponds to around 40 % of sales. The portion of sales contracted in EUR, around 10 %, have been hedged for 2007.

The average USD exchange rate during the first half of 2007 was 9 % lower than the previous year, at an average rate of 6.94 compared to 7.59 the previous year. The impact on the turnover of a lower average USD rate against SEK in the first half amounted to SEK -143 million, compared with the previous year. Meanwhile, the price of NBSK pulp continued to rise, amounting to USD 764 for the first half of 2007 compared to USD 635 the previous year. All in all, this has resulted in an average improvement in the NBSK price in SEK of around 10 % for the first half of 2007 compared to the same period the previous year.

At the end of June, currency hedging in the form of forward contracts was in place for USD 20 million, at an average price of SEK 6.86 per USD. These contracts cover the next few months. In addition, forward contracts were in place at the end of the quarter for EUR 38 million at a rate of SEK 9.28/EUR for deliveries in 2007 and 2008.

### Pulp prices

The price of pulp (NBSK) is set in USD, while production costs are largely in local currencies. Pulp price forward contracts have been signed for two-year and three-year periods for an original total volume of 168,000 tonnes maturing from the beginning of the fourth quarter of 2006 and thereafter. The rate is USD 634 per tonne.

## Electricity

Rottneros is one of the companies in the forest industry sector that started working at an early stage with long-term contracts to fix electricity prices at attractive levels. In 2002 Rottneros hedged its entire electricity consumption up to 2005 and thereafter at progressively lower levels until 2009. For 2007 around 89 % of the electricity consumption is hedged at an average price of around SEK 0.31. For 2008 15 % has been hedged at SEK 0.27 per kWh and for 2009, 7 % has been hedged at SEK 0.25 per kWh. The hedging levels for 2008 and 2009 will be affected by an investment in a new turbine in Vallvik and other energy-saving measures as well as the planned closure of Utansjö Mill. The average price for electricity on the Nord Pool exchange for the first half of 2007 was around SEK 0.23 per kWh, compared to SEK 0.45 kWh for the full year 2006.

Electricity hedging at current price levels for 2008 and thereafter is not feasible as this would mean that the company would risk locking itself into a loss situation.

For more information on risk, see the 2006 Annual Report.

The table below shows the market value of all hedging. The amounts are assessed by independent parties and represent the liquidation value, i.e. the value according to forward contracts as of 30 June 2007. The reference value is the spot rate as of 30 June and is given as supplementary information. 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 certain cases, in the income statement, but are also shown here as supplementary information.

<b>MARKET VALUE (SEK million) JUNE 2007:</b>				
<i>Hedging</i>	<i>Hedged volume</i>	<i>Hedge price</i>	<i>Market value</i>	<i>Reference - spot rate</i> 30 June 2007
Currency, USD, forward	USD 20 m	6,86 SEK/USD	1	6,86 SEK/USD
Currency, EUR	EUR 38 m	9,28 SEK/EUR	1	9,24 SEK/EUR
Pulp price	126 000 tonnes	634,00 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>	

<b>MARKET VALUE (SEK million) JUNE 2006:</b>				
<i>Hedging</i>	<i>Hedged volume</i>	<i>Hedge price</i>	<i>Market value</i>	<i>Reference - spot rate</i> 30 June 2006
Currency, USD, forward	USD 55 m	7,51 SEK/USD	20	7,22 SEK/USD
Currency, EUR, forward	EUR 27 m	9,32 USD/EUR	3	9,21 SEK/EUR
Pulp price, in SEK	144 000 tonnes	627,50 USD (PIX)	-25	USD 683/7,22 SEK/USD
Electricity	567 000 MWh	SEK 0.265 /kWh	100	SEK 0.469/kWh
<b>Total market value</b>			<b>98</b>	

## COST-CUTTING PROGRAMME

At the beginning of February 2006 the company announced its decision to implement a cost-cutting programme to save SEK 100 million with a particular emphasis on variable costs and involving further staff cuts. The goal is to reduce the head count by about 70. The programme was drawn up during the first quarter of 2006. The savings for 2006 amounted to around SEK 40 million. Savings in the first half of 2007 amounted to around SEK 45 million.

Following the announcement on the initiation of negotiations on the closure of Utansjö Mill, the cost-cutting programme was expanded in August to include the entire operation at Utansjö Mill. Negotiations on the closure are continuing.



As part of the cost-cutting programme, the Board has decided to assign management the task of entering into negotiations regarding staff cuts at Rottneros Mill to reduce the headcount by about 30. To make this staff reduction possible, an investment of around SEK 20 million in a new control room has been proposed.

### **BUY-BACK AND SALE OF TREASURY SHARES**

The 2007 Annual General Meeting authorised the Board, for 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.

### **CAPITAL INVESTMENTS AND FINANCIAL POSITION**

The Group's investment in fixed assets in the first half of 2007 amounted to SEK 50 million (36).

The largest investment project in progress at this time is the investment in a new turbine in Vallvik. The investment is expected to amount to around SEK 90 million and up to now, the figure is just over half this amount. The new turbine, which will raise the level of self-sufficiency in electricity at Vallvik Mill from around 70 % to almost 100 %, is expected to be put into operation in September 2007. The effect of this is that the external electricity consumption will be reduced by about 50 GWh per year.

Liquid funds at the end of the period amounted to SEK 105 million compared to SEK 122 million at the end of 2006. As of 30 June 2007, the company had interest-bearing liabilities totalling SEK 421 million (592) and net borrowing of SEK 316 million (474). The interest-bearing liabilities have thus been reduced during the course of one year by SEK 171 million. Approved but unutilised lines of credit totalled SEK 417 million. The equity/assets ratio was 56 % compared to 57 % the previous year. The shareholders' equity per share amounted to SEK 7.50 (7.78 on 31 December 2006).

### **CASH FLOW**

The cash flow from current operations before investments improved considerably, amounting to SEK 99 million (1) and included cash flow from financial hedging of SEK -48 million (45). The cash flow after investment activity amounted to SEK 49 million (-33). Investments were financed by cash flow from operations.

### **AVERAGE NUMBER OF EMPLOYEES**

The average number of employees during the reporting period was 745 (779).

### **OUTCOME FOR 2007**

During the second quarter of 2007 further price increases were implemented, and accordingly the price of long-fibre chemical pulp (NBSK) has been raised to USD 800/tonne and the price of short-fibre chemical pulp to USD 700/tonne. The company expects the pulp market to remain strong.

The positive trend for long-fibre pulp prices is expected to be sustained during the second half of 2007 and the price of short-fibre pulp is expected to follow the same trend. Among the various input goods, the high price of wood is expected to be sustained and the price of electricity is expected to rise at the end of the year and in 2008.

The company will not be providing a forecast for the full year 2007.

*The following statements were included in the quarterly report on 25 April 2007:*

*As of 1 April 2007 further price increases have been announced, and accordingly the price of long-fibre chemical pulp (NBSK) is raised to USD 780/tonne. The price of short-fibre chemical pulp is expected to remain at USD 670/tonne.*

*Demand for bleached chemical pulp is expected to increase in 2007 by around 2.5 %, which is somewhat lower than the increase in 2006. The price development for long-fibre pulp is expected to continue to be positive during the first half of the year. The price development with respect to short-fibre pulp is more difficult to estimate due to the fact that new production capacity disrupts the balance.*

*The following statements were included in the year-end release on 1 February 2007:*

*As of 1 January 2007 further price increases have been realised meaning that the price for long-fibre chemical pulp (NBSK) was raised to USD 760/tonne. For short-fibre chemical pulp the price has remained the same at USD 670/tonne.*

*Demand for bleached chemical pulp during 2007 is estimated to increase by approximately 2.5 %, which is somewhat lower than the development in 2006. The price development for long-fibre pulp is expected to be continuously positive during the first half of the year. As to short-fibre pulp, the price development is difficult to form an opinion of due to the fact that new production capacity is disturbing the balance.*

## **UPCOMING FINANCIAL INFORMATION**

25 October 2007 - Interim report, 9 months 2007

1 February 2008 - Year-end release for 2007

For more information please visit the Rottneros website [www.rottneros.com](http://www.rottneros.com).

The half-year report provides a fair and true overview of the company's and the Group's activities, position and results, and describes the risks and uncertainties of significance faced by Rottneros and by the companies in the Group.

Upplands Väsby, 27 July 2007

Bengt Nordin  
*Chairman of the Board*

Per Eiritz                      Johan Holmgren                      Rune Ingvarsson                      Ingrid Lindquist

Hans Åke Nordstrand                      Kjell Ormegard                      Ingrid Westin Wallinder                      Jan Viper

Lars Blecko  
*President and Chief Executive Officer*

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

Lars Blecko and Karl Ove Grönqvist will be available on 27 July at tel. +46 8 407 21 01 between 8 and 9 a.m. CET.

Analyst and press conference

Analysts and the press are invited to an analyst and press conference on 27 July at 10 a.m. at the offices of Hallvarsson & Halvarsson, Birger Jarlsgatan 6B, Stockholm, Sweden, tel. +46 8 407 20 00. Please register with Christine Freeman, tel. +46 8 407 22 20, e-mail: [christine.freeman@halvarsson.se](mailto:christine.freeman@halvarsson.se)

Rottneros AB (publ), corp. reg. no. 556013-5872, Box 600, 194 26 Upplands Väsby. 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)**

	Apr - Jun 2007	Apr - Jun 2006	Jan - Jun 2007	Jan - Jun 2006	Full year 2006
Net turnover	779	615	1 519	1 315	2 690
Change in inventories, finished goods	-15	38	-21	-6	-4
Other income	19	13	35	51	97
<b>Total income</b>	<b>783</b>	<b>666</b>	<b>1 533</b>	<b>1 360</b>	<b>2 783</b>
Raw materials and consumables	-457	-370	-888	-772	-1 573
Other costs	-172	-157	-334	-320	-643
Personnel costs	-103	-103	-200	-236	-419
Depreciation	-40	-38	-78	-77	-155
<b>Total operating costs</b>	<b>-772</b>	<b>-668</b>	<b>-1 500</b>	<b>-1 405</b>	<b>-2 790</b>
<b>Operating income</b>	<b>11</b>	<b>-2</b>	<b>33</b>	<b>-45</b>	<b>-7</b>
Financial income	2	6	2	10	7
Financial expenses	-8	-6	-16	-10	-23
<b>Net financial items</b>	<b>-6</b>	<b>0</b>	<b>-14</b>	<b>-</b>	<b>-16</b>
<b>Income after net financial items</b>	<b>5</b>	<b>-2</b>	<b>19</b>	<b>-45</b>	<b>-23</b>
Tax on income for the year	-1	4	-10	14	15
<b>Net profit/loss after tax</b>	<b>4</b>	<b>2</b>	<b>9</b>	<b>-31</b>	<b>-8</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>	0,02	0,00	0,05	-0,18	-0,05
<b>Key indicators that affect turnover</b>					
Pulp price NBSK, USD <sup>3)</sup>	777	655	764	635	675
USD/SEK <sup>4)</sup>	6,87	7,41	6,94	7,59	7,37
Pulp price NBSK, SEK	5 340	4 846	5 305	4 816	4 977
Rottneros' deliveries, tonnes	193 200	164 200	376 100	351 900	699 500

<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)**

	Jun 2007	Jun 2006	Dec 2006
Intangible fixed assets	29	37	36
Tangible fixed assets	1 265	1 295	1 284
Financial fixed assets	46	52	43
<b>Total fixed assets</b>	<b>1 340</b>	<b>1 384</b>	<b>1 363</b>
Inventories	377	426	397
Current receivables	607	695	570
Liquid funds	105	118	122
<b>Total current assets</b>	<b>1 089</b>	<b>1 239</b>	<b>1 089</b>
<b>Total assets</b>	<b>2 429</b>	<b>2 623</b>	<b>2 452</b>
<b>Shareholders' equity</b>	<b>1 352</b>	<b>1 481</b>	<b>1 403</b>
<b>Longterm liabilities</b>			
Interest-bearing	175	179	177
Non interest-bearing	96	110	85
<b>Total longterm liabilities</b>	<b>271</b>	<b>289</b>	<b>262</b>
<b>Current liabilities</b>			
Interest-bearing	246	413	304
Non interest-bearing	560	440	483
<b>Total current liabilities</b>	<b>806</b>	<b>853</b>	<b>787</b>
<b>Total shareholders' equity and liabilities</b>	<b>2 429</b>	<b>2 623</b>	<b>2 452</b>

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

	Jan - Jun 2007	Jan - Jun 2006	Jan - Dec 2006
Operating income	33	-45	-7
<b>Adjustment for non cash-flow items</b>			
Depreciation	78	77	155
Profit/loss from disposal of fixed assets	1	2	3
	<b>112</b>	<b>34</b>	<b>151</b>
Paid financial items	-17	-10	-18
Paid taxes	-7	-3	-3
<b>Cash-flow from current operations before change in working capital</b>	<b>88</b>	<b>21</b>	<b>130</b>
Change in working capital	11	-20	19
<b>Cash-flow from current operations</b>	<b>99</b>	<b>1</b>	<b>149</b>
Acquisition of fixed assets	-50	-36	-113
Sale of fixed assets	-	-	-
Change in long-term receivables	-	2	2
<b>Cash-flow from capital investments</b>	<b>-50</b>	<b>-34</b>	<b>-111</b>
New loans	-	47	-
Repayment of loans	-47	-1	-18
Dividend paid	-18	-18	-18
<b>Cash-flow from financing</b>	<b>-65</b>	<b>28</b>	<b>-36</b>
<b>Cash-flow for the period/year</b>	<b>-16</b>	<b>-5</b>	<b>2</b>
Liquid funds at beginning of year	122	125	125
Cash-flow for the period/year	-16	-5	2
Translation difference in liquid funds	-1	-2	-5
Liquid funds at end of period/year	105	118	122



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

	Apr - Jun 2007	Apr - Jun 2006	Jan - Jun 2007	Jan - Jun 2006	Full year 2006
Net turnover	781	618	1 516	1 324	2 689
Change in inventories, finished goods	1	-	1	-	-
Other income	11	29	48	63	140
<b>Total income</b>	<b>793</b>	<b>647</b>	<b>1 565</b>	<b>1 387</b>	<b>2 829</b>
Raw materials and consumables	-793	-598	-1 534	-1 280	-2 596
Other costs	-32	-39	-78	-68	-139
Personnel costs	-8	-8	-17	-15	-30
Depreciation	-2	-1	-3	-2	-5
<b>Total operating costs</b>	<b>-835</b>	<b>-646</b>	<b>-1 632</b>	<b>-1 365</b>	<b>-2 770</b>
<b>Operating income</b>	<b>-42</b>	<b>1</b>	<b>-67</b>	<b>22</b>	<b>59</b>
Financial income	10	7	19	13	84
Financial expenses	-9	-5	-15	-9	-21
<b>Net financial items</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>63</b>
<b>Income after net financial items</b>	<b>-41</b>	<b>3</b>	<b>-63</b>	<b>26</b>	<b>122</b>
Tax on income for the year	11	-1	8	-7	-9
<b>Net profit/loss after tax</b>	<b>-30</b>	<b>2</b>	<b>-55</b>	<b>19</b>	<b>113</b>

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

	Jun 2007	Jun 2006	Dec 2006
Intangible fixed assets	13	17	15
Tangible fixed assets	16	15	15
Financial fixed assets	503	496	510
<b>Total fixed assets</b>	<b>532</b>	<b>528</b>	<b>540</b>
Inventories	-	-	1
Current receivables	922	1 052	1 135
Liquid funds	26	29	35
<b>Total current assets</b>	<b>948</b>	<b>1 081</b>	<b>1 171</b>
<b>Total assets</b>	<b>1 480</b>	<b>1 609</b>	<b>1 711</b>
<b>Shareholders' equity</b>	<b>1 022</b>	<b>1 037</b>	<b>1 094</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	270	372	308
Non interest-bearing	38	50	159
<b>Total current liabilities</b>	<b>308</b>	<b>422</b>	<b>467</b>
<b>Total shareholders' equity and liabilities</b>	<b>1 480</b>	<b>1 609</b>	<b>1 711</b>

**SIX YEAR REVIEW**

	Jan - Jun 2007	Jan - Jun 2006	2006	2005	2004		
				Remaining operations	Total	Remaining operations	Tot
<b>Key indicators that effect turnover</b>							
Pulp price NBSK, USD <sup>1)</sup>	764	635	675	611		617	
USD/SEK <sup>2)</sup>	6,94	7,59	7,37	7,48		7,35	
Pulp price NBSK, SEK	5 305	4 816	4 977	4 565		4 532	
Rottneros' deliveries, tonnes	376 100	351 900	699 500	666 700		625 000	
<b>Turnover and income, SEK million</b>							
Net turnover	1 519	1 315	2 690	2 411	2 429	2 272	
Profit/loss before depreciation	111	32	148	9	48	129	
Depreciation	-78	-77	-155	-138	-138	-162	
Operating profit/loss after depreciation	33	-45	-7	-129	-90	-33	
Net financial items	-14	-0	-16	-12	-13	-5	
Profit/loss after net financial items	19	-45	-23	-141	-103	-38	
Profit/loss after tax	9	-31	-8	-91	-63	-31	
<b>Balance sheet items, SEK million</b>							
Fixed assets	1 340	1 384	1 363	1 435		1 349	
Inventories	377	426	397	430		474	
Current receivables	607	695	570	595		572	
Short-term investments	-	-	-	-		-	
Liquid funds	105	118	122	125		157	
Assets from discontinued operations	-	-	-	26		16	
Shareholders' equity	1 352	1 481	1 403	1 523		1 673	
Long-term interest-bearing liabilities	175	179	177	180		186	
Long-term non interest-bearing liabilities	96	110	85	118		174	
Current interest-bearing liabilities	246	413	304	375		56	
Current non interest-bearing liabilities	560	440	483	405		472	
Liabilities from discontinued operations	-	-	-	10		7	
Balance sheet total	2 429	2 623	2 452	2 611		2 568	
<b>Financial ratios</b>							
Operating margin	%	2,1	-3,4	-0,3	-5,3	-3,7	-1,5
Profit margin	%	1,2	-3,4	-0,9	-5,8	-4,2	-1,7
Return on capital employed	%	4	Neg	Neg	Neg	Neg	Neg
Return on equity after full tax	%	2	Neg	Neg	Neg	Neg	Neg
Equity/assets ratio	%	56	56	57	58	58	65
Debt/equity ratio	Times	0,3	0,4	0,3	0,4	0,4	0,2
Interest cover	Times	2,5	Neg	Neg	Neg	Neg	Neg
<b>Other</b>							
Capital expenditure	SEK m	50	36	113	234	234	283
Average no. of employees		745	779	754	804	804	835

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

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

<sup>3)</sup> The years 2002 and 2003 have not been recalculated in respect of IFRS. Adjustment should be made for IAS 39.