

ROTTNEROS GROUP
INTERIM REPORT JANUARY – SEPTEMBER 2006
QUARTERLY REPORT JULY – SEPTEMBER 2006

Amounts in SEK million unless data per share

		2006	2005	
Net turnover, SEK m	Jan - Sept	1 977	1 822	
	Jul - Sept	662	641	
Income after net financial items, SEK m	Jan - Sept	-44	-82	
	Jul - Sept	1	-65	
Earnings per share after net financial items, SEK financial items, SEK	Jan - Sept	-0,25	-0,46	
	Jul - Sept	0,00	-0,36	
Profit/loss after tax, SEK m	Jan - Sept	-32	-59	
	Jul - Sept	-1	-45	
Earnings per share after tax, SEK	Jan - Sept	-0,18	-0,33	
	Jul - Sept	0,00	-0,25	
Cash flow per share, SEK	Jan - Sept	-0,29	-2,03	
	Jul - Sept	-0,09	-0,78	
Shareholders' equity per share, SEK		8,06	8,45	(31.12.2005)
Equity/assets ratio		56 %	58 %	(31.12.2005)

- The income after net financial items for the third quarter of 2006 was SEK 1 (-65) million. The result for the quarter was affected by costs of around SEK 30 million relating to planned maintenance shutdowns at Vallvik and Rottneros.
- The loss for the first nine months of 2006 after net financial items was SEK -44 (-82) million. Provisions for restructuring according to the cost-cutting programme announced in February 2006 affected the result in the amount of SEK -27 million. The continuing cost-cutting programme reduced costs during the reporting period by around SEK 27 million and is expected to result in savings this year of around SEK 37 million.
- At the end of August Rottneros announced that, due to high electricity prices, it would begin negotiations on the closure of Utansjö Mill with a view to moving the plant abroad.
- The company is expecting a continued strong pulp market and a positive price trend.
- As announced previously, the company will not be providing a forecast for the full year 2006 due to the fact that both electricity price trends and dollar exchange rates are hard to predict.

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 customers' 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

Markets and products

The market for all grades of pulp developed in a positive direction during the reporting period with increasing demand and rising prices.

The price of long-fibre chemical pulp rose from USD 600 at the beginning of the year to USD 710 at the end of the period. Further price increases were announced as of 1 October, and accordingly, the price of long-fibre chemical pulp (NBSK) will increase to USD 730/tonne. The price of short-fibre chemical pulp increased from USD 590 at the beginning of the year to USD 660 at the end of the period. The price of CTMP followed a similar trend during the period to that of short-fibre chemical pulp. Price increases as of 1 November 2006 have been announced for chemical short-fibre pulp to USD 680/tonne, and the price of CTMP will increase to USD 640/tonne for short-fibre grades.

Delivery capacity utilisation for the bleached chemical pulp market for the period from January – August was at 95.0 % (91.1 % for the same period in 2005) and production capacity utilisation was 94.0 % (92.0 %). Producer stocks at the beginning of January were at 3,329,000 tonnes and at the end of August, they were at around 3,248,000 tonnes.

During the January – August period, 3,874,000 tonnes of pulp were imported to China, the market with the highest growth in imports in 2006. This is an increase of 200,000 tonnes (5.4 %) compared to the same period in 2005.

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

The price at the beginning of the year was USD 600 and this rose during the first quarter to USD 630 at the end of March. The price continued to rise, reaching USD 710 at the end of September.

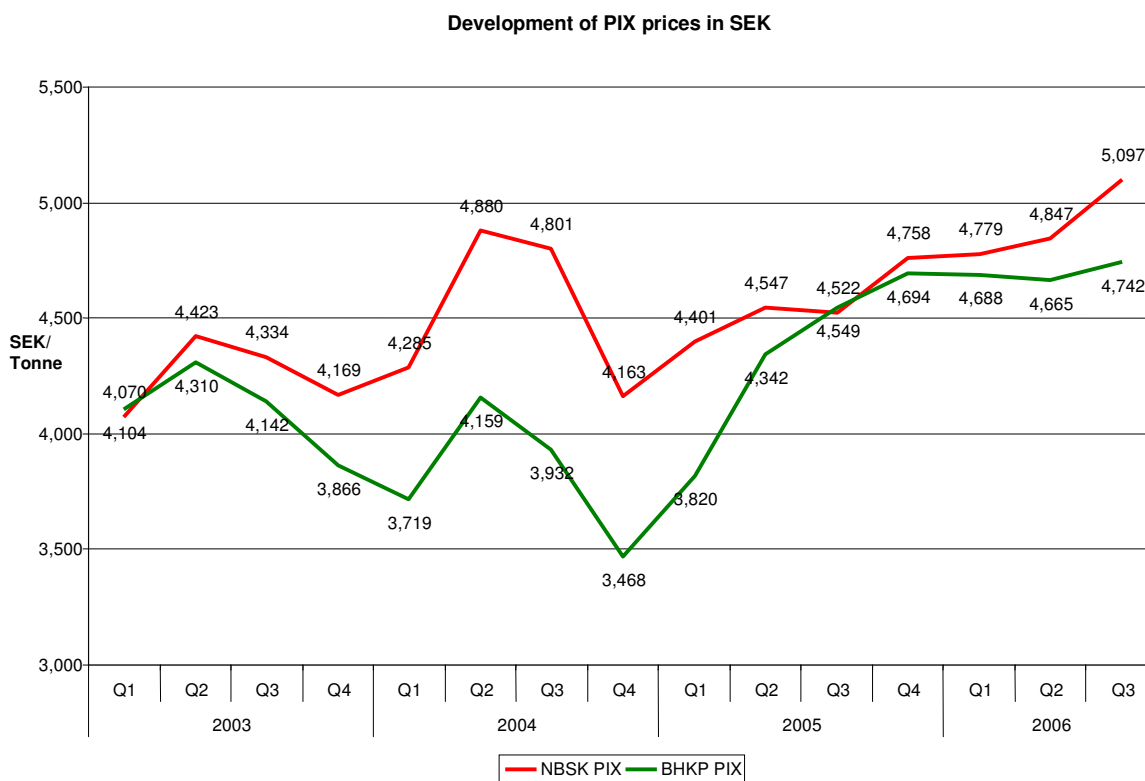
Delivery capacity utilisation for the January – August period was 95.0 % (92.6 % in 2005), and production capacity utilisation for the same period was 93.0 % (93.2 %). Delivery capacity utilisation for the July – August period was 92.3 % (89.6 % in 2005), and production capacity utilisation was 95.5 % (93.5 %).

Short-fibre chemical pulp (produced in Miranda)

The price of eucalyptus pulp (BEK) rose from USD 590 at the beginning of the year to USD 620 by the end of March, and then to USD 660 by the end of September. Delivery capacity utilisation for the January – August period was 94.0 % (88.9 % in 2005), and production capacity utilisation during the same period was 96.0 % (90.8 %). Production capacity utilisation for the July – August period was 90.2 % (87.0 % in 2005), and production capacity utilisation was 95.9 % (96.5 %).

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

The period was characterised by both high demand and high production levels. Delivery capacity utilisation for the January – August period was 100 % (92 % for the same period in 2005), and production capacity utilisation was 95 % (95 %).



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. Over a rolling twelve-month period – October 2005 to September 2006 – production volumes have been around 695,000 tonnes, which is a record and can be compared to the previous highest level of 657,000 tonnes, which was achieved in 2004. Production levels for the first nine months of the year amounted to 517,800 (471,400) tonnes, which is equivalent to 46,400 tonnes or 10 % compared to the same period in 2005. The closure of Utansjö Mill for conversion to CTMP production for much of the first half 2005 should be taken into consideration. The magnetite line was discontinued at the same time. The changes at Utansjö Mill are the reason for the approx. 33,000 tonne increase in production in 2006. Production in the third quarter remained high at 167,700 (163,300) tonnes. Production was at absolute capacity for the third consecutive quarter. Annual maintenance shutdowns took place at Vallvik and Rottneros in September.

Deliveries from the mills in the first nine months of 2006 amounted to 520,600 (500,900) tonnes, which is an increase of 19,700 tonnes or 4 % compared to the previous year.

PRODUCTION (TONNES)	July-Sept. 2006	July-Sept. 2005	Jan.-Sept. 2006	Jan.-Sept. 2005
Sulphate pulp	79,200	82,600	250,000	256,900
Magnefite pulp	-	-	-	-
Groundwood pulp	35,300	33,000	106,800	94,400
CTMP	53,200	47,700	161,000	118,700
TOTAL	167,700	163,300	517,800	471,400
DELIVERIES (TONNES)	July-Sept. 2006	July-Sept. 2005	Jan.-Sept. 2006	Jan.-Sept. 2005
Sulphate pulp	80,100	89,500	251,800	259,100
Magnefite pulp	-	6,100	-	22,100
Groundwood pulp	36,100	39,000	105,500	110,000
CTMP	52,500	41,100	163,300	109,700
TOTAL	168,700	175,700	520,600	500,900

The average capacity utilisation at the mills during the January – September period was 95 % (93), which breaks down as sulphate pulp 96 % (99), groundwood pulp 93 % (84) and CTMP 95 % (84). No maintenance shutdowns are planned for the fourth quarter.

INVOICED SALES AND RESULTS

January - September 2006

The Group's net turnover amounted to SEK 1,977 million (1,822). Pulp accounted for SEK 1,977 million (1,804) of the net turnover and sawn timber for SEK 0 million (18).

Sales for the first nine months of 2006 were SEK 155 million higher than the previous year, mainly due to: *higher deliver levels (SEK 75 million) and a stronger USD (SEK 43 million) as well as higher pulp prices in USD (SEK 129 million). The winding up of Rockhammar Timber caused a fall in sales of SEK -18 million and other net changes, SEK -74 million.* The average price of long-fibre sulphate pulp (NBSK) expressed in USD increased from USD 615 to USD 658, while the average price of NBSK pulp converted into SEK increased from SEK 4,496 to SEK 4,915 per tonne, an improvement of 9.3 %. The average price of BEK in USD increased from USD 579 to USD 629 per tonne or 8.6 %, while the equivalent average price converted into SEK increased from SEK 4,237 to SEK 4,692 per tonne, an increase of 10.7 %.

During the reporting period the market has developed well, with strong demand and rising prices. Productivity has been improved significantly. The continuing cost-cutting programme reduced costs for the reporting period by around SEK 27 million and is expected to result in savings of around SEK 37 million for the year.

The extremely high price of electricity is, however, dampening the effect of all of these positive factors and will pose a direct threat to operations at the mechanical pulp mills as the effect of the electricity price hedging that is in place diminishes over the next few years. At the end of August, the company announced that, due to the high electricity prices, it would initiate negotiations on the closure of Utansjö Mill with a view to moving the plant out of Sweden. The measure involves an expansion of the cost-cutting programme to include the entire operation at Utansjö Mill. The negotiations on the mill closure have not yet been concluded. Meanwhile, the company is looking into options for the relocation of Utansjö Mill's operations.

The Group's operating loss amounted to SEK -34 million (-73). The operating loss for the pulp-producing units amounted to SEK -34 million (-86). The Rockhammar Timber sawmill operation, which had an operating profit the previous year of SEK 13 million, has been closed down.

The cost items that were the main cause of the lower result for this reporting period compared to the same period in 2005 are restructuring provisions totalling SEK 27 million and increased electricity costs including electricity hedging totalling SEK 84 million. Increased electricity consumption for increased production accounts for SEK 19 million of this amount. The first quarter result in 2006 was charged with costs totalling around SEK 10 million relating to the introduction of new niche grades at Utansjö. In 2005 the result for the January – September period was charged with around SEK 55 million relating to the cost of closing down the magnesite line and the reconstruction and fine-tuning of the CTMP line in Utansjö. The result of realised hedging activities during the reporting period amounted to SEK 81 million (48).

The Group's loss after net financial items was SEK -44 million (-82) and this includes net financial items amounting to SEK -10 million (-9) for the reporting period. Earning per share after tax amounted to SEK -0.18 (-0.33). Cash flow per share was SEK -0.29 (-2.03).

	2006			2005				Full year
	III	II	I	IV	III	II	I	
Profit/loss after financial items	1	-2	-43	-21	-65	7	-24	-103
<u>Whereof:</u>								
Currency hedges	7	9	6	-21	-3	24	38	38
Pulp price hedges	-	-	-	-	-3	-10	-18	-31
Electricity hedges	29	15	15	13	9	8	3	33
Total hedges	36	24	21	-8	3	22	23	40
IAS 39	9	6	2	5	-2	6	12	21
Green electricity	3	1	5	6	3	5	7	21

The parent company's profit after net financial items was SEK 60 million (52). This includes the result of realised hedging activities on behalf of the whole Group which improved the profit by SEK 81 million (48).

July - September 2006 compared to July - September 2005

The Group's net turnover in the third quarter amounted to SEK 662 million (641).

Sales in the third quarter of 2006 were SEK 21 million higher than the previous year mainly due to: *lower delivery levels (SEK -27 million) and a weaker USD (SEK -41 million) as well as higher pulp prices in USD (SEK 110 million). The winding up of Rockhammar Timber caused a fall in sales of SEK -3 million and other net changes, SEK -18 million.* The average price of long-fibre sulphate pulp (NBSK) expressed in USD increased from USD 587 to USD 704, while the average price of NBSK pulp converted into SEK increased from SEK 4,514 to 5,097 per tonne, an improvement of 12.9 %.

The Group's operating profit was SEK 11 million (-61). The operating profit for the pulp producing units amounted to SEK 11 million (-64). The Rockhammar Timber sawmill operation, which had an operating profit the previous year of SEK 3 million, has been closed down.

The major cost item that caused the result for the third quarter of 2006 to be lower than the third quarter of 2005 consists of increased electricity costs including electricity hedging in the amount of SEK 26 million. Electricity consumption for increased production accounts for SEK 2 million of this amount. The result of realised hedging activities during the second quarter amounted to SEK 36 million (3).

July - September 2006 compared to April - June 2006

Sales in the third quarter of 2006 were up SEK 47 million compared to the second quarter of 2006. The increase is mainly related to *increased delivery levels (SEK 18 million), a weaker USD (SEK -16 million) and higher pulp prices in USD (SEK 45 million)*.

The production volume in the third quarter was lower than in the second quarter. Annual maintenance shutdowns took place at two of the Group's pulp mills. This lowered the result for the quarter by around SEK 30 million. Electricity costs continued to rise during the third quarter and, combined with electricity hedges, were SEK 21 million higher than the second quarter. The operating profit for the third quarter of 2006 was SEK 11 million, which is an improvement of SEK 13 million on the second quarter figure of SEK -2 million. Realised hedging activities produced a gain in the third quarter of SEK 36 million, which was SEK 12 million more than in the second quarter. The profit after financial items for the third quarter of 2006 was SEK 1 million. A loss of SEK 2 million was reported for the second quarter of 2006.

NEW BUSINESS AREA – ROTTNEROS PACKAGING

Rottneros has started producing packaging made from paper pulp for frozen ready-cooked meals under the brand name SilviPak. 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 to take about a 5 % share of the European market. The operation is being built up and accordingly, the accounts for this business area are not being reported separately.

After the end of the reporting period, the new Rottneros Packaging business area signed two strategically important contracts to deliver SilviPak food packaging made from paper pulp. Corner Sweden, which manufactures food vending machines, has chosen SilviPak for its new vending machine, FoodCube. Rottneros' packaging was selected because of its stability and good insulation properties enabling it to remain cool to the touch and easy to handle even after the food has been heated. The packaging also has an excellent environmental profile. Under an agreement-in-principle, Aristo, which is Scandinavia's leading manufacturer and wholesaler of cartons to the restaurant and patisserie sector, will replace most of its aluminium and plastic packaging materials over time with Rottneros' SilviPak. Aristo has also chosen SilviPak for its good insulation properties and high environmental value.

ACCOUNTING PRINCIPLES

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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' 2005 Annual Report on pages 46-48.

The comparative figures for 2004 have been restated in accordance with the new accounting principles. Under the transition rules in IFRS 1, the figures for 2004 need not be restated in respect of IAS 39, Financial Instruments. For the Rottneros Group, IAS 39 is the accounting principle that has the greatest effect. Rottneros has therefore decided to restate 2004 with respect to IAS 39 as well.

RISK MANAGEMENT

USD

The average USD exchange rate during the reporting period was 2.2 % higher than the previous year. The effect on sales of a stronger average USD rate relative to SEK during the period amounted to SEK 43 million. In the second quarter the USD rate was lower than at the beginning of the year and during the first quarter, and this counteracted the increase in pulp prices in the first half of the year. The pulp price increase continued in the third quarter, while the decline in the USD rate slowed somewhat and in September and October, the USD rate slowly strengthened.

Essentially all pulp pricing is done in USD. Around 30 % of the Group's turnover corresponding to the direct inflow in USD has been hedged for 2006. Thus, 70 % of the turnover is not covered by currency hedging.

At the end of the third quarter of 2006, currency hedging in the form of long-term forward contracts had been put in place for USD 28 million, at an average exchange rate of SEK 7.50 per USD. These contracts cover the next 12 months. Of the sum hedged, USD 23 million is for 2006 at an average exchange rate of SEK 7.56. In addition, forward contracts were in place at the end of the third quarter for EUR 29 million at a rate of EUR 9.30/SEK for deliveries in 2006 and 2007. In the beginning of October additional contracts were entered into for USD 18 million at a rate of SEK 7.33 for the first quarter of 2007 and EUR 15 million at a rate of SEK 9.26 for 2007 and 2008.

Pulp prices

At the beginning of the year the Group had not signed any contracts to hedge pulp prices. However, with the current pulp price levels, it would be beneficial to once again put in place long-term forward contracts to hedge prices and in this way raise the Group's average pulp price. The average pulp price in USD (PIX) over a long period amounts to around USD 580 per tonne. In the second quarter, pulp price forward contracts were signed for a three-year period for a total volume of 144,000 tonnes maturing from the beginning of the fourth quarter of 2006. The rate is USD 627.5 per tonne.

Electricity

Rottneros is one of the companies in the forest industry sector that started at an early stage to work 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 up to 2009. For 2006 the company has had an average of just over 50 % of electricity purchasing hedged at an average price of SEK 0.26. For 2007, around 30 % of electricity consumption is hedged at SEK 0.27 per kWh. The hedging levels for 2008 and 2009 will be affected by an investment in a new turbine in Vallvik and the closure of Utansjö Mill. The price level for hedging for 2008 and 2009 is around SEK 0.27 per kWh. Hedging of electricity at current price levels is not possible, Rottneros cannot enter into long-term contracts at the current price levels since this would mean that the company would be locking itself into a loss situation. Already the prices that were offered in 2005 when it was starting to be time to extend underlying contracts were involving a loss.

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 September 2006. The reference value is the spot rate on 30 September 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.

MARKET VALUE (SEK million) SEPTEMBER 2006:					
<i>Hedging</i>	<i>Hedged volume</i>	<i>Hedge price</i>		<i>Market value</i>	<i>Reference - spot rate</i>
					<i>30 September 2006</i>
Currency, USD, forward	USD 28 m	7,50	SEK/USD	6	7,33 SEK/USD
Currency, EUR	EUR 29 m	9,30	SEK/EUR	1	9,28 SEK/EUR
Pulp price	144 000 tonnes	627,5	USD (PIX)	-57	USD 712/7,33 SEK/USD
Electricity	469 874 MWh	SEK 0.268	/kWh	108	SEK 0.535/kWh
Total market value				58	

MARKET VALUE (SEK million) SEPTEMBER 2005:					
<i>Hedging</i>	<i>Hedged volume</i>	<i>Hedge price</i>		<i>Market value</i>	<i>Reference - spot rate</i>
					<i>30 September 2005</i>
Currency, USD, forward	USD 38 m	8,87	SEK/USD	36,00	7,74 SEK/USD
Currency, USD, interval	USD 40 m	6,80 - 7,27	SEK/USD	-23,00	7,74 SEK/USD
Currency, EUR, forward	EUR 3 m	9,33	USD/EUR	0	9,32 SEK/EUR
Pulp price, in SEK	1 400 tonnes	550	USD (PIX)	0	USD 583/7,74 SEK/USD
Electricity	931 476 MWh	SEK 0.26	/kWh	70	SEK 0.27/kWh
Total market value				83	

COST-CUTTING PROGRAMME

In the second half of 2005, the Group achieved significant improvements in productivity.

At the same time, the company has been affected by cost increases, primarily relating to the price of electricity, but also to oil-price related cost components such as freight, fuel and chemicals. The price of electricity is hedged for around 50 % of the expected consumption in 2006, but the cost of electricity in 2006 still continued to increase dramatically. With the current electricity price structure, there is a risk of further cost increases in 2007 when the hedged portion will only be around 30 % of consumption. A sensitivity analysis shows that a change of SEK 0.10 per kWh would affect the earnings after net financial items by SEK 90 million.

Therefore, at the beginning of February, the company announced its decision to implement a new 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 headcount by 70. The programme was drawn up during the first quarter of 2006 and will require a restructuring reserve and investments to make the reorganisation possible. Rottneros expects to save around SEK 37 million in 2006. The first quarter result for 2006 was charged with a provision of SEK 27 million.

Following the announcement about initiating negotiations on the closure of Utansjö Mill, the cost-cutting programme was expanded in August to cover the entire operation at Utansjö Mill. The negotiations on the closure continue. Meanwhile, the company is looking into the possibility of moving the plant to another country. There is also an investment and employment freeze at the Group's mill in Rottneros, which also produces mechanical pulp and has therefore been hit hard by the high electricity prices.

In light of the fact that negotiations with the trade unions regarding the closure of Utansjö Mill are still under way, no provisions have been made that would have affected the result for the January – September period.

BUY-BACK AND SALE OF THE COMPANY'S OWN SHARES

The 2006 Annual General Meeting decided to extend the buy-back programme. The AGM authorised the Board, during the period until the next AGM, to take decisions regarding the transfer of shares in the company. No such transfer has been made during the period.

CAPITAL INVESTMENTS AND FINANCIAL POSITION

The Group's investments in fixed assets during the reporting period amounted to SEK 71 million (186). This amount was spent mainly on intellectual property rights and licences amounting to SEK 7 million for the new Rottneros Packaging business area and continued investment in Vallvik Mill of SEK 24 million and in Miranda of SEK 20 million.

The Rottneros Group's Board of Directors has taken the decision to invest in a new steam turbine to produce electricity at Vallvik Mill. The investment is expected to be around SEK 90 million. The new turbine, which will raise the level of self-sufficiency in electricity at Vallvik Mill from around 70 % to close to 100 %, is expected to be put into operation in September 2007. The Miranda investments relate mainly to environmental improvements.

Liquid funds at the end of the period amounted to SEK 110 million, compared to SEK 125 million at the end of 2005. As of 30 September 2006, the company had interest-bearing liabilities totalling SEK 532 million (519) and net borrowing of SEK 389 million (395). Approved but unutilised lines of credit totalled SEK 587 million. During the third quarter the net borrowing was reduced and is now SEK 55 million less than at the end of the second quarter. The improved cash flow from current operations in the third quarter was used to lower the overdraft by SEK 61 million. The equity/assets ratio amounted to 56 % compared to 58 % at the beginning of the year. The shareholders' equity per share was SEK 8.11 (31 Dec. 2005: 8.45).

CASH FLOW

The cash flow from current operations before investments improved considerably, amounting to SEK 20 million (-59) and included cash flow from financial hedging of SEK 79 million (41). The cash flow after investment activity amounted to SEK -49 million (-244). Investment and increased working capital were financed by borrowing an additional SEK 47 million (250) since the beginning of the year within the approved credit facility. A dividend of SEK 18 million (36) was paid out.

AVERAGE NUMBER OF EMPLOYEES

The average number of employees during the reporting period was 765 (817).

OUTLOOK FOR THE FULL YEAR 2006

Price increases have been announced as of 1 October for NBSK. In Europe the new price is USD 730 per tonne. The October price for eucalyptus pulp is USD 660.

Rottneros expects the pulp market to remain strong and anticipates a positive price trend.

As announced earlier, the company will not be providing an earnings forecast for the full year 2006 due to the fact that both electricity price trends and USD dollar rates are difficult to predict.

Previous forecasts:

- *In the quarterly report issued on 25 July 2006 the following was stated:*

The company is expecting the pulp market to remain strong for the rest of the year. This is expected to result in a continued positive pulp price trend.

- *In the quarterly report issued on 26 April 2006 the following was stated:*

Rottneros anticipates a strong demand for the most important grades of pulp. This is expected to result in a positive price trend during the first half of the year, followed by good market prospects for the rest of the year.

The supply of pulp in 2006 will continue to increase, albeit at a slower pace than in 2005 and mainly later on in the year. Furthermore, pulp producers in certain regions, e.g. eastern Canada, are facing major restructuring and the closure of unprofitable units will continue. This reduction in production will eliminate a large portion of the production surplus on the market which comes from newly established companies, mainly in South America. There is expected to be a good balance between supply and demand in 2006.

- *In the 2005 year-end release issued on 2 February 2006 the following was stated:*

The demand for bleached chemical pulp in 2006 is expected to increase by around 2.5 %, which is the same level as the increase in 2005. The company expects that the demand will follow the normal pattern and be strongest during the first half of the year, leading to a positive price development for pulp.

The supply of pulp in 2006 will continue to increase, but at a slower pace than in 2005 and mainly during the second half of the year. Furthermore, pulp producers in certain regions have stopped their production for market reasons, e.g. in the eastern part of Canada. Major structural changes within the pulp industry will probably continue with the closure of unprofitable units in the region.

UPCOMING FINANCIAL INFORMATION

2 February 2007 - Year-end release for 2006

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

Upplands Väsby, 27 October 2006

Lars Blecko
President and CEO

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

Lars Blecko and Karl Ove Grönqvist will be available on 27 October at tel. +46 (0)8 587 1201 between 8 a.m. and 9 a.m.

Press conference for analysts and journalists

Analysis and journalists are invited to a press conference on 27 October at 10 a.m. at the offices of Hallvarsson & Halvarsson, Birger Jarlsgatan 6B, tel. +46 08 587 112 00. To register please contact Tove Håkansson at +46 08 587 112 78, e-mail: tove.hakansson@halvarsson.se.

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CONSOLIDATED PROFIT/LOSS ACCOUNTS (SEK million)

	Jul - Sep 2006	Jul - Sep 2005	Jan - Sep 2006	Jan - Sep 2005	Full year 2005
Net turnover	662	641	1 977	1 822	2 429
Change in inventories, finished goods	-4	-47	-10	-101	-59
Other income	28	10	79	144	185
Total income	686	604	2 046	1 865	2 555
Raw materials and consumables	-383	-355	-1 155	-1 039	-1 442
Other costs	-163	-181	-483	-492	-658
Personnel costs	-93	-92	-329	-303	-407
Depreciation	-36	-37	-113	-104	-138
Total operating costs	-675	-665	-2 080	-1 938	-2 645
Operating income	11	-61	-34	-73	-90
Financial income	-4	-	6	2	4
Financial expenses	-6	-4	-16	-11	-17
Net financial items	-10	-4	-10	-9	-13
Income after net financial items	1	-65	-44	-82	-103
Tax on income for the year	-2	20	12	23	40
Net profit/loss after tax	-1	-45	-32	-59	-63
No. of shares at beginning of period ¹⁾	180 212	180 212	180 212	180 212	180 212
No. of company's own shares bought back ¹⁾	-	-	-	-	-
No. of shares at end of period ¹⁾	180 212	180 212	180 212	180 212	180 212
Average no. of shares ¹⁾	180 212	180 212	180 212	180 212	180 212
Earnings after tax/share (SEK) ²⁾	0,00	-0,25	-0,18	-0,33	-0,35

Key indicators that affect turnover

Pulp price NBSK, USD ³⁾	704	587	658	615	611
USD/SEK ⁴⁾	7,24	7,69	7,47	7,31	7,48
Pulp price NBSK, SEK	5 097	4 517	4 915	4 492	4 565
Rottneros' deliveries, tonnes	168 700	175 700	520 600	500 900	666 700

¹⁾ The number of shares is given in thousands.

²⁾ There are no programs that lead to dilution.

³⁾ Source: PIX/Market Pulse.

⁴⁾ Source: Swedich central bank yearly average.

CONSOLIDATED BALANCE SHEET (SEK million)

	Sep 2006	Sep 2006	Sep 2006
Intangible fixed assets	34	34	46
Tangible fixed assets	1 298	1 336	1 338
Financial fixed assets	43	52	51
Total fixed assets	1 375	1 423	1 435
Inventories	416	428	430
Current receivables	689	602	595
Liquid funds	110	124	125
Total current assets	1 215	1 154	1 150
Assets from discontinued operations	-	18	26
Total assets	2 590	2 595	2 611
Shareholders' equity	1 452	1 526	1 523
Longterm liabilities			
Interest-bearing	179	182	180
Non interest-bearing	103	136	118
Total longterm liabilities	282	318	298
Current liabilities			
Interest-bearing	352	337	375
Non interest-bearing	504	414	405
Total current liabilities	856	751	780
Liabilities from discontinued operations	-	-	10
Total shareholders' equity and liabilities	2 590	2 595	2 611

CASH-FLOW ANALYSIS (SEK million)

	Jan - Sep 2006	Jan-Sep 2005	Jan - Dec 2005
Operating income	-34	-73	-90
Adjustment for non cash-flow items			
Depreciation	113	104	138
Profit/loss from disposal of fixed assets	-5	-	-37
	74	31	11
Paid financial items	-14	-3	-9
Paid taxes	-7	1	-3
Cash-flow from current operations before change in working capital	53	29	-1
Change in working capital	-32	-88	-54
Cash-flow from current operations	21	-59	-55
Acquisition of fixed assets	-71	-186	-234
Sale of fixed assets	-	-	39
Change in long-term receivables	2	1	1
Cash-flow from capital investments	-69	-185	-194
New loans	47	250	258
Repayment of loans	-1	-4	-6
Dividend paid	-18	-36	-36
Cash-flow from financing	28	210	216
Cash-flow for the period/year	-20	-34	-33
Liquid funds at beginning of year	125	157	157
Cash-flow for the period/year	-20	-34	-33
Translation difference in liquid funds	5	1	1
Liquid funds at end of period/year	110	124	125

SHARE DATA^{1), 5)}

		Sep 2006	Sep 2005	2005	2004	2003	2002
No. of shares at beginning of period ²⁾	No.	180 212	180 212	180 212	180 722	182 980	188 399
No. of company's own shares bought back ²⁾	No.	-	-	-	510	2 258	5 418
No. of shares at end of period ²⁾	No.	180 212	180 212	180 212	180 212	180 722	182 980
Average number of shares ²⁾	No.	180 212	180 212	180 212	180 392	181 422	187 709
Operating profit or loss/share	SEK	-0,19	-0,40	-0,50	-0,64	0,67	0,31
Earnings after net financial items/share	SEK	-0,25	-0,46	-0,57	-0,67	0,64	0,46
Earnings after tax/share	SEK	-0,18	-0,33	-0,35	-0,50	0,47	0,29
Operating cash-flow/share ³⁾	SEK	-0,29	-2,03	-2,28	-0,41	-0,23	-0,13
Equity/share	SEK	8,06	8,47	8,45	9,28	9,50	9,33
Dividend	SEK	-	-	0,10	0,20	0,30	0,30
Dividend/equity per share	%	-	-	1,2	2,2	3,2	3,2
Share price at end of period	SEK	6,60	7,20	6,80	7,55	8,55	7,45
Share price/equity per share	Times	0,8	0,9	0,8	0,8	0,9	0,8
P/E ratio	Times	Neg	Neg	Neg	Neg	18,3	25,3
Direct yield ⁴⁾	%	-	-	1,4	2,6	3,5	4,0

¹⁾ There are no programs that lead to dilution.

²⁾ The number of shares is given in thousands.

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

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

⁵⁾ The years from 2000 and including 2003 have not been recalculated in respect of the IFRS transition. Adjustment should be made for IAS 39.

CHANGE IN SHAREHOLDERS' EQUITY (SEK million)

	Jan - Sept 2006	Jan - Sept 2005	Full year 2005
Opening shareholders' equity	1 523	1 673	1 673
Adjustment of opening shareholders' equity in respect of the IFRS transition (for specification see enclosure)	-21	-52	-51
Profit/loss for the year	-32	-59	-63
Dividend	-18	-36	-36
Closing shareholders' equity	1 452	1 526	1 523

QUARTERLY DATA (SEK million)

	2006			2005				2004			
	III	II	I	IV	III	II	I	IV	III	II	I
Net turnover	662	615	700	607	641	596	585	535	583	623	615
Operating profit/loss before depreciation	47	36	-4	17	-24	43	12	-31	18	110	12
Depreciation	-36	-38	-39	-34	-37	-34	-33	-31	-125	-33	-34
Operating profit/loss	11	-2	-43	-17	-61	9	-21	-62	-107	77	-22
Net financial items	-10	-	-	-4	-4	-2	-3	-3	-	-2	-2
Profit/loss after financial items	1	-2	-43	-21	-65	7	-24	-65	-107	75	-24
Tax	-2	4	10	17	20	-6	9	16	33	-22	3
Profit/loss after tax	-1	2	-33	-4	-45	1	-15	-49	-74	54	-22
Pulp production, 1 000 tonnes	167,8	175,4	174,6	176,9	163,3	157,1	151,1	163,0	155,0	171,4	167,4
Pulp deliveries, 1 000 tonnes	168,7	164,2	187,7	165,8	175,7	162,9	162,3	149,3	149,0	157,2	169,5
Sawn timber production, 1 000 m ³	-	-	-	-	-	-	1,3	6,8	7,2	13,9	13,5
Sawn timber deliveries, 1 000 m ³	-	-	-	-	-	-	10,3	9,5	13,4	12,5	11,3

	2006			2005				2005
	III	II	I	IV	III	II	I	Full year
Net turnover by segment								
Pulp	662	615	700	607	641	594	569	2 411
Sawn timber	-	-	-	-	-	2	16	18
Total net turnover	662	615	700	607	641	596	585	2 429
Operating profit/loss by segment								
Pulp	11	-2	-43	-43	-64	2	-24	-129
Sawn timber	-	-	-	26	3	7	3	39
Total operating profit/loss	11	-2	-43	-17	-61	9	-21	-90
Operating margin by segment								
Pulp	1,7	-0,3	-6,1	-7,1	-10,0	0,3	-4,2	-5,4
Sawn timber	-	-	-	-	-	350,0	18,8	216,7
Total operating margin	1,7	-0,3	-6,1	-2,8	-9,5	1,5	-3,6	-3,7

SIX YEAR REVIEW

	Jan - Sep 2006	Jan - Sep 2005	2005		2004		2003	2002	2001	
			Remaining operations	Total	Remaining operations	Total				
Key indicators that effect turnover										
Pulp price NBSK, USD ¹⁾	658	615	611		617		524	463	540	
USD/SEK ²⁾	7,47	7,31	7,48		7,35		8,09	9,72	10,33	
Pulp price NBSK, SEK	4 915	4 492	4 565		4 532		4 235	4 500	5 581	
Rottneros' deliveries, tonnes	520 600	500 900	666 700		625 000		641 100	630 500	592 800	
Turnover and income, SEK million										
Net turnover	1 977	1 822	2 411	2 429	2 272	2 356	2 380	2 494	2 741	
Profit/loss before depreciation	79	31	9	48	129	109	239	170	292	
Depreciation	-113	-104	-138	-138	-162	-223	-117	-113	-87	
Operating profit/loss after depreciation	-34	-73	-129	-90	-33	-114	122	57	205	
Net financial items	-10	-9	-12	-13	-5	-7	-7	29	30	
Profit/loss after net financial items	-44	-82	-141	-103	-38	-121	115	86	235	
Profit/loss after tax	-32	-59	-91	-63	-31	-91	85	55	155	
Balance sheet items, SEK million										
Fixed assets	1 375	1 423	1 435		1 349		1 249	1 197	1 093	
Inventories	416	428	430		474		388	401	398	
Current receivables	689	603	595		572		443	425	440	
Short-term investments	-	-	-		-		-	-	60	
Liquid funds	110	124	125		157		252	350	420	
Assets from discontinued operations	-	17	26		16		-	-	-	
Shareholders' equity	1 452	1 526	1 523		1 673		1 717	1 706	1 771	
Long-term interest-bearing liabilities	179	182	180		186		42	6	-	
Long-term non interest-bearing liabilities	103	136	118		174		158	143	153	
Current interest-bearing liabilities	352	337	375		56		6	2	-	
Current non interest-bearing liabilities	504	412	405		472		414	516	487	
Liabilities from discontinued operations	-	3	10		7		-	-	-	
Balance sheet total	2 590	2 595	2 611		2 568		2 332	2 373	2 411	
Financial ratios										
Operating margin	%	-1,8	-4,0	-5,3	-3,7	-1,5	-4,9	5,1	2,3	7,5
Profit margin	%	-2,3	-4,5	-5,8	-4,2	-1,7	-5,2	4,8	3,5	8,6
Return on capital employed	%	Neg	Neg	Neg	Neg	Neg	Neg	7	5	12
Return on equity after full tax	%	Neg	Neg	Neg	Neg	Neg	Neg	5	3	8
Equity/assets ratio	%	56	59	58	58	65	65	73	72	73
Debt/equity ratio	Times	0,4	0,3	0,4	0,4	0,2	0,2	0,0	-	0,0
Interest cover	Times	Neg	Neg	Neg	Neg	Neg	Neg	18,2	29,4	79,3
Other										
Capital expenditure	SEK m	71	186	234	234	283	283	193	244	183
Average no. of employees		765	817	804	804	835	835	857	860	878

¹⁾ Source: PIX/Market Pulse

²⁾ Source: Swedish central bank yearly average

³⁾ The years from 2000 and including 2003 have not been recalculated in respect of IFRS. Adjustment should be made for IAS 39.