

ROTTNEROS GROUP

INTERIM REPORT JANUARY - JUNE 2009

QUARTERLY REPORT APRIL - JUNE 2009

Amounts in SEK m except per share data

		2009	2008	
Net turnover, SEK m	Jan - Jun	800	1 528	
	Apr - Jun	367	780	
Income after net financial items, SEK m	Jan - Jun	-112	-179	
	Apr - Jun	3	-57	
Earnings per share after net financial items, SEK	Jan - Jun	-0,62	-0,99	
	Apr - Jun	0,02	-0,33	
Profit/loss after tax, SEK m	Jan - Jun	-112	-129	
	Apr - Jun	3	-40	
Earnings per share after tax, SEK	Jan - Jun	-0,62	-0,72	
	Apr - Jun	0,02	-0,23	
Cash flow per share, SEK	Jan - Jun	0,15	0,50	
	Apr - Jun	0,06	0,31	
Shareholders' equity per share, SEK		3,55	4,49	(31.12.2008)
Equity/assets ratio		43 %	40 %	(31.12.2008)

- The work of changing the operational structure gives positive effects on income. The income after net financial items for the second quarter of 2009 amounted to SEK 3 (-57) million.
- The income after net financial items for the first half of 2009 amounted to SEK -112 (-179) million. The operating income for the first half amounted to SEK -102 (-158) million.
- Cash-flow from current operations for the first half year amounted to SEK 34 (-2) million.
- After the end of the reporting period Rottneros has agreed to pay off the entire existing bond loan of SEK 150 million. The effect for Rottneros of the transaction will be that SEK 110 million of the net debt will be written off and reduced and this will be recorded in the result for the third quarter.
- The sale by the Rottneros Group of its operations at Rockhammar Mill to Korsnäs AB was concluded and went into effect on 1 April 2009. The sale gave rise to a capital gain in the second quarter of just over SEK 50 million.
- On 16 April Rottneros announced a decision to wind up the operations at the Spanish mill, Rottneros Miranda S.A. The operations and the company are being liquidated according to Spanish insolvency laws.
- The balance on the pulp market has improved significantly, which is enabling prices to be increased.
- The company will not be providing a forecast for the full year 2009.

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 400,000 tonnes of pulp per year produced at two mills in Sweden. Increasingly intensive product development work in line with customer demands will lead to higher and more stable profitability throughout an economic cycle.

SIGNIFICANT EVENTS

Sale of operations at Rockhammar Mill

On 11 March it was announced that Rottneros and Korsnäs had reached an agreement to the effect that Korsnäs would acquire the operations at Rockhammar Mill which produces mechanical paper pulp of the CTMP type. The purchase sum was SEK 145 million. The price Korsnäs AB paid for Rockhammar Mill exceeded the book value, which means that Rottneros is realising a capital gain of just over SEK 50 million and this is recorded in the second quarter result. The sale reduces Rottneros' debt by SEK 116 million and strengthens the company's liquidity by around SEK 40 million. The transaction was concluded on 1 April when Korsnäs, following approval from the relevant authorities, took possession of Rockhammar and paid the purchase sum.

Discontinuation of operations at Miranda

On 16 April Rottneros announced its decision to wind up operations at the Spanish pulp mill, Rottneros Miranda S.A. The main reason is the mill's high eucalyptus wood costs in comparison to its competitors in general and in particular those in the Southern Hemisphere, which is making the operation unprofitable. Operations at the mill have been at a standstill since December 2008. A total of 155 employees are affected. The operations and the company will be liquidated in accordance with Spanish insolvency laws. As part of this process, Rottneros Miranda S.A. has cancelled payments.

The cost for the Group of winding up the mill in Miranda will be limited by the insolvency procedure. Should the liquidation costs relating to personnel as well as accounts payable and environmental clean-up costs for the Rottneros Miranda S.A. subsidiary clearly exceed the value of the assets, the company may be declared bankrupt. The shares in Rottneros Miranda S.A. have been written down to zero. Since Rottneros AB no longer has a deciding influence over Rottneros Miranda S.A. the subsidiary will no longer be included in the consolidated accounts for Rottneros. From a technical accounting perspective, the transaction will have a positive effect on the Group's result in the second quarter of SEK 51 million. The consolidated balance sheet compared to the balance sheet as of 31 March 2009 is therefore affected as follows: Fixed assets down by SEK 169 million; current assets down by SEK 47 million; long-term liabilities down by SEK 16 million and current liabilities down by SEK 104 million. Rottneros' receivables from the Miranda Group amounted to a total of around SEK 92 million as of 31 March 2009. The parent company's receivables from the Miranda Group have been written down by SEK 42 million to SEK 50 million, which has had a negative effect on the Group's results in the second quarter of 2009 (see also accounting principles).

Early payment of loan after the end of the period

Following negotiations with bond holders, Rottneros' bank syndicate under the management of Danske Bank and principal shareholder Nemus Holding, Rottneros agreed after the end of the reporting period on 10 July to pay off the entire existing bond loan of SEK 150 million which was issued by Rottneros. Rottneros will pay off SEK 20 million and Nemus Holding will settle the remaining portion of the loan by paying SEK 20 million to the bond holders. Through this transaction Nemus Holding will have a claim on Rottneros of SEK 20 million, which constitutes a partial payment for Nemus Holding's portion of a new share issue planned for implementation after the summer. The effect for Rottneros of this transaction will be that the net debt will be written off and thereby reduced by SEK 110 million, and this will be recorded in the third quarter of 2009. The measure also improves the consolidated balance sheet and shareholders' equity to the effect that, based on the balance sheet as of 30 June 2009, Rottneros' equity/assets ratio will improve from 43 % to 51 %. The interest-bearing liabilities will then amount to SEK 468 million compared to SEK 774 million at the beginning of the year.

These measures significantly improve and simplify the conditions for Rottneros to implement the planned new share issue which is at the preparatory stage and which Rottneros and Nemus holding have committed to. The plan is to convene an extraordinary shareholders' meeting in the near future and at this meeting to propose a new share issue equivalent to around SEK 200 million. To improve the conditions for implementing this new issue, discussions are continuing with the company's lenders for the purpose of further reducing the company's debt burden by converting debt to shareholders' equity. The lenders would thereby become significant shareholders in the company.

THE PULP MARKET

Market and products

The demand for all grades of pulp remained weak during the second quarter and global pulp deliveries have been falling in volume compared to the same period the previous year. Development was, however, better in the second quarter than in the first. The price of pulp in USD at the beginning of the year was falling and bottomed out in March, but has since slowly improved in the second quarter. In the statistics for the total global market for bleached chemical market pulp, the deliveries during the first five months of 2009 amounted to 15.7 (16.8) million tonnes, which was 6.5 % lower than the same period in 2008. Delivery capacity utilisation for bleached chemical pulp globally for the January – May period was 88 % (91 % for the same period in 2008). Production capacity utilisation for the same period is calculated at 83 % (92 %).

The average price of bleached long-fibre chemical pulp in the first half of the year amounted to USD 593 per tonne (USD 889 per tonne), a decrease of 33 %. The price of long-fibre chemical pulp (NBSK) at the end of the quarter amounted to USD 621, which is a decrease of 3 % from the beginning of the year when the price was USD 642.

The price of short-fibre chemical pulp fell from USD 585 at the beginning of the year to USD 506 at the end of June.

Global producer stocks of bleached chemical pulp amounted to 4.6 million tonnes at the beginning of the year and were estimated at 3.6 million tonnes at the end of May.

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

The price at the beginning of the year was USD 642 per tonne and reached its lowest level of around USD 577 in March before slowly improving. The price at the end of June was USD 621. The market for long-fibre chemical pulp was weak during the first half of the year due to weak demand for paper and board on the global market. Pulp stocks have, due to both permanent and temporary production cuts, been reduced from very high levels, which will enable prices to continue to improve.

Delivery capacity utilisation for the January to May period was 89 % (91 % for the same period in 2008), and production capacity utilisation was around 84 % (94 %). For the April – May period delivery capacity utilisation was 94 % (94 % for April – May 2008), and production capacity utilisation was 82 % (91 %).

Mechanical pulp and CTMP (produced in Rottneros)

The price of short-fibre CTMP on the Western European market at the beginning of the year was around USD 550 per tonne and in the first quarter the price of CTMP fell at the same rate as the price of chemical pulp before slowly improving. Similar to long-fibre pulp, demand was weak in the first half of the year which has led to production cuts mainly during the first quarter. Delivery capacity utilisation for the January – May period was 80 % (98 %) and production capacity utilisation was 69 % (98 %).

PRODUCTION AND DELIVERIES

The Group's pulp mills in Rottneros and Vallvik have a combined production capacity of 400,000 tonnes per year. In 2008 a production level for the full year of 602,700 tonnes was achieved. Operations at Rockhammar Mill, which in 2008 produced 62,000 tonnes of CTMP pulp, were sold on 1 April 2009. The Miranda mill, which in 2008 produced 134,000 tonnes, has been out of operation since December 2008. Production in the first half of 2009 was lower than the same period the previous year, amounting to 178,300 (346,900) tonnes. Weak demand has necessitated production cuts of around 53,000 tonnes. During the first half of the previous year production at Utansjö Mill, Rockhammar Mill and Rottneros Miranda was included in the amount of 164,300 tonnes. Annual maintenance shutdowns will be carried out at the mills in Vallvik and Rottneros during the third quarter. All maintenance shutdown costs are recognised in the period the shutdown takes place.

Deliveries in the first half of 2009 amounted to 205,100 (362,400) tonnes, which represents a reduction of 43 %.

PRODUCTION (TONNES)	Apr - Jun 2009	Apr - Jun 2008	Jan - Jun 2009	Jan - Jun 2008
Sulphate pulp	52 400	84 300	99 500	174 100
Groundwood pulp	19 500	32 700	38 800	70 500
CTMP	16 900	45 600	40 000	102 300
TOTAL	88 800	162 600	178 300	346 900
DELIVERIES (TONNES)	Apr - Jun 2009	Apr - Jun 2008	Jan - Jun 2009	Jan - Jun 2008
Sulphate pulp	61 200	90 100	121 600	174 000
Groundwood pulp	18 800	45 100	41 600	79 100
CTMP	19 400	51 100	41 900	109 300
TOTAL	99 400	186 300	205 100	362 400

INVOICED SALES AND RESULTS

January – June 2009 compared to January – June 2008

The Group generated a net turnover for the period of SEK 800 (1,528) million. As Rottneros Packaging with its SilviPak brand is in the build-up phase, results for this business area are not reported separately.

The turnover for the first half of 2009 was SEK 728 million lower than the same period the previous year. The main factors affecting the turnover are: *lower delivery levels, SEK -662 million; a stronger USD, SEK 200 million; lower pulp prices in USD, SEK -401 million; and other changes SEK 135 million.* The lower delivery levels are mainly due to the sale of Rockhammar Mill and discontinued operations at Rottneros Miranda.

The average price in USD of long-fibre sulphate pulp (NBSK) fell by 33 % from USD 889 to USD 593 while the average price of NBSK pulp converted into SEK fell from SEK 5,450 to 4,840 per tonne, a reduction of 11 %. The average price in USD for eucalyptus pulp (BEK) fell from USD 812 to USD 514 per tonne or by 37 %, while the average price converted into SEK fell from SEK 4,976 to SEK 4,194 per tonne, a reduction of 16 %.

Due to the weak economic situation the Group's mills limited their production during the period and this has had a negative impact on results. The price of pulp went down at the beginning of the year before going up again in the second quarter, but at the same time, the demand for pulp has been weak.

A large portion of the losses in the first half of 2009 is attributable to the Miranda mill in Spain where operations have been at a complete standstill since the beginning of the year. Rottneros' other pulp mills also reported negative operating results for the first half as a result of the weak price structure and limited production.

Due to the weak market Rottneros has been reporting negative earnings growth. The cash flow is being maintained by limiting purchasing and investment and through active efforts to free up working capital. During the past years the operational structure has gone through dramatically changes, which sets the prerequisites for improved earnings. However, the financial structure needs to be reviewed and strengthened, which will include implementing a planned new share issue (see under important events).

The average price of electricity on the Nord Pool exchange in the first half of the year amounted to SEK 0.39 per kWh, compared to SEK 0.40 per kWh during the same period the previous year. For 2009 and beyond, electricity is currently being traded on Nord Pool at around SEK 0.38 – 0.40 per kWh.

The wood supply has functioned well during the period. The price of pulpwood is declining and price reductions have been carried through in the first half of the year.

The Group posted an operating loss for the first half of 2009 of SEK -102 (-158) million.

Hedging transactions during the first half of 2009 resulted in a gain of SEK 7 (-36) million.

The Group is posting a loss after net financial items amounting to SEK -112 (-179) million including a net financial expense of SEK -10 (-21) million, which includes a financial exchange gain of SEK 10 (-1) million. This was countered by operating exchange losses on accounts receivable. The loss after tax was SEK -112 (-129) million. The earnings per share were negative at SEK -0.62 (-0.72). The cash flow per share was SEK 0.15 (0.50).

	2009		2008				Full year
	II	I	IV	III	II	I	
Profit/loss after financial items	3	-115	-169	-37	-57	-122	-385
<u>Whereof:</u>							
Currency hedges	-1	-2	12	-	-1	6	17
Pulp price hedges	4	3	-13	-24	-24	-22	-83
Electricity hedges	1	2	5	7	3	2	17
Total hedges	4	3	4	-17	-22	-14	-49
IAS 39	-	-	-4	2	2	-12	-12
Green electricity	10	7	10	11	13	11	45

April – June 2009 compared to April – June 2008

The Group's net turnover for the April – June 2009 period was SEK 367 (780) million. The turnover was SEK 413 million lower in the second quarter of 2009 than the second quarter of 2008. The decrease in turnover is mainly due to: *lower delivery levels SEK -362 million; a stronger USD, SEK 91 million; lower USD pulp prices SEK -194 million; and other changes, SEK 52 million.* The lower delivery levels are mainly the result of the sale of Rockhammar Mill and discontinued operations at Rottneros Miranda.

The average price in USD of long-fibre sulphate pulp (NBSK) fell from USD 900 to USD 591, while the average price of NBSK pulp converted into SEK fell from SEK 5,391 to SEK 4,685 per tonne, a reduction of 13 %. The average price in USD of eucalyptus pulp (BEK) fell from USD 833 to USD 491 per tonne, while the average price converted into SEK fell from SEK 4,990 to 3,889 per tonne, a reduction of 22 %.

The Group is posting an operating profit for the second quarter of 2009 amounting to SEK 8 (-48) million. Hedging transactions during the quarter resulted in a gain of SEK 4 (-22) million.

The Group is posting a profit after net financial items of SEK 3 (-57) million and this includes a net financial expense of SEK -5 (-9) million. The profit for the second quarter of 2009 includes a capital gain from the sale of the operations at Rockhammar Mill of SEK 50 million and consolidated net effects from the Miranda Group of SEK 9 million (see important events). The net financial items include exchange gains of SEK 2 (3) million. These were countered by operating exchange losses on accounts receivable. The profit after tax was SEK 3 (-40) million. The earnings per share after tax was SEK 0.02 (-0.23). The cash flow per share amounted to SEK 0.06 (0.31).

April – June 2009 compared to January – March 2009

The Group's net turnover fell in the second quarter of 2009 to SEK 367 million compared to SEK 433 million in the first quarter. The decrease in turnover is mainly due to: *lower delivery levels, SEK -25 million; a weaker USD, SEK -22 million; lower USD pulp prices, SEK -3 million; and changes, SEK -16 million.* The lower delivery levels are mainly the result of the sale of Rockhammar Mill.

The average price in USD of long-fibre sulphate pulp (NBSK) fell from USD 595 to USD 591 and the average price of NBSK pulp converted into SEK fell from SEK 4,997 to SEK 4,685 per tonne, a reduction of 6 %. The average price in USD of eucalyptus pulp (BEK) fell from USD 536 to USD 491 per tonne, while the average price converted into SEK fell from SEK 4,506 to SEK 3,890 per tonne, a reduction of 14 %.

The Group is posting an operating profit for the second quarter of 2009 of SEK 8 million, which can be compared to the first quarter of 2009 when there was an operating loss of SEK -110 million. The profit for the second quarter of 2009 includes a capital gain from the sale of the operations at Rockhammar Mill of SEK 50 million and consolidated net effects from the Miranda Group of SEK 9 million (see important events). Hedging transactions during the quarter resulted in a gain of SEK 4 (3) million. The Group is posting a profit after net financial items for the second quarter of 2009 of SEK 3 million, compared to a loss of SEK -115 million for the first quarter of 2009.

PARENT COMPANY

The parent company's loss after net financial items for the first half of 2009 was SEK -66 (-68) million. All pulp invoicing in the Group has been centralised to the parent company which acts as distributor for all of the mills and receives sales commission for this at normal rates. The notes relating to Group sales therefore also apply to the parent company's sales. The result includes realised hedging transactions for the entire group which resulted in a gain of SEK 7 (-36) million.

The parent company's loss after net financial items for the second quarter of 2009 amounted to SEK -61 million, compared to SEK -34 million for the same period the previous year and SEK -5 million for the first quarter of 2009.

The parent company's operations include the operations of the Rottneros Packaging business area which entails a cost burden as it is in a start-up phase.

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

SOUTH AFRICA PROJECT

In March Rottneros announced that Pulp United, the company in South Africa which plans to build a CTMP mill based on eucalyptus wood as a raw material, had received confirmation of the allocation of the electricity required. Pulp United has received written confirmation from the municipality within which the mill will be located that the state energy company ESKOM has provided a written undertaking to supply the total amount of power applied for, 50 MW. The energy price will be based on the government-regulated tariff system.

The intention is for Rottneros to be the largest shareholder in the company, but without holding a majority. The confirmation of the electricity supply makes it possible to enter into the final phase of drawing up contracts with, in the first instance, project partners NCT Forestry Products, Swedfund and the South African development bank IDC. Work on securing financing for the project has been intensified.

If the project comes to fruition according to the current plans, it will provide a significant capital gain and substantial additional liquidity for Rottneros AB right from the start.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, which complies with Swedish law through the application of the Swedish Financial Reporting Board's recommendation RFR 1.1, Supplementary Accounting Rules for Groups, and RFR 2.1, Accounting for Legal Entities, which are applied with respect to the parent company.

Rottneros AB owns 100 % of the shares in the Spanish company Rottneros Miranda S.A. Up to 31 March 2009 this company was included in the consolidated accounts for Rottneros and was consolidated according to the acquisition method in IFRS 3 Business Combinations and IAS 27, Consolidated and Separate Financial Statements. In April 2009 Rottneros Miranda S.A. was subject to a reconstruction procedure under Spanish insolvency law; see the section entitled important events. Rottneros AB no longer has a deciding influence over Rottneros S.A. since the parent company, in connection with this procedure, lost the right to determine the subsidiary's financial and operating strategies for the purpose of making financial gains. The shares in Rottneros Miranda S.A are now instead being reported as a financial asset available for sale in accordance with IAS 39 Financial Instruments: Recognition and Measurement. This means that the shares are valued at fair value and any change in value is recognised in comprehensive income. Other than the above, the accounting principles, definitions of key ratios and calculation methods are the same as those used in the most recent annual report.

Starting from 1 January 2009 Rottneros is applying the revised IAS 1, Presentation of Financial Reports. The amendments have affected Rottneros' accounting in that certain income and expense items which were previously reported under shareholders' equity are now reported as comprehensive income in a separate statement following the consolidated income statement. The changes are effective retroactively from 31 December 2007. From 1 January 2009 Rottneros is applying IFRS 8, Operating Segments, which requires segment information to be presented in the same way as it is presented in the internal reporting. Rottneros does not present any segments in its internal reporting and this standard will therefore not affect the financial statements. No other standards or revised standards have gone into effect that would affect Rottneros' financial position or results.

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 fluctuation 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. The risks that have the greatest impact on the Group's earnings are associated with exchange rates, pulp prices, wood and electricity.

USD

The real flow in USD, which is estimated at around 40 % of the total inflow, can be hedged. Although Rottneros invoices in different currencies, the underlying currency for pulp prices is largely USD. Around 20 % of sales are contracted in EUR. This portion of the sales has been hedged for 2009.

This means that the underlying exposure to USD is very high, while the direct inflow of USD (the real flow) only corresponds to around 40 % of sales. The impact of exchange rate differences on the indirect exposure is delayed, however, due to the fact that the normal duration of a contract is 1 – 3 months. Lower or higher pulp prices in local currencies as a result of a change in the USD rate do not affect the earnings immediately.

The average USD exchange rate was 33 % higher in the first half of 2009 than the same period the previous year, amounting to an average for the period of SEK 8.16/USD compared to SEK 6.13/USD the previous year. The impact on sales of a higher average USD exchange rate compared to SEK in the first half amounted to SEK 200 million compared to the same period in 2008.

At the end of June 2009 currency hedging was in place in the form of forward contracts for EUR 6 million at a rate of SEK 10.26/EUR for deliveries in 2009.

Pulp prices

The price of pulp (NBSK) is set in USD, while production costs are largely incurred in local currencies. Pulp price forward contracts for two and three year periods have been signed. The hedges represent 4,000 tonnes per month in 2009 and expire in September 2009. The level of hedging for the hedges still in place at the end of June amounts to an average of USD 628 per tonne.

Electricity

For 2009 18 % of the electricity consumption has been hedged at SEK 0.25 per kWh. The average price of electricity for the first half on the Nord Pool exchange was around SEK 0.39 per kWh.

For further information on risk, see the 2008 Annual Report, pages 28 – 30.

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 of 30 June 2009. The reference value is the spot rate on 30 June and is provided as supplementary information. The hedge contracts will expire at the end of 2009/beginning of 2010. As a result of the application of IFRS/IAS, these market values are reflected in the balance sheet and, in some cases, in the income statement, but are also shown here as supplementary information.

MARKET VALUE (SEK million) JUNE 2009:

<i>Hedging</i>	<i>Hedged volume</i>	<i>Hedge price</i>	<i>Market value</i>	<i>Reference - spot rate</i> <i>30 June 2009</i>
Currency, EUR, forward	EUR 6 m	10.26 SEK/EUR	-3	10.95 SEK/EUR
Pulp price	12,000 tonnes	628 USD (PIX)	-2	USD 621/7.81 SEK/USD
Electricity	22,085 MWh	SEK 0.251 /kWh	4	SEK 0.448/kWh
Total market value			-1	

MARKET VALUE (SEK million) JUNE 2008:

<i>Hedging</i>	<i>Hedged volume</i>	<i>Hedge price</i>	<i>Market value</i>	<i>Reference - spot rate</i> <i>30 June 2008</i>
Currency, USD, forward	USD 26 m	6.02 SEK/USD	0	5.98 SEK/USD
Currency, EUR, forward	EUR 12 m	9.27 SEK/EUR	-2	9.41 SEK/EUR
Pulp price, in SEK	66,000 tonnes	635 USD (PIX)	-102	USD 905/5.98 SEK/USD
Electricity	92,400 MWh	SEK 0.261 /kWh	36	SEK 0.54/kWh
Total market value			-68	

SALES OF TREASURY SHARES

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

INVESTMENTS AND FINANCIAL POSITION

The Group's investments in fixed assets in the first half of 2009 amounted to SEK 7 (94) million.

The Group's liquid funds at the end of the second quarter amounted to SEK 22 million, compared to SEK 45 million at the end of 2008. As of 30 June 2009 the Group had interest-bearing liabilities totalling SEK 598 million (SEK 744 million as of 31 December 2008) and net borrowing of SEK 576 million (SEK 729 million as of 31 December 2008). Approved but unutilised lines of credit as of 30 June 2009 totalled SEK 69 million. The Group's net debt situation improved by SEK 110 million on 10 July when Rottneros' bond loan was paid off (see also under important events). The equity/assets ratio was 43 % as of 30 June 2009, compared to 40 % as of 31 December 2008. Shareholders' equity per share was SEK 3.55 (SEK 4.49 as of 31 December 2008).

CASH FLOW

Cash flow from operations before investments in the first half of 2009 amounted to SEK 34 (-2) million and included cash flow from financial hedging of SEK 6 (-39) million. The cash flow after investment activity was SEK 145 (-96) million.

AVERAGE NUMBER OF EMPLOYEES

The average number of employees during the first half of 2009 was 498 (704).

OUTLOOK FOR 2009

The pulp market has been weak during the first half of the year with falling prices and lower delivery levels than the previous year. The balance between supply and demand has, however, slowly improved as the large stocks of pulp among producers have been reduced by both permanent closures and production cuts. The sharp negative USD price trend has, however, been partially compensated for by the fact that the dollar rate has strengthened, although this trend has ended at the same time as pulp prices have fallen to unprofitable levels. The pulp market is only expected to improve slowly due to weak demand for paper and board in the global market, although the current balance between supply and demand leaves room for pulp prices to be raised. Among inputs, the price of wood has been reduced as a result of the weak economy. The price of electricity has also been high but is showing signs of a falling trend. It is likely that the downward pressure on the price of raw materials will continue while the economy is weak.

The company is not providing a forecast for 2009.

In the quarterly report published on 23 April 2009 the following statements were made:

The pulp market has weakened causing price and delivery levels to fall. At this time there is an excess supply of pulp and producer stock levels are too high. The negative USD price trend has, however, been partially compensated for by the significant strengthening of the USD rate, although this trend has slowed at the same time as pulp prices have continued to fall. The pulp market is expected to remain weak in the first half of 2009 due to weak demand for paper and board in the global market. Among inputs, the price of wood is high despite the fact that the downturn in the sawmill and pulp industries is forcing down the price of sawn timber and pulpwood and price decreases have been announced. The price of electricity has also remained high but is showing signs of a falling trend. It is likely that the downward pressure on the price of raw materials will continue while the economy is weak.

In the year-end release published on 3 February 2009, the following statements were made:

The pulp market weakened in the fourth quarter, which caused price and delivery levels to fall. At this time there is an excess supply of pulp. The negative USD price trend has, however, been partially compensated for by the significant strengthening of the USD dollar rate, although this trend slowed in December at the same time as the price of pulp continued to fall. The pulp market is expected to remain weak in the beginning of 2009 due to weak demand for paper and board on the global market. Among inputs, the price of wood remains high despite the fact that the downturn in the sawmill and pulp industries is forcing down the price of sawn timber and pulpwood. The price of electricity has also remained high, but is now showing signs of a falling trend. The price of oil fell sharply and it is likely that the downward pressure on the price of raw materials will continue while the economy is weak.

UPCOMING FINANCIAL INFORMATION

23 October 2009 - Interim Report January – September 2009
2 February 2010 - Year-end release for 2009

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

This half-year report gives a true and fair overview of the company's and the Group's operations, financial position and results and describes significant risks and uncertainties that the company and the companies in the Group face.

Upplands Väsby, 24 July 2009

Rune Ingvarsson
Chairman of the Board

Bengt-Åke Andersson
Roger Asserstål
Per Eiritz
Johan Holmgren
Mikael Lilja
Kjell Ormegard
Ingrid Westin Wallinder

Ole Terland
President and Chief Executive Officer

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

President and CEO Ole Terland and CFO Karl Ove Grönqvist will be available on 24 July at tel. +46 8 407 21 02 between 8 a.m. and 8.45 a.m.

Conference for analysts and journalists

Analysts and journalists are invited to a conference on 24 July at 9 a.m. at the offices of Hallvarsson & Halvarsson, Sveavägen 20, Stockholm, tel. +46 8 407 20 00.

Register with Sara Höglund, e-mail: sara.hoglund@halvarsson.se, tel. +46 8 407 22 59

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CONSOLIDATED PROFIT/LOSS ACCOUNTS (SEK million)

	Apr - Jun 2009	Apr - Jun 2008	Jan - Jun 2009	Jan - Jun 2008	Full year 2008
Net turnover	367	780	800	1 528	2 663
Change in inventories, finished goods	-55	-92	-137	-52	-33
Other income	84	18	102	14	91
Total income	396	706	765	1 490	2 721
Raw materials and consumables	-223	-454	-480	-960	-1 747
Other costs	-86	-168	-197	-371	-630
Personnel costs	-56	-103	-137	-259	-426
Depreciation	-23	-29	-53	-58	-224
Total operating costs	-388	-754	-867	-1 648	-3 027
Operating income	8	-48	-102	-158	-306
Financial income	-	1	-	2	4
Financial expenses	-5	-10	-10	-23	-83
Net financial items	-5	-9	-10	-21	-79
Income after net financial items	3	-57	-112	-179	-385
Tax on income for the year	-	17	-	50	54
Net profit/loss after tax	3	-40	-112	-129	-331
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⁾	0,02	-0,23	-0,62	-0,72	-1,84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK million)

	Apr - Jun 2009	Apr - Jun 2008	Jan - Jun 2009	Jan - Jun 2008	Full year 2008
Net profit/loss after tax	3	-40	-112	-129	-331
Other comprehensive income					
Cash-flow hedging, income before tax	-8	37	-3	29	100
Cash-flow hedging, tax effect	1	-10	-	-8	-28
Effect on deferred tax of change in Swedish tax rate	-	-	-	-	3
Exchange rate differences	-2	-1	-2	-	16
Reclassification adjustment Miranda ⁵⁾	-54	-	-54	-	-
Total other comprehensive income	-63	26	-59	21	91
Total comprehensive income for the period	-60	-14	-171	-108	-240
Key indicators that affect turnover					
Pulp price NBSK, USD ³⁾	591	900	593	889	852
USD/SEK ⁴⁾	7,92	5,99	8,16	6,13	6,58
Pulp price NBSK, SEK	4 685	5 391	4 840	5 450	5 617
Rottneros' deliveries, tonnes	99 400	186 300	205 100	362 400	617 900

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.

⁵⁾ Cumulative amount of exchange differences reclassified from equity to profit or loss according to IAS 21.

CONSOLIDATED BALANCE SHEET (SEK million)

	Jun 2009	Jun 2008	Dec 2008
Intangible fixed assets	10	29	24
Tangible fixed assets	724	1 039	1 002
Financial fixed assets	169	141	123
Total fixed assets	903	1 209	1 149
Inventories	282	464	447
Current receivables	274	583	391
Liquid funds	22	156	45
Total current assets	578	1 203	883
Total assets	1 481	2 412	2 032
Shareholders' equity	639	942	810
Longterm liabilities			
Interest-bearing	558	171	692
Non interest-bearing	-	44	14
Total longterm liabilities	558	215	706
Current liabilities			
Interest-bearing	40	547	82
Non interest-bearing	244	708	434
Total current liabilities	284	1 255	516
Total shareholders' equity and liabilities	1 481	2 412	2 032

CASH-FLOW ANALYSIS (SEK million)

	Jan - Jun 2009	Jan - Jun 2008	Jan - Dec 2008
Operating income	-102	-158	-306
Adjustment for non cash-flow items			
Depreciation	55	58	224
Profit/loss from disposal of fixed assets	-55	5	-18
Profit from disposal of CO2 allowances	-	-55	-19
Other non cash-flow items	36	71	29
	-66	-79	-90
Paid financial items	-18	-24	-49
Paid taxes	-	-6	-5
Cash-flow from current operations before change in working capital	-84	-109	-144
Change in working capital	118	52	95
Cash-flow from current operations	34	-57	-49
Acquisition of fixed assets	-7	-94	-191
Sale of fixed assets	118	-	21
Cash-flow from capital investments	111	-94	-170
New loans	1	132	561
Repayment of loans	-170	-1	-426
Cash-flow from financing	-169	131	135
Cash-flow for the period/year	-24	35	-84
Liquid funds at beginning of year	45	121	121
Cash-flow for the period/year	-24	35	-84
Translation difference in liquid funds	1	-	8
Liquid funds at end of period/year	22	156	45

SHARE DATA¹⁾

		Jun 2009	Jun 2008	2008	2007	2006	2005	2004
No. of shares at beginning of period ²⁾	No.	180 212	180 212	180 212	180 212	180 212	180 212	180 722
No. of company's own shares bought back ²⁾	No.	-	-	-	-	-	-	510
No. of shares at end of period ²⁾	No.	180 212	180 212	180 212	180 212	180 212	180 212	180 212
Average number of shares ²⁾	No.	180 212	180 212	180 212	180 212	180 212	180 212	180 392
Operating profit or loss/share	SEK	-0,56	-0,88	-1,69	-2,00	-0,04	-0,50	-0,64
Earnings after net financial items/share	SEK	-0,62	-0,99	-2,13	-2,13	-0,13	-0,57	-0,67
Earnings after tax/share	SEK	-0,62	-0,72	-1,84	-1,67	-0,05	-0,35	-0,50
Operating cash-flow/share ³⁾	SEK	0,15	0,50	-1,33	-0,56	0,19	-2,28	-0,41
Equity/share	SEK	3,55	5,23	4,49	5,83	7,78	8,45	9,28
Dividend	SEK	-	-	-	-	0,10	0,10	0,20
Dividend/equity per share	%	-	-	-	-	1,3	1,2	2,2
Share price at end of period	SEK	1,67	1,50	1,05	2,31	6,55	6,80	7,55
Share price/equity per share	Times	0,5	0,3	0,2	0,4	0,8	0,8	0,8
P/E ratio	Times	Neg	Neg	Neg	Neg	Neg	Neg	Neg
Direct yield ⁴⁾	%	-	-	-	-	1,5	1,4	2,6

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.

CHANGE IN SHAREHOLDERS' EQUITY (SEK million)

	Jan - Jun 2009	Jan - Jun 2008	Full year 2008
Opening shareholders' equity	810	1 050	1 050
Total comprehensive income for the period ¹⁾	-171	-108	-240
Closing shareholders' equity	639	942	810

¹⁾ Recalculated in respect of changes in IAS 1.

QUARTERLY DATA (SEK million)

	2009		2008				2007			
	II	I	IV	III	II	I	IV	III	II	I
Net turnover	367	433	534	601	780	748	721	687	779	740
Operating profit/loss before depreciation	31	-80	4	14	-19	-81	9	-44	51	60
Depreciation	-23	-30	-139	-27	-29	-29	-320	-38	-40	-38
Operating profit/loss	8	-110	-135	-13	-48	-110	-311	-82	11	22
Net financial items	-5	-5	-34	-24	-9	-12	-10	-	-6	-8
Profit/loss after financial items	3	-115	-169	-37	-57	-122	-321	-82	5	14
Tax	-	-	-9	13	17	33	71	22	-1	-9
Profit/loss after tax	3	-115	-178	-24	-40	-89	-250	-60	4	5
Pulp production, 1 000 tonnes	88,8	89,5	119,5	136,3	162,6	184,3	190,0	177,9	186,1	176,1
Pulp deliveries, 1 000 tonnes	99,4	105,7	118,4	137,1	186,3	176,1	174,2	164,5	193,2	182,9

PARENT COMPANY PROFIT/LOSS ACCOUNTS (SEK million)

	Apr - Jun 2009	Apr - Jun 2008	Jan - Jun 2009	Jan - Jun 2008	Full year 2008
Net turnover	369	781	808	1 530	2 674
Change in inventories, finished goods	-	-1	-	-1	-2
Other income	20	8	35	11	57
Total income	389	788	843	1 540	2 729
Raw materials and consumables	-368	-769	-795	-1 507	-2 627
Other costs	-69	-40	-93	-77	-138
Personnel costs	-9	-13	-17	-24	-50
Depreciation	-1	-1	-2	-3	-6
Total operating costs	-447	-823	-907	-1 611	-2 821
Operating income	-58	-35	-64	-71	-92
Financial income	4	13	17	25	87
Financial expenses	-7	-12	-19	-22	-225
Net financial items	-3	1	-2	3	-138
Income after net financial items	-61	-34	-66	-68	-230
Tax on income for the year	-	11	-	20	25
Net profit/loss after tax	-61	-23	-66	-48	-205

PARENT COMPANY BALANCE SHEET (SEK million)

	Jun 2009	Jun 2008	Dec 2008
Intangible fixed assets	3	11	5
Tangible fixed assets	-	24	2
Financial fixed assets	409	533	359
Total fixed assets	412	568	366
Inventories	-	2	3
Current receivables	903	1 200	1 165
Liquid funds	4	69	5
Total current assets	907	1 271	1 173
Total assets	1 319	1 839	1 539
Shareholders' equity	484	707	550
Longterm liabilities			
Interest-bearing	541	150	673
Total longterm liabilities	541	150	673
Current liabilities			
Interest-bearing	35	556	68
Non interest-bearing	259	426	248
Total current liabilities	294	982	316
Total shareholders' equity and liabilities	1 319	1 839	1 539

SIX YEAR REVIEW

	Jan - Jun 2009	Jan - Jun 2008	2008	2007	2006	2005	2004	Total	
						Remaining operations	Remaining Total operations		
Key indicators that effect turnover									
Pulp price NBSK, USD ¹⁾	593	889	852	794	675	611	617		
USD/SEK ²⁾	8,16	6,13	6,58	6,76	7,37	7,48	7,35		
Pulp price NBSK, SEK	4 840	5 450	5 617	5 368	4 977	4 565	4 532		
Rottneros' deliveries, tonnes	205 100	362 400	617 900	714 700	699 500	666 700	625 000		
Turnover and income, SEK million									
Net turnover	800	1 528	2 663	2 927	2 690	2 411	2 429	2 356	
Profit/loss before depreciation	-49	-100	-82	75	148	9	48	129	
Depreciation	-53	-58	-224	-435	-155	-138	-138	-223	
Operating profit/loss after depreciation	-102	-158	-306	-360	-7	-129	-90	-114	
Net financial items	-10	-21	-79	-24	-16	-12	-13	-7	
Profit/loss after net financial items	-112	-179	-385	-384	-23	-141	-103	-121	
Profit/loss after tax	-112	-129	-331	-301	-8	-91	-63	-91	
Balance sheet items, SEK million									
Fixed assets	903	1 209	1 149	1 123	1 363	1 435	1 349		
Inventories	282	464	447	493	397	430	474		
Current receivables	274	583	391	572	570	595	572		
Liquid funds	22	156	45	121	122	125	157		
Assets from discontinued operations	-	-	-	-	-	26	16		
Shareholders' equity	639	942	810	1 050	1 403	1 523	1 673		
Long-term interest-bearing liabilities	558	171	692	173	177	180	186		
Long-term non interest-bearing liabilities	0	44	14	49	85	118	174		
Current interest-bearing liabilities	40	547	82	452	304	375	56		
Current non interest-bearing liabilities	244	708	434	585	483	405	472		
Liabilities from discontinued operations	-	-	-	-	-	10	7		
Balance sheet total	1 481	2 412	2 032	2 309	2 452	2 611	2 568		
Financial ratios									
Operating margin	%	-12,7	-10,4	-11,5	-12,3	-0,3	-5,3	-3,7	-1,5
Profit margin	%	-14,0	-11,7	-14,4	-13,1	-0,9	-5,8	-4,2	-1,7
Return on capital employed	%	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg
Return on equity after full tax	%	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg
Equity/assets ratio	%	43	39	40	45	57	58	58	65
Debt/equity ratio	Times	0,9	0,8	1,0	0,6	0,3	0,4	0,4	0,2
Interest cover	Times	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg
Other									
Capital expenditure	SEK m	7	94	191	163	113	234	234	283
Average no. of employees		498	704	667	718	754	804	804	835

¹⁾ Source: PIX/Market Pulse

²⁾ Source: Swedish central bank yearly average