

- The loss after net financial items for the first nine months of 2007 was SEK -63 (-44) million.
- The loss after net financial items for the third quarter of 2007 was SEK -82 (1) million. The quarter was negatively impacted by costs of around SEK 30 million relating to annual maintenance shutdowns at the mills in Vallvik and Rottneros. Provisions were made in the amount of SEK 10 million in the third quarter for staff cuts to reduce the headcount by 30 at the Rottneros Mill.
- Increased raw material costs and a wood shortage had a negative impact on the January to September result in the amount of SEK 141 million, compared to the same period the previous year. Wood prices are expected to remain high for the rest of the year.
- The company is anticipating a strong pulp market. The price increases in USD announced with effect from the beginning of October have been set and the prices are expected to remain the same for the rest of the year. The weak USD rate has considerably reduced the impact of these price increases.
- A main study in the South Africa project will be finished in the beginning of 2008. If the project is implemented, Rottneros will become a joint owner in an independent company that will have the potential to achieve good profitability.
- The decision to invest in a new production plant for SilviPak in Miranda, Spain, has further increased the market interest in this type of packaging.
- Rottneros' CEO Lars Blecko announced on 2 October that he is leaving Rottneros to take up a new post as CEO of the cash handling company Loomis, which is a subsidiary of Securitas. Lars Blecko has been President and CEO of Rottneros since autumn 1999.
- The company will not be providing a forecast for the full year 2007.

		2007	2006
Net turnover, MSEK	Jan–Sept	2,206	1,977
	Jul–Sept	687	662
Income after net financial items, MSEK	Jan–Sept	-63	-44
	Jul–Sept	-82	1
Earnings per share after net financial items, SEK	Jan–Sept	-0.35	-0.25
	Jul–Sept	-0.45	0.00
Profit/loss after tax, MSEK	Jan–Sept	-51	-32
	Jul–Sept	-60	-1
Earnings per share after tax, SEK	Jan–Sept	-0.28	-0.18
	Jul–Sept	-0.33	0.00
Cash flow per share	Jan–Sept	0.21	-0.29
	Jul–Sept	-0.05	-0.09
Shareholders' equity per share, SEK		7.19	7.78
Equity/assets ratio, %		52%	57%

## THE PULP MARKET

### MARKETS AND PRODUCTS

The market for all grades of pulp continued to develop well in 2007. Delivery capacity utilisation for bleached chemical pulp globally for the January–August period was 94 % (96 % for the same period in 2006). Production capacity utilisation for the same period was 95 % (96 %).

The price of bleached long-fibre chemical pulp for January–September amounted to an average of USD 777 per tonne (July–September USD 803 per tonne). Price increases were implemented gradually during the third quarter resulting in an increase in the price of long-fibre chemical pulp (NBSK) to SEK 830 USD/tonne. The price of short-fibre chemical pulp was increased during the third quarter from USD 700 to USD 720.

Global producer stocks of bleached chemical pulp were at 2 945 000 tonnes at the beginning of the year, and at the end of August, the preliminary figure was 3 144 000 tonnes.

### LONG-FIBRE CHEMICAL PULP (NBSK)

(produced in Vallvik)

The price at the beginning of the year was USD 730 per tonne. The price was increased on several occasions during the year and in the third quarter further price increases were implemented up to USD 830 per tonne. The robust growth in the long-fibre chemical pulp market continued during the quarter and there is currently a good balance between supply and demand.

Delivery capacity utilisation for the January–August period was 95 % (96 % for the same period in 2006), and production capacity utilisation for the same period was 96 % (95 %). Delivery capacity utilisation for the July–August period was 96 % (92 % for July–August 2006), and production capacity utilisation was 100 % (96 %).

### SHORT-FIBRE CHEMICAL PULP

(produced in Miranda)

The price of eucalyptus pulp (BEK) was raised during the year from USD 670 per tonne to USD 720 per tonne. The average price for the January–September period amounted to USD 686 per tonne and for July–September, USD 710 per tonne. Further increases in the price have been announced effective at the beginning of October and the price of eucalyptus pulp

has been raised to USD 750 per tonne.

Delivery capacity utilisation for the January–August period was 92 % (96 % for the same period the previous year), and production capacity utilisation for the same period was 93 % (97 %). Delivery capacity utilisation for the July–August period was 92 % (90 % for July–August 2006), and production capacity utilisation was 94 % (96 %).

### MECHANICAL PULP AND CTMP

(produced in Rottneros, Rockhammar and Utansjö)

The price of short-fibre CTMP increased in the third quarter to the same extent as the price of short-fibre chemical pulp, i.e. by USD 20. Further price increases have been announced with effect from the beginning of October and the price of eucalyptus pulp has been raised by USD 30 per tonne. The period was characterised by both high demand and high production levels. Delivery capacity utilisation for the January–August period was 98 % (99 % for the same period in 2006), and production capacity utilisation was 96 % (95 %).

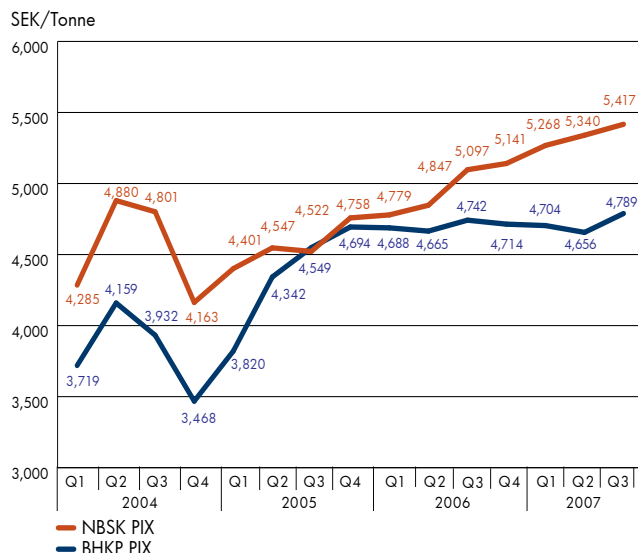
Delivery capacity utilisation for the January–September period was 98 % (100 % for the same period 2006 and the production capacity utilisation was 96 % (95 %).

### PRODUCTION AND DELIVERIES

The Group's five mills in Rottneros, Rockhammar, Utansjö, Vallvik and Miranda in Spain have a combined production capacity of just over 700,000 tonnes per year. Production during the first nine months of the year amounted to 540,100 (517,800) tonnes, an increase of 4 %. Production during the third quarter amounted to 177,900 (167,700) tonnes, an increase of 6 %. Calculated over a rolling twelve-month period, the production level amounts to 721,000 tonnes, which is a new record. Production during the year, mainly in the first quarter, was affected by a wood shortage. Annual maintenance shutdowns were implemented in Vallvik and Rottneros in the third quarter and will be carried out 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.

Deliveries from the mills in the first nine months of 2007 amounted to 540,600 (520,600) tonnes, which is 20,000 tonnes

### DEVELOPMENT OF PIX PRICES IN SEK



### PRODUCTION (TONNES)

	Jul–Sep 2007	Jul–Sep 2006	Jan–Sep 2007	Jan–Sep 2006
Sulphate pulp	84,200	79,200	259,000	250,000
Magnefite pulp	–	–	–	–
Groundwood pulp	35,900	35,300	113,400	106,800
CTMP	57,800	53,200	167,700	161,000
<b>TOTAL</b>	<b>177,900</b>	<b>167,700</b>	<b>540,100</b>	<b>517,800</b>

### DELIVERIES (TONNES)

	Jul–Sep 2007	Jul–Sep 2006	Jan–Sep 2007	Jan–Sep 2006
Sulphate pulp	79,600	80,100	257,900	251,800
Magnefite pulp	–	–	–	–
Groundwood pulp	29,400	36,100	109,100	105,500
CTMP	55,500	52,500	173,600	163,300
<b>TOTAL</b>	<b>165,500</b>	<b>168,700</b>	<b>540,600</b>	<b>520,600</b>

more than the previous year. During the third quarter, deliveries amounted to 164,500 (168,700) tonnes.

The average capacity utilisation at the mills during the period was 100 % (95), which breaks down as sulphate 99 % (96), groundwood pulp 98 % (93) and CTMP 101 % (95).

## INVOICED SALES AND RESULTS JANUARY-SEPTEMBER 2007

The Group's net turnover amounted to SEK 2,206 million (1,977). As the Rottneros Packaging operation is in the build-up phase, the accounts for this business area are not reported separately.

Sales for the period were SEK 229 million higher than the previous year, mainly due to: increased delivery levels (SEK 77 million), a weaker USD (SEK -187 million) and higher pulp prices in USD (SEK 339 million). The average price of long-fibre sulphate pulp (NBSK) expressed in USD increased from USD 658 to USD 777, while the average price of NBSK pulp converted into SEK increased from SEK 4,915 to SEK 5,344 per tonne, an increase of 9 %. The average price in USD of eucalyptus pulp (BEK) increased from USD 629 to USD 686 per tonne or by 9 %, while the corresponding average price converted into SEK increased from SEK 4,641 to SEK 4,718 per tonne, a marginal increase of just under 2 %.

The ongoing cost-cutting programme resulted in cost savings for the period of around SEK 70 million and is expected to reach the target of SEK 85 million in 2007.

The price of electricity on Nord Pool, which increased dramatically last year, averaged SEK 0.24 per kWh this year. 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 just under SEK 0.50 per kWh.

The supply of wood was disrupted during the period by a number of different factors and this led to rising wood prices. The poor wood supply also caused an increase in wood transportation costs due to the longer distances travelled. All in all, wood costs were SEK 141 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 main study, which is now in an intensive final phase, 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 joint owner in an independent company that will have the potential to achieve good profitability.

The Group's operating loss was SEK -49 million (-34).

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 141 million. Electricity costs, taking into account effective electricity hedges, were SEK 27 million lower during the period than the corresponding period in 2006. Profits for January to September 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. The third quarter 2007 result was charged with a provision of SEK 10 million for restructuring measures in Rottneros involving cutting around 30 jobs in connection with a decision to invest in a new control room and a new shipment line. Realised hedging activities during the first nine months produced a result that was SEK 165 million lower than the previous year, amounting to SEK -84 million (81).

The Group's loss after net financial items was SEK -63 million (-44) and includes a net financial expense of SEK 14 million (-10). The loss after tax was SEK -51 million (-32). The tax cost for the period includes an adjustment for temporary differences. The Group's estimated tax rate without this adjustment is around 27 %. Earnings per share after tax amounted to SEK -0.28 (-0.18). The cash flow per share was SEK 0.21 (-0.29)

## JULY-SEPTEMBER 2007 COMPARED TO JULY-SEPTEMBER 2006

The Group's net turnover amounted to SEK 687 million (662).

Sales for 2007 were SEK 25 million higher than the previous year, mainly due to: lower delivery levels (SEK -17 million), a weaker USD (SEK -46 million) and higher pulp prices in USD (SEK 88 million). The average price of long-fibre sulphate pulp (NBSK) expressed in USD increased from USD 704 to USD 803, while the average price of NBSK pulp converted into SEK increased from SEK 5,097 to SEK 5,417 per tonne, an improvement of 6 %. The average price in USD of eucalyptus pulp (BEK) increased from USD 655 to USD 710 per tonne or by 8 %, while the corresponding average price converted into SEK fell from SEK 4,742 to 4,789 per tonne.

The Group's operating profit amounted to SEK -82 million (11).

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 67 million. Electricity costs, taking into account electricity hedges, were SEK 5 million lower for the quarter than the same period in 2006. The third quarter 2007 result was charged with a provision of SEK 10 million for restructuring measures in

### PROFIT/LOSS AFTER FINANCIAL ITEMS

Parent Company	2007			2006				Year
	III	II	I	IV	III	II	I	
<b>Profit/loss after financial items</b>	<b>-82</b>	<b>5</b>	<b>14</b>	<b>21</b>	<b>1</b>	<b>-2</b>	<b>-43</b>	<b>-23</b>
Whereof								
Currency hedges	6	2	6	14	7	9	6	36
Pulp price hedges	-16	-15	-12	-8	-	-	-	-8
Electricity hedges	-22	-19	-14	14	29	15	15	73
<b>Total hedges</b>	<b>-32</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>-</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>4</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>15</b>

Rottneros (see above). The result of realised hedging activities during the quarter amounted to SEK -32 million (36).

The Group's loss after net financial items amounted to SEK -82 million (1) and this includes a net financial expense of SEK 0 million (-10). The loss after tax was SEK -60 million (-1). Earning per share after tax were SEK -0.33 (0.00). The cash flow per share was SEK -0.05 (0.09).

#### JULY-SEPTEMBER 2007 COMPARED TO APRIL-JUNE 2007

Sales during the quarter were SEK 92 million lower than the second quarter of 2007. The reduction is mainly due to: lower delivery levels (SEK -116 million), a weaker USD (SEK -12 million), higher pulp prices in USD (SEK 22 million) and other changes (SEK 14 million). The continued pulp price increases had only a minor impact during the quarter due to the lower USD rate.

The reason for the difference in profits between the quarters relates to the maintenance shutdowns carried out, the cost of which affected the third quarter by around SEK 30 million. The shutdown also resulted in production losses estimated at around SEK 11 million. The production volume in the third quarter was around 8,200 tonnes lower than the second quarter. In addition, a provision of SEK 10 million was made for restructuring in Rottneros and this affected the third quarter. The cost of wood continued to rise in the third quarter and costs were a total of SEK 14 million higher than the second quarter. The cost of electricity was SEK 10 million higher in the third quarter than the second quarter. Realised hedging activities resulted in a loss in the third quarter of SEK -32 million, compared to SEK -32 million for the second quarter of 2007. The loss after financial items for the third quarter of 2007 amounted to SEK -82 million, compared to SEK 5 million for the second quarter of 2007.

#### PARENT COMPANY

The parent company's loss after net financial items for the first nine months amounted to SEK -108 million (60). 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 loss includes realised hedging activities for the entire Group which impacted profits by SEK -84 million (81). The parent company's operations include the Rottneros Packaging business area, which, as it is in the start-up phase, involves a cost burden.

The parent company's loss after net financial items for the second quarter amounted to SEK -45 million (34). This includes a loss of SEK -32 million (36) 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 opera-

tion is still in the build-up phase, the accounts for this business area are not reported separately.

The Board of Directors has decided to increase SilviPak's production capacity by investing in a new factory for the production of packaging adjacent to the pulp mill in Miranda, Spain. This is an investment of SEK 50 million and the factory is expected to go into operation 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 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, 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 %, has been hedged for 2007 and 2008.

The average USD exchange rate during the first nine months of 2007 was 8 % lower than the previous year, at an average rate for the period of 6.88 compared to 7.47 the previous year. The impact on the turnover of a lower average USD rate against SEK during the period amounted to SEK -187 million, compared with the previous year. Meanwhile, the price of NBSK pulp continued to rise, amounting to USD 777 for the nine months of 2007 compared to USD 658 the previous year. All in all, this has resulted in an average improvement in the NBSK price in SEK of around 9 % for the first nine months of 2007 compared to the same period the previous year.

At the end of September, currency hedging in the form of forward contracts was in place for USD 41 million, at an average price of SEK 6.96 per USD. These contracts cover the last



quarter. In addition, forward contracts were in place at the end of the quarter for EUR 31 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 633 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 0.30. 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 nine months was around SEK 0.24 per kWh, compared to SEK 0.45 per 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 September 2007. The reference value is the spot rate as of 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.

#### 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 nine months of 2007 amounted to around SEK 70 million.

Following the announcement on the initiation of negotiations on the closure of Utansjö Mill, the cost-cutting programme was expanded in August 2006 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 ask management to enter into negotiations regarding further staff cuts at Rottneros Mill to reduce the head count by about 30. To make this staff reduction possible, an investment of around SEK 20 million in a new control room and shipment line has been proposed.

#### BUY-BACK AND SALE OF THE COMPANY'S OWN 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 nine months of 2007 amounted to SEK 116 million (71).

The largest investment project in progress at this time is the investment in a new turbine in Vallvik. The investment is amounting to around SEK 90 million. The new turbine, which will raise the level of self-sufficiency in electricity at Vallvik Mill from around 70 % to almost 100 %, was installed in conjunction with the maintenance shutdown in Vallvik in Sep-

#### MARKET VALUE (SEK MILLION) JUNE 2007:

Hedging	Hedged volume	Hedge price	Market value	Reference – spot rate 30 June 2006
Currency, USD, forward	41 MUSD	6.96 SEK/USD	21	6.52 SEK/USD
Currency, EUR	31 MEUR	9.28 SEK/EUR	3	9.23 SEK/EUR
Pulp price	111,000 tonnes	633 USD (PIX)	-79	USD 820/6.52 SEK/USD
Electricity	301,700 MWh	29.9 öre/kWh	26	25.1 öre/kWh
<b>Total market value</b>			<b>29</b>	

#### MARKET VALUE (SEK MILLION) JUNE 2006:

Hedging	Hedged volume	Hedge price	Market value	Reference – spot rate 30 June 2006
Currency, USD, forward	28 MUSD	8.87 SEK/USD	6	7.33 SEK/USD
Currency, EUR, forward	29 MEUR	9.30 USD/EUR	1	9.28 SEK/EUR
Pulp price	144,000 tonnes	627.50 USD (PIX)	-57	USD 712/7.33 SEK/USD
Electricity	469,000 MWh	26.8 öre/kWh	108	53.5 öre/kWh
<b>Total market value</b>			<b>58</b>	

tember 2007. As a result, the amount of electricity purchased externally will be reduced by around 50 GWh per year.

Liquid funds at the end of the period amounted to SEK 94 million compared to SEK 122 million at the end of 2006. As of 30 September 2007, the company had interest-bearing liabilities totalling SEK 468 million (531) and net borrowing of SEK 374 million (421). The interest-bearing liabilities have thus been reduced during the course of one year by SEK 63 million. Approved but unutilised lines of credit totalled SEK 361 million. The equity/assets ratio was 52 % compared to 57 % the previous year. The shareholders' equity per share amounted to SEK 7.19 (7.78 on 31 December 2006).

### CASH FLOW

The cash flow from current operations before investments improved considerably, amounting to SEK 154 million (21) and included cash flow from financial hedging of SEK -81 million (79). The cash flow after investment activity amounted to SEK 38 million (-48). Investments were financed by cash flow from operations.

### AVERAGE NUMBER OF EMPLOYEES

The average number of employees for the reporting period was 733 (765).

### OUTCOME FOR 2007

During the third quarter of 2007 and from October, further price increases were implemented, and accordingly the price of long-fibre chemical pulp (NBSK) has been raised to USD 830/tonne and the price of short-fibre chemical pulp to USD 750/tonne. The company expects the pulp market to remain strong with further price increases to come.

The effect of the USD price trend on the pulp price in SEK has, however, been reduced by the falling USD rate, and overall the price increases have not been sufficient to compensate for the increased raw material costs. The price of long-fibre pulp is expected to remain the same in the fourth quarter, while a new price level for short-fibre pulp will be established. 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 27 July 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 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) has*

*been 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

1 February 2008      Year-end release for 2007

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

Upplands Väsby, 25 October 2007

Lars Blecko  
President and Chief Executive Officer

### REVIEW REPORT

We have reviewed the financial report for Rottneros AB (publ) for the period 1 January – 30 September 2007. It is the responsibility of the Board of Directors to prepare and present these interim financial statements in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on the interim financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially limited in scope compared to the focus and scope of an audit conducted in accordance with the Standards on Auditing in Sweden (RS) and the generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant circumstances that might be identified in an audit. Therefore, the opinion expressed based on a review does not give the same level of assurance as an opinion expressed on the basis of an audit.

On the basis of our review, nothing has come to our attention that causes us to believe that the interim report was not, in all material aspects, prepared in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, 25 October 2007  
Öhrlings PricewaterhouseCoopers AB

Magnus Brändström  
Authorised Public Accountant

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

	Jul-Sept 2007	Jul-Sept 2006	Jan–Sept 2007	Jan–Sept 2006	Full year 2006
Net turnover	687	662	2 206	1,977	2,690
Change in inventories, finished goods	45	-4	24	-10	-4
Other income	4	28	39	79	97
<b>Total income</b>	<b>736</b>	<b>686</b>	<b>2 269</b>	<b>2,046</b>	<b>2,783</b>
Raw materials and consumables	-470	-383	-1 358	-1,155	-1,573
Other costs	-205	-163	-539	-483	-643
Personnel costs	-105	-93	-305	-329	-419
Depreciation	-38	-36	-116	-113	-155
<b>Total operating costs</b>	<b>-818</b>	<b>-675</b>	<b>-2 318</b>	<b>-2,080</b>	<b>-2,790</b>
<b>Operating income</b>	<b>-82</b>	<b>11</b>	<b>-49</b>	<b>-34</b>	<b>-7</b>
Financial income	8	-4	10	6	7
<b>Financial expenses</b>	<b>-8</b>	<b>-6</b>	<b>-24</b>	<b>-16</b>	<b>-23</b>
<b>Net financial items</b>	<b>0</b>	<b>-10</b>	<b>-14</b>	<b>-10</b>	<b>-16</b>
<b>Income after net financial items</b>	<b>-82</b>	<b>1</b>	<b>-63</b>	<b>-44</b>	<b>-23</b>
Tax on income for the year	22	-2	12	12	15
<b>Net profit/loss after tax</b>	<b>-60</b>	<b>-1</b>	<b>-51</b>	<b>-32</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>	-0.33	0.00	-0.28	-0.18	-0.05
<b>Key indicators that affect turnover</b>					
Pulp, price, NBSK, USD <sup>3)</sup>	803	704	777	658	675
USD/SEK <sup>4)</sup>	6.75	7.24	6.88	7.47	7.37
Pulp price NBSK, SEK	5,417	5,097	5,344	4,915	4,977
Rottneros' deliveries, tonnes	164,500	168,700	540,600	520,600	699,500

<sup>1)</sup> The number of shares is given in thousands.<sup>3)</sup> Source: PIX/Market Pulse.<sup>2)</sup> There are no programs that lead to dilution.<sup>4)</sup> Source: Swedish central bank yearly average.**PARENT COMPANY PROFIT/LOSS ACCOUNTS (SEK MILLION)**

	Jul-Sept 2007	Jul-Sept 2006	Jan–Sept 2007	Jan–Sept 2006	Full Year 2006
Net turnover	677	667	2,193	1,991	2,689
Change in inventories, finished goods	-1	-	-	-	-
Other income	14	38	62	101	140
<b>Total income</b>	<b>690</b>	<b>705</b>	<b>2,255</b>	<b>2,092</b>	<b>2,829</b>
Raw materials and consumables	-691	-630	-2,225	-1,910	-2,596
Other costs	-42	-31	-120	-99	-139
Personnel costs	-8	-5	-25	-20	-30
Depreciation	-1	-2	-4	-4	-5
<b>Total operating costs</b>	<b>-742</b>	<b>-668</b>	<b>-2,374</b>	<b>-2,033</b>	<b>-2,770</b>
<b>Operating income</b>	<b>-52</b>	<b>37</b>	<b>-119</b>	<b>59</b>	<b>59</b>
Financial income	15	5	35	22	84
<b>Financial expenses</b>	<b>-7</b>	<b>-6</b>	<b>-24</b>	<b>-21</b>	<b>-21</b>
<b>Net financial items</b>	<b>8</b>	<b>-1</b>	<b>11</b>	<b>1</b>	<b>63</b>
<b>Income after net financial items</b>	<b>-44</b>	<b>36</b>	<b>-108</b>	<b>60</b>	<b>122</b>
Tax on income for the year	14	-10	22	-17	-9
<b>Net profit/loss after tax</b>	<b>-30</b>	<b>26</b>	<b>-86</b>	<b>43</b>	<b>113</b>

## CONSOLIDATED BALANCE SHEET (SEK MILLION)

	Sep 2007	Sep 2006	Dec 2006
Intangible fixed assets	24	34	36
Tangible fixed assets	1,287	1,298	1,284
Financial fixed assets	41	43	43
<b>Total fixed assets</b>	<b>1,352</b>	<b>1,375</b>	<b>1,363</b>
Inventories	475	416	397
Current receivables	589	689	570
Liquid funds	94	110	122
<b>Total current assets</b>	<b>1,158</b>	<b>1,215</b>	<b>1,089</b>
<b>Total assets</b>	<b>2,510</b>	<b>2,590</b>	<b>2,452</b>
<b>Shareholders' equity</b>	<b>1,296</b>	<b>1,452</b>	<b>1,403</b>
Longterm liabilities			
Interest-bearing	174	179	177
Non interest-bearing	82	103	85
<b>Total longterm liabilities</b>	<b>256</b>	<b>282</b>	<b>262</b>
Current liabilities			
Interest-bearing	294	352	304
Non interest-bearing	664	504	483
<b>Total current liabilities</b>	<b>958</b>	<b>856</b>	<b>787</b>
<b>Total shareholders' equity and liabilities</b>	<b>2,510</b>	<b>2,590</b>	<b>2,452</b>

## PARENT COMPANY BALANCE SHEET (SEK MILLION)

	Sepr 2007	Sept 2006	Dec 2006
Intangible fixed assets	14	16	15
Tangible fixed assets	17	16	15
Financial fixed assets	526	487	510
<b>Total fixed assets</b>	<b>557</b>	<b>519</b>	<b>540</b>
Inventories	2	-	1
Current receivables	882	1,093	1,135
Liquid funds	19	23	35
<b>Total current assets</b>	<b>903</b>	<b>1,116</b>	<b>1,171</b>
<b>Total assets</b>	<b>1,460</b>	<b>1,635</b>	<b>1,711</b>
<b>Shareholders' equity</b>	<b>991</b>	<b>1,061</b>	<b>1,094</b>
Longterm liabilities			
Interest-bearing	150	150	150
Non interest-bearing	-	-	-
<b>Total longterm liabilities</b>	<b>150</b>	<b>150</b>	<b>150</b>
Current liabilities			
Interest-bearing	265	371	308
Non interest-bearing	54	53	159
<b>Total current liabilities</b>	<b>319</b>	<b>424</b>	<b>467</b>
<b>Total shareholders' equity and liabilities</b>	<b>1,460</b>	<b>1,635</b>	<b>1,711</b>



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

	Jan–Sept 2007	Jan–Sept 2006	Jan–Dec 2006
Operating income	-50	-34	-7
<b>Adjustment for non cash-flow items</b>			
Depreciation	116	113	155
Profit/loss from disposal of fixed assets <sup>r</sup>	11	-5	3
	<b>77</b>	<b>74</b>	<b>151</b>
Paid financial item	-22	-14	-18
Paid taxes	-18	-7	-3
<b>Cash-flow from current operations before change in working capital</b>	<b>37</b>	<b>53</b>	<b>130</b>
Change in working capital	117	-32	19
<b>Cash-flow from current operations</b>	<b>154</b>	<b>21</b>	<b>149</b>
Acquisition of fixed assets	-116	-71	-113
Sale of fixed assets	-	-	-
Change in long-term receivables	-	2	2
<b>Cash-flow from capital investments</b>	<b>-116</b>	<b>-69</b>	<b>-111</b>
New loans	5	47	-
Repayment of loans	-53	-1	-18
Dividend paid	-18	-18	-18
<b>Cash-flow from financing</b>	<b>-66</b>	<b>28</b>	<b>-36</b>
<b>Cash-flow for the period/year</b>	<b>-28</b>	<b>-20</b>	<b>2</b>
Liquid funds at beginning of year	122	125	125
Cash-flow for the period/year	-28	-20	2
Translation difference in liquid funds	-	5	-5
Liquid funds at end of period/year	94	110	122

**SHAREDATA<sup>1,5)</sup>**

	Sept 2007	Sept 2006	2006	2005	2004	2003	2002
No. of shares at beginning of period <sup>2)</sup> No.	180,212	180,212	180,212	180,212	180,722	182,980	188,399
No. of company's own shares bought back <sup>2)</sup> No.	-	-	-	-	510	2,258	5,418
No. of shares at end of period <sup>2)</sup> No.	180,212	180,212	180,212	180,212	180,212	180,722	182,980
Average number of shares <sup>2)</sup> No.	180,212	180,212	180,212	180,212	180,392	181,422	187,709
Operating profit or loss/share SEK	-0.27	-0.19	-0.04	-0.50	-0.64	0.67	0.31
Earnings after net financial items/share SEK	-0.35	-0.25	-0.13	-0.57	-0.67	0.64	0.46
Earnings after tax/share SEK	-0.28	-0.18	-0.05	-0.35	-0.50	0.47	0.29
Operating cash-flow/shar <sup>3)</sup> SEK	0.21	-0.29	0.19	-2.28	-0.41	-0.23	-0.13
Equity/share SEK	7.19	8.06	7.78	8.45	9.28	9.50	9.33
Dividend SEK	-	-	0.10	0.10	0.20	0.30	0.30
Dividend/equity per share %	-	-	1.3	1.2	2.2	3.2	3.2
Share price at end of period SEK	4.27	6,.60	6.55	6.80	7.55	8.55	7.45
Share price/equity per share Times	0.6	0.8	0.8	0.8	0.8	0.9	0.8
P/E ratio Times	-	-	Neg	Neg	Neg	18.3	25.3
Direct yield <sup>4)</sup> %	-	-	1.5	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 2002 and including 2003 have not been recalculated in respect of the IFRS transition. Adjustment should be made for IAS 39.



**SIX YEAR REVIEW <sup>3)</sup>**

	2007	2006	2006	2005		2004		2003	2002
	Jan–Sep	Jan–Sep		Remaining operations	Total	Remaining operations	Total		
<b>Key indicators that effect turnover</b>									
Pulp price NBSK, USD <sup>1)</sup>	777	658	675	611		617		524	463
USD/SEK <sup>2)</sup>	6.88	7.47	7.37	7.48		7.35		8.09	9.72
Pulp price NBSK, SEK	5,344	4,915	4,977	4,565		4,532		4,235	4,500
Rottneros' deliveries, tonnes	540,600	520,600	699,500	666,700		625,000		641,100	630,500
<b>Turnover and income, SEK million</b>									
Net turnover	2,206	1,977	2,690	2,411	2,429	2,272	2,356	2,380	2,494
Profit/loss before depreciation	67	79	148	9	48	129	109	239	171
Depreciation	-116	-113	-155	-138	-138	-162	-223	-117	-113
Operating profit/loss after depreciation	-50	-34	-7	-129	-90	-33	-114	122	57
Net financial items	-13	-10	-16	-12	-13	-5	-7	-7	29
Profit/loss after net financial items	-63	-44	-23	-141	-103	-38	121	115	86
Profit/loss after tax	-51	-32	-8	-91	-63	-31	-91	85	55
<b>Balance sheet items, SEK million</b>									
Fixed assets	1,352	1,375	1,363	1,435		1,349		1,249	1,197
Inventories	475	416	397	430		474		388	401
Current receivables	589	689	570	595		572		443	425
Short-term investments	-	-	-	-		-		-	-
Liquid funds	94	110	122	125		157		252	350
Assets from discontinued operations	-	-	-	26		16		-	-
Shareholders' equity	1,296	1,452	1,403	1,523		1,673		1,717	1,706
Long-term interest-bearing liabilities	174	179	177	180		186		42	6
Long-term non interest-bearing liabilities	82	103	85	118		174		158	143
Current interest-bearing liabilities	294	352	304	375		56		6	2
Current non interest-bearing liabilities	663	504	483	405		472		414	516
Liabilities from discontinued operations	-	-	-	10		7		-	-
Balance sheet total	2,510	2,590	2,452	2,611		2,568		2,332	2,373
<b>Financial ratios</b>									
Operating margin, %	-2.2	-1.8	-0.3	-5.3	-3.7	-1.5	-4.9	5.1	2.3
Profit margin, %	-2.9	-2.3	-0.9	-5.8	-4.2	-1.7	-5.2	4.8	3.5
Return on capital employed, %	Neg	Neg	Neg	Neg	Neg	Neg	Neg	7	5
Return on equity after full tax, %	Neg	Neg	Neg	Neg	Neg	Neg	Neg	5	3
Equity/assets ratio, %	52	56	57	58	58	65	64	73	72
Debt/equity ratio, times	0.4	0.4	0.3	0.4	0.4	0.2	0.2	0.0	-
Interest cover, times	Neg	Neg	Neg	Neg	Neg	Neg	Neg	18.2	29.4
<b>Other</b>									
Capital expenditure, SEK million	116	71	113	234	234	283	283	193	244
Average no. of employees	733	765	754	804	804	835	835	857	860

<sup>1)</sup> Source: PIX/Market Pulse<sup>2)</sup> Source: Swedish central bank yearly average<sup>3)</sup> The years from 2002 and including 2003 have not been recalculated in respect of IFRS. Adjustment should be made for IAS 39.



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.

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