

THE ROTTNEROS GROUP
INTERIM REPORT JANUARY – JUNE 2006
QUARTERLY REPORT APRIL – JUNE 2006

Amounts in SEK m except where per share data

		2006	2005	
Net turnover, SEK m	Jan - June	1,315	1,181	
	Apr - June	615	596	
Income after net financial items, SEK m	Jan - June	-45	-17	
	Apr - June	-2	7	
Earnings per share after net financial items, SEK financial items, SEK	Jan - June	-0.25	-0.10	
	Apr - June	-0.01	0.04	
Profit/loss after tax, SEK m	Jan - June	-31	-14	
	Apr - June	2	1	
Earnings per share after tax, SEK	Jan - June	-0.18	-0.07	
	Apr - June	0.00	0.01	
Cash flow per share, SEK	Jan - June	-0.20	-1.25	
	Apr - June	0.11	-0.98	
Shareholders' equity per share, SEK		8.22	8.45	(31 Dec.2005)
Equity/assets ratio		56 %	58 %	(31 Dec. 2005)

- 2006 second quarter result: a loss after net financial items of SEK -2 (7) million.
- 2006 half-year result: a loss after net financial items of SEK -45 (-17) million. Provisions for restructuring for part of the cost-cutting programme announced in February 2006 negatively affected the result in the amount of SEK -27 million. The cost-cutting programme is expected to result in cost savings in 2006 of around SEK 30 million.
- Due to the dramatic increase in electricity prices, it was necessary to re-evaluate the cost-cutting programme's scope and structure at the mechanical pulp mills in Rottneros and Utansjö.
- The company is expecting the pulp market to remain strong for the rest of the year and the upward pulp price trend is therefore expected to continue.
- As previously announced, the company will not be providing a forecast for the full year 2006 due to the fact that electricity price trends and US dollar rates are difficult to predict.

ROTTNEROS IN BRIEF

Rottneros, with its origins in the 17th century, 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 needs and high expectations of its customers.

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

THE PULP MARKET

Markets and products

The market developed in a positive direction during the first quarter for all grades of pulp 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 690 at the end of the period. The price of short-fibre chemical pulp increased from around USD 590 at the beginning of the year to USD 640 at the end of the period. The price of CTMP followed a similar trend to that of short-fibre chemical pulp during the period. Further price increases effective 1 July were announced and the price of long-fibre chemical pulp (NBSK) was increased to USD 710/tonne. The price of short-fibre chemical pulp was increased effective 1 July 2006 to USD 660/tonne, and CTMP pulp to USD 620/tonne for short-fibre grades and USD 600/tonne for long-fibre grades.

Delivery capacity utilisation for bleached chemical pulp for the January – May period was 96.0 % (91.8 % for the same period in 2005) and production capacity utilisation was 94.0 % (92.7 %). Producer stocks at the beginning of January were at 3,329,000 tonnes and at the end of May at 2,990,000 tonnes.

In the January to May period, 3,419 tonnes of pulp were imported into China. This is 200 tonnes (6.3 %) higher than the same period in 2005. China is the market with the highest increase in imports in 2006.

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

The price at the beginning of the year was USD 600 and this rose in the first quarter to reach around USD 630 by the end of March. The price continued to rise, reaching USD 690 by the end of June.

Delivery capacity utilisation for the January – May period was 95.0 % (92.4 % in 2005) and production capacity utilisation for the same period was 93.0 % (94.1 %). Delivery capacity utilisation for the April – May period was 92.0 % (90 % in 2005) and production capacity utilisation was 88.0 % (90.2 %).

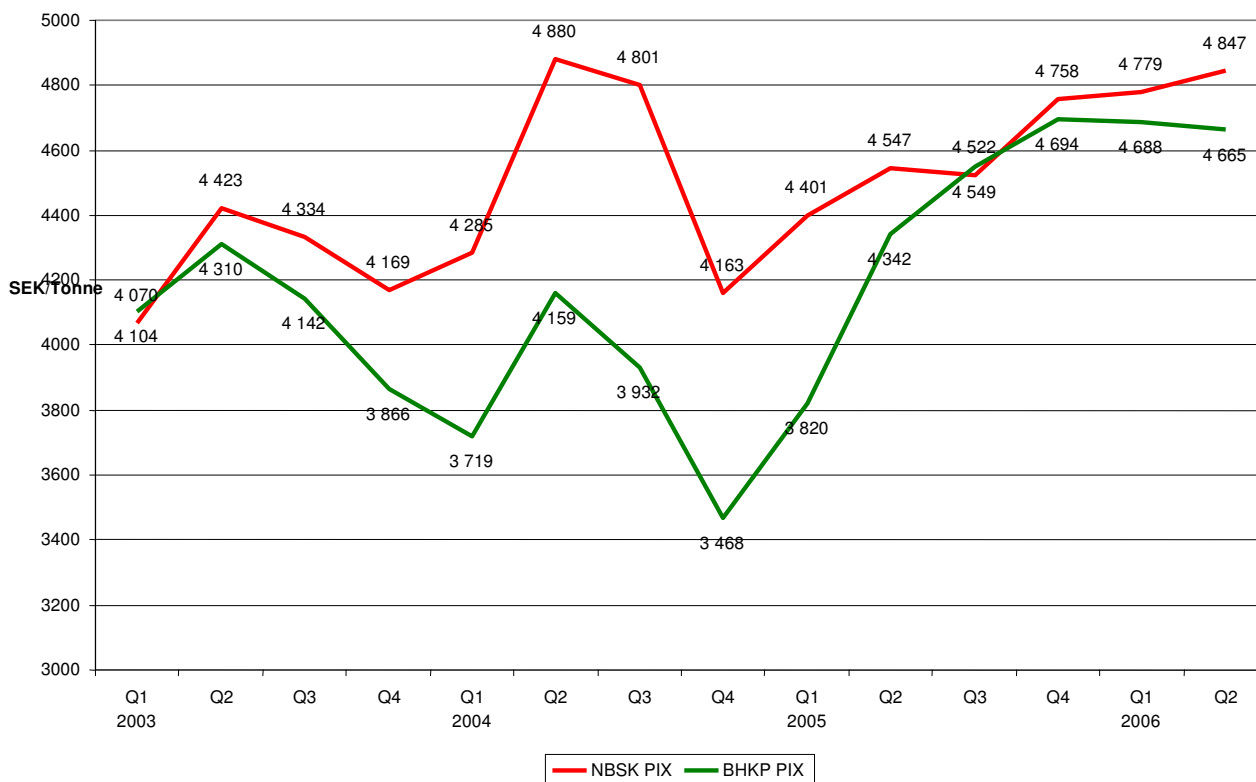
Short-fibre chemical pulp manufactured in Miranda

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 640 by the end of June. Delivery capacity utilisation for the January – May period was 97.0 % (90.3 % in 2005) and production capacity utilisation for the same period was 95.0 % (90.4 %). Delivery capacity utilisation for the April – May period was 95.0 % (86.8 % in 2005) and production capacity utilisation was 92.0 % (87.3 %).

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

The first six months of 2006 were characterised by high demand and high production levels. Delivery capacity utilisation for the January – May period was 100 % (99 % for the same period in 2005) and production capacity utilisation for the same period was 97 % (98 %).

Development of PIX price in SEK



PRODUCTION AND DELIVERIES

The Group's five pulp mills in Rottneros, Rockhammar, Utansjö, Vallvik and Miranda in Spain have a combined production capacity of just over 700,000 tonnes per year. During the first six months 350,100 (308,100) tonnes of pulp were produced, which is 42,000 tonnes or 14 % more than in the first six months of 2005. The mill in Utansjö was closed for reconstruction for much of the first half of 2005 due to the closure of the magnetite line there. The new CTMP line was launched in the second quarter of 2005. The changes at Utansjö Mill resulted in an increase in production of some 33,000 tonnes in the first half of 2006. Production levels in the second quarter remained high, amounting to 175,500 (157,000) tonnes. Production has been at absolute capacity for the third consecutive quarter. Annual maintenance shutdowns took place at three of the Group's mills in May.

Deliveries from the mills in the first half of 2006 totalled 351,900 (325,200) tonnes, which is an increase of 26,700 tonnes or 8 % compared to the previous year.

PRODUCTION (TONNES)	Apr - Jun 2006	Apr - Jun 2005	Jan - Jun 2006	Jan - Jun 2005
Sulphate pulp	84 300	85 500	170 800	174 300
Magnefite pulp	-	-	-	1 400
Groundwood pulp	35 900	31 600	71 500	61 400
CTMP	55 300	39 900	107 800	71 000
TOTAL	175 500	157 000	350 100	308 100
DELIVERIES (TONNES)	Apr - Jun 2006	Apr - Jun 2005	Jan - Jun 2006	Jan - Jun 2005
Sulphate pulp	77 600	83 800	171 700	169 600
Magnefite pulp	-	6 300	-	16 000
Groundwood pulp	31 000	37 600	69 400	71 000
CTMP	55 600	35 200	110 800	68 600
TOTAL	164 200	162 900	351 900	325 200

The average capacity utilisation at the mills during the January – June period was 97 % (94), which breaks down as sulphate pulp 99 % (101), groundwood pulp 94 % (82) and CTMP 96 % (83). In the second quarter of 2006 maintenance shutdowns took place in Miranda, Rockhammar and Utansjö. Annual maintenance shutdowns are planned for Rottneros and Vallvik in the third quarter.

INVOICED SALES AND RESULTS

January – June 2006

The Group's net turnover amounted to SEK 1,315 million (1,181). Pulp accounted for SEK 1,315 million (1,163) and sawn timber for SEK 0 million (18).

Sales in the first half of 2006 were SEK 134 higher than the previous year mainly due to *higher delivery levels (SEK 97 million) and a stronger USD (SEK 80 million) as well as higher pulp prices in USD (SEK 12 million)*. The winding up of Rockhammar Timber caused a fall in sales of SEK -18 million and other net changes, SEK -37 million. The average price of long-fibre sulphate pulp (NBSK) expressed in USD increased from USD 629 to USD 635, while the average NBSK pulp price converted into SEK increased from 4,479 to 4,816 per tonne, an improvement of 7.5 %. The average price for BEK in USD increased from USD 573 to USD 617 per tonne or by 7.7 %, while the equivalent average price converted into SEK increased from SEK 4,085 to SEK 4,678 per tonne, an increase of 14.5 %.

The extremely high increases in energy costs, have meant that, even if restructuring costs are excluded, the Group was unable to generate a profit in the first half of 2006. In 2005 and the beginning of 2006 productivity was improved significantly (see "Cost-cutting programme" below). The ongoing cost-cutting programme is expected to lower costs by some SEK 30 million this year and by SEK 100 million upon the programme's completion.

However, the runaway electricity prices are dampening the effect of all of these measures and pose a serious threat to operations at the three mechanical pulp mills as the effect of electricity price hedging will diminish over the next few years.

The Group's operating loss amounted to SEK -45 million (-12) in the first half. The operating loss for the pulp-producing units amounted to SEK -45 million (-22). The Rockhammar Timber sawmill operation, which had an operating profit the previous year of SEK 10 million, has been closed down.

The cost items that mainly caused the result for the first half of 2006 to be lower than the first half of 2005, are restructuring provisions totalling SEK 27 million and electricity costs including electricity hedging totalling SEK 58 million. Increased electricity consumption for increased production accounts for SEK 16 million of this amount. The first quarter result was charged with costs totalling around SEK 10 million relating to the introduction of new niche grades at Utansjö. In 2005 the half-year result was charged with around SEK 55 million relating to the cost of closing down the magnefite line and the reconstruction and fine-tuning of the CTMP line in Utansjö. The result of realised hedging activities during the first six months was SEK 45 million (45).

The Group's loss after net financial items was SEK -45 million (-17) and this includes net financial items amounting to SEK 0 million (-5) for the reporting period. Earnings per share after tax amounted to SEK -0.18 (-0.07). Cash flow per share was SEK -0.20 (-1.25).

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

The parent company's profit after net financial items was SEK 27 million (46). This includes the result of extensive realised hedging activities on behalf of the whole Group which improved the profit by SEK 45 million (45).

April – June 2006 compared to April – June 2005

The Group's net turnover in the second quarter totalled SEK 615 million (596). Pulp accounted for SEK 615 million (594) of the net turnover and sawn timber for SEK 0 million (2).

Sales in the second quarter of 2006 were SEK 19 million higher than the previous year, mainly due to *higher delivery levels (SEK 5 million) and a stronger USD (SEK 7 million) as well as higher pulp prices in USD (SEK 31 million)*. The winding up of Rockhammar Timber caused a fall in sales of SEK -2 million and *other net changes, SEK -22 million*. The average price of long-fibre sulphate pulp (NBSK) expressed in USD increased from USD 622 to USD 655, while the average NBSK pulp price converted to SEK increased from SEK 4,551 to SEK 4,846 per tonne, an improvement of 6.5 %.

The Group's operating loss was SEK -2 million (9). The operating loss for the pulp producing mills amounted to SEK -2 million (2). The Rockhammar Timber sawmill operation, which had an operating profit of SEK 7 million the previous year, has been closed down.

The major cost item that caused the result for the second quarter of 2006 to be lower than the second quarter of 2005, consists of electricity costs including electricity hedging in the amount of SEK 20 million. Electricity consumption for increased production accounts for SEK 7 million of this amount. In 2005 the second quarter result was charged with costs totalling around SEK 20 million relating to the cost of closing down the magnefite line and to the reconstruction and fine-tuning of the CTMP line in Utansjö. The result of realised hedging activities during the second quarter was SEK 24 million (22).

April – June 2006 compared to January – March 2006

Sales in the second quarter of 2006 were SEK 85 million lower than in the first quarter of 2006. The reduction is mainly related to *lower delivery levels (SEK -89 million), a weaker USD (SEK -30 million) and higher pulp prices in USD (SEK 37 million)*.

The production volume in the second quarter was slightly higher than in the first quarter despite the annual maintenance shutdowns that took place at three of the Group's pulp mills. This lowered the result for the quarter by just under SEK 20 million. Electricity costs were SEK 11 million lower than in the first quarter. The operating loss for the second quarter of 2006 amounted to SEK -2 million, which is an improvement of SEK 41 million compared to the first quarter when the loss was SEK -43 million. The first quarter was charged with a provision for restructuring costs amounting to SEK 27 million. Realised hedging activities in the first quarter resulted in a gain in the second quarter of SEK 24 million, which was an improvement of SEK 2 million on in the first quarter. The loss after financial items for the second quarter of 2006 was SEK -2 million. The loss for the first quarter of 2006 was SEK -43 million.

NEW BUSINESS AREA – ROTTNEROS PACKAGING

Rottneros has started producing packaging made from paper pulp for frozen ready-cooked meals. 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 % cent share of the European market. The operation is currently being built up the reason why the accounts for this business area are not being reported separately.

ACCOUNTING PRINCIPLES

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The parent company's accounts have been prepared in accordance with RR 32. The accounting principles used 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 the 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 in the first half of the year was 6.5 % higher than the previous year. The effect on sales of a stronger average USD rate relative to SEK during the period amounted to SEK 80 million. In the second quarter the USD was lower than at the beginning of the year and during the first quarter and this counteracted the increases in pulp prices in the first half of the year.

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 second quarter of 2006, currency hedging in the form of long-term forward contracts had been put in place for USD 55 million at an average exchange rate of SEK 7.51 per USD. These contracts relate to the next 12 month period. Of the sum hedged, USD 50 million is for 2006 at an average rate of 7.54. In addition, forward contracts were in place at the end of the second quarter for EUR 27 million at a rate of EUR 9.32/SEK for deliveries in 2006 and 2007.

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 prices. The average pulp price in USD (PIX) is 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. The rate is USD 627.5 per tonne.

Electricity

The Group hedges electricity prices in Sweden. For 2006 the company has hedged an average of just over 50 % of electricity purchasing at an average price of SEK 0.26. For 2007, around 30 % of electricity consumption has been hedged at SEK 0.27 per kWh.

The table below shows the market value of all hedging. The values are assessed by independent parties and represent the liquidation value, i.e. the value according to forward contracts as of 30 June 2006. The reference value is the spot rate on 30 June and is given as supplementary information. Hedge contracts have a term of one to three years. As a result of the application of IFRS/IAS, these market values are reflected in the balance sheet and in certain cases in the income statement, but are also shown here as supplementary information.

MARKET VALUE (SEK million) JUNE 2006:					
<i>Hedging</i>	<i>Hedged volume</i>	<i>Hedge price</i>	<i>Market value</i>		<i>Reference - spot rate</i>
					<i>30 June 2006</i>
Currency, USD, forward	USD 55 m	7,51	SEK/USD	20	7,22 SEK/USD
Currency, EUR	EUR 27 m	9,32	SEK/EUR	3	9,21 SEK/EUR
Pulp price	144 000 tonnes	627,5	USD (PIX)	-25	USD 683/7,22 SEK/USD
Electricity	567 000 MWh	SEK 0.265	/kWh	100	SEK 0.469/kWh
Total market value				98	
MARKET VALUE (SEK million) JUNE 2005:					
<i>Hedging</i>	<i>Hedged volume</i>	<i>Hedge price</i>	<i>Market value</i>		<i>Reference - spot rate</i>
					<i>30 June 2005</i>
Currency, USD, forward	USD 46 m	8,84	SEK/USD	55,00	7,83 SEK/USD
Currency, USD, interval	USD 80 m	6,98 - 7,15	SEK/USD	53,00	7,83 SEK/USD
Currency, EUR, forward	EUR 700 t	1,22	USD/EUR	1	9,47 SEK/EUR
Pulp price, in SEK	8 600 tonnes	550	USD (PIX)	-3	USD 598/7,83 SEK/USD
Electricity	1 008 500 MWI	SEK 0.25	/kWh	80	SEK 0.25/kWh
Total market value				186	

COST-CUTTING PROGRAMME

In the second half of 2005 following the launch of the new CTMP line at Utansjö, the Group achieved a significant improvement in productivity. Productivity has increased by 10 %.

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 despite this, the cost of electricity in 2006 will increase dramatically. With the current electricity price structure, there is a risk that costs will rise further in 2007 since the hedged portion is only around 30 %. A sensitivity analysis shows that a change of SEK 0.10 per kWh would affect the annual earnings after net financial items by SEK 90 million.

The company therefore announced at the beginning of February the 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 30 million in 2006. The first quarter result for 2006 was charged with a provision of SEK 27 million.

Due to the high electricity prices and forecast continued high spot prices for electricity, it has been necessary re-evaluate the scope and structure of the cost-cutting programme in Rottneros and Utansjö. The cost-cutting programme includes decisions on investments and redundancy pay for employees in connection with the planned staff cuts at the mills in question. The aim is to achieve long-term savings and profitability.

Despite the fact that the government during the summer indicated to take measures to quickly correct a badly functioning electricity market, there is still great uncertainty regarding the future price of electricity, which at today's levels threatens operations at the above-mentioned mills. Consequently, it has not been possible to reach a definitive decision on the content and scope of the cost-cutting programme. Decision on the postponed and possible complementary cost-cutting actions will be taken at the latest during September 2006. For this reason, no provision for the planned restructuring of the mechanical pulp mills in Rottneros and Utansjö was charged to the first half result, since the criteria for such a provision according to IAS 37 have not been met.

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

The 2006 Annual General Meeting resolved not to extend the buy-back programme. The AGM authorized the board during the time until the next AGM to take decisions to transfer shares in the company. No such transfer has been done in the period.

CAPITAL INVESTMENTS AND FINANCIAL POSITION

The Group's investments in fixed assets during the first six months amounted to SEK 36 million (148). This amount was spent mainly on intellectual property rights and licences amounting to SEK 5 million for the new Rottneros Packaging business area and continued investment in Vallvik of SEK 11 million and in Miranda of SEK 11 million. The Rottneros Group's Board of Directors has taken a decision to invest in a new steam turbine to produce electricity at Vallvik Mill. The new turbine is expected to be put into operation in September 2007. The investments in Miranda are mainly for environmental improvements.

Liquid funds at the end of the period amounted to SEK 118 million, compared to SEK 125 million at the end of 2005. As of 30 June 2006 the company had interest-bearing liabilities totalling SEK 592 (555) and net borrowing of SEK 441 million (346). Approved but unutilised lines of credit amounted to a total of SEK 514 million. The equity/assets ratio was 56 % compared to 58 % at the end of 2005. The shareholders' equity per share was SEK 8.22 (8.45 on 31 Dec. 2005).

CASH FLOW

Cash flow from current operations before investments amounted to SEK 1 million (35) and this included cash flow from financial hedging of SEK 45 million (40). Cash flow after investment activity amounted to SEK -33 million (-112). Investment and increased working capital were financed by borrowing an additional SEK 47 million (200) since the beginning of the year within the approved credit facility. A dividend of SEK 18 million (26) was paid out.

AVERAGE NUMBER OF EMPLOYEES

The average number of employees during the reporting period was 779 (821).

OUTLOOK FOR THE FULL YEAR 2006

Price increases from 1 July have been announced for the most important pulp grades on the market. In Europe the new price is SEK 710 per tonne for NBSK and USD 660 per tonne for Eucalyptus. Rottneros has announced a price of USD 620 per tonne or short-fibre CTMP and USD 600 per tonne for long-fibre CTMP.

Rottneros expects the pulp market to remain strong for the rest of the year. This is expected to result in a positive pulp price trend.

The company is expecting the pulp market to remain strong for the rest of the year and the upward pulp price trend is therefore expected to continue.

Previous outlook statements:

- *In the quarterly report issued on 26 April 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 at 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.

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

27 October, 2006 - Interim report, 9 months 2006

2 February, 2007 - Year-end release for 2006

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

Upplands Väsby, 25 July 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 25 July at tel. +46 (0)8 587 112 02 between 8 a.m. and 9 a.m.

Meeting for analysts and journalists

Analysts and journalists are invited to attend a meeting on 25 July at 10 a.m. at the offices of Hallvarsson & Halvarsson, Birger Jarlsgatan 6B, tel. +46 (0)8 587 112 00. Register with Tove Håkansson +46 (0)8 587 112 78, e-mail: tove.hakansson@halvarsson.se

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CONSOLIDATED PROFIT/LOSS ACCOUNTS (SEK million)

	Apr - Jun 2006	Apr - Jun 2005	Jan - Jun 2006	Jan - Jun 2005	Full year 2005
Net turnover	615	596	1 315	1 181	2 429
Change in inventories, finished goods	38	-24	-6	-54	-59
Other income	13	74	51	134	185
Total income	666	646	1 360	1 261	2 555
Raw materials and consumables	-370	-347	-772	-684	-1 442
Other costs	-157	-149	-320	-311	-658
Personnel costs	-103	-107	-236	-211	-407
Depreciation	-38	-34	-77	-67	-138
Total operating costs	-668	-637	-1 405	-1 273	-2 645
Operating income	-2	9	-45	-12	-90
Financial income	6	2	10	2	4
Financial expenses	-6	-4	-10	-7	-17
Net financial items	0	-2	0	-5	-13
Income after net financial items	-2	7	-45	-17	-103
Tax on income for the year	4	-6	14	3	40
Net profit/loss after tax	2	1	-31	-14	-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	0,01	-0,18	-0,07	-0,35
Key indicators that affect turnover					
Pulp price NBSK, USD ³⁾	655	622	635	629	611
USD/SEK ⁴⁾	7,41	7,33	7,59	7,13	7,48
Pulp price NBSK, SEK	4 846	4 551	4 816	4 479	4 565
Rottneros' deliveries, tonnes	164 200	162 900	351 900	325 200	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)

	Jun 2006	Jun 2006	Jun 2006
Intangible fixed assets	37	40	46
Tangible fixed assets	1 295	1 331	1 338
Financial fixed assets	52	52	51
Total fixed assets	1 384	1 423	1 435
Inventories	426	473	430
Current receivables	695	618	595
Liquid funds	118	209	125
Total current assets	1 239	1 300	1 150
Assets from discontinued operations	-	17	26
Total assets	2 623	2 740	2 611
Shareholders' equity	1 481	1 571	1 523
Longterm liabilities			
Interest-bearing	179	183	180
Non interest-bearing	110	166	118
Total longterm liabilities	289	349	298
Current liabilities			
Interest-bearing	413	372	375
Non interest-bearing	440	445	405
Total current liabilities	853	817	780
Liabilities from discontinued operations	-	3	10
Total shareholders' equity and liabilities	2 623	2 740	2 611

CASH-FLOW ANALYSIS (SEK million)

	Jan - Jun 2006	Jan - June 2005	Jan - Dec 2005
Operating income	-45	-12	-90
Adjustment for non cash-flow items			
Depreciation	77	67	138
Profit/loss from disposal of fixed assets	2	-	-37
	34	55	11
Paid financial items	-10	-2	-9
Paid taxes	-3	6	-3
Cash-flow from current operations before change in working capital	21	59	-1
Change in working capital	-20	-24	-54
Cash-flow from current operations	1	35	-55
Acquisition of fixed assets	-36	-148	-234
Sale of fixed assets	-	-	39
Change in long-term receivables	2	1	1
Cash-flow from capital investments	-34	-147	-194
New loans	47	200	258
Repayment of loans	-1	-3	-6
Dividend paid	-18	-36	-36
Cash-flow from financing	28	161	216
Cash-flow for the period/year	-5	49	-33
Liquid funds at beginning of year	125	157	157
Cash-flow for the period/year	-5	49	-33
Translation difference in liquid funds	-2	3	1
Liquid funds at end of period/year	118	209	125

SHAREDATA^{1),5)}

		Jun 2006	Jun 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	-0,25	-0,07	-0,50	-0,64	0,67	0,31
Earnings after net financial items/share	SEK	-0,25	-0,10	-0,57	-0,67	0,64	0,46
Earnings after tax/share	SEK	-0,18	-0,08	-0,35	-0,50	0,47	0,29
Operating cash-flow/share ³⁾	SEK	-0,20	-1,25	-2,28	-0,41	-0,23	-0,13
Equity/share	SEK	8,22	8,72	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	5,95	7,30	6,80	7,55	8,55	7,45
Share price/equity per share	Times	0,7	0,8	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 - Jun 2006	Jan - Jun 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)	7	-52	-51
Profit/loss for the year	-31	-14	-63
Dividend	-18	-36	-36
Closing shareholders' equity	1 481	1 571	1 523

QUARTERLY DATA (SEK million)

	2006		2005				2004			
	II	I	IV	III	II	I	IV	III	II	I
Net turnover	615	700	607	641	596	585	535	583	623	615
Operating profit/loss before depreciation	36	-4	17	-24	43	12	-31	18	110	12
Depreciation	-38	-39	-34	-37	-34	-33	-31	-125	-33	-34
Operating profit/loss	-2	-43	-17	-61	9	-21	-62	-107	77	-22
Net financial items	-	-	-4	-4	-2	-3	-3	-	-2	-2
Profit/loss after financial items	-2	-43	-21	-65	7	-24	-65	-107	75	-24
Tax	4	10	17	20	-6	9	16	33	-22	3
Profit/loss after tax	2	-33	-4	-45	1	-15	-49	-74	54	-22
Pulp production, 1 000 tonnes	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	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
	II	I	IV	III	II	I	Full year
Net turnover by segment							
Pulp	615	700	607	641	594	569	2 411
Sawn timber	-	-	-	-	2	16	18
Total net turnover	615	700	607	641	596	585	2 429
Operating profit/loss by segment							
Pulp	-2	-43	-43	-64	2	-24	-129
Sawn timber	-	-	26	3	7	3	39
Total operating profit/loss	-2	-43	-17	-61	9	-21	-90
Operating margin by segment							
Pulp	-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	-0,3	-6,1	-2,8	-9,5	1,5	-3,6	-3,7

SIX YEAR REVIEW

	Jan - Jun 2006	Jan - Jun 2005	2005		2004		2003	
			Remaining operations	Total	Remaining operations	Total		
Key indicators that effect turnover								
Pulp price NBSK, USD ¹⁾	635	629	611		617		500	
USD/SEK ²⁾	7,59	7,13	7,48		7,35		8,00	
Pulp price NBSK, SEK	4 816	4 479	4 565		4 532		4 200	
Rottneros' deliveries, tonnes	351 900	325 200	666 700		625 000		641 100	
Turnover and income, SEK million								
Net turnover	1 315	1 181	2 411	2 429	2 272	2 356	2 300	
Profit/loss before depreciation	32	55	9	48	129	109	200	
Depreciation	-77	-67	-138	-138	-162	-223	-100	
Operating profit/loss after depreciation	-45	-12	-129	-90	-33	-114	100	
Net financial items	-0	-5	-12	-13	-5	-7	0	
Profit/loss after net financial items	-45	-17	-141	-103	-38	-121	100	
Profit/loss after tax	-31	-14	-91	-63	-31	-91	0	
Balance sheet items, SEK million								
Fixed assets	1 384	1 423	1 435		1 349		1 200	
Inventories	426	473	430		474		300	
Current receivables	695	618	595		572		400	
Short-term investments	-	-	-		-		0	
Liquid funds	118	209	125		157		200	
Assets from discontinued operations	-	17	26		16		0	
Shareholders' equity	1 481	1 571	1 523		1 673		1 700	
Long-term interest-bearing liabilities	179	183	180		186		0	
Long-term non interest-bearing liabilities	110	166	118		174		100	
Current interest-bearing liabilities	413	372	375		56		0	
Current non interest-bearing liabilities	440	445	405		472		400	
Liabilities from discontinued operations	-	3	10		7		0	
Balance sheet total	2 623	2 740	2 611		2 568		2 300	
Financial ratios								
Operating margin	%	-3,4	-1,1	-5,3	-3,7	-1,5	-4,9	50
Profit margin	%	-3,4	-1,5	-5,8	-4,2	-1,7	-5,2	40
Return on capital employed	%	Neg	Neg	Neg	Neg	Neg	Neg	0
Return on equity after full tax	%	Neg	Neg	Neg	Neg	Neg	Neg	0
Equity/assets ratio	%	56	57	58	58	65	65	0
Debt/equity ratio	Times	0,4	0,4	0,4	0,4	0,2	0,2	0
Interest cover	Times	Neg	Neg	Neg	Neg	Neg	Neg	18
Other								
Capital expenditure	SEK m	36	148	234	234	283	283	100
Average no. of employees		779	821	804	804	835	835	800

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.