

# Interim Report January – September 2004

Quarterly report  
July – September 2004



		2004	2003
Turnover	Jan. – Sep.	1,821 SEK m	(1,809)
	Jul. – Sep.	583 SEK m	(587)
Income after net financial items	Jan. – Sep.	-55 SEK m	(54)
	Jul. – Sep.	-134 SEK m	(16)
Earnings per share after net financial items	Jan. – Sep.	-0.31 SEK	(0.30)
	Jul. – Sep.	-0.75 SEK	(0.09)
Profit after tax	Jan. – Sep.	-41 SEK m	(37)
	Jul. – Sep.	-93 SEK m	(11)
Earnings per share after tax	Jan. – Sep.	-0.23 SEK	(0.20)
	Jul. – Sep.	-0.52 SEK	(0.06)
Cash flow per share	Jan. – Sep.	0.51 SEK	(-0.35)
	Jul. – Sep.	0.21 SEK	(-0.23)
Shareholders' equity per share	8.96 SEK (31.12.03: 9.50)		
Equity/assets ratio	69 % (31.12.03: 73 %)		

- The pulp market weakened during the third quarter with a price recoil as a consequence.
- The result for the third quarter includes negative non-recurring items totalling SEK 116 million, of which only SEK 19 million affects cash-flow.
- The forecast adjustment communicated on September 16, 2004 regarding the whole of 2004 remains. This means a positive result after net financial items, excluding non-recurring items of SEK 116 million. All in all the company estimates a loss for the whole of 2004.

### THE PULP MARKET

The first nine months of the year have brought substantial changes in the prices of all grades of pulp, but particularly for long-fibre chemical pulp. Following a significant increase in price in the first quarter, this trend halted in the second quarter, then falling back from its highest level in June of USD 660. The price at the end of September was around USD 610, compared with USD 560 at the beginning of the year. The trend in the market for short-fibre chemical pulp was similar, but not as marked. The price of short-fibre pulp at the end of September was around USD 500, i.e. at the same level as at the beginning of the year.

Global delivery capacity utilisation for bleached chemical pulp for January – September was 94.3% for all grades compared with 92.4% for the same period last year. Production capacity utilisation over the 9-month period was 95.8% (93.7%). Producer stocks amounted to 3,201,000 tonnes at the beginning of the year and 3,667,000 tonnes at the end of September.

China's pulp imports over the 8-month period were significantly higher than in the previous year. Imports of bleached chemical pulp amounted to 3.7 million tonnes compared with 2.8 million tonnes in 2003. However, there has been a noticeable weakening in the latter part of the third quarter.

The third quarter was characterised by a weakening of demand for all grades compared with a strong first and second quarter 2004. In addition, production capacity utilisation in the industry has been very high, which has resulted in a plentiful supply and thus falling prices for all grades. The very high level of production capacity utilisation in July and August is mainly attributable to a building up of stocks to cope with deliveries during the annual maintenance shutdowns that are concentrated in September/October.

#### Long-fibre chemical pulp (produced in Vallvik and Utansjö)

The price – which at the beginning of the year was around USD 560 – increased in June to USD 660, then falling to around USD 610 at the end of September. Accumulated delivery capacity utilisation for the nine-month period was 95.4% (93.3% for the same period in 2003) and production capacity utilisation was 97.7% (93.4%).

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

The market for short-fibre chemical pulp remains characterised by a certain amount of oversupply. Delivery capacity utilisation was 93.7% (92.0% for the same period in 2003) and production capacity utilisation was 94.6% (94.6%) for the period January – September. The price was around USD 500 at the begin-

ning of the period and at the same level at the end of the period.

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

Demand for mechanical pulps has weakened during the period, and delivery capacity utilisation for CTMP for the period January – September was 92.2% (96%) with production capacity utilisation of 95.8% (95%).

### PRODUCTION AND DELIVERIES

The Group's five pulp mills in Rottneros, Rockhammar, Utansjö, Vallvik and Miranda in Spain have a combined capacity of some 700,000 tonnes per year. Production in the period January – September 2004 increased by 21,000 tonnes or nearly 5% compared with 2003. Deliveries reduced by 8,100 tonnes or nearly 2%.

Average capacity utilisation in the mills during the period was relatively high at 94% (90), which breaks down as sulphate pulp 99% (94), magnesite pulp 80% (85), groundwood pulp 91% (84) and CTMP 91% (90). In the third quarter 2004 the Group implemented maintenance shutdowns at Vallvik, Rottneros and Rockhammar, which adversely affected results. Miranda will have its shutdown in the fourth quarter. All the costs of maintenance shutdowns are reported in the period in which the shutdown takes place.

During the period production at the sawmill in Rockhammar amounted to 34,600 m<sup>3</sup> (33,500) and deliveries to 37,200 m<sup>3</sup> (32,400). On 16 September the company announced that the sawmill operations are to be wound up. This is expected to be completed by the end of the year.

### INVOICED SALES AND RESULTS

#### January – September 2004

The Group's net turnover was SEK 1,821 million (1,809). Pulp accounted for SEK 1,753 million (1,745) of net turnover and sawn timber for SEK 68 million (64).

There were three main elements to the SEK 12 million increase in turnover in the period: an

improved pulp price in USD (SEK 252 million), a weaker dollar (SEK -210 million) and lower deliveries (SEK -30 million). The average price of long-fibre sulphate pulp (NBSK) expressed in USD increased from USD 515 to USD 621, an increase of just over 20%. The average price of NBSK converted into SEK increased by 10% from SEK 4,250 to SEK 4,645. The fact that Rottneros' average prices have been less favourable than the average price for NBSK is due to the fact that prices for short-fibre sulphate pulp converted into SEK were around SEK 200 lower during the period than in the same period in 2003. For several years Rottneros has had a number of long-term customer contracts with a price equalisation profile, which is entirely in line with the company's niche strategy. In addition, the Group has a significant proportion of mechanical pulp products which experienced weaker demand and prices during the period than long-fibre sulphate pulp.

The consolidated operating result was SEK -51 million (62). The result includes non-recurring items totalling SEK 116 million (see below). Excluding non-recurring items, the operating result was SEK 65 million.

The operating result for the pulp-producing units amounted to SEK -3 million (67) and for the sawmill in Rockhammar SEK -48 million (-5). Besides non-recurring items, hedging activities contributed SEK 113 million (177) to the result, broken down into 137 (102) from currency hedging, -47 (36) from pulp hedging and 23 (39) from electricity hedging. Income for Green Electricity increased and amounted to SEK 18 million (10).

#### Non-recurring items – SEK 116 million

On 16 September the Board of Directors decided to wind up operations at Rockhammar Timber sawmill and to cease production of magnesite pulp at Utansjö Mill. The restructuring costs, which are non-recurring in nature, amount to SEK 116 million, of which only SEK 19 million affects cash flow. The remaining SEK 97 million relates to write-downs of book values at Utansjö Mill (SEK 68 million) and Rockhammar sawmill

PRODUCTION TONNES	Jul. – Sep. 2004	Jul. – Sep. 2003	Jan. – Sep. 2004	Jan. – Sep. 2003
Sulphate pulp	80,300	75,500	255,300	242,000
Magnesite pulp	15,700	16,100	44,000	46,300
Groundwood pulp	29,200	32,800	101,900	93,200
CTMP	29,800	31,200	92,600	90,900
<b>Total</b>	<b>155,000</b>	<b>155,600</b>	<b>493,800</b>	<b>472,400</b>
DELIVERIES TONNES	Jul. – Sep. 2004	Jul. – Sep. 2003	Jan. – Sep. 2004	Jan. – Sep. 2003
Sulphate pulp	77,900	78,600	253,300	242,000
Magnesite pulp	10,600	12,600	36,900	48,300
Groundwood pulp	33,000	35,100	94,200	99,600
CTMP	27,500	34,400	91,300	93,900
<b>Total</b>	<b>149,000</b>	<b>160,700</b>	<b>475,700</b>	<b>483,800</b>

(SEK 29 million). These radical restructuring measures will eliminate two sources of loss. There is no further need for structural measures in the Group at present. At Utansjö a CTMP facility is being built, which is expected to make a positive contribution to results as early as 2005. These measures will further strengthen the Group's competitiveness.

The consolidated result after net financial items was SEK -55 million (54). Net financial items for the period amounted to SEK -4 million (-8) and include a fine of SEK 2 million to the Swedish Financial Supervisory Authority for the late registration of shares bought back in 2001 (in addition to the SEK 1 million reserved previously), as well as net financing. Earnings per share after tax amounted to SEK 0.23 (0.20). Cash flow per share amounted to SEK 0.51 (-0.35).

The parent company reported a result after net financial items of SEK 103 million (165). The reduction is due to hedging activities, which contributed SEK 113 million (173) to the result.

#### *July – September 2004 compared with July – September 2003*

Turnover in the third quarter 2004 reduced by SEK 4 million compared with the third quarter 2003. The reduction is mainly due to a lower level of deliveries (SEK -48 million), as well as a weaker USD (SEK -47 million), which were partly compensated by higher pulp prices (SEK 91 million).

Hedging activities made a profit of SEK 17 million in the third quarter (broken down into currency 35, pulp prices -26 and electricity 8). The equivalent amount in the third quarter 2003 was SEK 51 million (currency 32, pulp prices 12 and electricity 7). In the third quarter Green Electricity certificates contributed income of SEK 4 million; the corresponding figure for the third quarter 2003 was SEK 10 million. Earnings after financial items for the third quarter 2004 amounted to SEK -134 million compared with SEK 16 million in the previous year.

Earnings after financial items for the third quarter amounted to SEK -134 million (16) and include non-recurring items totalling SEK 116 million. Excluding these items, the result for the third quarter was a loss of SEK -18 million, mainly as a result of planned maintenance shutdowns in Vallvik, Rottneros and Rockhammar.

#### *July – September 2004 compared with April – June 2004*

Turnover in the third quarter 2004 reduced by SEK 40 million compared with the second quarter 2004. The average price in USD was largely the same in the two quarters. However, turnover was negatively affected by lower volumes (SEK -32 million) as well as changes in the USD exchange rate (SEK -8 million). Deliveries reduced

by 6% compared with the second quarter.

Hedging activities made a profit of SEK 17 million (see breakdown above). The equivalent figure for the second quarter 2004 was SEK 48 million (breakdown: currency 62, pulp prices -21 and electricity 7). During the third quarter Green Electricity certificates contributed income of SEK 4 million compared with SEK 7 million in the second quarter.

Earnings after financial items for the third quarter amounted to SEK -134 million compared with SEK 64 million in the second quarter. The third quarter includes non-recurring items amounting to SEK 116 million. Excluding these items, the result for the third quarter was a loss of SEK -18 million, mainly as a result of planned maintenance shutdowns in Vallvik, Rottneros and Rockhammar.

#### **ACCOUNTING PRINCIPLES**

This interim report has been prepared in accordance with Recommendation RR 20 of the Swedish Financial Accounting Standards Council on Interim Reports.

With effect from 1 January 2004, Recommendation RR 29 from the Swedish Financial Accounting Standards Council relating to Employee Benefits is applied. The application of RR 29 involves reporting defined benefit pension plans within all the Group's subsidiaries according to common principles. In the company's financial reporting up to and including 2003 such plans were reported in accordance with local rules and regulations in each country. The company's only defined benefit pension plan is the Alecta plan, in which the company's pension commitments to Swedish employees are insured. Alecta is a plan covering a number of employers and since Alecta is unable at present to provide the information required to allow the company to report the pension commitment as a defined benefit plan, it is reported as if it were a defined contribution plan in accordance with RR 29 section 30. Alecta has stated that it will provide information that allows the company to report the pension commitment as a defined benefit plan before year-end 2004.

All other accounting principles and methods of calculation are unchanged from those applied in the last annual report.

Work on the introduction of new accounting principles (IAS/IFRS) with effect from 2005 is progressing according to plan.

#### **RISK MANAGEMENT**

##### *Currency hedging*

The average USD exchange rate in the first half of 2004 was 10% lower than in the corresponding period in 2003. The effect on turnover of the weaker USD relative to SEK in the first half of 2004 amounted to SEK -47 million.

In the main, all pulp is priced in USD. Around 30% of Group turnover has been hedged

during the year. This means that 70% of turnover is not covered by currency hedging arrangements.

At the beginning of the year the USD exchange rate fluctuated widely and it was difficult to estimate how it would develop in the subsequent periods. In the first quarter 2004 the company therefore concluded a hedging contract for the current year with an interval of SEK 7.33 to 7.73 per USD in respect of the third and fourth quarters 2004. The hedging covers USD 100 million in total. No costs have been charged to the Group for this hedging. This additional currency hedging has substantially reduced the company's currency risk since the level of hedging in the third and fourth quarters amounts to 70% of exposure. In the third quarter this interval hedging contributed SEK 688,000 to earnings.

At the end of the third quarter 2004 exchange rate guarantees in the form of forward contracts had been taken out for a total of USD 77 million, at an average rate of SEK 9.59 per USD. These contracts relate to the coming 36 months. Of the sum hedged, USD 12 million relates to the current year at an average rate of 10.39. No hedging has been carried out for other currencies. SEK 50 million of the interval hedging remains for the fourth quarter.

##### *Pulp price hedging*

No new pulp price contracts have been concluded in 2004. In 2002 the Group concluded 2-year pulp price hedging contracts for 100,000 tonnes at an average level of SEK 5,177 per tonne. All these favourable hedging contracts have now matured. In 2003 the company took out supplementary hedging in the form of 1- and 2-year contracts to cushion the company against any reductions in pulp prices. A total of 88,700 tonnes of this supplementary hedging remain, with varying remaining terms over the coming 12 months. In the first nine months of the year pulp price hedging contracts affected the company's profits by SEK -47 million (24) in total due to NBSK price increases in USD. In the fourth quarter 38,700 tonnes will mature and the majority of the remaining contracts will mature in the first half of 2005. In addition to pulp price hedging, the Group has for several years had long-term customer contracts with a price equalisation profile, which is entirely in line with the company's niche strategy.

##### *Electricity hedging*

The Group hedges electricity prices in Sweden, as a result of which variations in electricity prices have essentially been evened out. Before the dramatic increases in electricity prices at the end of 2002 the Board resolved to hedge nearly 100% of the coming three years' (2003, 2004 and 2005) external purchases of electricity. For 2003 the price was hedged at SEK 0.27 per kWh.



**MARKET VALUE (SEK MILLION) 30 JUNE 2004**

Hedging	Volume hedged	Hedge price	Market value	Reference – spot rate 30 June 2004
Currency, USD, forward	USD 77 million	9.59 SEK/USD	176	7.29 SEK/USD
Currency, USD, interval	USD 50 million	7.33–7.73 SEK/USD	8	7.29 SEK/USD
Pulp price, in SEK	88,700 tonnes	USD 550 (PIX) 547 (RISI)	-53	USD 610/ 7.29 USD SEK/USD
Electricity	95–97 % <sup>1)</sup>	SEK 0.22–0.23/kWh	136	SEK 0.30/kWh
<b>Total market value</b>			<b>267</b>	

**MARKET VALUE (SEK MILLION) 30 JUNE 2003**

Hedging	Volume hedged	Hedge price	Market value	Reference – spot rate 30 June 2003
Currency, USD	USD 169 million	9.52 SEK/USD	285	7.66 SEK/USD
Currency, EUR	EUR 10 million	9.18 SEK/EUR	1	8.91 SEK/EUR
Pulp price, in SEK	157,000 tonnes	SEK 5,169/tonne USD 547 (PIX) USD 549 (RISI)	37	USD 533/ 7.66 SEK/USD
Electricity	97 % <sup>1)</sup>	SEK 0.22–0.27/kWh	53	SEK 0.31/kWh
<b>Total market value</b>			<b>376</b>	

<sup>1)</sup> % of annual consumption in Sweden

For 2004 the electricity price was hedged at SEK 0.23 and for 2005 at SEK 0.22 per kWh.

The table below shows the market value of all hedging. The valuation is carried out by independent parties and refers to the liquidation value, i.e. valuation in accordance with forward contracts as of 30 September 2004. The reference value is the spot rate on 30 September and is given as supplementary information. The hedging has a term of two to three years.

**COST CUTTING PROGRAMME**

The Group cost cutting and efficiency programme introduced in 2003 is continuing according to plan. In 2003 the workforce in Utansjö was gradually reduced by 25. This saving is having its full economic impact in 2004. In addition, the workforce in Vallvik was cut by 10 in the first quarter and 5 job cuts are being made at Miranda. The company has been working intensively for a year on coordinating major strategic Group purchases of input materials, logistics, freight and IT services. The action plan also includes capital rationalisation measures which have resulted in a 30% reduction in raw material timber stocks, partly achieved through efficient IT support.

As announced on 16 September, the sawmill operations in Rockhammar are to be wound up, which will reduce the Group's employee headcount by 31. In addition, restructuring measures and the closure of the magnetite line at Utansjö will result in a further reduction of 20 jobs.

**BUY-BACK OF THE COMPANY'S OWN SHARES**

The 2004 AGM resolved to continue the buy-back programme. A maximum of 10% of the shares may be bought back, i.e. 18.8 million sha-

res. The aim of the planned buy-back is partly to optimise the company's capital structure, and partly to create opportunities to use its own shares as liquidity in any future acquisitions.

At the end of 2003 the company had bought back 7,709,641 of its own shares at an average price of SEK 8.32 per share, making a total of SEK 64 million. No shares were bought back in the first quarter 2004, while in the second quarter the company bought back 510,000 shares at an average price of SEK 9.99 per share. No shares were bought back in the third quarter. The number of outstanding shares at the end of the reporting period was 180,212,464.

**CAPITAL INVESTMENTS AND FINANCIAL POSITION**

Group net investments in fixed assets in the period amounted to SEK 143 million (113). Major investments in progress include a gas combustion system at Miranda, evaporation and internal process measures at Vallvik as well as the construction of a CTMP line at Utansjö.

Liquid funds amounted to SEK 164 million at the end of the period, compared to SEK 252 million at the end of 2003. Lines of credit totalling SEK 860 million were available to the company, of which SEK 30 million was utilised. The equity/assets ratio was 69%. Shareholders' equity per share amounted to SEK 8.96 (31.12.03: 9.50).

The parent company has made only minor investments, primarily in software in conjunction with the development of joint IT systems for the Group. The parent company is included in the Group's cash pool.

**CASH FLOW**

Cash flow from current operations amounted to SEK 31 million (78) and included cash flow from

hedging activities of SEK 111 million (185). A dividend of SEK 54 million was distributed in May. Working capital increased primarily as a result of increases in accounts receivable and stocks. Cash flow after capital investments was SEK -111 million (-62).

**AVERAGE NUMBER OF EMPLOYEES**

The average number of employees in the reporting period was 842 (866).

**OUTLOOK FOR 2004**

The forecast adjustment communicated on 16 September remains.

The operating result for the whole of 2004 is estimated to be lower than expected due to the price recoil on the pulp market. The company expects a positive result after net financial items excluding non-recurring items as stated below.

Non-recurring items, including depreciations and restructuring costs incurred by two main profit improving restructuring measurements will affect the result negatively with SEK 116 million.

All in all the company expects a loss after net financial items.

After the absence of a strengthening of the market during the 3rd quarter the Company expects an improvement of the pulp market during the 4th quarter continuing into 2005.

**FORECASTS MADE PREVIOUSLY:*****In conjunction with the interim report of 26 July 2004 it was stated:***

The company's earlier prognosis remains unchanged, i.e. the result for the whole year 2004 is expected to exceed that of 2003.

The first half of 2004 has shown an improvement of the pulp market with several price increases.

The company expects the positive market situation to remain during the rest of 2004. Considerable uncertainty regarding the development of the USD is prevailing. Income after net financial items for the whole of 2004 is expected to improve compared to 2003.

***In conjunction with the first quarterly report of 27 April 2004 it was stated:***

The market has gradually strengthened in the first quarter of 2004 and several price increases have been implemented.

The company expects the market to remain positive throughout 2004. The uncertainty concerning the USD is considerable. Income after net financial items for the whole of 2004 is expected to improve compared to 2003.

***In conjunction with the year-end release 2003 of 5 February 2004 it was stated:***

Currently price increases are announced for all pulp qualities. The USD and pulp market deve-

lopment of the year 2004 is difficult to estimate. Improved trade conditions with a stronger pulp market are expected towards the end of this year.

The result for the whole of 2004 is expected to be positive.

#### SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Since the quarter ended the company has taken out a SEK 150 million debenture loan with the Nordic Investment Bank which has been regis-

tered with the Stockholm Stock Exchange. The main purpose of this loan is to finance a significant part of the investment in the new CTMP line at Utansjö.

#### UPCOMING FINANCIAL INFORMATION

4 February 2005 – Year-end release 2004

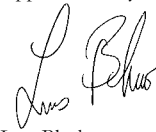
26 April 2005 – Interim report (3 months) 2005 and AGM in Sunne

26 July 2005 – Interim report (6 months) 2005

26 October 2005 – Interim report (9 months) 2005

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

Upplands Väsby den 26 oktober 2004



Lars Blecko

Koncernchef och Verkställande direktör

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

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

	July–Sept 2004	July–Sept 2003	Jan–Sept 2004	Jan–Sept 2003	Full year 2003
Net turnover	583	587	1,821	1,809	2,380
Change in inventories, finished goods	18	-11	60	-19	7
Other operating income (incl. hedging)	19	59	141	165	271
<b>TOTAL INCOME</b>	<b>620</b>	<b>635</b>	<b>2,022</b>	<b>1,955</b>	<b>2,658</b>
Raw materials and consumables	-337	-334	-1,057	-1,033	-1,372
Other external costs	-176	-151	-477	-450	-609
Personnel costs	-108	-96	-332	-304	-407
Depreciation	-125	-27	-192	-83	-117
Other operating costs (incl. hedging)	-8	-11	-15	-23	-31
<b>TOTAL COSTS</b>	<b>-754</b>	<b>-619</b>	<b>-2,073</b>	<b>-1,893</b>	<b>-2,536</b>
<b>OPERATING PROFIT/LOSS</b>	<b>-134</b>	<b>16</b>	<b>-51</b>	<b>62</b>	<b>122</b>
Financial items	-	-	-4	-8	-7
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>	<b>-134</b>	<b>16</b>	<b>-55</b>	<b>54</b>	<b>115</b>
Taxes	41	-5	14	-17	-30
<b>PROFIT/LOSS AFTER TAX</b>	<b>-93</b>	<b>11</b>	<b>-41</b>	<b>37</b>	<b>85</b>
No. of shares at beginning of period <sup>1)</sup>	180,212	181,007	180,722	182,980	182,980
No. of company's own shares bought back <sup>1)</sup>	-	285	510	2,258	2,258
No. of shares at end of period <sup>1)</sup>	180,212	180,722	180,212	180,722	180,722
Average no. of shares <sup>1)</sup>	180,212	180,828	180,451	181,654	181,422
Earnings after tax/share (SEK) <sup>2)</sup>	-0.52	0.06	-0.23	0.20	0.47
<b>KEY INDICATORS THAT EFFECT TURNOVER</b>					
Pulp price NBSK, USD <sup>3)</sup>	641	519	621	515	524
USD/SEK <sup>4)</sup>	7.51	8.15	7.48	8.25	8.09
Pulp price NBSK, SEK	4,815	4,230	4,645	4,250	4,235
Rottneros' deliveries, tonnes	149,000	160,700	475,700	483,800	641,108

<sup>1)</sup> The number of shares is given in thousands <sup>2)</sup> There are no programs that lead to dilution.

<sup>3)</sup> Source: PIX/Market Pulse <sup>4)</sup> Source: Swedish central bank yearly average

#### CONSOLIDATED BALANCE SHEET (SEK MILLION)

	Sept 2004	Sept 2003	Dec 2003
Fixed assets	1,191	1,244	1,249
Inventories	469	374	388
Current receivables	504	495	443
Liquid funds	164	215	252
<b>TOTAL ASSETS</b>	<b>2,328</b>	<b>2,328</b>	<b>2,332</b>
Shareholders' equity	1,615	1,663	1,717
Provisions	183	203	175
Longterm liabilities			
Interest-bearing	34	6	42
Current liabilities			
Interest-bearing	90	2	6
Non interest-bearing	406	454	392
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>2,328</b>	<b>2,328</b>	<b>2,332</b>

## CASH-FLOW ANALYSIS (SEK MILLION)

	Jan-Sept 2004	Jan-Sept 2003	Full year 2003
Operating income	-51	62	122
Adjustment for non cash-flow items			
Depreciation	192	83	117
Profit/loss from disposal of fixed assets	4	-	2
Change in provisions	-5	-4	-19
Paid financial items	-2	-5	-3
Paid taxes	-9	3	4
<b>Cash-flow from current operations before change in working capital</b>	<b>129</b>	<b>139</b>	<b>223</b>
Change in working capital	-98	-61	-72
<b>Cash-flow from current operations</b>	<b>31</b>	<b>78</b>	<b>151</b>
Acquisition of fixed assets	-143	-141	-193
Change in long-term receivables	-	1	2
<b>Cash-flow from capital investments</b>	<b>-143</b>	<b>-140</b>	<b>-191</b>
Change in provisions excl. deferred tax	41	2	-22
Change in loans/financial leasing	42	-	38
Dividend paid	-54	-55	-55
Buy-back of own shares	-5	-16	-16
<b>Cash-flow from financing</b>	<b>24</b>	<b>-69</b>	<b>-55</b>
<b>Cash-flow for the period/year</b>	<b>-88</b>	<b>-131</b>	<b>-95</b>
Liquid funds at beginning of year	252	350	350
Cash-flow for the period/year	-88	-131	-95
Translation difference in liquid funds	-	-4	-3
<b>Liquid funds at end of period/year</b>	<b>164</b>	<b>215</b>	<b>252</b>

SHARE DATA<sup>1)</sup>

		Jan–Sept 2004	Jan–Sept 2003	2003	2002	2001	2000	1999 <sup>2)</sup>
No. of shares at beginning of period <sup>3)</sup>	No.	180,722	182,980	182,980	188,399	209,332	209,332	209,332
No. of company's own shares bought back <sup>3)</sup>	No.	510	2,258	2,258	5,419	20,933	-	-
No. of shares at end of period <sup>3)</sup>	No.	180,212	180,722	180,722	182,980	188,399	209,332	209,332
Average number of shares <sup>3)</sup>	No.	180,451	181,654	181,422	187,709	204,099	209,332	209,332
Operating profit or loss/share	SEK	-0.29	0.34	0.67	0.31	1.00	4.34	0.59
Earnings after net financial items/share	SEK	-0.31	0.30	0.64	0.46	1.15	4.26	0.53
Earnings after tax/share	SEK	-0.23	0.20	0.47	0.29	0.76	3.12	0.43
Operating cash-flow/share <sup>4)</sup>	SEK	-0.62	-0.35	-0.23	-0.13	0.50	4.28	-0.01
Equity/share	SEK	8.96	9.20	9.50	9.33	9.40	9.07	6.13
Dividend	SEK	-	-	0.30	0.30	0.35	0.50	0.25
Dividend/equity per share	%	-	-	3.2	3.2	3.7	5.5	4.1
Share price at end of period	SEK	8.00	8.15	8.55	7.45	9.85	7.70	11.10
Share price/equity per share	Times	0.9	0.9	0.9	0.8	1.0	0.8	1.8
P/E ratio	Times	-	-	18.3	25.3	13.0	2.5	25.5
Direct yield <sup>5)</sup>	%	-	-	3.5	4.0	3.6	6.5	2.3

<sup>1)</sup> There are no programs that lead to dilution.

<sup>2)</sup> 1 June 1999 Rottneros acquired the Miranda sulphate pulp mill from Kimberly-Clark.

<sup>3)</sup> Number of shares in thousands.

<sup>4)</sup> Cash-flow after normal investments but excluding strategic investments.

<sup>5)</sup> Direct yield is calculated in relation to the closing listed price.

## CHANGE IN SHAREHOLDERS' EQUITY (SEK MILLION)

	Jan–Sept 2004	Jan–Sept 2003	Full year 2003
Opening shareholders' equity	1,717	1,706	1,706
Dividend	-54	-55	-55
Buy-back of company's own shares	-5	-16	-16
Profit/loss for the year	-41	37	85
Translation difference	-2	-9	-3
<b>Closing shareholders' equity</b>	<b>1,615</b>	<b>1,663</b>	<b>1,717</b>

## SIX-YEAR REVIEW

	Jan–Sept 2004	Jan–Sept 2003	2003	2002	2001	2000	1999 <sup>1)</sup>	
<b>KEY INDICATORS THAT EFFECT TURNOVER</b>								
Pulp price NBSK, USD <sup>2)</sup>	621	515	524	463	540	681	520	
USD/SEK <sup>3)</sup>	7.48	8.25	8.09	9.72	10.33	9.17	8.27	
Pulp price NBSK, SEK	4,645	4,250	4,235	4,500	5,580	6,245	4,300	
Rottneros' deliveries, tonnes	475,700	483,800	641,100	630,500	592,800	656,500	563,600	
<b>TURNOVER AND INCOEM, SEK million</b>								
Net turnover	1,821	1,809	2,380	2,494	2,741	3,385	2,101	
Profit/loss before depreciation	141	145	239	170	292	1,020	217	
Depreciation	-192	-83	-117	-113	-87	-112	-94	
Operating profit/loss after depreciation	-51	62	122	57	205	908	123	
Net financial items	-4	-8	-7	29	30	-16	-12	
Profit/loss after net financial items	-55	54	115	86	135	892	111	
Profit/loss after tax	-41	37	85	55	155	653	91	
<b>BALANCE SHEET ITEMS, SEK million</b>								
Fixed assets	1,191	1,244	1,249	1,197	1,093	994	1,130	
Inventories	469	374	388	401	398	363	335	
Current receivables	504	495	443	425	440	575	452	
Short-term investments	-	-	-	-	60	-	-	
Liquid funds	164	215	252	350	420	693	147	
Shareholders' equity	1,615	1,663	1,717	1,706	1,771	1,899	1,284	
Provisions	183	203	175	203	220	210	115	
Long-term interest-bearing liabilities	34	6	42	6	-	-	2	
Long-term non interest-bearing liabilities	-	-	-	-	-	-	26	
Current interest-bearing liabilities	90	2	6	2	-	-	259	
Current non interest-bearing liabilities	406	454	397	456	420	516	378	
Balance sheet total	2,328	2,328	2,332	2,373	2,411	2,625	2,064	
<b>FINANCIAL RATIOS</b>								
Operating margin	%	-2.8	3.4	5.1	2.3	7.5	26.8	5.9
Profit margin	%	-3.0	3.0	4.8	3.5	8.6	26.4	5.3
Return on capital employed	%	1	5	7	5	12	52	9
Return on equity after full tax	%	0.5	3	5	3	8	40	7
Equity/assets ratio	%	69	71	73	72	73	72	62
Debt/equity ratio	Times	0.1	0.0	0.0	0.0	0.0	0.0	0.2
Interest cover	Times	Neg	11.7	18.2	29.4	79.3	100.1	10.3
<b>OTHER</b>								
Capital expenditure	SEK m	113	141	193	244	183	85	276
Average no. of employees		842	866	857	860	878	890	884

<sup>1)</sup> On 1 June 1999 Rottneros acquired the Miranda sulphate pulp mill from Kimberly-Clark.

<sup>2)</sup> Source: PIX/Market Pulse

<sup>3)</sup> Source: Swedish central bank yearly average

QUARTERLY DATA, ROTTNEROS GROUP (SEK MILLION)

	2004			2003				2002			
	III	II	I	IV	III	II	I	IV	III	II	I
Net turnover	583	623	615	571	587	582	640	560	633	646	655
Operating profit/loss before depreciation	-9	99	51	94	43	57	45	60	74	11	25
Depreciation	-126	-33	-34	-34	-27	-27	-29	-40	-24	-25	-24
Operating profit/loss	-135	66	17	60	16	30	16	20	50	-14	1
Net financial items	-	-2	-2	1	-	-7	-1	1	5	20	3
Profit/loss after financial items	-134	64	15	61	16	23	15	21	55	6	4
Tax	41	-19	-8	-13	-5	-5	-7	-1	-24	-3	-3
Profit/loss after tax	-93	45	7	48	11	18	8	20	31	3	1
Pulp production, 1,000 tonnes	155.0	171.4	167.4	166.7	155.6	163.5	153.3	155.5	163.9	157.8	158.9
Pulp deliveries, 1,000 tonnes	149.0	157.2	169.5	157.3	160.7	149.4	173.7	150.3	153.7	162.8	163.7
Sawn timber production, 1,000 m3	7.2	13.9	13.5	12.4	10.7	12.3	10.5	10.1	7.3	12.4	12.6
Sawn timber deliveries, 1,000 m3	13.4	12.5	11.3	10.2	10.5	11.6	10.3	9.7	9.1	10.6	13.5

	2004			2003				2003
	III	II	I	IV	III	II	I	Full year
<b>Net turnover by segment</b>								
Pulp	559	601	593	552	567	559	619	2,297
Sawn timber	24	22	22	19	20	22	22	83
<b>Total net turnover</b>	<b>583</b>	<b>623</b>	<b>615</b>	<b>571</b>	<b>587</b>	<b>582</b>	<b>640</b>	<b>2,380</b>
<b>Operating profit/loss by segment</b>								
Pulp	-91	69	19	62	18	32	18	129
Sawn timber	-43	-3	-2	-2	-2	-2	-2	-7
<b>Total operating profit/loss</b>	<b>-134</b>	<b>66</b>	<b>17</b>	<b>60</b>	<b>16</b>	<b>30</b>	<b>16</b>	<b>122</b>
<b>Operating margin by segment</b>								
Pulp	-16.3	11.5	3.2	11.2	3.2	5.6	2.9	5.6
Sawn timber	-178	-12.0	-11.2	-11.1	-7.9	-9.0	-7.7	-8.9
<b>Total operating margin</b>	<b>-23.0</b>	<b>10.6</b>	<b>2.7</b>	<b>10.5</b>	<b>2.8</b>	<b>5.0</b>	<b>2.8</b>	<b>5.1</b>



Rottneros AB (Publ.) Postal address: P.o. Box 600, SE-194 26 Upplands Väsby (Stockholm) Sweden. Visiting address: Kanalvägen 16, InfraCity. Telephone +46-(0)8-590 010 00. Telefax +46-(0)8-590 010 01. Company reg. no. 55 60 13 – 5872.

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 satisfy its demanding 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 accordance with customers' demands should lead to more stable and higher profitability throughout an economic cycle. The Group has a comprehensive financial hedging policy to even out earnings over the economic cycle.