

**THE ROTTNEROS GROUP**  
**QUARTERLY REPORT JANUARY - MARCH 2006**

Amounts in SEK million unless data per share

		<b>2006</b>	<b>2005</b>
Net turnover, SEK m	Jan - Mar	700	585
Income after net financial items, SEK m	Jan - Mar	-43	-24
Earnings per share after net financial items, SEK	Jan - Mar	-0,24	-0,13
Profit/loss after tax, SEK m	Jan - Mar	-33	-15
Earnings per share after tax, SEK	Jan - Mar	-0,18	-0,08
Cash flow per share, SEK	Jan - Mar	-0,31	-0,22
Shareholders' equity per share, SEK		8,46	8,45 (31.12.2005)
Equity/assets ratio		57 %	58 % (31.12.2005)

- First quarter 2006 result: a loss after net financial items of SEK -43 (-24) million. Provisions for restructuring according the cost-cutting programme announced in February 2006 affected the result in the amount of SEK -27 million. The cost-cutting programme is expected to reduce costs in 2006 by around SEK 30 million.
- As a result of the high electricity prices, it was necessary to re-evaluate the cost-cutting programme's scope and structure at the mechanical pulp mills.

- In March Rottneros launched Rottneros Packaging, a new business area that will produce packaging for food. The new business area is expected to account for 15 per cent of the Group's turnover within a five-year period.
- At the end of the first quarter the new CTMP factory at Utansjö has reached the planned production level.
- The company is expecting a continued increase in pulp prices in US dollars in the second quarter and good market prospects for the rest of the year.
- Since market development is hard to predict, the company will not provide a forecast for the full year 2006.

## **ROTTNEROS IN BRIEF**

Rottneros, with its origins in the 1600s is a non-integrated, flexible supplier of customised, high-quality paper pulp. Through continuous product development, high delivery reliability, technical support and service, Rottneros is able to adapt to meet the high expectations of its customers.

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

## **THE PULP MARKET**

### **Markets and products**

The first quarter was characterised by high demand and rising prices for all grades of pulp.

Global deliver capacity utilisation for bleached chemical pulp for the January – February period was 96 % compared to 94 % for the corresponding period last year. Deliveries increased by 286,000 tonnes, which is equivalent to 4.7 %. China accounts for the biggest increase with 134,000 tonnes or 24 %.

Global producer stocks for the same grades at the beginning of the year were at 3,191,000 tonnes and at the end of February, a preliminary figure of 3,313,000 tonnes.

Production capacity utilisation for the same period was 98.0 % compared to 95.3 % last year.

### **Long-fibre chemical pulp (produced in Vallvik)**

The price at the beginning of the period was USD 600 and at the end of the period, USD 630. Further price increases up to USD 650/660 as of 1 April have been announced.

Delivery capacity utilisation for the January – February period was 97.0 % (94.0 % for the same period last year), and production capacity utilisation was 97.0 % (97.0 % in 2005).

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

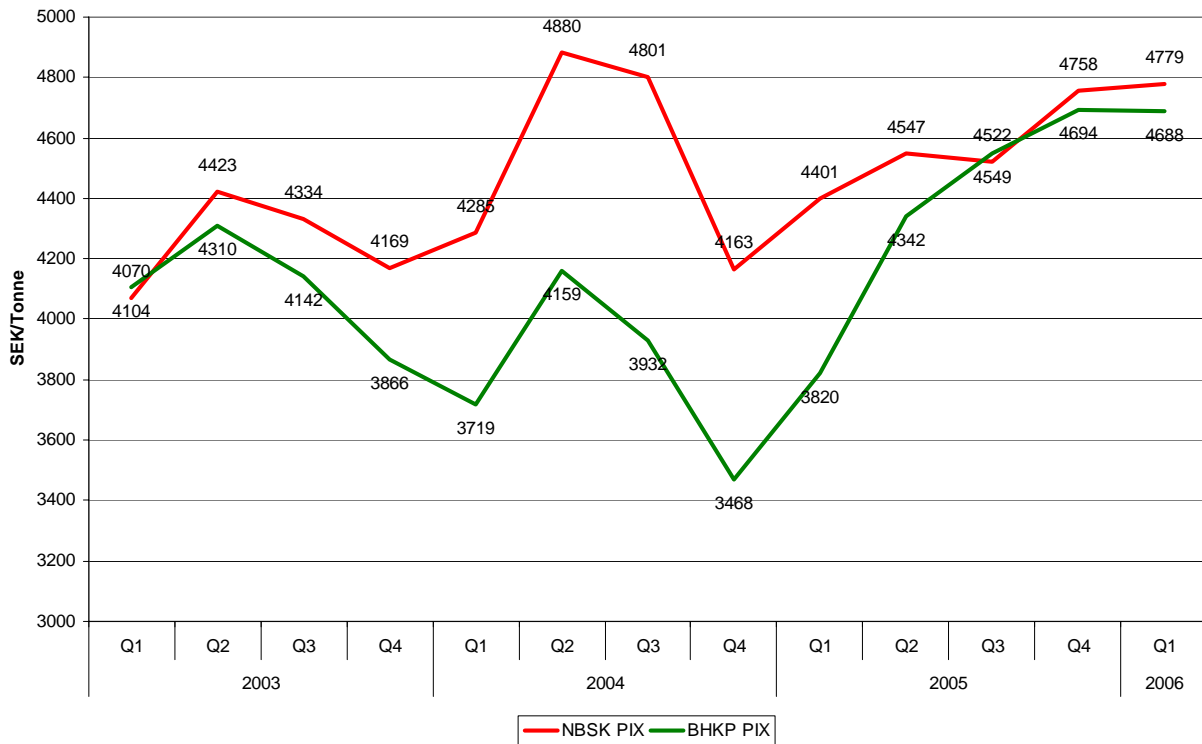
The price at the beginning of the period was around USD 590 and at the end of the period, around USD 620. Delivery capacity utilisation for the January – February period was 94.0 % (94.0 % for the same period last year), and production capacity utilisation was 93.0 % (93.0 % in 2005).

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

Prices for CTMP increased during the period from around USD 530 for short-fibre CTMP at the beginning of the period, to around USD 560 at the end of the period.

Delivery capacity utilisation for the January – February period was 102 % (99 % for the same period in 2005), and production capacity utilisation was 98 % (98 % in 2005).

Development of PIX price in SEK



## PRODUCTION AND DELIVERIES

The Group's five mills in Rottneros, Rockhammar, Utansjö, Vallvik and Miranda in Spain have a combined production capacity of some 700,000 tonnes per year. Production levels for the quarter were 174,600 (151,100), which represents an increase of 23,500 tonnes or 16 % compared to the first quarter of 2005. The mill in Utansjö was closed for reconstruction during much of the first quarter of 2005 due to the closure of the magnefite line at Utansjö and the launch of a new CTMP line in the second quarter of 2005. The changes at Utansjö Mill are the reason for the increase in production of around 21,000 tonnes during the first quarter. Additional niche grades were introduced in the first quarter of 2006 at the CTMP line at Utansjö with minor production disturbances as a result. Rottneros is not planning to introduce any more grades and the second part of the quarter indicates good accessibility. Taking into account the number of available production days, the production level in the first quarter of 2006 was somewhat better than the production level achieved for the fourth quarter of 2005.

Deliveries from the mills in the first quarter of 2006 amounted to 187,700 (162,300) tonnes, which is an increase of 25,300 tonnes or 16 % compared to last year. These are the highest delivery figures in Rottneros' history for one quarter.

<b>PRODUCTION (TONNES)</b>	<b>Jan - Mar 2006</b>	Jan - Mar 2005
Sulphate pulp	86 500	88 800
Magnefite pulp	-	1 400
Groundwood pulp	35 600	29 800
CTMP	52 500	31 100
<b>TOTAL</b>	<b>174 600</b>	<b>151 100</b>
<b>DELIVERIES (TONNES)</b>	<b>Jan - Mar 2006</b>	Jan - Mar 2005
Sulphate pulp	94 100	85 800
Magnefite pulp	-	9 700
Groundwood pulp	38 400	33 400
CTMP	55 200	33 400
<b>TOTAL</b>	<b>187 700</b>	<b>162 300</b>

The average capacity utilisation at the mills during the quarter was 97 % (96), which breaks down as sulphate pulp 100 % (103), groundwood pulp 94 % (79) and CTMP 94 % (92). No maintenance shutdowns were carried out by the Group in the first quarter of 2006. Annual maintenance shutdowns are planned in Miranda, Rockhammar and Utansjö in the second quarter, in Rottneros and Vallvik in the third quarter, and one additional stop is planned in Rockhammar in the fourth quarter.

## **INVOICED SALES AND RESULTS**

### January – March 2006 compared to January – March 2005

The Group's net turnover amounted to SEK 700 million (585). Pulp accounted for SEK 700 million (569) of the net turnover and sawn timber for SEK 0 million (16).

Sales in 2006 were SEK 115 million higher than the previous year mainly due to: *higher delivery levels (SEK 92 million) and a stronger USD (SEK 76 million) as well as lower pulp prices in USD (SEK-27 million)*. The winding up of Rockhammar Timber caused a fall in sales of SEK -16 million and other net changes of SEK -10 million. The average price for long-fibre sulphate pulp (NBSK) expressed in USD fell from USD 636 to USD 615, a reduction of just under 3.5 %, while the average price for NBSK pulp converted into SEK increased from SEK 4,407 to 4,779 per tonne, an improvement of 8.5 %. The average price for BEK in USD increased from USD 552 to USD 603 per tonnes or by 9.2 %, while the equivalent average price converted into SEK increased from SEK 3,820 to SEK 4,692 per tonne, an increase of 22.5 %.

The extremely increased energy costs meant that the Group, even without taking into account restructuring costs, was unable to generate a profit in the first quarter of 2006. In 2005 and the beginning of 2006, however, the Group achieved considerable productivity improvements (see the "Cost-cutting programme" section below). The Group's operating loss amounted to SEK -42 million (-21). The operating loss for the pulp producing units amounted to SEK -42 million (-24). The Rockhammar Timber sawmill operation, which had an operating profit of SEK 3 million last year, has been discontinued.

The main items affecting the result in the first quarter of 2006 compared to the first quarter of 2005 are provisions for restructuring of SEK 27 million and electricity costs including electricity hedging of SEK 38 million. The increased electricity consumption as a result of increased production accounts for SEK 10 million of this amount. The first quarter result for 2005 was charged with around SEK 35 million relating to the cost of closing down the magnesite line and to the reconstruction and fine-tuning of the CTMP line in Utansjö. The result of realised hedging activities during the quarter amounted to SEK 21 million (23).

The Group's loss after net financial items was SEK -43 million (-24) and includes net financial items amounting to SEK 0 million (-3) for the reporting period. Earnings per share after tax amounted to SEK -0.18 (-0.08). Cash flow per share was SEK -0.31 (-0.22).

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

The parent company's profit after net financial items was SEK 22 million (16). This includes the result of extensive realised hedging activities on behalf of the whole Group which improved the profit by SEK 21 million (23).

### January – March 2006 compared to October – December 2005

Sales in the first quarter of 2006 were SEK 93 million higher than in the first quarter of 2005. The increase is mainly due to *higher delivery levels (SEK 86 million), a weaker USD (SEK -17 million) and higher pulp prices in USD (SEK 22 million)*.

The production volume in the first quarter was slightly less than the fourth quarter due to fewer production days. The production volume calculated per day was slightly higher in the first quarter than the fourth quarter of 2005. Electricity costs were SEK 28 million higher in the first quarter than the fourth quarter of 2005. The operating loss for the first quarter of 2006 amounted to SEK -43 million, which means that the losses increased by SEK 25 million compared to the fourth quarter, when the loss was SEK -17 million. The main reason for this is the provision for restructuring costs of SEK 27 million. The fourth quarter 2005 result also included a capital gain of SEK 26 million relating to Rockhammar Timber's forest properties. Realised hedging activities in the first quarter resulted in a gain of SEK 21 million, which is SEK 29 million better than the fourth quarter. The loss after financial items for the first quarter of 2006 was SEK -43 million, while the loss in the fourth quarter of 2005 was SEK -21 million.

### **NEW BUSINESS AREA – ROTTNEROS PACKAGING**

Rottneros will begin the production of trays made from paper pulp for frozen ready meals. This is the beginning of an entirely new operation for Rottneros and the company will enter a new processing stage by manufacturing a product that will be delivered directly to end users. The packaging operation is expected to account for 15 per cent of the Group's turnover within a five-year period and take about a five per cent share of the European market. The tray was developed in cooperation with, among others, Gunnar Dafgård AB, the biggest manufacturer of prepared frozen foods in the Nordic region.

A Taiwanese company has provided the technology. Rottneros has a worldwide exclusive licence to manufacture food trays from cellulose fibres.

The main application area for Rottneros' trays is packaged portions of frozen and chilled food for small households. The products are meeting an increasing demand for convenience foods that are easy to shop for and prepare.

## **ACCOUNTING PRINCIPLES**

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, while the parent company's accounts have been prepared in accordance with RR 32. The accounting principles 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 Rottneros' 2005 Annual Report on pages 45-48.

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 quarter was just over 12 % higher than the previous year. The effect on sales of a stronger average rate for the USD relative to SEK during the period amounted to SEK 76 million.

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

At the end of the first quarter of 2006, currency hedging in the form of long-term forward contracts had been put in place for USD 65.7 million, at an average exchange rate of SEK 7.80 per USD. These contracts relate to the coming 15 months. Of the sum hedged, USD 60.7 million is for 2006 at an average rate of 7.84. In addition, forward contracts were in place at the end of the first quarter for EUR 16.6 million at a rate of EUR 9.46/SEK to hedge deliveries in 2006.

### Pulp prices

At the end of the year the Group had not signed any contracts to hedge pulp prices and no such contracts have been signed during the first quarter.

### Electricity

The Group hedges electricity prices in Sweden. For 2006 the company has hedged an average of just over 50 % of electricity purchases 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 refer to the liquidation value, i.e. valuation in accordance with forward contracts as of 31 March 2006. The reference value is the spot rate on 31 March and is given as supplementary information. Hedge contracts have a term of one to two 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 nonetheless shown here as supplementary information.

<b>MARKET VALUE (SEK million) MARCH 2006:</b>					
<i>Hedging</i>	<i>Hedged volume</i>	<i>Hedge price</i>		<i>Market value</i>	<i>Reference - spot rate</i>
					<i>31 march 2006</i>
Currency, USD, forward	USD 66 m	7,80	SEK/USD	6	7,79 SEK/USD
Currency, EUR	EUR 17 m	9,46	SEK/EUR	1	9,44 SEK/EUR
Electricity	665 300 MWh	SEK 0.268	/kWh	116	SEK 0.422/kWh
Total market value				123	

<b>MARKET VALUE (SEK million) MARCH 2005:</b>					
<i>Hedging</i>	<i>Hedged volume</i>	<i>Hedge price</i>		<i>Market value</i>	<i>Reference - spot rate</i>
					<i>31 March 2005</i>
Currency, USD, forward	USD 47 m	9,57	SEK/USD	120	7,04 SEK/USD
Currency, USD, interval	USD 50 m	6,80 - 7,19	SEK/USD	0	7,04 SEK/USD
Pulp price, in SEK	24 800 tonnes	548	USD (PIX)	-15	USD 647/7,04 SEK/USD
		546	USD (RISI)		
Electricity	884 600 MWh	SEK 0.22 - 0.26	/kWh	39	SEK 0.25/kWh
Total market value				144	

## **COST-CUTTING PROGRAMME**

In the second half of 2005 following the launch of the new line at Utansjö, the Group achieved a significant improvement in productivity, with an increase in production of 25 % compared to the same period the previous year, despite staff cuts. Expressed as the number of tonnes produced per employee, productivity has continued to improve and reached 849 calculated on a full-year basis by the end of March, compared to 806 for the whole of 2005, an increase of 5.3 %.

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 electricity price 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 of additional cost increases 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. During the first quarter, a provision of SEK 27 million affected the result. Due to the high electricity prices and forecast continued high spot prices for electricity, Rottneros has found it necessary to re-assess the scope of the cost-cutting programme and the structure of the mechanical pulp mills. For this reason, no provision for restructuring of the mechanical mills will be charged to the first quarter result, since the criteria for such a provision according to IAS 37 have not been met.

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

The 2005 Annual General Meeting resolved to continue the buy-back programme. A maximum of 10 % of the shares may be bought back, i.e. 18.8 million shares. The aim of the buy-back is partly to optimise the company's capital structure and partly to create opportunities for the Group to use its own share as payment in any future acquisitions.

In 2002 the company bought back 5,418,790 of its own shares at an average price of SEK 8.74 per share, in 2003 the company bought back 2,257,641 shares in 2003 at an average price of SEK 7.31 per share. In 2004 the company bought back a further 510,000 shares at an average price of SEK 9.99. The number of outstanding shares at the end of the year was 180,722,464. No shares have been bought back in 2005 or so far in 2006. As of 31 December 2005, the company held 8,219,641 of its own shares bought at an average price of SEK 8.43 per share, making a total of SEK 69.3 million.

## **CAPITAL INVESTMENTS AND FINANCIAL POSITION**

The Group's net investments in fixed assets during the quarter amounted to SEK 21 million (62). This amount was spent mostly on intellectual property rights and licences amounting to SEK 5 million for the new Rottneros Packaging business area and continued investment in Vallvik for SEK 6 million and in Miranda, SEK 7 million.

Liquid funds at the end of the quarter amounted to SEK 120 million, compared to SEK 125 million at the end of 2005. As of 31 March 2006 the company had interest-bearing liabilities totalling SEK 555 million (317) and net borrowing of SEK 435 million (190). Approved but unutilised lines of credit totalled SEK 619 million. The equity/assets ratio was 57 % compared to 58 % at the end of the year. The shareholders' equity per share was SEK 8.46 (8.45 on 31 December 2005).

## **CASH FLOW**

Cash flow from current operations before investments amounted to SEK -33 million (-20) and included cash flow from financial hedging of SEK 21 million (23). Cash flow after investment activity amounted to SEK -54 million (-81). Investment and increased working capital were financed by borrowing an additional SEK 50 million since the beginning of the year within the approved credit facility.

## **AVERAGE NUMBER OF EMPLOYEES**

The average number of employees during the reporting period was 791 (823).

## **OUTLOOK FOR 2006**

Prices have been increased as of 1 April for the most important pulp grades on the market. In Europe the new price is USD 660 per tonne for NBSK and USD 620 per tonne for eucalyptus. For short-fibre CTMP, Rottneros has announced a price of USD 560 per tonne and for long-fibre CTMP, USD 540 per tonne.

Rottneros anticipates a strong demand for the most important grades of pulp. This is expected to result in a positive price trend for pulp 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.

Based on the fact that the pulp market no longer seems to follow the historical five-year cycles, with a boom every five years, and given the fact that the company only has a small financial hedging portfolio to reduce the impact of fluctuation in the important revenue parameters, pulp prices and USD, the company will not provide an earnings forecast for 2006. The electricity price development is another uncertain factor.

## **UPCOMING FINANCIAL INFORMATION**

25 July 2006 - Mid-year report for 2006

27 October 2006 - Quarterly report (9 months) 2006

2 February 2007 - Year-end release for 2006

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

Upplands Väsby, 26 April 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 26 April at tel.  
+46 (0)565 68 88 43 xx between 8.00 a.m. and 9.00 a.m.

### Press conference for analysts and journalists

Analysis and journalists are invited to a press conference on 28 April at 09 a.m. at the offices of Hallvarsson & Halvarsson, Birger Jarlsgatan 6B, tel. +46 08 587 112 00.  
Contact Tove Håkansson at +46 08 587 112 78, e-mail: [tove.hakansson@halvarsson.se](mailto:tove.hakansson@halvarsson.se)

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

	<b>Jan - Mar 2006</b>	<b>Jan - Mar 2005</b>	<b>Full year 2005</b>
Net turnover	700	585	2 429
Change in inventories, finished goods	-44	-30	-59
Other income	38	60	185
<b>Total income</b>	<b>694</b>	<b>615</b>	<b>2 555</b>
Raw materials and consumables	-402	-337	-1 442
Other costs	-163	-162	-658
Personnel costs	-133	-104	-407
Depreciation	-39	-33	-138
<b>Total operating costs</b>	<b>-737</b>	<b>-636</b>	<b>-2 645</b>
<b>Operating income</b>	<b>-43</b>	<b>-21</b>	<b>-90</b>
Financial income	4	-	4
Financial expenses	-4	-3	-17
<b>Net financial items</b>	<b>-</b>	<b>-3</b>	<b>-13</b>
<b>Income after net financial items</b>	<b>-43</b>	<b>-24</b>	<b>-103</b>
Tax on income for the year	10	9	40
<b>Net profit/loss after tax</b>	<b>-33</b>	<b>-15</b>	<b>-63</b>
No. of shares at beginning of period <sup>1)</sup>	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
Average no. of shares <sup>1)</sup>	180 212	180 212	180 212
Earnings after tax/share (SEK) <sup>2)</sup>	-0,18	-0,08	-0,35
<b>Key indicators that affect turnover</b>			
Pulp price NBSK, USD <sup>3)</sup>	615	636	611
USD/SEK <sup>4)</sup>	7,77	6,92	7,48
Pulp price NBSK, SEK	4 779	4 407	4 565
Rottneros' deliveries, tonnes	187 700	162 300	666 700

<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: Swedich central bank yearly average.

**CONSOLIDATED BALANCE SHEET (SEK million)**

	Mar 2006	Mar 2006	Mar 2006
Intangible fixed assets	40	39	46
Tangible fixed assets	1 320	1 276	1 338
Financial fixed assets	64	53	51
<b>Total fixed assets</b>	<b>1 424</b>	<b>1 368</b>	<b>1 435</b>
Inventories	384	464	430
Current receivables	753	592	595
Liquid funds	120	127	125
<b>Total current assets</b>	<b>1 257</b>	<b>1 183</b>	<b>1 150</b>
<b>Assets from discontinued operations</b>	<b>-</b>	<b>10</b>	<b>26</b>
<b>Total assets</b>	<b>2 681</b>	<b>2 561</b>	<b>2 611</b>
<b>Shareholders' equity</b>	<b>1 525</b>	<b>1 647</b>	<b>1 523</b>
<b>Longterm liabilities</b>			
Interest-bearing	180	184	180
Non interest-bearing	106	150	118
<b>Total longterm liabilities</b>	<b>286</b>	<b>334</b>	<b>298</b>
<b>Current liabilities</b>			
Interest-bearing	375	133	375
Non interest-bearing	495	443	405
<b>Total current liabilities</b>	<b>870</b>	<b>576</b>	<b>780</b>
<b>Liabilities from discontinued operations</b>	<b>-</b>	<b>4</b>	<b>10</b>
<b>Total shareholders' equity and liabilities</b>	<b>2 681</b>	<b>2 561</b>	<b>2 611</b>

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

	Jan - Mar 2006	Jan - Mar 2005	Jan - Dec 2005
Operating income	-43	-21	-90
<b>Adjustment for non cash-flow items</b>			
Depreciation	39	33	138
Profit/loss from disposal of fixed assets	1	-	-37
	<b>-3</b>	<b>12</b>	<b>11</b>
Paid financial items	-4	-1	-9
Paid taxes	2	-3	-3
<b>Cash-flow from current operations before change in working capital</b>	<b>-5</b>	<b>8</b>	<b>-1</b>
Change in working capital	-29	-27	-54
<b>Cash-flow from current operations</b>	<b>-34</b>	<b>-19</b>	<b>-55</b>
Acquisition of fixed assets	-21	-62	-234
Sale of fixed assets	-	-	39
Change in long-term receivables	1	1	1
<b>Cash-flow from capital investments</b>	<b>-20</b>	<b>-61</b>	<b>-194</b>
New loans	50	50	258
Repayment of loans	-	-	-6
Dividend paid	-	-	-36
Buy-back of own shares	-	-	-
<b>Cash-flow from financing</b>	<b>50</b>	<b>50</b>	<b>216</b>
<b>Cash-flow for the period/year</b>	<b>-4</b>	<b>-30</b>	<b>-33</b>
Liquid funds at beginning of year	125	157	157
Cash-flow for the period/year	-4	-30	-33
Translation difference in liquid funds	-1	-	1
Liquid funds at end of period/year	120	127	125

**SHARE DATA** <sup>1),5)</sup>

		Mar 2006	Mar 2005	2005	2004	2003	2002	2001
No. of shares at beginning of period <sup>2)</sup>	No.	180 212	180 212	180 212	180 722	182 980	188 399	209 332
No. of company's own shares bought back <sup>2)</sup>	No.	-	-	-	510	2 258	5 418	20 933
No. of shares at end of period <sup>2)</sup>	No.	180 212	180 212	180 212	180 212	180 722	182 980	188 399
Average number of shares <sup>2)</sup>	No.	180 212	180 212	180 212	180 392	181 422	187 709	204 099
Operating profit or loss/share	SEK	-0,24	-0,12	-0,50	-0,64	0,67	0,31	1,00
Earnings after net financial items/share	SEK	-0,24	-0,13	-0,57	-0,67	0,64	0,46	1,15
Earnings after tax/share	SEK	-0,18	-0,08	-0,35	-0,50	0,47	0,29	0,76
Operating cash-flow/share <sup>3)</sup>	SEK	-0,31	-0,22	-2,28	-0,41	-0,23	-0,13	0,50
Equity/share	SEK	8,46	9,14	8,45	9,28	9,50	9,33	9,40
Dividend	SEK	-	-	0,10	0,20	0,30	0,30	0,35
Dividend/equity per share	%	-	-	1,2	2,2	3,2	3,2	3,7
Share price at end of period	SEK	7,45	7,50	6,80	7,55	8,55	7,45	9,85
Share price/equity per share	Times	0,9	0,8	0,8	0,8	0,9	0,8	1,0
P/E ratio	Times	-	-	Neg	Neg	18,3	25,3	13,0
Direct yield <sup>4)</sup>	%	-	-	1,4	2,6	3,5	4,0	3,6

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

<sup>2)</sup> The number of shares is given in thousands.

<sup>3)</sup> Cash-flow after normal investments but excluding strategic investments.

<sup>4)</sup> Direct yield is calculated in relation to the closing listed price.

<sup>5)</sup> 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 - Mar 2006	Jan - Mar 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)	35	-11	-51
Profit/loss for the year	-33	-15	-63
Dividend	-	-	-36
Buy-back of company's own shares	-	-	-
Closing shareholders' equity	1 525	1 647	1 523

**QUARTERLY DATA (SEK million)**

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

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



## SIX YEAR REVIEW

	Jan - Mar 2006	Jan - Mar 2005	2005		2004		2003	2002	2001	
			Remaining operations	Total	Remaining operations	Total				
<b>Key indicators that effect turnover</b>										
Pulp price NBSK, USD <sup>1)</sup>	615	636	611		617		524	463	540	
USD/SEK <sup>2)</sup>	7,77	6,92	7,48		7,35		8,09	9,72	10,33	
Pulp price NBSK, SEK	4 779	4 407	4 565		4 532		4 235	4 500	5 581	
Rottneros' deliveries, tonnes	187 700	162 300	666 700		625 000		641 100	630 500	592 800	
<b>Turnover and income, SEK million</b>										
Net turnover	700	585	2 411	2 429	2 272	2 356	2 380	2 494	2 741	
Profit/loss before depreciation	-4	12	9	48	129	109	239	170	292	
Depreciation	-39	-33	-138	-138	-162	-223	-117	-113	-87	
Operating profit/loss after depreciation	-43	-21	-129	-90	-33	-114	122	57	205	
Net financial items	-0	-3	-12	-13	-5	-7	-7	29	30	
Profit/loss after net financial items	-43	-24	-141	-103	-38	-121	115	86	235	
Profit/loss after tax	-33	-15	-91	-63	-31	-91	85	55	155	
<b>Balance sheet items, SEK million</b>										
Fixed assets	1 424	1 368	1 435		1 349		1 249	1 197	1 093	
Inventories	384	464	430		474		388	401	398	
Current receivables	753	592	595		572		443	425	440	
Short-term investments	-	-	-		-		-	-	60	
Liquid funds	120	127	125		157		252	350	420	
Assets from discontinued operations	-	10	26		16		-	-	-	
Shareholders' equity	1 525	1 647	1 523		1 673		1 717	1 706	1 771	
Long-term interest-bearing liabilities	180	184	180		186		42	6	-	
Long-term non interest-bearing liabilities	106	150	118		174		158	143	153	
Current interest-bearing liabilities	375	133	375		56		6	2	-	
Current non interest-bearing liabilities	495	443	405		472		414	516	487	
Liabilities from discontinued operations	-	4	10		7		-	-	-	
Balance sheet total	2 681	2 561	2 611		2 568		2 332	2 373	2 411	
<b>Financial ratios</b>										
Operating margin	%	-6,1	-3,6	-5,3	-3,7	-1,5	-4,9	5,1	2,3	7,5
Profit margin	%	-6,1	-4,1	-5,8	-4,2	-1,7	-5,2	4,8	3,5	8,6
Return on capital employed	%	Neg	Neg	Neg	Neg	Neg	Neg	7	5	12
Return on equity after full tax	%	Neg	Neg	Neg	Neg	Neg	Neg	5	3	8
Equity/assets ratio	%	57	64	58	58	65	64	73	72	73
Debt/equity ratio	Times	0,4	0,2	0,4	0,4	0,2	0,2	0,0	-	0,0
Interest cover	Times	Neg	Neg	Neg	Neg	Neg	Neg	18,2	29,4	79,3
<b>Other</b>										
Capital expenditure	SEK m	21	62	234	234	284	284	193	244	183
Average no. of employees		791	823	804	804	835	835	857	860	878

<sup>1)</sup> Source: PIX/Market Pulse

<sup>2)</sup> Source: Swedish central bank yearly average

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