



Year-end Release 2005

Quarterly Report October–December 2005

Fourth quarter 2005 result: a loss after net financial items of 21 MSEK. The loss is mainly due to production troubles in the new CTMP line at the Utansjö mill.

Income after financial items amounted to -103 MSEK which is in line with the prognosis delivered on 14 October 2005.

One-time costs for restructuring at Utansjö has charged the result with -70 MSEK.

New program for cost reductions of 100 MSEK in all as a consequence of higher energy prices, mainly electricity.

The Board proposes a dividend of SEK 0.10 per share (SEK 0.20) and presents a proposal for the treatment of the company's buy-back-program of own shares.

The company expects increasing pulp prices in USD during the first quarter 2006.

The company will not make a prognosis for the whole year 2006 due to the fact that the development on the market is difficult to predict.

		2005	2004
Net turnover, SEK m	Jan–Dec	2,429	2,356
	Oct–Dec	607	535
Income after net financial items, SEK m	Jan–Dec	-103	-121
	Oct–Dec	-21	-65
Earnings per share after net financial items, SEK	Jan–Dec	-0.57	-0.67
	Oct–Dec	-0.11	-0.36
Profit/loss after tax, SEK m	Jan–Dec	-63	-91
	Oct–Dec	-4	-49
Earnings per share after tax, SEK	Jan–Dec	-0.35	-0.50
	Oct–Dec	-0.02	-0.27
Cash flow per share, SEK	Jan–Dec	-2.13	-0.41
	Oct–Dec	-0.10	0.21
Shareholders' equity per share, SEK		8.45	9.28
Equity/assets ratio		58%	65%

THE PULP MARKET MARKETS AND PRODUCTS

Deliveries in 2005 for the section of the total global market for bleached chemical market pulp that reports statistics (19 countries) amounted to 35.6 million tonnes, an increase of 0.4 %, or 133,000 tonnes more than in 2004. Delivery capacity utilisation was 92.1 % (94.6) and production capacity utilisation was 92.3 % (95.2). Global pulp stocks at the beginning of the year amounted to 3.17 million tonnes and had increased to 3.24 million tonnes by the end of the year.

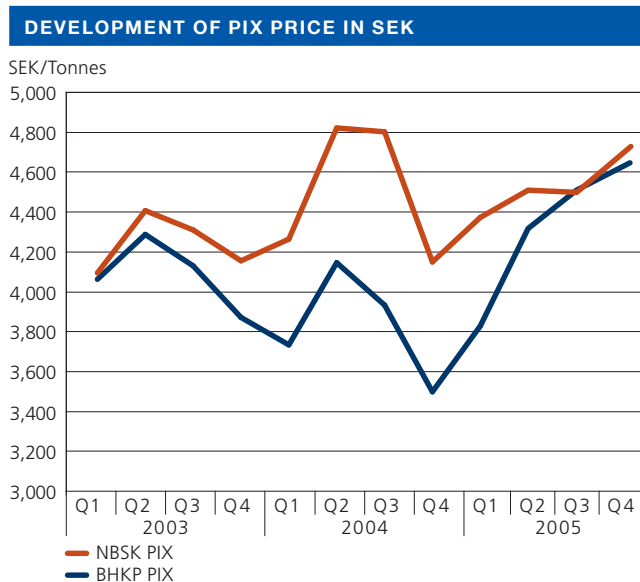
The two most important market pulp markets are Western Europe and North America. Deliveries to Western Europe for the full year decreased by 1.9 %, reaching 15.0 million tonnes. Deliveries to the North American Market increased significantly by 9.5 % to reach 7.38 million tonnes. This was partly due to the fact that the capacity that was previously integrated was converted into market pulp. Chinese imports did not increase in any significant quantity in 2005 due to the opening of a new domestic pulp mill in that country with a capacity of 1 million tonnes per year. The average increase on all markets was 0.4 %.

In 2005 the difference in price between long-fibre and short-fibre chemical pulp decreased significantly in Europe from around USD 80 at the beginning of the year to around USD 10 at the end of the year, which, in a historical perspective, is a small price difference.

LONG-FIBRE CHEMICAL PULP, NBSK (manufactured in Vallvik)

An increased supply characterised the market for long-fibre chemical pulp in 2005. New production capacity in Central Europe in the latter part of 2004 contributed to a relatively weak market in the first half of 2005 for this grade. The market then strengthened somewhat in the second half of the year.

The year started with a price for NBSK in Europe of USD 630 per tonne, which rose to USD 645 in the first quarter. In the third quarter the price fell to around USD 580 per tonne, and then recovered slightly in the fourth quarter to reach USD 600 by the end of the year.



SHORT-FIBRE CHEMICAL PULP, BEK (manufactured in Miranda)

The market in 2005 for short-fibre chemical pulp was characterised by high demand, resulting in a stronger price trend than for long-fibre chemical pulp. The price at the beginning of the year in Europe was USD 550 and this rose before the summer to USD 600, to end at USD 590 at the end of the year.

GROUNDWOOD PULP AND CTMP (manufactured in Rottneros, Rockhammar and Utansjö)

The CTMP market in 2005 amounted to 2,669 thousand tonnes, compared to 2,575 thousand tonnes in 2004, which represents an increase of 4 %. Capacity utilisation for CTMP was at 95 %, while deliveries corresponded to 94 % of the capacity. At the beginning of the year the CTMP stocks were at 348,000 tonnes and at the end of the year, 381,000 tonnes.

The market for groundwood pulp amounted to around 210,000 tonnes, of which Rottneros accounts for 160,000 tonnes.

PRODUCTION AND DELIVERIES

The Group's five pulp 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 year fell by only 8,600 tonnes or 1 % compared to 2004, despite major rebuilding of the Utansjö Mill. This mill was closed for reconstruction for much of the fourth quarter. The magnetite line in Utansjö was discontinued in the first quarter and the CTMP line started up in the second quarter. In the third and fourth quarters the Group's production increased by 5 and 8 % respectively, compared to the same quarters the previous year. Production records were set in 2005 at Rottneros Mill and Rockhammar Mill. Deliveries in 2005 increased by 41,800 tonnes or 7 % compared to the previous year and these are the highest delivery figures ever for the Rottneros Group. Deliveries in the fourth quarter increased by 16,500 tonnes or 11 % compared to the same quarter the previous year.

The average capacity utilisation at the mills during the period was to 92 % (94), which breaks down as sulphate pulp 101 % (99), magnetite pulp 0 % (80), groundwood pulp 87 % (91) and

	PRODUCTION (TONNES)			
	okt-dec 2005	okt-dec 2004	jan-dec 2005	jan-dec 2004
Sulphate pulp	88,000	84,800	344,900	340,000
Magnetite pulp	-	13,100	1,400	57,100
Groundwood pulp	36,200	32,200	130,600	134,100
CTMP	52,700	32,900	171,400	125,600
TOTAL	176,900	163,000	648,300	656,800

	DELIVERIES (TONNES)			
	okt-dec 2005	okt-dec 2004	jan-dec 2005	jan-dec 2004
Sulphate pulp	85,600	82,800	344,700	336,100
Magnetite pulp	1,300	7,400	23,400	44,400
Groundwood pulp	36,600	25,800	146,600	120,000
CTMP	42,300	33,300	152,000	124,500
TOTAL	165,800	149,300	666,700	625,000

CTMP 88 % (91). During the first quarter of 2005 the Group carried out a maintenance shutdown in Utansjö in conjunction with the considerable reconstruction of the facility for the conversion from magnetite to CTMP production. During the most intensive phases of the reconstruction work, groundwood production was also suspended. In the second quarter of 2005 the Group implemented a maintenance shutdown at the Rockhammar Mill in addition to which the CTMP line in Utansjö was being fine-tuned resulting in lower production and a decline in quality levels. Rottneros, Utansjö and Vallvik had planned maintenance shutdowns in the third quarter and the mill in Miranda had a maintenance shutdown in the fourth quarter. All costs relating to maintenance shutdowns are reported in the period in which the shutdown takes place. Production at the sawmill in Rockhammar was discontinued in the fourth quarter and the operation was wound up entirely by mid-year.

INVOICED SALES AND RESULTS JANUARY–DECEMBER 2005 COMPARED WITH JANUARY–DECEMBER 2004

The Group's net turnover amounted to SEK 2,429 million (2,356). Pulp accounted for SEK 2,411 million (2,272) of the net turnover and sawn timber for SEK 18 million (84).

Sales in 2005 were SEK 73 million higher than the previous year due to: increased deliveries (SEK 150 million), a stronger USD (SEK 40 million) and lower pulp prices in USD (SEK –25 million). The winding up of Rockhammar Timber caused a fall in sales of SEK –66 million and other net changes (first of all changed product mix) by SEK –26 million. The average price for long-fibre sulphate pulp NBSK expressed in USD fell from USD 617 to USD 611, a reduction of just under 1 %, while the average prices for NBSK pulp converted into SEK increased from SEK 4,532 to SEK 4,565 per tonne, an improvement of 0.7 %. The average price for BEK pulp in USD increased from USD 521 to USD 581 per tonne or by 12 %, while the equivalent average prices converted into SEK increased from SEK 3,829 to SEK 4,346 per tonne, an increase of 14 %.

The Group's operating loss was SEK –90 million (–114). The result has been charged with one-off costs for the reconstruction at the Utansjö mill as well as with increased energy costs. The operating loss for pulp-producing units was SEK –129 million (–20), and the Rockhammar Timber sawmill made a profit of SEK 39 million (–81). During the first and second quarters the earnings were charged with a total of around SEK 55 million in respect of the cost of the shutdown and closure of the magnetite line and the reconstruction and fine-tuning of the CTMP line in Utansjö. During the third quarter a standard grade CTMP was produced with good availability, but when a number of niche grades started to be produced in the fourth quarter, some production disruption occurred. This resulted in costs of some SEK 15 million being incurred in the fourth quarter. Oil price related costs such as freight and energy were SEK 20 million higher than the previous year. In 2005 the forest properties belonging to Rockhammar Timber were sold resulting in a capital gain of SEK 26 million. The result of realised hedging activities was SEK 125 million lower than the previous year. The previous year's result included non-recurring costs totalling SEK 116 million.

The Group's loss after net financial items was SEK –103 million

(–121) and includes net financial items of SEK –13 million (–7). Interest costs increased by SEK 6 million due to a higher level of borrowing. Earnings per share after tax amounted to SEK –0.35 (–0.50). Cash flow per share was SEK –2.14 (–0.41), a fall that is mainly due to the substantial investment in Utansjö's CTMP line.

The parent company's profit after net financial items was SEK 22 million (135). This includes realised hedging activities on behalf of the whole Group that affected the profit by SEK 40 million (165).

OCTOBER–DECEMBER 2005 COMPARED TO OCTOBER–DECEMBER 2004

Sales in the fourth quarter of 2005 were SEK 72 million higher than in the fourth quarter of 2004. The increase is mainly due to increased deliveries (SEK 60 million), a stronger USD (SEK 77 million), and lower pulp prices in USD (SEK –1 million). The winding up of Rockhammar Timber caused a fall in sales by SEK –16 million and other net effects amounted to SEK –48 million. These other effects were mainly in the form of change in product mix, annual volume discounts resulting from higher annual volumes (record levels) than previous estimates and introductory discounts for the new CTMP line.

Production in the fourth quarter of 2005 was at 13,500 tonnes or 8 % higher than the same quarter the previous year. Oil price related costs such as freight and energy were SEK 20 million higher than the previous year. Realised hedging activities in the fourth quarter resulted in a loss for the first time since 2001 of SEK –8 million, which was SEK 60 million lower than in the same quarter the previous year. The loss after financial items for the fourth quarter of 2005 was SEK –21 million, compared to SEK –65 million the previous year. The forest properties belonging to Rockhammar Timber were sold in the fourth quarter resulting in a capital gain of SEK 26 million.

OCTOBER–DECEMBER 2005 COMPARED WITH JULY–SEPTEMBER 2005

Sales in the fourth quarter of 2005 were SEK 34 million lower than in the third quarter. The fall is mainly due to a decrease in deliveries (SEK –40 million), a stronger USD (SEK 18 million) and higher pulp prices in USD (SEK 11 million). Other net effects amounted to SEK –23 million. These were mainly in the form of annual volume discounts resulting from higher annual volumes (record levels) than previous estimates.

INCOME AFTER NET FINANCIAL ITEMS

	2005					2004				
	IV	III	II	I	Full year	IV	III	II	I	Full year
Profit/loss after financial items	–21	–65	7	–24	–103	–65	–107	75	–24	–121
Whereof:										
Currency hedges	–21	–3	24	38	38	62	35	63	39	199
Pulp price hedges	–	–3	–10	–18	–31	–14	–27	–21	1	–61
Electricity hedges	13	9	8	3	33	4	8	8	7	27
Total hedges	–8	3	22	23	40	52	17	48	48	165
IAS 39	5	–2	6	12	21	–13	27	12	–40	–14
Green electricity	6	3	5	7	21	8	4	8	6	26

Production in the fourth quarter was 8 % higher than in the third quarter, partly due to the fact that there were fewer maintenance shutdowns and higher production levels at the new CTMP line in Utansjö. Oil price related costs—in particular energy costs—were higher in the fourth quarter than in the third quarter. The operating loss in the fourth quarter of 2005 amounted to SEK –17 million, which is an improvement of SEK 44 million on the third quarter, when the loss was SEK –61 million. This is mainly due to the significant cost of maintenance shutdowns in Vallvik in the third quarter, while in the fourth quarter there were only minor shutdowns. Realised hedging activities resulted in a loss in the fourth quarter of SEK –8 million, which was a decline of SEK 11 million compared to the third quarter. The loss after net financial items for the fourth quarter of 2005 was SEK –21 million, while the third quarter loss was SEK –65 million. The forest properties belonging to Rockhammar Timber were sold in the fourth quarter resulting in a capital gain of SEK 26 million.

RESTRUCTURING AT UTANSJÖ

At the end of the first quarter of 2005 the new CTMP facility in Utansjö was put into operation. Following the announcement about the closure of the magnetite production line, there was a rapid fall in demand for this grade of pulp. In addition the market for longfibre pulp was weaker than expected. The magnetite production line was shut down earlier than expected due to these market-related factors and a stock write-down was carried out. The negative impact on the 2005 first quarter results amounted to SEK 35 million. The second quarter was negatively affected by around SEK 35 million, mainly due to the start-up and fine-tuning of the new CTMP line and the fact that the new CTMP pulp was launched on the market with higher introduction discounts. Standard grade was produced with good availability in the third quarter, but when several niche grades started to be produced in the fourth quarter, some production disruption occurred. This resulted in costs of around SEK 15 million in the fourth quarter. During the first quarter of 2006, a number of other niche grades will be introduced in the CTMP line.

The new production line for CTMP pulp at Utansjö Mill in Ångermanland was officially launched on 5 October by His Majesty King Carl XVI Gustaf of Sweden.

DISCONTINUED OPERATIONS

On 16 September 2004 the Board of Directors decided to wind up operations at the Rockhammar Timber sawmill. In the second quarter the sale of fixed assets resulted in a capital gain of SEK 11 million. The third quarter showed a positive result of SEK 2 million. In the fourth quarter the forest properties belonging to Rockhammar Timber AB were sold, resulting in a capital gain of SEK 26 million.

As indicated in the table on page 15, the sawmill operation only had marginal significance for the Group's financial position.

ACCOUNTING PRINCIPLES

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards, while the parent company accounts have been prepared in accordance with RR 32. Comparison figures for 2004 have been restated in accordance with the new accounting principles. Under the transitional rules

in IFRS 1, the comparison year need not be restated in respect of IAS 39, Financial Instruments. IAS 39 is the accounting principle that has the greatest impact for the Rottneros Group. Rottneros has therefore chosen to restate the comparison year of 2004 with respect to IAS 39 as well. In all other respects the accounting principles are unchanged from those used in the preparation of the 2004 annual report.

IN BRIEF, THE NEW RULES TO WHICH ROTTNEROS HAS GIVEN PARTICULAR ATTENTION IN CONNECTION WITH THE FIRST-TIME ADOPTION OF IFRS ON 1 JANUARY 2005 ARE THE FOLLOWING:

IAS 39 Financial Instruments

According to IAS 39, financial instruments are to be reported at fair value. Changes in fair value are to be reported in the company's income statement and balance sheet. The recommendation allows the application in exceptional cases of so-called hedge accounting, provided that the company's forecasts, systems and routines meet strict precision and documentation requirements. Hedge accounting means that ongoing changes in fair value are posted directly to shareholders' equity and do not affect the income statement.

Rottneros implements extensive hedging activities and hence the consequence of not applying so-called hedge accounting would be sharply increased volatility in reported earnings. Rottneros is applying hedge accounting to the majority of its financial contracts.

It is important to point out that cash flow from hedging transactions is not affected by the introduction of IAS 39. The Group's objective of generating a positive cash flow from current operations even during downturns still stands.

IAS 17 Leases

Rottneros has no leases the reclassification of which has given rise to any significant effects at Group level.

IAS 19 Employee Benefits

Rottneros' transition to IFRS has had no tangible effect on the Group's income statement and balance sheet.

IAS 41 Agriculture

According to IAS 41 Agriculture, biological assets are to be reported at their fair value on the closing day. During the year Rottneros has owned only a few small forest properties which have had no material effect on the Group's profits and financial position. The properties were sold at year end.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

Electricity certificates are reported at their fair value on the closing day according to IFRS.

RISK MANAGEMENT USD

The average USD exchange rate in 2005 was slightly less than 2 % 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 40 million.

Essentially all pulp is priced in USD. Around 30 % of the Group's turnover for the year has been hedged. This means that 70 % of the turnover is not covered by currency hedging.

In the beginning of the year the USD rate was subject to great fluctuation and it was difficult to estimate future trends. In the first half of 2005, the company therefore conducted currency hedging with a corridor of SEK 7.00 to 7.15 per USD in order to create a floor of around USD/SEK 7.00. The hedging covered USD 120 million in total and of this amount, USD 40 million remained at the end of the third quarter. In the fourth quarter the currency hedging had a net effect on profits of SEK –21 million. For 2005 as a whole, the effect on profits amounted to SEK 38 million (198).

At the end of 2005, currency hedging in the form of long-term forward contracts had been put in place for USD 38 million at an average rate of SEK 8.16 per USD. These contracts relate to the coming 18 months. Of the sum hedged, USD 33 million is for 2006 at an average rate of 8.31.

During the fourth quarter, EUR 25 million was hedged at a rate of EUR/SEK 9.46 to secure business contracts in euro.

PULP PRICES

No new pulp price hedging contracts were taken out during the period. In 2003 the company took out hedging in the form of one- and two-year contracts to cushion the company against possible falling pulp prices. In total, only 1,400 tonnes of this remained and matured in the fourth quarter, which affected the profits by SEK –0.5 million. Pulp price hedging in 2005 had an aggregate effect on profits of SEK –31 million (–61) as a result of the NBSK pulp price increase in USD.

ELECTRICITY

The Group hedges electricity prices in Sweden, as a result of which the 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 electricity purchases. For 2005 the price was hedged at SEK 0.22 per kWh. Electricity consumption will increase significantly with the conversion of Utansjö to CTMP production. For 2005, this addition-

al consumption has been hedged at levels of around SEK 0.25 per kWh. For the coming four years, 25 % of the expected additional consumption relating to the CTMP line in Utansjö has been hedged at SEK 0.25 per kWh. For 2006 the company has hedged on average around 60 % of electricity purchases at an average price of SEK 0.26.

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 December 2005. The reference value is the spot rate on 31 December and is given as supplementary information. The hedging has a term of one to two years. As a result of the application of IFRS/IAS, these market values are now entered into the balance sheet and in certain cases into the income statement, but are nonetheless shown here as supplementary information.

COST-CUTTING PROGRAMME

The cost-cutting and efficiency programme introduced in 2003 has resulted in radical measures being taken at Utansjö and Rockhammar Timber. This programme was concluded in 2005.

The programme of measures was judged to improve profits by around SEK 100 million annually with effect from the second half of 2005. The company has cut the number of employees by 49, thus reducing annual personnel costs by SEK 32 million. In the second half of 2005 the company achieved a significant improvement in productivity, with an increase in production of 25 % compared with the same period the previous year, despite the staff cuts.

Due to the increased costs that are the result of problems relating to the fine-tuning and production disruption at the new CTMP line, the effects of the cost-saving programme have not been able to be fully realised. Cost increases have occurred in other areas as well, mainly costs associated with oil price related components such as freight, fuel and chemicals. Entering 2006, the company will be affected by significantly higher electricity costs. The price of electricity is guaranteed for around 50 % of the expected consumption in 2006, but despite this, the cost of electricity in 2006 will be around SEK 55 million higher than in 2005. With the current electricity prices there is a risk of additional cost increases in 2007.

The company has therefore decided to implement a new cost-savings programme to save SEK 100 million, with a particular

MARKET VALUE (SEK MILLION) DECEMBER 2005:

Hedging	Hedged volume	Hedge price	Market value	Reference – spot rate 31 December 2005
Currency, USD, forward	USD 38 m	8.16 SEK/USD	13	7.97 SEK/USD
Currency, EUR	EUR 25 m	9.46 SEK/EUR	2	9.32 SEK/EUR
Electricity	705,000 MWh	SEK 0.268 /kWh	25	SEK 0.314/kWh
Total market value			40	

MARKET VALUE (SEK MILLION) DECEMBER 2004:

Hedging	Hedged volume	Hedge price	Market value	Reference – spot rate 31 December 2004
Currency, USD, forward	USD 65 m	9.45 SEK/USD	184	6.63 SEK/USD
Pulp price, in SEK	50,000 tonnes	550 USD (PIX) 547 USD (RIS)	–45	USD 630
Electricity	928,000 MWh	SEK 0.22–0.26 /kWh	5 SEK	0.20/kWh
Total market value			144	

focus on variable costs and involving further staff cuts. The goal is to reduce the headcount by 70. Co-determination negotiations will be initiated as soon as possible.

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 shares 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, making a total of SEK 47.4 million. In addition, 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 were bought back in the first nine months of 2005. 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 year amounted to SEK 234 million (284). This amount was spent almost entirely on the new CTMP line in Utansjö. Only minor final adjustments remain to be made in respect of this facility.

Liquid funds amounted to SEK 125 million at the end of the year, compared with SEK 157 million at the end of 2004. In 2005 the company had interest-bearing liabilities totalling SEK 555 million and net borrowing of SEK 432 million. Approved but unutilised lines of credit totalled SEK 640 million. The equity/assets ratio was 58 % compared to 66 % at the beginning of the year. The reason for the fall in the equity/assets ratio is increased borrowing. The shareholders' equity per share amounted to SEK 8.45 (9.28). The transition to IFRS increased shareholders' equity per share by SEK 0.29 per share (0.55), which is explained by the change in the market value of unrealised gains and losses on all hedging.

CASH FLOW

Cash flow from current operations before investments amounted to SEK -27 million (104) and included cash flow from financial hedging of SEK 39 million (178). In addition to the aforementioned investment in the CTMP line at Utansjö, the cash flow was affected by increased working capital resulting mainly from lower current liabilities (SEK 54 million). The cash flow after capital investment was SEK -249 million (-179). Investment and increased working capital have been financed by borrowing a further SEK 250 million within the approved credit facility since the beginning of the year.

AVERAGE NUMBER OF EMPLOYEES

The average number of employees during the reporting period was 804 (835).

OUTLOOK FOR 2006

Price increases for pulp have been announced from 1 February 2006. In Europe the new price is USD 630 per tonne for NBSK

and USD 620 per tonne for eucalyptus. Rottneros has announced a price for short-fibre CTMP of USD 560 per tonne and for long-fibre CTMP of USD 540 per tonne.

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 and lead 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 due to market reasons as e.g. in the eastern part of Canada. Major structural changes within the pulp industry will probably continue with closure of unprofitable units in the region.

The company will not make a prognosis for the whole year 2006 due to the fact that the development on the market is difficult to evaluate.

DIVIDEND FOR 2005

At the Annual General Meeting on 26 April 2006, the Board will propose a dividend of SEK 0.10 per share (SEK 0.20 per share). It is proposed that the record day will be 2 May and the dividend is expected to be paid out to shareholders on 5 May.

PROPOSAL FOR MANAGEMENT OF OWN SHARE HOLDINGS

The Board of Directors will propose that the AGM resolves to delegate to the Board of Directors the decision regarding the transfer of the company's own shares to finance strategic investments or acquisitions, and that this responsibility be delegated until the 2007 AGM. Details of the proposal will be announced when these have been determined by the Board.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 5 p.m. on Wednesday, 26 April 2006 at Hotel Selma Lagerlöf in Sunne, Sweden. The record day for voting at the AGM is 19 April 2006.

UPCOMING FINANCIAL INFORMATION

26 April 2006	Interim report (3 months) 2006 and Annual General Meeting
25 July 2006	Interim report (6 months) 2006
27 October 2006	Interim report (9 months) 2006
2 February 2007	Year-end release for 2006

For more information please visit the Rottneros website.

Upplands Väsby, Sweden, 3 February 2006



Lars Blecko
President and CEO

This report has been reviewed by the company's auditors.

CONSOLIDATED PROFIT/LOSS ACCOUNTS (SEK MILLION)

	okt-dec 2005	okt-dec 2004	Full year 2005	Full year 2004
Net turnover	607	535	2,429	2,356
Change in inventories, finished goods	42	25	-59	85
Other income	41	80	185	218
Total income	690	640	2,555	2,659
Raw materials and consumables	-403	-390	-1,442	-1,445
Other costs	-166	-174	-658	-666
Personnel costs	-104	-107	-407	-439
Depreciation	-34	-31	-138	-223
Total operating costs	-707	-702	-2,645	-2,773
Operating income	-17	-62	-90	-114
Financial items	-4	-3	-13	-7
Income after net financial items	-21	-65	-103	-121
Tax on income for the year	17	16	40	30
Net profit/loss after tax	-4	-49	-63	-91
No. of shares at beginning of period ¹⁾	180,212	180,212	180,212	180,722
No. of company's own shares bought back ¹⁾	-	-	-	510
No. of shares at end of period ¹⁾	180,212	180,212	180,212	180,212
Average no. of shares ¹⁾	180,212	180,212	180,212	180,392
Earnings after tax/share (SEK) ²⁾	-0.02	-0.27	-0.35	-0.50

Key indicators that affect turnover

	2005	2004	2005	2004
Pulp price NBSK, USD ³⁾	598	599	611	617
USD/SEK ⁴⁾	7.96	6.95	7.48	7.35
Pulp price NBSK, SEK	4,755	4,163	4,565	4,532
Rottneros' deliveries, tonnes	165,800	149,300	666,700	625,000

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)

	Dec 2005	Dec 2004
Fixed assets	1,447	1,351
Inventories	430	485
Current receivables	621	575
Liquid funds	125	157
Total assets	2,623	2,568
Shareholders' equity	1,523	1,673
Longterm liabilities		
Interest-bearing	180	186
Non interest-bearing	144	191
Current liabilities		
Interest-bearing	375	56
Non interest-bearing	401	462
Total shareholders' equity and liabilities	2,623	2,568

CASH-FLOW ANALYSIS (SEK MILLION)

	Jan-dec 2005	Jan-dec 2004
Operating income	-90	-114
Adjustment for non cash-flow items		
Depreciation	138	223
Profit/loss from disposal of fixed assets	-9	7
	39	116
Paid financial items	-9	-4
Paid taxes	-3	-11
Cash-flow from current operations before change in working capital	27	101
Change in working capital	-54	3
Cash-flow from current operations	-27	104
Acquisition of fixed assets	-234	-283
Sale of fixed assets	11	-
Change in long-term receivables	1	-
Cash-flow from capital investments	-222	-283
New loans	258	150
Repayment of loans	-6	-6
Dividend paid	-36	-54
Buy-back of own shares	-	-5
Cash-flow from financing	216	85
Cash-flow for the period/year	-33	-94
Liquid funds at beginning of year	157	252
Cash-flow for the period/year	-33	-94
Translation difference in liquid funds	1	-1
Liquid funds at end of period/year	125	157

SHARE DATA¹⁾

		2005	2004	2003	2002	2001	2000
No. of shares at beginning of period ²⁾	No.	180,212	180,722	182,980	188,399	209,332	209,332
No. of company's own shares bought back ²⁾	No.	-	510	2,258	5,419	20,933	-
No. of shares at end of period ²⁾	No.	180,212	180,212	180,722	182,980	188,399	209,332
Average number of shares ²⁾	No.	180,212	180,392	181,422	187,709	204,099	209,332
Operating profit or loss/share	SEK	-0.50	-0.64	0.67	0.31	1.00	4.34
Earnings after net financial items/share	SEK	-0.57	-0.67	0.64	0.46	1.15	4.26
Earnings after tax/share	SEK	-0.35	-0.50	0.47	0.29	0.76	3.12
Operating cash-flow/share ³⁾	SEK	-2.13	-0.41	-0.23	-0.13	0.50	4.28
Equity/share	SEK	8.45	9.28	9.50	9.33	9.40	9.07
Dividend ⁴⁾	SEK	0.10	0.20	0.30	0.30	0.35	0.50
Dividend/equity per share	%	1.2	2.2	3.2	3.2	3.7	5.5
Share price at end of period	SEK	6.80	7.55	8.55	7.45	9.85	7.70
Share price/equity per share	Times	0.8	0.8	0.9	0.8	1.0	0.8
P/E ratio	Times	Neg	Neg	18.3	25.3	13.0	2.5
Direct yield ⁵⁾	%	1.5	2.6	3.5	4.0	3.6	6.5

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⁾ Proposed dividend.

⁵⁾ Direct yield is calculated in relation to the closing listed price.

⁶⁾ 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)

	Full year 2005	Full year 2004
Opening shareholders' equity according to local GAAP	1,574	1,717
Adjustment of opening shareholders' equity in respect of the IFRS transition (for specification see enclosure)	99	270
Opening shareholders' equity according to IFRS	1,673	1,987
Dividend	-36	-54
Buy-back of company's own shares	-	-6
Profit/loss for the year	-63	-91
Change in hedging reserve for the period/year reported directly to shareholders' equity	-61	-161
Translation difference	10	-2
Closing shareholders' equity	1,523	1,673

QUARTERLY DATA (SEK MILLION)

	2005				2004				2003			
	IV	III	II	I	IV	III	II	I	IV	III	II	I
Net turnover	607	641	596	585	535	583	623	615	571	587	582	640
Operating profit/loss before depreciation	17	-24	43	12	-31	18	110	12	96	44	57	45
Depreciation	-34	-37	-34	-33	-31	-125	-33	-34	-34	-27	-27	-29
Operating profit/loss	-17	-61	9	-21	-62	-107	77	-22	62	17	30	16
Net financial items	-4	-4	-2	-3	-3	-	-2	-2	1	-	-7	-1
Profit/loss after financial items	-21	-65	7	-24	-65	-107	75	-24	63	17	23	15
Tax	17	20	-6	9	16	33	-22	3	-13	-5	-5	-7
Profit/loss after tax	-4	-45	1	-15	-49	-74	54	-22	49	12	18	8
Pulp production, 1 000 tonnes	176.9	163.2	157.1	151.1	163.0	155.0	171.4	167.4	166.7	155.6	163.5	153.3
Pulp deliveries, 1 000 tonnes	165.8	175.7	162.9	162.3	149.3	149.0	157.2	169.5	157.3	160.7	149.4	173.7
Sawn timber production, 1 000 m ³	-	-	-	1.3	6.8	7.2	13.9	13.5	12.4	10.7	12.3	10.5
Sawn timber deliveries, 1 000 m ³	-	-	-	10.3	9.5	13.4	12.5	11.3	10.2	10.5	11.6	10.3

	2005				2005	2004				2004
	IV	III	II	I	Full year	IV	III	II	I	Full year
Net turnover by segment										
Pulp	607	641	594	569	2,411	519	559	601	593	2,272
Sawn timber	-	-	2	16	18	16	24	22	22	84
Total net turnover	607	641	596	585	2,429	535	583	623	615	2,356
Operating profit/loss by segment										
Pulp	-43	-64	2	-24	-129	-29	-64	80	-20	-33
Sawn timber	26	3	7	3	39	-33	-43	-3	-2	-81
Total operating profit/loss	-17	-61	9	-21	-90	-62	-107	77	-22	-114
Operating margin by segment										
Pulp	-7.1	-10.0	0.3	-4.2	-5.4	-5.6	-11.4	13.3	-3.4	-1.5
Sawn timber	-	-	350.0	18.8	216.7	-206.3	-179.2	-13.6	-9.1	-96.4
Total operating margin	-2.8	-9.5	1.5	-3.6	-3.7	-11.5	-18.5	12.4	-3.6	-4.8

SIX YEAR REVIEW ³⁾

	2005	2004	2003	2002	2001	2000	
Key indicators that effect turnover							
Pulp price NBSK, USD ¹⁾	611	617	524	463	540	681	
USD/SEK ²⁾	7.48	7.35	8.09	9.72	10.33	9.17	
Pulp price NBSK, SEK	4,565	4,532	4,235	4,500	5,581	6,245	
Rottneros' deliveries, tonnes	666,700	625,000	641,100	630,500	592,800	656,500	
Turnover and income, SEK million							
Net turnover	2,429	2,356	2,380	2,494	2,741	3,385	
Profit/loss before depreciation	48	109	239	170	292	1,020	
Depreciation	-138	-223	-117	-113	-87	-112	
Operating profit/loss after depreciation	-90	-114	122	57	205	908	
Net financial items	-13	-7	-7	29	30	-16	
Profit/loss after net financial items	-103	-121	115	86	235	892	
Profit/loss after tax	-63	-91	85	55	155	653	
Balance sheet items, SEK million							
Fixed assets	1,447	1,351	1,249	1,197	1,093	994	
Inventories	430	485	388	401	398	363	
Current receivables	621	575	443	425	440	575	
Short-term investments	-	-	-	-	60	-	
Liquid funds	125	157	252	350	420	693	
Shareholders' equity	1,523	1,673	1,717	1,706	1,771	1,899	
Long-term interest-bearing liabilities	180	186	42	6	-	-	
Long-term non interest-bearing liabilities	144	174	158	143	153	125	
Current interest-bearing liabilities	375	56	6	2	-	-	
Current non interest-bearing liabilities	401	479	414	516	487	601	
Balance sheet total	2,623	2,568	2,332	2,373	2,411	2,625	
Financial ratios							
Operating margin	%	-3.7	-4.9	5.1	2.3	7.5	26.8
Profit margin	%	-4.2	-5.2	4.8	3.5	8.6	26.4
Return on capital employed	%	Neg	Neg	7	5	12	52
Return on equity after full tax	%	Neg	Neg	5	3	8	40
Equity/assets ratio	%	58	65	73	72	73	72
Debt/equity ratio	Times	0.4	0.2	0.0	-	0.0	0.0
Interest cover	Times	Neg	Neg	18.2	29.4	79.3	100.1
Other							
Capital expenditure	SEK m	234	283	193	244	183	85
Average no. of employees		804	835	857	860	878	890

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.

Discontinued operations	Dec 2005	Timber	Dec 2005 Proforma
Fixed assets	1,447	-	1,447
Current assets	1,176	26	1,150
Total assets	2,623	26	2,597
Shareholders' equity	1,523	16	1,507
Liabilities	1,100	10	1,090
Total shareholders' equity and liabilities	2,623	26	2,597

ENCLOSURES**ENCLOSURE 1 – RECONCILIATION OF EQUITY AS AT 1 JANUARY 2004 (SEK million)**

	1 Jan 2004 acc to local GAAP	IFRS transition	1 Jan 2004 acc to IFRS
Fixed assets	1,249	158	1,407
Inventories	388	-	388
Current receivables	443	236	679
Liquid funds	252	-	252
Total assets	2,332	394	2,726
Shareholders' equity	1,717	270	1,987
Longterm liabilities			
Interest-bearing	42	-	42
Non interest-bearing	158	112	270
Current liabilities			
Interest-bearing	6	-	6
Non interest-bearing	409	12	421
Total shareholders' equity and liabilities	2,332	394	2,726

ENCLOSURE 2 – RECONCILIATION OF PROFIT/LOSS AND EQUITY AS AT 31 DECEMBER 2004 (SEK million)

	Jan-Dec 2004 acc to local GAAP	IFRS transition	Jan-Dec 2004 acc to IFRS
Net turnover	2,356	0	2,356
Change in inventories, finished goods	85	0	85
Other operating income	225	-7	218
Total income	2,666	-7	2,659
Raw materials and consumables	-1,439	-6	-1,445
Other external costs	-643	0	-643
Personnel costs	-439	0	-439
Depreciation	-223	0	-223
Other operation costs	-23	0	-23
Total operating costs	-2,767	-6	-2,773
Operating income	-101	-13	-114
Financial items	-7	0	-7
Income after net financial items	-108	-13	-121
Tax on income for the year	27	3	30
Net profit/loss after tax	-81	-10	-91
No. of shares at beginning of period ¹⁾	180,722	-	180,722
No. of company's own shares bought back ¹⁾	510	-	510
No. of shares at end of period ¹⁾	180,212	-	180,212
Average no. of shares ¹⁾	180,392	-	180,392
Earnings after tax/share (SEK) ²⁾	-0.45	-0.05	-0.50

¹⁾ The number of shares is given in thousands.

²⁾ There are no programs that lead to dilution.

	31 Dec 2004 acc to local GAAP	IFRS transition	31 Dec 2004 acc to IFRS
Fixed assets	1,307	44	1,351
Inventories	485	-	485
Current receivables	440	135	575
Liquid funds	157	-	157
Total assets	2,389	179	2,568
Shareholders' equity	1,574	99	1,673
Longterm liabilities			
Interest-bearing	186	-	186
Non interest-bearing	133	41	174
Current liabilities			
Interest-bearing	56	-	56
Non interest-bearing	440	39	479
Total shareholders' equity and liabilities	2,389	179	2,568

ENCLOSURE 3 – RECONCILIATION OF PROFIT/LOSS AS FOR OCTOBER-DECEMBER 2004 (SEK MILLION)

	Oct-Dec 2004 acc to local GAAP	IFRS transition	Oct-Dec 2004 acc to IFRS
Net turnover	535	-	535
Change in inventories, finished goods	25	-	25
Other income	84	-4	80
Total income	644	-4	640
Raw materials and consumables	-382	-8	-390
Other costs	-174	0	-174
Personnel costs	-107	0	-107
Depreciation	-31	0	-31
Total operating costs	-694	-8	-702
Operating income	-50	-12	-62
Financial items	-3	-	-3
Income after net financial items	-53	-12	-65
Tax on income for the year	13	3	16
Net profit/loss after tax	-40	-9	-49
No. of shares at beginning of period ¹⁾	180 722	-	180 722
No. of company's own shares bought back ¹⁾	510	-	510
No. of shares at end of period ¹⁾	180 212	-	180 212
Average no. of shares ¹⁾	180 212	-	180 212
Earnings after tax/share (SEK) ²⁾	-0,22	-0,05	-0,27

¹⁾ The number of shares is given in thousands.

²⁾ There are no programs that lead to dilution.



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 work 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.

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