



Quarterly report July–September 2005

Interim report Januari–September 2005

The market for pulp during the third quarter was characterized by normal demand with a weakening price for bleached longfibre pulp. The company however had expected an increase in prices during the second half this year but this has not materialized during the third quarter.

The result during January to September was negatively effected by 55 MSEK due to the closure of the magnesite line at Utansjö and the start-up and fine-tuning of the new CTMP line.

Earnings for the third quarter 2005 amounted to a loss after financial items of 65 MSEK. The third quarter has carried costs amounting to 35 MSEK for planned maintenance stops at Vallvik, Rottneros and Utansjö.

As announced on 14 October this year, the company expects a substantially weaker result than was previously estimated for the full-year 2005. The loss is expected to be less than the loss in 2004, which was SEK 108 million (excluding IFRS effects) and which included substantial non-recurring items.

		2005	2004
Net turnover, SEK m	Jan–Sep	1,822	(1,821)
	Apr–Sep	641	(583)
Income after net financial items, SEK m	Jan–Sep	–82	(–56)
	Apr–Sep	–65	(–107)
Earnings per share after net financial items, SEK	Jan–Sep	–0.46	(–0.31)
	Apr–Sep	–0.36	(–0.60)
Profit/loss after tax, SEK m	Jan–Sep	–59	(–41)
	Apr–Sep	–45	(–73)
Earnings per share after tax, SEK	Jan–Sep	–0.32	(–0.23)
	Apr–Sep	–0.25	(–0.41)
Cash flow per share, SEK	Jan–Sep	–2.03	(–0.62)
	Apr–Sep	–0.78	(–0.32)
Shareholders' equity per share, SEK		8.47	(9.28)*
Equity/assets ratio, %		59%	(65%)*

* 31.12.2004

THE PULP MARKET

The first quarter 2005 for the market leading pulp (NBSK), was relatively strong with increasing prices in USD. In the second quarter prices fell, and continued to decline slightly in the third quarter. Rottneros had expected a price increase in the second half of the year, which failed to materialise in the third quarter. The pulp price is expected to increase in the fourth quarter. A price increase of USD 30 per tonne of pulp affects our full-year result by around SEK 150 million.

In the third quarter pulp prices were characterised by normal demand, but with a certain amount of fluctuation in the price of bleached long-fibre pulp. The situation for short-fibre chemical pulp has been somewhat better, with good demand and stable prices during the period.

Global delivery capacity utilisation for bleached chemical pulp in the period January – August was 91.1% compared with 94.7 % for the same period last year. Worldwide producer stocks of these grades amounted to 3,222,000 tonnes at the beginning of the year and a provisional figure of 3,390,000 tonnes at the end of August.

Production capacity utilisation for the same period was 92.0%, and 96.9 % for the same period last year (figures updated on 24 October).

Imports of all grades of pulp to China in the January – August period totalled 4.9 million tonnes, which is a marginal increase on the same period in 2004. Although there has been only a limited increase in imports, China's domestic production of paper and board has increased by around 20%. The increased demand for pulp has primarily been met by domestic production.

LONG-FIBRE CHEMICAL PULP

(produced in Vallvik)

The price was around USD 600 at the beginning of the year and around USD 585 at the end of September.

Delivery capacity utilisation for the January – August period was 92.6% (95.6 % in the same period in the previous year) and production capacity utilisation was 93.2% (98.4% in 2004).

SHORT-FIBRE CHEMICAL PULP

(produced in Miranda)

The price was around USD 600 at the beginning of the year and around USD 590 at the end of September. Delivery capacity utilisation for January – August was 88.9% (93.8 % in the same period in the previous year) and production capacity utilisation was 90.8 % (95.5 % in 2004).

MECHANICAL PULP

(produced in Rottneros, Rockhammar and Utansjö)

Prices for CTMP remained unchanged during the period, with normal demand for all grades; this despite the fact that new CTMP capacity was added in Finland.

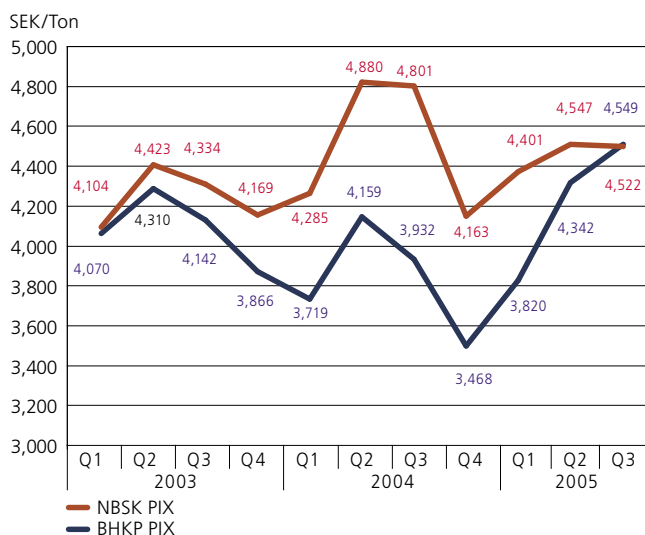
Delivery capacity utilisation for the January – August period was 91% (93 % in the same period in 2004) and production capacity utilisation was 95 % (96 % in 2004).

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 in the period reduced by 22,300 tonnes or 5 % compared with 2004. The closure of the magnetite line in Utansjö in the first quarter and the commissioning of Utansjö's CTMP line in the second quarter resulted in lower production than in the previous year, while production in the third quarter increased by 5 % compared with the same quarter in the previous year. During the year production records were achieved at Rottneros Mill, Rockhammar Mill and Vallvik Mill. Deliveries during the period increased by 25,300 tonnes or 5 % compared with the same period last year. Deliveries in the third quarter increased by 26,800 tonnes or 18 % compared with the same quarter in the previous year. Deliveries in the third quarter 2005 reached their highest levels since the first quarter of the boom year 2000.

Average capacity utilisation in the mills during the first period was 93.3 % (94), which breaks down as sulphate pulp 99 % (99), magnetite pulp 8% (80), groundwood pulp 84 % (91) and

DEVELOPMENT OF PIX PRICE IN SEK



PRODUCTION (TONNES)

	Jul-sept 2005	Jul-sept 2004	Jul-sept 2005	Jul-sept 2004
Sulphate pulp	82,500	80,200	256,900	255,200
Magnetite pulp	400	15,700	1,400	44,000
Groundwood pulp	33,000	29,100	94,400	101,800
CTMP	47,300	29,900	118,700	92,700
TOTAL	163,200	154,900	471,400	493,700

DELIVERIES (TONNES)

	Jul-sept 2005	Jul-sept 2004	Jul-sept 2005	Jul-sept 2004
Sulphate pulp	89,500	78,000	259,100	253,300
Magnetite pulp	6,100	10,500	22,100	36,900
Groundwood pulp	39,000	33,000	110,000	94,200
CTMP	41,100	27,400	109,700	91,200
TOTAL	175,700	148,900	500,900	475,600

CTMP 84 % (91). In the first quarter 2005 the Group carried out a maintenance shutdown in Utansjö in connection with the extensive restructuring of the plant from magnetite production to CTMP. During critical phases of the work, production of groundwood pulp was also suspended. In the second quarter 2005 the Group implemented a maintenance shutdown at the mill in Rockhammar, in addition to which the CTMP line in Utansjö was being fine-tuned, with the consequence of lower production levels and poorer quality results. Rottneros, Utansjö and Vallvik had scheduled maintenance shutdowns in the third quarter. The mill in Miranda will have its maintenance shutdown in the fourth quarter. All the costs of maintenance shutdowns are reported in the period in which the shutdown takes place. Production at the sawmill in Rockhammar ceased in the first quarter and operations were fully wound up by the end of the first half.

INVOICED SALES AND RESULTS

JANUARY – SEPTEMBER 2005 COMPARED WITH JANUARY – SEPTEMBER 2004

The Group’s net sales amounted to SEK 1,822 million (1,821). Pulp accounted for SEK 1,804 million (1,753) of net sales and sawn timber for SEK 18 million (68).

Sales during the period were SEK 1 million higher than in the same period last year, primarily due to: higher deliveries (SEK 88 million), a lower pulp price in USD (SEK -28 million) and a weaker USD (SEK -59 million). The average price of long-fibre sulphate pulp (NBSK) expressed in USD reduced from USD 621 to USD 615, a reduction of nearly 1%, while average prices for NBSK pulp converted into SEK reduced from SEK 4,645 to SEK 4,492 per tonne, a 3% reduction. The average price of BEK in USD increased from USD 528 to USD 579 per tonne or by 10%, while the equivalent average prices converted into SEK increased from SEK 3,949 to SEK 4,232 per tonne, an increase of 7 %.

The consolidated operating result was SEK 73 million (-52). The operating result for the pulp-producing units was SEK -86 million (-4) and for the sawmill in Rockhammar SEK 13 million (-48). During the first and second quarters the result was reduced by a total of around SEK 55 million in respect of the costs of the shutdown and closure of the magnetite line and the conversion and fine-tuning of the CTMP line in Utansjö. Pulp prices in SEK were lower in 2005 than in 2004, and stocks have reduced due to high deliveries and lower production. The result of realised hedging was SEK 65 million lower in 2005 than in the previous year. The previous year’s result included non-recurring costs totalling SEK 116 million. The company had expected a price increase in the second half of the year, which did not materialise in the third quarter.

The consolidated result after net financial items was SEK 82 million (-56) and includes net financial items of SEK -9 million (-4) for the reporting period. Interest costs increased by SEK 18 million, partly counteracted by a positive effect of IFRS. Earnings per share after tax amounted to SEK -0.32 (-0.23). Cash flow per share was SEK -2.03 (-0.62), a deterioration mainly due to substantial investment in Utansjö’s CTMP line.

The result after net financial items for the parent company was SEK 52 million (103). The result includes extensive hedging activities on behalf of the whole Group, which affected the result by SEK 48 million (113).

JULY – SEPTEMBER 2005 COMPARED WITH JULY – SEPTEMBER 2004

Sales in the third quarter 2005 increased by SEK 58 million compared with the third quarter 2004. The increase is mainly due to higher deliveries (SEK 99 million) and a stronger USD (SEK 15 million), as well as a lower pulp price in USD (SEK -56 million). Production in the third quarter 2005 was 8,300 tonnes or 5% higher than in the same period last year. Magnetite production has ceased and been replaced by CTMP, resulting in a net increase of 2,000 tonnes. In addition, there has been an increase in sulphate production of the same magnitude. Stocks reduced substantially from the third quarter 2004 to the third quarter 2005.

Hedging activities made a profit of SEK 3 million in the third quarter, which was SEK 14 million lower than in the previous year. Income after financial items for the third quarter 2005 amounted to SEK -65 million compared with SEK -107 million in the previous year. In 2004 the result for the third quarter was reduced by SEK 116 million in non-recurring items.

JULY – SEPTEMBER 2005 COMPARED WITH APRIL – JUNE 2005

Sales in the third quarter 2005 increased by SEK 45 million compared with the second quarter 2005. The increase is mainly due to higher deliveries (SEK 51 million) and a stronger USD (SEK 30 million), as well as a lower pulp price in USD (SEK -36 million). Production in the third quarter was higher than in the second quarter, primarily thanks to the start-up of the CTMP line in Utansjö.

The operating result in the third quarter 2005 was SEK -61 million, which is a deterioration compared with the result of SEK 9 million in the second quarter. This is primarily due to significant costs of the scheduled maintenance shutdown in Vallvik, while only minor maintenance shutdowns were charged to the second quarter. Freight costs have increased. In addition, there has been a reduction in stocks. Realised hedging activities made a profit of SEK 3 million, which was SEK 19 million lower than in the second quarter. The result after net financial items for the

INCOME AFTER NET FINANCIAL ITEMS

	2005				2004					
	III	II	I	Acc	IV	III	II	I	Acc/III	Full-year
Income after net financial items	-65	7	-24	-82	-65	-108	76	-25	-57	-122
of which:										
Currency hedging	-3	24	38	59	62	35	63	39	137	199
Pulp price hedging	-3	-10	-18	-31	-14	-27	-21	1	-47	-61
Electricity price hedging	9	8	3	20	4	8	8	7	23	27
Total hedging	3	22	23	48	52	17	48	48	113	165
IAS 39	-2	6	12	16	-13	27	12	-40	-1	-14
Green Electricity	3	5	7	15	8	4	8	6	18	26

third quarter 2005 was a loss of SEK -65 million, while a profit of SEK 7 million was reported for the second quarter.

RESTRUCTURING AT UTANSJÖ

At the end of the first quarter 2005 the new CTMP facility in Utansjö was taken into operation for the first time. The closure of the magnetite line was completed as planned during the first quarter. However, the announcement of the closure of the magnetite production line resulted in a rapid reduction in demand for this grade. The situation was made worse by a weaker market for long-fibre pulp than had been expected. In view of this market situation, production on the magnetite line was stopped earlier than scheduled and inventories were written down. During the first quarter 2005 the result was negatively affected by SEK 35 million. The second quarter was negatively affected by around SEK 20 million, primarily as a result of the start-up and fine-tuning of the new CTMP line and the fact that the new CTMP pulp was launched with introductory discounts. The CTMP line has still not been fully fine-tuned.

The new production line for CTMP pulp at Utansjö Mill in Ångermanland was inaugurated by King Carl XVI Gustaf on 5 October.

DISCONTINUED OPERATIONS

On 16 September 2004 the Board of Directors decided to wind up operations at Rockhammar Timber sawmill. In the second quarter the winding-up of the fixed assets resulted in a capital gain of SEK 6 million. In the third quarter certain reserves were able to be released as they were no longer required, and the effect on income was a positive result of SEK 3 million.

As the table on page 14 shows, the sawmill's operations have been of only marginal significance for the Group's 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 translated in accordance with the new accounting principles. Under the transitional rules in IFRS 1, the comparison year need not be adjusted 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 chosen to adjust the comparison year of 2004 with respect to IAS 39 as well. In all other respects the accounting principles are unchanged from those in the 2004 annual report.

IN BRIEF, THE NEW RULES THAT ROTTNEROS HAS PARTICULARLY EVALUATED IN CONNECTION WITH THE FIRST-TIME ADOPTION OF IFRS ON 1 JANUARY 2005 ARE AS FOLLOWS:

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 ac-

counting, provided that the company's forecasts, systems and routines meet strict requirements of precision and documentation. This 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 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 the hedging 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 remains.

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 the real value on the closing day. Rottneros owns only a small forest property which has no material effect on the Group's profits and position.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

Electricity certificates are reported at their real value on the closing day. Revaluation of Rottneros' electricity certificates had an insignificant effect on Group equity.

RISK MANAGEMENT

USD

The average USD exchange rate in the first nine months of 2005 was 2 % lower than in the corresponding period in 2004. The effect on sales of a weaker average rate for the USD relative to SEK in the period amounted to SEK -56 million.

In the main, all pulp is priced in USD. Around 30 % of Group turnover has been hedged for 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 the future. In the first half 2005, therefore, the company took out currency hedging for the current year within a corridor of SEK 7.00 to 7.15 per USD in order to create a floor of around 7.00 USD/SEK. The hedging covered USD 120 million in total; of this, USD 40 million remained at the end of the third quarter.

At the end of the third quarter 2005 exchange rate guarantees in the form of long-term forward contracts had been taken out for a total of USD 38 million, at an average rate of SEK 8.87 per USD. These contracts relate to the coming 15 months. Of the sum hedged, USD 7 million relates to the current year at an average rate of 12.75.

PULP PRICES

No new pulp price hedging contracts were taken out in the period. In 2003 the company took out hedging in the form of one- and two-year contracts to cushion the company against any reductions in pulp prices. In total, only 1,400 tonnes of this hedging now remains and this will mature in the fourth quarter. In the January – September period pulp price hedging contracts affected the company's result by SEK -31 million (-47) in total due to the price increase for NBSK in USD.

ELECTRICITY PRICES

The company 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 purchases of electricity. For 2005 the price is hedged at SEK 0.22 per kWh. Substantially more electricity will be consumed with the conversion of Utansjö to CTMP production. For 2005, this additional 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 30 September 2005. The reference value is the spot rate on 30 September 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 at Utansjö and Rockhammar Timber, as communicated previously. In addition, a further 15 jobs have been cut at the other mills, while at the same time capital rationalisation measures among others have resulted in a 30 % reduction in wood raw materials.

This action plan has improved results by around SEK 100 million annually compared with the 2003 result. Its full impact will be seen from and including the second half of 2005. The company is continuing to focus on production and capital rationalisation and is assessing further measures to improve competitiveness.

BUY-BACK OF OWN SHARES

The 2005 AGM 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 to use its own shares as liquidity 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 30 September 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

Group net investments in fixed assets in the reporting period amounted to SEK 186 million (143). This amount relates almost

MARKET VALUE (SEK MILLION) SEPTEMBER 2005:

Hedging	Hedged volume	Hedge price	Market value	Reference – spot rate 30 September 2005
Currency, USD, forward	USD 38 m	8.87 SEK/USD	36	7.74 SEK/USD
Currency, USD, interval	USD 40 m	6.80–7.27 SEK/USD	-23	7.74 SEK/USD
Currency, EUR	EUR 3 m	9.33 USD/EUR	0	9.32 SEK/EUR
Pulp price, in SEK	1 400 tonnes	550 USD (PIX)	0	USD 583/7.74 SEK/USD
Electricity	931 476 kWh	SEK 0.26/kWh	70	SEK 0.27/kWh
Total market value			83	

MARKET VALUE (SEK MILLION) SEPTEMBER 2004:

Hedging	Hedged volume	Hedge price	Market value	Reference – spot rate 30 September 2005
Currency, USD, forward	USD 77 m	9.59 SEK/USD	176	7.29 SEK/USD
Currency, USD, interval	USD 50 m	7.33–7.73 SEK/USD	8	7.29 SEK/USD
Pulp price, in SEK	88 700 tonnes	550 USD (PIX) 547 USD (RIS)	-53	USD 610/7.29 SEK/USD
Electricity	95–97 % ¹⁾	SEK 0.22–0.23/kWh	136	SEK 0.30/kWh
Total market value			267	

¹⁾ % of annual consumption in Sweden.

entirely to the new CTMP line in Utansjö. Only minor final adjustments remain to be made in respect of this facility.

Liquid funds amounted to SEK 124 million at the end of the period, compared to SEK 157 million at the end of 2004. At the end of the first nine months of the year the company had interest-bearing liabilities totalling SEK 519 million and net borrowing of SEK 395 million. Unutilised lines of credit totalled SEK 655 million. The equity/assets ratio was 59 %, compared with 65 % at the turn of the year. The reason for the fall in the equity/assets ratio is increased borrowing in connection with the investment in the CTMP line at Utansjö. Shareholders' equity per share amounted to SEK 8.47 (31.12.04: 9.28). The translation to IFRS increased shareholders' equity per share by SEK 0.28 per share (0.60), which is explained by the change in the fair value of unrealised gains and losses on all hedging.

CASH FLOW

Cash flow from current operations before investments amounted to SEK 29 million (128) and included cash flow from hedging activities of SEK 41 million (111). In addition to the aforementioned investment in the CTMP line at Utansjö, cash flow was affected by increased working capital resulting chiefly from higher accounts receivable (SEK 44 million), as a consequence of high invoicing towards the end of the period. Cash flow after capital investments was SEK -244 million (-69). The investment and increased working capital has been financed by borrowing a further SEK 250 million within the approved credit facility since the turn of the year.

AVERAGE NUMBER OF EMPLOYEES

The average number of employees in the reporting period was 817 (842).

OUTLOOK FOR 2005

The forecast adjustment notified by the company on 14 October remains in place. This means that the Rottneros Group is expecting a substantially weaker result than had previously been predicted for full-year 2005. The loss is expected to be less than the loss in 2004, which was SEK 108 million (excluding IFRS effects) and which included substantial non-recurring items. A weak but positive result was forecast in conjunction with the interim report for the first half.

The company expects a better price picture in the fourth quarter this year.

FORECASTS MADE PREVIOUSLY:

In conjunction with the interim report of 26 July it was stated:

The second quarter of 2005 has seen a weakened market for the leading quality NBSK and the price in USD for this quality has decreased partly compensated by a strengthened USD. After the seasonal weakness on the pulp market over the summer and in the light of the Finnish labour market conflict leading to reduced pulp stocks, the pulp market is expected to strengthen during the autumn.

The company expects a weak but positive result for the whole year 2005.

In conjunction with the first quarter report of 26 April it was stated:

The first quarter 2005 has seen a strengthening of the pulp market compared with the fourth quarter last year but not as strong as expected.

The company expects the positive market situation with price increases in USD to continue during 2005. There is considerable uncertainty surrounding the development of the USD however the company expects a slightly positive result after financial items for 2005.

In conjunction with the year-end release 2004 of 4 February 2005 it was stated:

2005 started with a strong pulp market, which is expected to continue during the year. Pulp prices expressed in USD are expected to increase over the year. However, there is great uncertainty surrounding the development of the USD.

The company expects to achieve a positive result after net financial items in 2005.

UPCOMING FINANCIAL INFORMATION

3 February 2006	Year-end release 2005
26 April 2006	Interim report (3 months) 2006 and AGM
25 July 2006	Interim report (6 months) 2006
27 October 2006	Interim report (9 months) 2006
2 February 2007	Year-end release 2006

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

Upplands Väsby, Sweden, 25 October 2005



Lars Blecko
President and CEO

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

CONSOLIDATED PROFIT/LOSS ACCOUNTS (SEK million)

	Jul-Sept 2005	Jul-Sept 2004	Jan-Sept 2005	Jan-Sept 2004	Full year 2004
Net turnover	641	583	1,822	1,821	2,356
Change in inventories, finished goods	-47	17	-101	60	85
Other operation income	10	52	144	138	218
Total income	604	653	1,865	2,019	2,659
Raw materials and consumables	-355	-343	-1,039	-1,055	-1,445
Other external costs	-180	-176	-491	-477	-643
Personnel costs	-92	-108	-303	-332	-439
Depreciation	-37	-125	-104	-192	-223
Other operation costs	-1	-8	-1	-15	-23
Total operating costs	-665	-760	-1,938	-2,071	-2,773
Operation income	-61	-107	-73	-52	-114
Financial items	-4	-	-9	-4	-7
Income after net financial items	-65	-107	-82	-56	-121
Tax on income for the year	20	33	23	14	30
Net profit/loss after tax	-45	-74	-59	-42	-91
No. of shares at beginning of period ¹⁾	180,212	180,212	180,212	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	180,212	180,212	180,212
Average no. of shares ¹⁾	180,212	180,212	180,212	180,452	180,392
Earnings after tax/share (SEK) ²⁾	0.25	-0.41	-0.33	-0.23	-0.50
Key indicators that affect turnover					
Pulp price NBSK, USD ³⁾	587	641	615	621	617
USD/SEK ⁴⁾	7.69	7.51	7.31	7.48	7.35
Pulp price NBSK, SEK	4,517	4,815	4,492	4,645	4,532
Rottneros' deliveries, tonnes	175,700	149,000	500,900	475,700	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: Swedish central bank yearly average.

CONSOLIDATED BALANCE SHEET (SEK million)

	Sept 2005	Sept 2004	Dec 2004
Fixed assets	1,423	1,256	1,351
Inventories	428	469	485
Current receivables	620	656	575
Liquid funds	124	164	157
Total assets	2,595	2,545	2,568
Shareholders' equity	1,526	1,722	1,673
Longterm liabilities			
Interest-bearing	182	34	186
Non interest-bearing	136	229	191
Current liabilities			
Interest-bearing	337	90	56
Non interest-bearing	414	470	462
Total shareholders' equity and liabilities	2,595	2,545	2,568

CASH-FLOW ANALYSIS (SEK million)

	Jan-Sept 2005	Jan-Sept 2004	Jan-Dec 2004
Operating income	-73	-52	-114
Adjustment for non cash-flow items			
Depreciation	104	192	223
Profit/loss from disposal of fixed assets	-	4	7
Other non cash-flow items	-	-5	-
	31	139	116
Paid financial items	-3	-2	-4
Paid taxes	1	-9	-11
Cash-flow from current operations before change in working capital	29	128	101
Change in working capital	-88	-55	3
Cash-flow from current operations	-59	73	104
Acquisition of fixed assets	-186	-143	-283
Change in long-term receivables	1	1	-
Cash-flow from capital investments	-185	-142	-283
New loans	250	50	150
Repayment of loans	-4	-8	-6
Dividend paid	-36	-54	-54
Buy-back of own shares	-	-5	-5
Cash-flow from financing	210	-17	85
Cash-flow for the period/year	-34	-86	-94
Liquid funds at beginning of year	157	252	252
Cash-flow for the period/year	-34	-86	-94
Translation difference in liquid funds	1	-2	-1
Liquid funds at end of period/year	124	164	157

SHAREDATA^{1, 5)}

		Sept 2005	Sept 2004	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
No. of shares at beginning of period ²⁾	No.	180,212	180,722	180,722	182,980	188,399	209,332	209,332
No. of company's own shares bought back ²⁾	No.	-	510	510	2,258	5,419	20,933	-
No. of shares at end of period ²⁾	No.	180,212	180,212	180,212	180,722	182,980	188,399	209,332
Average number of shares ²⁾	No.	180,212	180,452	180,392	181,422	187,709	204,099	209,332
Operating profit or loss/share	SEK	-0.40	-0.29	-0.64	0.67	0.31	1.00	4.34
Earnings after net financial items/shares	SEK	-0.46	-0.31	-0.67	0.64	0.46	1.15	4.26
Earnings after tax/share	SEK	-0.32	-0.23	-0.50	0.47	0.29	0.76	3.12
Operating cash-flow/share ³⁾	SEK	-2.03	-0.62	-0.43	-0.23	-0.13	0.50	4.28
Equity/share	SEK	8.47	9.56	9.28	9.50	9.33	9.40	9.07
Dividend	SEK	-	-	0.20	0.30	0.30	0.35	0.50
Dividend/equity per share	%	-	-	2.2	3.2	3.2	3.7	5.5
Share price at end of period	SEK	7.20	8.00	7.55	8.55	7.45	9.85	7.70
Share price/equity per share	Times	0.9	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 ⁴⁾	%	-	-	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⁾ Direct yield is calculated in relation to the closing listed price.

⁵⁾ The years from 2000 and including 2003 have not been recalculated in respect of the IFRS transition. Adjustment should be for IAS 39.

CHANGE IN SHAREHOLDERS' EQUITY (SEK million)

	Jan-Sept 2005	Jan-Sept 2004	Full year 2004
Opening shareholders' equity according to local GA AP	1,574	1,717	1,717
Adjustment of opening shareholders' equity in respect of the IFRS transition (for specification see enclosure)	99	270	270
Opening shareholders' equity according to IFRS	1,673	1,987	1,987
Dividend	-36	-54	-54
Buy-back of company's own shares	-	-5	-6
Profit/loss for the year	-59	-42	-91
Change in hedging reserve for the period/year reported directly	-61	-162	-161
Translation difference	9	-2	-2
Closing shareholders' equity	1,526	1,722	1,673

QUARTERLY DATA (SEK million)

	2005				2004				2003			
	III	II	I	IV	III	II	I	IV	III	II	I	
Net turnover	641	596	585	535	583	623	615	571	587	582	640	
Operating profit/loss before depreciation	-24	43	12	-32	18	110	12	96	44	57	45	
Depreciation	-37	-34	-33	-31	-125	-33	-34	-34	-27	-27	-29	
Operating profit/loss	-61	9	-21	-63	-107	77	-22	62	17	30	16	
Net financial items	-4	-2	-3	-3	-	-2	-2	1	-	-7	-1	
Profit/loss after financial items	-65	7	-24	-65	-107	75	-24	63	17	23	15	
Tax	20	-6	9	17	33	-22	3	-13	-5	-5	-7	
Profit/loss after tax	-45	1	-15	-48	-74	54	-22	49	12	18	8	
Pulp production, 1,000 tonnes	163.3	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	175.7	162.9	162.3	149.3	149.0	157.2	169.5	157.3	160.7	149.5	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			2004				2004
	III	II	I	IV	III	II	I	Full year
Net turnover by segment								
Pulp	641	594	569	519	559	601	593	2,272
Sawn timber	-	2	16	16	24	22	22	84
Total net turnover	641	596	585	535	583	623	615	2,356
Operating profit/loss by segment								
Pulp	-64	2	-24	-29	-64	80	-20	-33
Sawn timber	3	7	3	-33	-43	-3	-2	-81
Total operating profit/loss	61	9	-21	-61	-107	77	-22	-114
Operating margin by segment								
Pulp	-10.0	0.3	-4.2	-5.6	-11.4	13.3	-3.4	-1.5
Sawn timber	-	350.0	18.8	-206.3	-179.2	-13.6	-9.1	-96.4
Total operating margin	9.5	1.5	-3.6	-11.4	-18.5	12.4	-3.6	-4.8

SIX YEAR REVIEW ³⁾

	Jan-Sept 2005	Jan-Sept 2004	2004	2003	2002	2001	2000
Key indicators that effect turnover							
Pulp price NBSK, USD ¹⁾	615	612	617	524	463	540	681
USD/SEK ²⁾	7.31	7.48	7.35	8.09	9.72	10.33	9.17
Pulp price NBSK, SEK	4,492	4,645	4,532	4,235	4,500	5,581	6,245
Rottneros' deliveries, tonnes	500,900	475,600	625,000	641,100	630,500	592,800	656,500
Turnover and income, SEK million							
Net turnover	1,822	1,821	2,356	2,380	2,494	2,741	3,385
Profit/loss before depreciation	31	140	109	239	170	292	1,020
Depreciation	-104	-192	-223	-117	-113	-87	-112
Operating profit/loss after depreciation	-73	-52	-114	122	57	205	908
Net financial items	-9	-4	-7	-7	29	30	-16
Profit/loss after net financial items	-82	-57	-121	115	86	235	892
Profit/loss after tax	-59	-42	-91	85	55	155	653
Balance sheet items, SEK million							
Fixed assets	1,423	1,255	1,351	1,249	1,197	1,093	994
Inventories	428	469	485	388	401	398	363
Current receivables	620	656	575	443	425	440	575
Short-term investments	-	-	-	-	-	60	-
Liquid funds	124	164	157	252	350	420	693
Shareholders' equity	1,526	1,722	1,673	1,717	1,706	1,771	1,899
Long-term interest-bearing liabilities	182	34	186	42	6	-	-
Long-term non interest-bearing liabilities	136	229	174	158	143	153	125
Current interest-bearing liabilities	337	90	56	6	2	-	-
Current non interest-bearing liabilities	415	470	479	414	516	487	601
Balance sheet total	2,595	2,545	2,568	2,332	2,373	2,411	2,625
Financial ratios							
Operating margin %	-4.0	-2.9	-4.9	5.1	2.3	7.5	26.8
Profit margin %	-4.5	-3.1	-5.2	4.8	3.5	8.6	26.4
Return on capital employed %	Neg	1	Neg	7	5	12	52
Return on wquity after full tax %	Neg	0	Neg	5	3	8	40
Equity/assets ratio %	59	68	65	73	72	73	72
Debt/equity ratio Times	0.3	0.1	0.2	0.0	-	0.0	0.0
Interest cover Times	Neg	Neg	Neg	18.2	29.4	79.3	100.1
Other							
Capital expenditure SEK m	186	143	283	193	244	183	85
Average no. of employees	817	842	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	Sept 2005	Timber	Sept 2005 proforma
Fixed assets	1,423	2	1,421
Current assets	1,172	16	1,155
Total assets	2,595	18	2,577
Shareholders' equity	1,526	18	1,508
Liabilities	1,069	-	1,069
Total shareholders' equity and liabilities	2,594	18	2,577

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 AND EQUITY AS AT 30 SEPTEMBER 2004 (SEK million)

	Jan-Sept 2004 acc to local GAAP	IFRS transition	Jan-Sept 2004 acc to IFRS	Jul-Sept 2004 acc to local GAAP	IFRS transition	Jul-Sept 2004 acc to IFRS
Net turnover	1,821	0	1,821	583	-	583
Change in inventories, finished goods	60	0	60	18	-	18
Other operating income	141	-3	138	19	32	51
Total income	2,022	-3	2,019	620	32	654
Raw materials and consumables	-1,057	2	-1,055	-337	-7	-344
Other external costs	-477	0	-477	-176	-	-176
Personnel costs	-332	0	-332	-108	-	-108
Depreciation	-192	0	-192	-125	-	-125
Other operating costs	-15	0	-15	-8	-	-8
Total operating costs	-2,073	2	-2,071	-754	-7	-761
Operating income	-51	-1	-52	-134	25	-107
Financial items	-4	0	-4	0	-	0
Income after net financial items	-55	-1	-56	-134	25	-107
Tax on income for the year	14	8	14	41	-8	33
Net profit/loss after tax	-41	-1	-42	-93	17	-74
No. of shares at beginning of period ¹⁾	180,722	-	180,722	180,212	-	180,212
No. of company's own shares bought back ¹⁾	510	-	510	-	-	-
No. of shares at end of period ¹⁾	180,212	-	180,212	180,212	-	180,212
Average no. of shares ¹⁾	180,451	-	180,451	180,212	-	180,212
Earnings after tax/share (SEK) ²⁾	0.00	-0.11	-0.23	-0.52	0.11	-0.41
				30 Sept 2004 acc to local GAAP	IFRS transition	30 Sept 2004 acc to IFRS
Fixed assets				1,191	65	1,256
Inventories				469	-	469
Current receivables				504	152	656
Liquid funds				164	-	164
Total assets				2,328	217	2,545
Shareholders' equity				1,615	107	1,722
Longterm liabilities						
Interest-bearing				34	-	34
Non interest-bearing				155	74	229
Current liabilities						
Interest-bearing				90	-	90
Non interest-bearing				434	36	470
Total shareholders' equity and liabilities				2,328	217	2,545

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 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 cus-

tomers' 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.

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