



Quarterly report April–June 2005

Interim report January–June 2005

The market for pulp for the leading quality NBSK has been weaker than anticipated during the second quarter. The decline for NBSK prices in USD is supposed to have leveled away and is expected to increase during the rest of this year.

The closing of the saw mill and magnesite production will improve the earnings by MSEK 100 yearly effective the third quarter 2005.

Earnings for the second quarter 2005 after financial items have improved and amounted to MSEK 7 compared to MSEK -24 during the first quarter.

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

		2005	2004
Net turnover, SEK m	Jan–Jun	1,181	(1,238)
	Apr–Jun	596	(623)
Income after net financial items, SEK m	Jan–Jun	-17	(51)
	Apr–Jun	7	(75)
Earnings per share after net financial items, SEK	Jan–Jun	-0.10	(0.28)
	Apr–Jun	0.04	(0.42)
Profit/loss after tax, SEK m	Jan–Jun	-14	(32)
	Apr–Jun	1	(53)
Earnings per share after tax, SEK	Jan–Jun	-0.07	(0.18)
	Apr–Jun	0.01	(0.30)
Cash flow per share, SEK	Jan–Jun	-1.25	(-0.26)
	Apr–Jun	-0.98	(0.17)
Shareholders' equity per share, SEK		8.72	(9.28)*
Equity/assets ratio, %		57%	(65%)*

* 31.12.2004

THE PULP MARKET

Prices for long-fibre chemical pulp increased in the first quarter, then falling in the second. The unexpected negative price development for NBSK has been effected by the large supply of pulp on the market. Short-fibre chemical pulp enjoyed a positive price trend in the first half. In the second quarter prices in USD were stable, but price increases were able to be implemented in euro due to exchange rate changes. The prices of CTMP developed similarly to those of short-fibre chemical pulp during the period.

Delivery capacity utilisation for bleached chemical pulp in the period January – May was 91.8% (95% for the same period in 2004) and production capacity utilisation was 92.7% (95.3%). The lower capacity utilisation compared with 2004 is partly explained by the Finnish labour market conflict. Producer stocks amounted to 3,219,000 tonnes at the beginning of January and around 3,368,000 tonnes at the end of May.

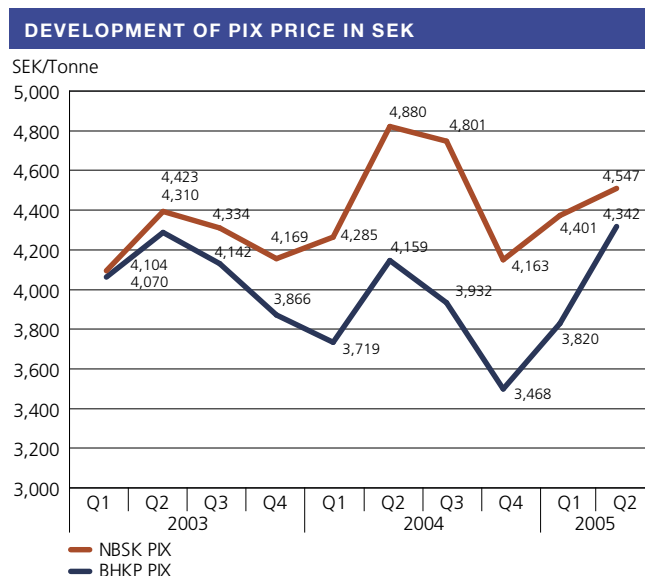
Imports to China amounted to 3,215,000 tonnes of pulp in the January to May period. This is a reduction of 73,000 tonnes (-2%) compared with the same period in 2004. The volume imported into China has increased continually in recent years.

There are many indications that the boom expected by the pulp and paper industry during 2005 will not come. Instead during the past 12-18 months the market has been characterized by so called mini-cycles with variations in supply as well as in demand.

LONG-FIBRE CHEMICAL PULP, NBSK

(produced in Vallvik)

The price at the beginning of the year was USD 630, rising in the first quarter to around USD 645 at the end of March, but was around USD 600 at the end on June. Delivery capacity utilisation for the January – May period was 92.4% (95% in 2004) and production capacity utilisation for the same period was 94.1% (95%). In the period April – May delivery capacity utilisation was 90% (95.6% in 2004) and production capacity utilisation was 90.2% (98%).



SHORT-FIBRE CHEMICAL PULP, BEK

(produced in Miranda)

The price of eucalyptus pulp increased from USD 550 at the beginning of the year to USD 580 at the end of March and then to USD 600 at the end of June. Delivery capacity utilisation in the period January – May was 90.3% (96% in 2004) and production capacity utilisation in the same period was 90.4% (95%). In the period April – May delivery capacity utilisation was 86.8% (91% in 2004) and production capacity utilisation was 87.3% (90.6%).

MECHANICAL PULP, CTMP AND MECHANICAL PULP

(produced in Rottneros, Rockhammar and Utansjö)

The first half was characterised by high levels of demand and production. Delivery capacity utilisation in the period January – May was 99% (98% in the same period in 2004) and production capacity utilisation in the same period was 98% (98%).

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 first half 2005 reduced by 30,700 tonnes or 9% compared with 2004 as a result of the closure of the magnesite line in Utansjö. Deliveries were more or less at the same level as in the same period last year.

Average capacity utilisation in the mills during the first half was 94% (97%), which breaks down as sulphate pulp 101% (102%), magnesite pulp 4% (78%), groundwood pulp 82% (98%) and CTMP 83% (93%). In the first quarter 2005 the Group carried out a maintenance shutdown in Utansjö in connection with the extensive alteration of the plant from magnesite production to CTMP. The Group had a maintenance shutdown at the mill in Rockhammar in the second quarter 2005. Rottneros and Vallvik have shutdowns scheduled for the third quarter and Miranda for the fourth quarter. All the

	PRODUCTION (TONNES)			
	Apr-Jun 2005	Apr-Jun 2004	Jan-Jun 2005	Jan-Jun 2004
Sulphate pulp	85,500	89,300	174,300	175,000
Magnesite pulp	-	15,100	1,400	28,300
Groundwood pulp	31,600	35,900	61,400	72,700
CTMP	39,900	31,100	71,000	62,800
TOTAL	157,000	171,400	308,100	338,800

	DELIVERIES (TONNES)			
	Apr-Jun 2005	Apr-Jun 2004	Jan-Jun 2005	Jan-Jun 2004
Sulphate pulp	83,800	83,800	169,600	175,400
Magnesite pulp	6,300	12,800	16,000	26,300
Groundwood pulp	37,600	29,700	71,000	61,200
CTMP	35,200	30,900	68,600	63,800
TOTAL	162,900	157,200	325,200	326,700

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 in the second quarter.

INVOICED SALES AND RESULTS

JANUARY – JUNE 2005

The Group's net sales amounted to SEK 1,181 million (1,238). Pulp accounted for SEK 1,163 million (1,194) of net sales and sawn timber for SEK 18 million (44).

There were three main elements to the SEK 57 million reduction in sales in the period: a weaker dollar (SEK –67 million,) lower deliveries (SEK –9 million), as well as a stronger pulp price in USD (SEK 19 million). The average price of long-fibre sulphate pulp NBSK expressed in USD increased from USD 612 to USD 629, an increase of nearly 3%, while average prices for NBSK pulp converted into SEK reduced from SEK 4,570 to SEK 4,480 per tonne, a reduction of 2%. The average price of BEK in USD increased from USD 527 to USD 573 per tonne or 9%, while the equivalent average prices converted into SEK increased from SEK 3,937 to SEK 4,085 per tonne, an increase of 4%.

The consolidated operating result was SEK –12 million (55). The operating result for the pulp-producing units was SEK 22 million (60) and for the sawmill in Rockhammar SEK 10 million (–5). The poorer operating result is mainly attributable to a weaker USD exchange rate and thus lower sales revenue calculated in SEK. Hedging activities produced an overall result of SEK 45 million (96), broken down into 62 (101) from currency hedging, –28 (–20) from pulp hedging and 11 (15) from electricity hedging. Green Electricity income amounted to SEK 12 million (14).

The consolidated result after net financial items was SEK –17 million (51) and includes net financial items of SEK –5 million (–4) for the reporting period. The result after net financial items includes SEK 18 million (–18) as an effect of IFRS. Earnings per share after tax amounted to SEK –0.07 (0.18). Cash flow per share was SEK –1.25 (–0.30).

The result after net financial items for the parent company was SEK 46 million (88). The result includes extensive hedging activities on behalf of the whole Group, which affected the result by SEK 45 million (96).

APRIL–JUNE 2005 COMPARED

WITH APRIL–JUNE 2004

Sales in the second quarter 2005 reduced by SEK 27 million compared with the second quarter 2004. The decrease is mainly due to a weaker USD (SEK –36 million) and a lower pulp price in USD (SEK –6 million), as well as higher deliveries (SEK 15 million). Production in the second quarter 2005 was lower than in the same period in the previous year, principally as a result of the closure of the magnesite line and the fact that the new CTMP line was not yet running at full production for the full quarter.

Hedging activities made a profit of SEK 22 million in the quarter (broken down into currency 25, pulp prices –11 and electricity 8); the equivalent amount in the second quarter 2004 was SEK 48 million (currency 62, pulp prices –21 and electricity 7). In the second quarter Green Electricity certificates contributed income of SEK 5 million (7). The result after net financial items for the second quarter 2005 was SEK 7 million compared with SEK 75 million in the previous year, mainly due to pulp prices being lower when converted into SEK. This result includes SEK 6 million (13) as an effect of the application of IAS 39.

APRIL – JUNE 2005 COMPARED

WITH JANUARY – MARCH 2005

Sales in the second quarter 2005 increased by SEK 11 million compared with the first quarter 2005. The increase is mainly due to a strengthening of the USD (SEK 20 million) and somewhat higher deliveries (SEK 2 million), as well as a lower pulp price in USD (SEK –11 million). Production in the second quarter was higher than in the first quarter, primarily due to the start-up of the CTMP line in Utansjö.

The operating result in the second quarter 2005 was SEK 10 million, which is an improvement compared with the result of SEK 31 million in the first quarter. Realised hedging activities produced a result of SEK 22 million. The equivalent figure for the first quarter 2005 was SEK 23 million (currency 38, pulp prices –18 and electricity 3). In the second quarter Green Electricity certificates contributed income of SEK 5 million, compared with SEK 7 million in the first quarter. The result after net financial items for the second quarter 2005 was a profit of SEK 7 million, while the figure for the first quarter was a loss of SEK –24 million. This result includes SEK 6 million as a positive effect of IAS 39 in the second quarter, while the corresponding effect in the first quarter was SEK 12 million.

RESTRUCTURING AT UTANSJÖ

Towards the end of the first quarter the new CTMP facility was taken into operation in Utansjö. The facility was started up as scheduled and the line is now in continuous operation. The closure of the magnesite line went as planned. However, the announcement of the closure of the magnesite 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 magnesite line was stopped earlier than scheduled and inventories were written down. Profit was negatively affected by around SEK 35 million during the first quarter 2005 for these reasons. As announced previously, the second quarter result was negatively affected by around SEK 20 million.

During the second quarter the new CTMP line was started up and streamlined.

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. The remaining winding-up operations are not expected to generate any losses.

As the table on page 9 shows, the sawmill's operations have been of only marginal significance for the Group's results and 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 accounting, 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 half of 2005 was 5% 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 first half of 2005 amounted to SEK -67 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 dollar's future behaviour. 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 80 million remained at the end of the first half. No costs have been charged to the Group for this hedging. This additional currency hedging has substantially reduced the company's currency risk, since the level of hedging in the third and fourth quarters 2005 amounts to 67% of exposure.

At the end of the second quarter 2005 exchange rate guarantees in the form of long-term forward contracts had been taken out for a total of USD 46 million, at an average rate of SEK 8.84 per USD. These contracts relate to the coming 18 months. Of the sum hedged, USD 14 million relates to the current year at an average rate of SEK 10.76.

PULP PRICES

No new pulp price hedging contracts were taken out in the first half 2005. 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 8,600 tonnes of this hedging now remains and this will mature in the third quarter. In the first half, pulp price hedging contracts affected the company's result by SEK -28 million (-20) 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 0.24 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.

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 June 2005. The reference value is the spot rate on 30 June 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 in 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 continue.

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 2005. This specific cost-cutting programme will then have been fully implemented and will form part of ongoing operations. 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 renew 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 half 2005, primarily due to a negative cash flow after investments. As of 30 June 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 148 million (76). This amount relates almost entirely to the new CTMP line in Utansjö, which is now in continuous operation.

Liquid funds amounted to SEK 209 million at the end of the period, compared to SEK 157 million at the end of 2004. At the end of the first half the company had interest-bearing liabilities totalling SEK 555 million and net borrowing of SEK 346 million. Unutilised lines of credit totalled SEK 696 million. The equity/assets ratio was 57%, 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 invest-

MARKET VALUE (SEK MILLION) JUNE 2005:

Hedging	Hedged volume	Hedge price	Market value	Reference – spot rate 30 June 2005
Currency, USD, forward	USD 46 m	8.84 SEK/USD	55	7.83 SEK/USD
Currency, USD, interval	USD 80 m	6.98–7.15 SEK/USD	53	7.83 SEK/USD
Currency, EUR	EUR 700 t	1.22 USD/EUR	1	9.47 SEK/EUR
Pulp price, in SEK	8,600 tonnes	550 USD (PIX)	-3	USD 598/7.83 SEK/USD
Electricity	1,008,500 kWh	SEK 0.25/kWh	80	SEK 0.25/kWh
Total market value			80	

MARKET VALUE (SEK MILLION) JUNE 2004:

Hedging	Hedged volume	Hedge price	Market value	Reference – spot rate 30 June 2005
Currency, USD, forward	USD 91 m	9.63 SEK/USD	189	7.53 SEK/USD
Currency, USD, interval	USD 100 m	7.33–7.73 SEK/USD	0	7.53 SEK/USD
Currency, EUR	EUR 10 m	9.18 SEK/EUR	0	9.16 SEK/EUR
Pulp price, in SEK	133,150 tonnes	5,117 SEK/tonne 551 USD (PIX) 547 USD (RIS)	-52	USD 660/7.53 SEK/USD
Electricity	95–97% ¹⁾	SEK 0.22–0.23/kWh	89	SEK 0.30/kWh
Total market value			226	

¹⁾ % of annual consumption in Sweden.

ment in the CTMP line at Utansjö. Shareholders' equity per share amounted to SEK 8.72 (31.12.04: 9.28). The translation to IFRS increased shareholders' equity per share by SEK 0.26 per share (0.25), 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 34 million (37) and included cash flow from hedging activities of SEK 40 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 97 million), high invoicing towards the end of the period as well as higher stocks of raw materials (SEK 35 million) as a result of the storm at the beginning of the year. Cash flow after capital investments was SEK -113 million (-38). The investment and increased working capital has been financed by borrowing a further SEK 200 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 821 (849).

OUTLOOK FOR 2005

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.

FORECASTS MADE PREVIOUSLY:

- 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

26 October 2005 Interim report (9 months) 2005
February 2006 Year-end release 2005

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

Upplands Väsby, Sweden, 25 July 2005



Lars Blecko
President and CEO

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

CONSOLIDATED PROFIT/LOSS ACCOUNTS (SEK million)

	Apr-Jun 2005	Apr-Jun 2004	Jan-Jun 2005	Jan-Jun 2004	Full year 2004
Net turnover	596	623	1 181	1 238	2 356
Change in inventories, finished goods	-24	48	-54	42	85
Other operation income	74	67	134	86	218
Total income	646	738	1,261	1,366	2,659
Raw materials and consumables	-347	-353	-684	-712	-1,445
Other external costs	-151	-154	-311	-301	-643
Personnel costs	-107	-119	-211	-224	-439
Depreciation	-34	-33	-67	-67	-223
Other operation costs	2	-2	-	-7	-23
Total operating costs	-637	-661	-1,273	-1,311	-2,773
Operation income	9	77	-12	55	-114
Financial items	-2	-2	-5	-4	-7
Income after net financial items	7	75	-17	51	-121
Tax on income for the year	-6	-22	3	-19	30
Net profit/loss after tax	1	53	-14	32	-91
No. of shares at beginning of period ¹⁾	180,212	180,722	180,212	180,722	180,722
No. of company's own shares bought back ¹⁾	-	510	-	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	180,420	180,212	180,571	180,392
Earnings after tax/share (SEK) ²⁾	0.01	0.30	-0.07	0.18	-0.50

Key indicators that affect turnover

Pulp price NBSK, USD ³⁾	622	642	629	612	617
USD/SEK ⁴⁾	7.33	7.60	7.13	7.47	7.35
Pulp price NBSK, SEK	4,551	4,880	4,479	4,570	4,532
Rottneros' deliveries, tonnes	162,900	157,200	325,200	326,700	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)

	Jun 2005	Jun 2004	Dec 2004
Fixed assets	1,423	1,342	1,351
Inventories	473	460	485
Current receivables	635	684	575
Liquid funds	209	150	157
Total assets	2,740	2,636	2,568
Shareholders' equity	1,571	1,759	1,673
Longterm liabilities			
Interest-bearing	183	35	186
Non interest-bearing	166	300	191
Current liabilities			
Interest-bearing	372	11	56
Non interest-bearing	448	531	462
Total shareholders' equity and liabilities	2,740	2,636	2,568

CASH-FLOW ANALYSIS (SEK million)

	Jan-Jun 2005	Jan-Jun 2004	Jan-Dec 2004
Operating income	-12	55	-114
Adjustment for non cash-flow items			
Depreciation	67	67	223
Profit/loss from disposal of fixed assets	-	3	7
Other non cash-flow items	-	-3	-
	55	122	116
Paid financial items	-2	-	-4
Paid taxes	6	-8	-11
Cash-flow from current operations before change in working capital	59	114	101
Change in working capital	-24	-76	3
Cash-flow from current operations	35	38	104
Acquisition of fixed assets	-148	-76	-283
Change in long-term receivables	1	1	-
Cash-flow from capital investments	-147	-75	-283
New loans	200	-	150
Repayment of loans	-3	-7	-6
Dividend paid	-36	-54	-54
Buy-back of own shares	-	-5	-5
Cash-flow from financing	161	-66	85
Cash-flow for the period/year	49	-103	-94
Liquid funds at beginning of year	157	252	252
Cash-flow for the period/year	49	-103	-94
Translation difference in liquid funds	3	1	-1
Liquid funds at end of period/year	209	150	157

SHAREDATA^{1, 5)}

	June 2005	June 2004	2004	2003	2002	2001	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	180,571	180,392	181,422	187,709	204,099	209,332
Operating profit or loss/share SEK	-0.07	0.30	-0.64	0.67	0.31	1.00	4.34
Earnings after net financial items/shares SEK	-0.10	0.28	-0.67	0.64	0.46	1.15	4.26
Earnings after tax/share SEK	-0.07	0.18	-0.50	0.47	0.29	0.76	3.12
Operating cash-flow/share ³⁾ SEK	-1.25	-0.26	-0.43	-0.23	-0.13	0.50	4.28
Equity/share SEK	8.72	9.76	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	7.30	9.95	7.55	8.55	7.45	9.85	7.70
Share price/equity per share Times	0.8	1.0	0.8	0.9	0.8	1.0	0.8
P/E ratio Times	Neg	56,1	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-Jun 2005	Jan-Jun 2004	Fyll 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	-14	32	-91
Change in hedging reserve for the period/year reported directly	-65	-204	-161
Translation difference	13	3	-2
Closing shareholders' equity	1,571	1,759	1,673

QUARTERLY DATA (SEK million)

	2005		2004				2003			
	II	I	IV	III	II	I	IV	III	II	I
Net turnover	596	585	535	583	623	615	571	587	582	640
Operating profit/loss before depreciation	43	12	-31	17	111	12	96	44	57	45
Depreciation	-34	-33	-31	-125	-33	-34	-34	-27	-27	-29
Operating profit/loss	9	-21	-62	-108	77	-22	62	17	30	16
Net financial items	-2	-3	-3	-0	-2	-2	1	0	-7	-1
Profit/loss after financial items	7	-24	-65	-107	76	-25	63	18	23	15
Tax	-6	9	17	33	-22	3	-13	-5	-5	-7
Profit/loss after tax	1	-15	-48	-74	53	-21	49	13	18	8
Pulp production, 1,000 tonnes	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	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	7.1	14.0	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
	II	I	IV	III	II	I	Full year
Net turnover by segment							
Pulp	594	569	519	559	601	593	2,272
Sawn timber	2	16	16	24	22	22	84
Total net turnover	596	585	535	583	623	615	2,356
Operating profit/loss by segment							
Pulp	2	-24	-28	-65	80	-20	-33
Sawn timber	7	3	-33	-43	-3	-2	-81
Total operating profit/loss	9	-21	-61	-108	77	-22	-114
Operating margin by segment							
Pulp	0.3	-4.2	-5.4	-11.6	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	1.5	-3.6	-11.4	-18.5	12.4	-3.6	-4.8

SIX YEAR REVIEW ³⁾

	Jan-Jun 2005	Jan-Jun 2004	2004	2003	2002	2001	2000	
Key indicators that effect turnover								
Pulp price NBSK, USD ¹⁾	629	612	617	524	463	540	681	
USD/SEK ²⁾	7.13	7.47	7.35	8.09	9.72	10.33	9.17	
Pulp price NBSK, SEK	4,479	4,570	4,532	4,235	4,500	5,581	6,245	
Rottneros' deliveries, tonnes	325,200	326,700	625,000	641,100	630,500	592,800	656,500	
Turnover and income, SEK million								
Net turnover	1,181	1,238	2,356	2,380	2,494	2,741	3,385	
Profit/loss before depreciation	55	122	109	239	170	292	1,020	
Depreciation	-67	-67	-223	-117	-113	-87	-112	
Operating profit/loss after depreciation	-12	55	-114	122	57	205	908	
Net financial items	-5	-4	-7	-7	29	30	-16	
Profit/loss after net financial items	-17	51	-121	115	86	235	892	
Profit/loss after tax	-14	32	-91	85	55	155	653	
Balance sheet items, SEK million								
Fixed assets	1,423	1,342	1,351	1,249	1,197	1,093	994	
Inventories	473	460	485	388	401	398	363	
Current receivables	635	684	575	443	425	440	575	
Short-term investments	-	-	-	-	-	60	-	
Liquid funds	209	150	157	252	350	420	693	
Shareholders' equity	1,571	1,759	1,673	1,717	1,706	1,771	1,899	
Long-term interest-bearing liabilities	183	35	186	42	6	-	-	
Long-term non interest-bearing liabilities	166	300	174	158	143	153	125	
Current interest-bearing liabilities	372	11	56	6	2	-	-	
Current non interest-bearing liabilities	448	531	479	414	516	487	601	
Balance sheet total	2,740	2,636	2,568	2,332	2,373	2,411	2,625	
Financial ratios								
Operating margin	%	-1.1	4.4	-4.9	5.1	2.3	7.5	26.8
Profit margin	%	-1.5	4.1	-5.2	4.8	3.5	8.6	26.4
Return on capital employed	%	Neg	9	Neg	7	5	12	52
Return on wquity after full tax	%	Neg	5	Neg	5	3	8	40
Equity/assets ratio	%	57	67	65	73	72	73	72
Debt/equity ratio	Times	0.4	0.0	0.2	0.0	-	0.0	0.0
Interest cover	Times	Neg	13.0	Neg	18.2	29.4	79.3	100.1
Other								
Capital expenditure	SEK m	148	76	283	193	244	183	85
Average no. of employees		821	849	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	June 2005	Timber	June 2005 proforma
Fixed assets	1,423	2	1,421
Current assets	1,317	15	1,302
Total assets	2,740	17	2,723
Shareholders' equity	1,571	14	1,557
Liabilities	1,169	3	1,166
Total shareholders' equity and liabilities	2,740	17	2,723

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 enl lokala redovisn.principer	Effekt av övergången till IFRS	31 dec 2004 enl 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 JUNE 2004 (SEK million)

	Jan-Jun 2004 acc to local GAAP	IFRS transition	Jan-Jun 2004 acc to IFRS	Apr-Jun 2004 acc to local GAAP	IFRS transition	Apr-Jun 2004 acc to IFRS
Net turnover	1,238	0	1,238	623	-	623
Change in inventories, finished goods	42	0	42	49	-	49
Other operating income	122	-35	87	60	7	67
Total income	1,402	-35	1,367	732	7	739
Raw materials and consumables	-720	9	-711	-358	6	-352
Other external costs	-301	0	-301	-154	-	-154
Personnel costs	-224	0	-224	-119	-	-119
Depreciation	-67	0	-67	-33	-	-33
Other operating costs	-7	0	-7	-2	-	-2
Total operating costs	-1,319	9	-1,310	-666	6	-660
Operating income	83	-26	57	66	13	79
Financial items	-4	0	-4	-2	-	-2
Income after net financial items	79	-26	53	64	13	77
Tax on income for the year	-27	8	-19	-19	-3	-22
Net profit/loss after tax	52	-18	34	45	10	55
No. of shares at beginning of period ¹⁾	180,722	-	180,722	180,722	-	180,722
No. of company's own shares bought back ¹⁾	510	-	510	510	-	510
No. of shares at end of period ¹⁾	180,212	-	180,212	180,212	-	180,212
Average no. of shares ¹⁾	180,571	-	180,571	180,420	-	180,420
Earnings after tax/share (SEK) ²⁾	0.29	-0.11	0.18	0.25	0.05	0.30

¹⁾ The number of shares is given in thousands.

²⁾ There are no programs that lead to dilution.

	30 June 2004 acc to local GAAP	IFRS transition	30 June 2004 acc to IFRS
Fixed assets	1,254	88	1,342
Inventories	460	-	460
Current receivables	516	168	684
Liquid funds	150	-	150
Total assets	2,380	256	2,636
Shareholders' equity	1,713	46	1,759
Longterm liabilities			
Interest-bearing	35	-	35
Non interest-bearing	190	110	300
Current liabilities			
Interest-bearing	11	-	11
Non interest-bearing	431	100	531
Total shareholders' equity and liabilities	2,380	256	2,636



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

Rottneros has a total production capacity of more than 700,000 tonnes of pulp per year produced at five mills in Sweden and Spain, making the Group one of the ten biggest suppliers of market pulp in the world. Increasingly intensive product development in accordance with customers' demands should lead

to more stable and higher profitability throughout an economic cycle. The Group has a comprehensive financial hedging policy to even out earnings over the economic cycle.

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