

# Interim report January – September 2003

## Quarterly report July – September 2003



Turnover	Jan. – Sep.	SEK 1,809 m	(1,934)
	Jul. – Sep.	SEK 587 m	(633)
Income after net financial items	Jan. – Sep.	SEK 54 m	(65)
	Jul. – Sep.	SEK 16 m	(55)
Earnings per share after net financial items	Jan. – Sep.	SEK 0.30	(0.34)
	Jul. – Sep.	SEK 0.09	(0.30)
Profit after tax	Jan. – Sep.	SEK 37 m	(35)
	Jul. – Sep.	SEK 11 m	(31)
Earnings per share after tax	Jan. – Sep.	SEK 0.20	(0.19)
	Jul. – Sep.	SEK 0.06	(0.17)
Cash flow per share	Jan. – Sep.	SEK -0.35	(-0.26)
	Jul. – Sep.	SEK -0.23	(-0.08)
Shareholders' equity per share	SEK 9.20	(31.12.02: 9.33)	
Equity/assets ratio	71%	(31.12.02: 72%)	

- The third quarter was characterized by a high level of deliveries and price increases mainly during the latter part of the quarter.
- The previous forecast of a better result for the whole year 2003 compared with the year 2002 remains, even if the uncertainty related to the development of the USD has increased.

## THE PULP MARKET

The market for paper products has been characterized by relatively low demand. In the absence of a strong paper market the price of pulp has increased and decreased a number of times and the market has been characterized by what are referred to in the industry as mini-cycles. There are variations in both demand and supply. The variations in demand are primarily attributable to irregular purchasing behaviour from Asia/China. The variation in supply is mainly due to periods of planned maintenance shutdowns.

The year started with substantial price rises on the pulp market. The price for NBSK (Northern Bleached Softwood Kraft, bleached long-fibre sulphate pulp) increased by USD 80 per tonne to USD 520 per tonne in March. The price of BEK (Bleached Eucalyptus Kraft) increased over the same period by USD 60 per tonne to USD 510 per tonne in March. After the first quarter the market was characterized by weakened demand for pulp and a trend for prices to fall slightly. The price of NBSK at the beginning of the second quarter was USD 560 per tonne and at the end of the quarter USD 540. The equivalent prices for BEK were USD 540 and USD 520 respectively.

The third quarter 2003 is characterized by high deliveries and increases in pulp prices. The first part of the third quarter, which is the beginning of the holiday period in Europe, is traditionally characterized by weaker demand. After the holiday period, however, deliveries increased significantly and price increases were implemented. At the end of the third quarter the price of NBSK was USD 530 per tonne. The equivalent price for BEK was USD 510 per tonne.

The latter part of the third quarter was characterized by maintenance-related production restrictions in the pulp industry. Capacity utilisation within Norscan for the period was 93 % compared with 94.9 % for the same period in 2002. Deliveries were 93.6 % (90.4 % in 2002). Cumulative figures for Jan. – Sep. 2003 show a capacity

utilisation 91.8 % and high levels of deliveries 91.6 % for the reporting period as a whole.

Producer stocks in the Norscan region have risen from a level of 1,639,000 tonnes at the beginning of the year to 1,714,000 at the start of the third quarter, reducing substantially in September by 150,000 tonnes down to 1,689,000 at the end of the third quarter.

For the fourth quarter price increases are advised in October by 15 – 30 USD per tonne to USD 545 – 560 per tonne for NBSK, whereas prices in USD for BEK have not changed. The latter part of the fourth quarter, i.e. December, is usually characterized by weak demand.

## PRODUCTION AND DELIVERIES

The Group's five pulp mills in Rottneros, Rockhammar, Utansjö, Vallvik and Miranda in Spain have a combined capacity of some 700,000 tonnes per year. Production in the first nine months of 2003 reduced by 8,200 tonnes or 2 %, while deliveries increased by 3,600 tonnes or 1 %. This resulted in lower stocks at the end of the period.

Average capacity utilisation in the mills during the reporting period was around 90 % (92), which breaks down as sulphate pulp 94 % (97), magnefite pulp 85 % (88), groundwood pulp 84 % (85) and CTMP 90 % (89).

Vallvik mill had an extensive planned maintenance shutdown in the third quarter. Last year Vallvik's planned maintenance shutdown took place in

the second quarter. Planned maintenance shutdowns in Rottneros and Rockhammar also reduced income in the third quarter. A maintenance shutdown is scheduled at Miranda in the fourth quarter. All the costs of maintenance shutdowns are reported in the period in which the shutdowns take place.

Following restructuring measures and a focus on coarser raw materials, annual capacity at the sawmill in Rockhammar amounts to 65,000 m<sup>3</sup>. In the third quarter 2003 production amounted to 10,700 m<sup>3</sup> (7,300) and deliveries to 10,500 m<sup>3</sup> (9,100). In the first nine months of the year production at the sawmill amounted to 33,500 m<sup>3</sup> (32,300), while deliveries amounted to 32,400 m<sup>3</sup> (33,200).

## INVOICED SALES AND RESULTS

### January – September 2003

The Group's net turnover was SEK 1,809 million (1,934). Pulp accounted for SEK 1,745 million (1,866) of the total net turnover and sawn timber for SEK 64 million (68).

There were three main elements to the SEK 125 million reduction in turnover in the reporting period: a weaker USD SEK -370 million, which was partly compensated by an improved pulp price in USD SEK 220 million and higher deliveries SEK 25 million.

The consolidated operating result was SEK 62 million (37). The operating result for the pulp-producing units was SEK 67 million (44) and for the sawmill

PRODUCTION (tonnes)	Jul. – Sep. 2003	Jul. – Sep. 2002	Jan. – Sep. 2003	Jan. – Sep. 2002
Sulphate pulp	75,500	89,000	242,000	247,700
Magnefite pulp	16,100	17,300	46,300	48,000
Groundwood pulp	32,800	29,400	93,200	95,000
CTMP	31,200	28,200	90,900	89,900
<b>TOTAL</b>	<b>155,600</b>	<b>163,900</b>	<b>472,400</b>	<b>480,600</b>
DELIVERIES (tonnes)	Jul. – Sep. 2003	Jul. – Sep. 2002	Jan. – Sep. 2003	Jan. – Sep. 2002
Sulphate pulp	78,600	77,100	242,000	244,400
Magnefite pulp	12,600	15,100	48,300	46,700
Groundwood pulp	35,100	33,500	99,600	98,800
CTMP	34,400	28,000	93,900	90,300
<b>TOTAL</b>	<b>160,700</b>	<b>153,700</b>	<b>483,800</b>	<b>480,200</b>

in Rockhammar SEK -5 million (-7). The improved operating result is primarily attributable to a positive outcome from hedging activities, which produced an overall result of SEK 177 million (-15), broken down into 102 (-18) from currency hedging, 36 (11) from pulp hedging and 39 (-8) from electricity hedging. For the first time Rottneros has sold Green Electricity certificates and recorded a profit of SEK 10 million during the third quarter.

The result after net financial items was SEK 54 million (65) and includes net financial items of SEK -8 million (28) for the reporting period. Net financial items were reduced by the costs of the syndication loan and by unrealised exchange losses on balances in foreign currency. Net financial items for the same period in 2002 included capital gains on financial investments and liquid assets were also higher.

The parent company reported a result after net financial items of SEK 165.2 (-0.5). The result includes extensive hedging activities on behalf of the whole Group, which affected the result by SEK 173 million (6).

Earnings per share after tax amounted to SEK 0.20 (0.19). Cash flow per share amounted to SEK -0.35 (-0.26).

#### *July – September 2003 compared with July – September 2002*

Turnover in the third quarter 2003 fell by SEK 46 million compared with the third quarter 2002. The decrease is mainly due to a weaker USD SEK -100 million, which was partly compensated by higher deliveries SEK 20 million and higher pulp prices SEK 34 million. Hedging activities produced a result of SEK 51 million, while the equivalent amount in 2002 was SEK 12 million. Net financial items in the third quarter amounted to SEK 0 million compared with SEK 5 million in the same period last year. The primary reason for the reduction in net financial items is the lower level of liquid assets. Net financial items were also affected by smaller exchange losses on assets in foreign currency. The result after net financial

items for the quarter was SEK 16 million (55). The third quarter 2002 included restructuring costs of SEK 20 million in respect of Utansjö. In addition, last year Vallvik's annual maintenance shutdown took place in the second quarter.

#### *July – September 2003 compared with April – June 2003*

In comparison with the second quarter 2003, turnover in the third quarter 2003 increased by SEK 5 million. The increase is due to an increase in deliveries of SEK 40 million and the effect of a stronger USD SEK 7 million, while the pulp price in USD reduced turnover by SEK -42 million. The higher level of deliveries is due to the higher demand in the third quarter. Hedging activities produced a positive result of SEK 51 million in the third quarter 2003, compared with an equivalent entry of SEK 48 million for the second quarter. The units at Vallvik, Rottneros and Rockhammar had planned maintenance shutdowns in the third quarter. Maintenance costs for annual maintenance shutdowns in Utansjö and Rockhammar reduced the result in the second quarter. The result after net financial items was SEK 16 million (23).

#### ACCOUNTING PRINCIPLES

The accounting principles are the same as those applied in the last annual report.

#### RISK MANAGEMENT

The average USD exchange rate was 17% lower relative to SEK than in the equivalent period in 2002. The increase in pulp prices in USD was offset by the weakening of the USD, which had a negative effect on earnings of SEK -370 million. At the same time, currency hedging agreements affected the result for the year positively by SEK 97 million compared with the spot rate. The net effect of the USD thus amounted to SEK -273 million.

In the main, all pulp is priced in USD. Around 30 % of the Group's turnover is represented by a real flow in USD, while 70 % of turnover is invoiced in other currencies.

At the end of the third quarter 2003 exchange rate guarantees had been taken out for a total of USD 169 million, at an average rate of SEK 9.52 per USD. These contracts relate to the coming 36 months. Of this USD 169 million, USD 24 million relates to the current year at an average rate of 9.56. EUR 10 million has been hedged at an average rate of SEK 9.18 per euro. No hedging has been carried out for other currencies.

In 2002 the Group concluded 2-year pulp price hedging contracts for 100,000 tonnes at a level of SEK 5,177 per tonne. Three quarters now remain of this hedging period, which is divided relatively evenly between the quarters and amounts to 43,250 tonnes in total.

In 2003 the company concluded supplementary 2-year hedging contracts for a total of 114,100 tonnes at pulp prices more or less equivalent to USD 540 PIX index. In total, contracts have been taken out for 157,350 tonnes with remaining terms over the coming two years. These latter contracts have not yet had any significant effect on earnings and have a minor effect on the market valuation as of 30 September 2003. During the reporting period the pulp price hedging contracts have overall had a positive effect on the result of SEK 36 million (11). In addition to the pulp price hedging, the Group has for several years had long-term customer contracts with a price equalisation profile in relation to NBSK, which is entirely in line with the company's niche strategy.

The company hedges prices for purchasing electricity in Sweden, as a result of which the variations in electricity prices have essentially been evened out. (For more details refer to the interim report for the first half.)

The table below shows the market value of all hedging. Market values are assessed by independent parties and refer to the liquidation value, i.e. valuation in accordance with forward contracts as of 30 September 2003. The reference value is the spot rate on 30 September and is given as supplement-

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

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

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

tary information. The hedging has a term of two to three years.

**COST CUTTING PROGRAMME**

The Group cost cutting, efficiency improvement and competence development programme adopted in 2003 is proceeding according to plan.

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

The 2003 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 planned buy-back is partly to optimise the company's capital structure, and partly to create opportunities to use its own shares as liquidity in any future acquisitions.

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 47,352,411. In 2003 the company has bought back a further 2,257,641 shares at an average price of SEK 7.31 per share. The number of outstanding shares at the end of the quarter was 180,722,464.

**CAPITAL INVESTMENTS AND FINANCIAL POSITION**

Group net investments in fixed assets in the reporting period amounted to SEK 141 million (154). These investments in the main relate to internal process measures and evaporation at Vallvik, new impregnation and biopurification at Rottneros and environmental investments at Rockhammar Mill.

Liquid funds amounted to SEK 215

million at the end of the period, compared to SEK 350 million at the end of 2002. The company has no interest-bearing loans. Unutilised lines of credit totalled SEK 978 million. On 4 July Rottneros signed up to a USD 115 million credit facility, equivalent to approx. SEK 920 million. The new credit facility replaces the previous one. No part of the loan is utilised. The credit facility places Rottneros in a good position to make strategic acquisitions and to grow organically. The equity/assets ratio was 71 %. Surplus liquidity is invested in low-risk securities in accordance with the company's liquidity policy. Shareholders' equity per share amounted to SEK 9.20 (31.12.02: 9.33).

**AVERAGE NUMBER OF EMPLOYEES**

The average number of employees in the reporting period was 866 (865).

**OUTLOOK FOR 2003**

For the fourth quarter price increases have been announced by 15 – 30 USD per tonne for NBSK commencing October, whereas the price for BEK remains unchanged. The latter part of the fourth quarter, i.e. December, is traditionally characterized by lower demand. The development of the USD rate versus SEK is very difficult to judge. Altogether, the previous forecast of a better result 2003 compared with 2002 remains. However, the uncertainty related to the USD has increased.

**Forecasts made earlier in the year**

In conjunction with the year-end release it was stated: "The beginning of

2003 was characterized by improved demand for paper pulp, particularly in North America. This, in combination with restrictions on production, led to global increases in prices for paper pulp. The positive trend on the pulp market is expected to endure for the early part of the year; the latter part of the year is more difficult to forecast due to the uncertainty in the global economy. The result for the full-year 2003 is expected to be an improvement on the result for 2002".

The quarterly report for the first quarter 2003 stated: "With regard to the pulp price increases during the first quarter 2003 the company has a positive view of the whole of 2003 in spite of the weakening of the USD. The earlier forecast stating a better result for 2003 as a whole than for 2002 is still valid."

In conjunction with the half year report it was stated:

"A considerable uncertainty remains both as to the continuation of the pulp market price in the USA as well as the development of the USD rate. The third quarter is expected to be characterized by weak demand due to low activities on the paper market during the vacation period in Europe. The slow negative price trend from the second quarter will continue into the third quarter and therefore minor curtailments due to market conditions can be possible during the third quarter. This does not exclude that the fourth quarter will turn and show a positive price trend." On this assumption the company continues to forecast that the result for full-year 2003 is expected to be an improvement on the result for 2002.

**UPCOMING FINANCIAL INFORMATION**

5 February 2004 – Year-end release 2003.  
27 April 2004 – Interim report (3 months) 2004 and AGM in Sunne.  
26 July 2004 – Interim report (6 months) 2004.  
26 October 2004 – Interim report (9 months) 2004.

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

Upplands Väsby, Sweden, 23 October 2003

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



Lars Blecko  
President and CEO

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

	July–Sept. 2003	July–Sept. 2002	Jan.–Sept. 2003	Jan.–Sept. 2002	Full Year 2002
Net turnover	587	633	1,809	1,934	2,494
Change in inventories, finished goods	-11	29	-19	5	22
Other operating income (incl. hedging)	59	12	165	30	89
<b>TOTAL INCOME</b>	<b>635</b>	<b>674</b>	<b>1,955</b>	<b>1,969</b>	<b>2,605</b>
Raw materials and consumables	-334	-347	-1,033	-1,040	-1,401
Other external costs	-151	-149	-450	-465	-603
Personnel costs	-96	-92	-304	-304	-396
Depreciation	-27	-24	-83	-83	-113
Items affecting comparability	-	-20	-	-	-20
Other operating costs (incl. hedging)	-11	8	-23	-23	-15
<b>TOTAL COSTS</b>	<b>-619</b>	<b>-624</b>	<b>-1,893</b>	<b>-1,932</b>	<b>-2,548</b>
<b>OPERATING PROFIT/LOSS</b>	<b>16</b>	<b>50</b>	<b>62</b>	<b>37</b>	<b>57</b>
Financial items	-	5	-8	28	29
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>	<b>16</b>	<b>55</b>	<b>54</b>	<b>65</b>	<b>86</b>
Taxes	-5	-24	-17	-30	-31
<b>PROFIT/LOSS AFTER TAX</b>	<b>11</b>	<b>31</b>	<b>37</b>	<b>35</b>	<b>55</b>
No. of shares at beginning of period <sup>1)</sup>	181,007	187,335	182,980	188,399	188,399
No. of company's own shares bought back <sup>1)</sup>	285	1,916	2,258	2,980	5,419
No. of shares at end of period <sup>1)</sup>	180,722	185,419	180,722	185,419	182,980
Average no. of shares <sup>1)</sup>	180,828	186,281	181,654	187,642	187,709
Earnings after tax/share (SEK) <sup>2)</sup>	0,06	0,17	0,20	0,19	0,29

<sup>1)</sup> The number of shares is given in thousands.

<sup>2)</sup> There are no programs that lead to dilution.

#### CONSOLIDATED BALANCE SHEET (SEK million)

	Sept. 2003	Sept. 2002	Dec. 2002
Fixed assets	1,244	1,161	1,197
Inventories	374	393	401
Current receivables	495	452	425
Liquid funds	215	332	350
<b>TOTAL ASSETS</b>	<b>2,328</b>	<b>2,338</b>	<b>2,373</b>
Shareholders' equity	1,663	1,704	1,706
Provisions	203	211	203
Long-term liabilities			
Interest-bearing	6	-	6
Current liabilities			
Interest-bearing	2		2
Non interest-bearing	454	423	456
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>2,328</b>	<b>2,338</b>	<b>2,373</b>

## CASH-FLOW ANALYSIS (SEK million)

	Jan.–Sept. 2003	Jan.–Sept. 2002	Full Year 2002
Operating income	62	37	57
Depreciation/Write downs	83	73	113
Profit/loss from disposal of fixed assets	-	-	2
Change in provisions	-4	-	-9
	<b>141</b>	<b>110</b>	<b>163</b>
Paid financial items	-5	30	24
Paid taxes	3	-18	-30
<b>Cash flow from current operations before change in working capital</b>	<b>139</b>	<b>122</b>	<b>157</b>
Change in working capital	-61	-16	63
<b>Cash flow from current operations</b>	<b>78</b>	<b>106</b>	<b>220</b>
Acquisition of fixed assets	-141	-154	-244
Sale of financial fixed assets			7
Change in long-term receivables	1	2	3
<b>Cash flow from capital investments</b>	<b>-140</b>	<b>-152</b>	<b>-234</b>
Change in provisions excl. deferred tax	2	-5	-6
New loans			5
Dividend paid	-55	-66	-66
Buy-back of shares	-16	-28	-47
<b>Cash flow from financing</b>	<b>-69</b>	<b>-99</b>	<b>-114</b>
<b>Cash flow for the period/year</b>	<b>-131</b>	<b>-145</b>	<b>-128</b>
Liquid funds at beginning of year	350	480	480
Cash flow for the period/year	-131	-145	-128
Translation difference in liquid funds	-4	-3	-2
<b>Liquid funds and short-term investments at end of period/year</b>	<b>215</b>	<b>332</b>	<b>350</b>

SHARE DATA<sup>1)</sup>

		Jan.–Sept. 2003	Jan.–Sept. 2002	2002	2001	2000	1999 <sup>2)</sup>	1998
No. of shares at beginning of period <sup>3)</sup>	No.	182,980	188,399	188,399	209,332	209,332	209,332	209,332
No. of company's own shares bought back <sup>3)</sup>	No.	2,258	2,980	5,419	20,933	-	-	-
No. of shares at end of period <sup>3)</sup>	No.	180,722	185,419	182,980	188,399	209,332	209,332	209,332
Average number of shares <sup>3)</sup>	No.	181,654	187,642	187,709	204,099	209,332	209,332	209,332
Operating profit or loss/share	SEK	0.34	0.20	0.31	1.00	4.34	0.59	0.57
Profit/loss after net financial items/share	SEK	0.30	0.34	0.46	1.15	4.26	0.53	0.58
Profit/loss after tax/share	SEK	0.20	0.19	0.29	0.76	3.12	0.43	0.58
Operating cash flow/share <sup>4)</sup>	SEK	-0.35	-0.26	-0.13	0.50	4.28	-0.01	-0.10
Equity/share	SEK	9.20	9.19	9.33	9.40	9.07	6.13	5.83
Dividend	SEK	-	-	0.30	0.35	0.50	0.25	0.10
Dividend/equity per share	%	-	-	3.2	3.7	5.5	4.1	1.7
Share price at end of period	SEK	8.15	7.15	7.45	9.85	7.70	11.10	3.20
Share price/equity per share	Times	0.9	0.8	0.8	1.0	0.8	1.8	0.5
P/E ratio	Times	40.3	38.0	25.3	13.0	2.5	25.5	5.5
Direct yield <sup>5)</sup>	%	-	-	4.0	3.6	6.5	2.3	3.1

<sup>1)</sup> There are no programs that lead to dilution.<sup>2)</sup> On 1 June 1999 Rottneros acquired the Miranda sulphate pulp mill from Kimberly-Clark.<sup>3)</sup> Number of shares in thousands.<sup>4)</sup> Cash flow after normal investments but excluding strategic investments.<sup>5)</sup> Direct yield is calculated in relation to the closing listed price.

## CHANGE IN SHAREHOLDERS' EQUITY (SEK million)

	Jan.–Sept. 2003	Jan.–Sept. 2002	Full Year 2002
Opening shareholders' equity	1,706	1,771	1,771
Dividend	-55	-66	-66
Buy-back of company's own shares	-16	-28	-47
Profit/loss for the year	37	35	55
Translation difference	-9	-8	-7
<b>Closing shareholders' equity</b>	<b>1,663</b>	<b>1,704</b>	<b>1,706</b>

## QUARTERLY DATA, ROTTNEROS GROUP (SEK million)

	2003			2002				2001			
	III	II	I	IV	III	II	I	IV	III	II	I
Net turnover	587	582	640	560	633	646	655	633	620	661	827
<b>Operating profit/loss before depreciation and items affecting comparability</b>	<b>43</b>	<b>57</b>	<b>45</b>	<b>60</b>	<b>94</b>	<b>11</b>	<b>25</b>	<b>13</b>	<b>26</b>	<b>53</b>	<b>206</b>
Depreciation	-27	-27	-29	-40	-24	-25	-24	-16	-24	-23	-24
Items affecting comparability	-	-	-	-	-20	-	-	-	-	-6	-
<b>Operating profit/loss</b>	<b>16</b>	<b>30</b>	<b>16</b>	<b>20</b>	<b>50</b>	<b>-14</b>	<b>1</b>	<b>-3</b>	<b>2</b>	<b>24</b>	<b>182</b>
Net financial items	-	-7	-1	1	5	20	3	7	3	13	7
<b>Profit/loss after financial items</b>	<b>16</b>	<b>23</b>	<b>15</b>	<b>21</b>	<b>55</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>37</b>	<b>189</b>
Tax	-5	-5	-7	-1	-24	-3	-3	-11	-1	-11	-57
<b>Profit/loss after tax</b>	<b>11</b>	<b>18</b>	<b>8</b>	<b>20</b>	<b>31</b>	<b>3</b>	<b>1</b>	<b>-7</b>	<b>4</b>	<b>26</b>	<b>132</b>
Pulp production, 1,000 tonnes	155.6	163.5	153.3	155.5	163.9	157.8	158.9	159.0	147.9	143.7	148.6
Pulp deliveries, 1,000 tonnes	160.7	149.4	173.7	150.3	153.7	162.8	163.7	153.9	149.2	137.9	151.8
Sawn timber production, 1,000 m <sup>3</sup>	10.7	12.3	10.5	10.1	7.3	12.4	12.6	14.9	13.9	19.3	18.7
Sawn timber, 1,000 m <sup>3</sup>	10.5	11.6	10.3	9.7	9.1	10.6	13.5	8.4	18.8	15.9	19.3

	2003			2002				2002
	III	II	I	IV	III	II	I	Full Year
<b>Net turnover by segment</b>								
Pulp	567	559	619	543	602	629	634	2,408
Sawn timber	20	22	22	17	31	17	21	86
<b>Total net turnover</b>	<b>587</b>	<b>582</b>	<b>640</b>	<b>560</b>	<b>633</b>	<b>646</b>	<b>655</b>	<b>2,494</b>
<b>Operating profit/loss by segment</b>								
Pulp	18	32	18	28	54	-14	4	72
Sawn timber	-2	-2	-2	-8	-4	0	-3	-15
<b>Total operating profit/loss</b>	<b>16</b>	<b>30</b>	<b>16</b>	<b>20</b>	<b>50</b>	<b>-14</b>	<b>1</b>	<b>57</b>
<b>Operating profit/loss margin by segment</b>								
Pulp	3.2	5.6	2.9	5.3	9.0	-2.2	0.6	3.0
Sawn timber	-7.9	-9.0	-7.7	-43.8	-13.3	-0.4	13.5	-17.0
<b>Total operating profit/loss margin</b>	<b>2.8</b>	<b>5.0</b>	<b>2.6</b>	<b>3.8</b>	<b>7.9</b>	<b>-2.2</b>	<b>0.2</b>	<b>2.3</b>

## SIX-YEAR REVIEW

	Jan.–Sept. 2003	Jan.–Sept. 2002	2002	2001	2000	1999 <sup>1)</sup>	1998	
<b>TURNOVER AND INCOME, SEK million</b>								
Net turnover	1,809	1,934	2,494	2,741	3,385	2,101	1,603	
Profit/loss before depreciation and items affecting comparability	145	130	190	298	1,005	195	5	
Depreciation according to plan	-83	-73	-113	-87	-112	-94	-76	
Items affecting comparability	-	-20	-20	-6	15	22	191	
Operating profit/loss after depreciation and items affecting comparability	62	37	57	205	908	123	120	
Net financial items	-8	28	29	30	-16	-12	1	
Profit/loss after net financial items	54	65	86	235	892	111	121	
Profit/loss after tax	37	35	55	155	653	91	121	
<b>BALANCE SHEET ITEMS, SEK million</b>								
Fixed assets	1,244	1,161	1,197	1,093	994	1,130	896	
Inventories	374	393	401	398	363	335	253	
Current receivables	495	452	425	440	575	452	326	
Short-term investments	-	-	-	60	-	-	-	
Liquid funds	215	332	350	420	693	147	27	
Shareholders' equity	1,663	1,704	1,706	1,771	1,899	1,284	1,220	
Provisions	203	211	203	220	210	115	-	
Long-term interest-bearing liabilities	6	-	6	-	-	2	2	
Long-term non interest-bearing liabilities	-	-	-	-	-	26	-	
Current interest-bearing liabilities	2	-	2	-	-	259	45	
Current non interest-bearing liabilities	454	423	456	420	516	378	235	
Balance sheet total	2,328	2,338	2,373	2,411	2,625	2,064	1,502	
<b>FINANCIAL RATIOS</b>								
Operating margin	%	3.4	5.7	2.3	7.5	26.8	5.9	7.5
Profit margin	%	3.0	1.9	3.5	8.6	26.4	5.3	7.5
Return on capital employed	%	5	4	5	12	52	9	11
Return on equity after full tax	%	3	1.6	3	8	40	7	10
Equity/assets ratio	%	71	73	72	73	72	62	81
Debt/equity ratio	Times	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Interest cover	Times	11.7	47.6	29.4	79.3	100.1	10.3	25.0
<b>OTHER</b>								
Capital expenditure	SEK m	141	154	244	183	85	276	210
Average no. of employees		866	855	860	878	890	884	716

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



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Rottneros, with its origins in the 1600s, is an independent and 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 financial hedging policy to even out earnings over the economic cycle.