

THE ROTTNEROS GROUP
YEAR-END RELEASE FOR 2000

- ❖ Profit/loss after net financial items SEK 892 million (111) which is the highest profit in the company's history. Profit/loss after tax SEK 642 million (91).

- ❖ Very strong profit for the fourth quarter – SEK 306 million.

- ❖ Earnings per share after tax SEK 3.07 (0.43). Equity per share SEK 9.02 (6.13).

- ❖ Very strong cash flow resulting in a cash balance of SEK 693 million. The company does not have any interest bearing debt. The equity ratio is 73% (62).

- ❖ The Board of Directors proposes an ordinary dividend of SEK 0.50 (0.25) per share. In addition the Board proposes a buy-back of own shares up to 10 per cent.

- ❖ The current assessment of the profit/loss trend for 2001 is that the full year result will be good even though lower than for 2000. The situation is difficult to assess due to the slowdown in the pulp market at the end of year 2000 and beginning of 2001.

PROFILE OF ROTTNEROS

Rottneros develops, markets and produces environment-friendly, customised pulp for sale to various customer segments. The Group also has a smaller business covering high-quality sawn timber products for the construction and carpentry industries. Production takes place in Sweden at the four pulp mills in Rottneros, Rockhammar, Utansjö and Vallvik and the Miranda mill in northern Spain and at the saw mill in Rockhammar.

Rottneros has been growing significantly during the 90's with successful acquisitions of Utansjö in 1991, Vallvik in 1995 and Miranda in 1999.

Rottneros is the market leader in groundwood pulp for the open market and an important producer of other types of market pulp. The total production capacity for market pulp is around 700,000 tonnes/year (700,000).

THE PULP MARKET

The market in 2000

2000 as a whole was characterised by a strong pulp market. At the end of December 1999, the price for Nordic bleached long-fibre sulphate (NBSK) was USD 600 per tonne and bleached eucalyptus sulphate (BEK) EUR 535 per tonne while Norscan stocks, i.e. stocks of bleached chemical market pulp in North America and Scandinavia reached 1,151,000 tonnes. In general it can be said that a strong pulp market is characterised by Norscan stocks being below 1,500,000 tonnes.

As a result, world market prices at the start of 2000 rose to USD 630 per tonne for NBSK and to EUR 580 per tonne for BEK. As the euro weakened against the US dollar, the price for BEK rose further to EUR 600 in February, reaching EUR 620 in March. By the end of March Norscan stocks were 1,161,000 tonnes.

During the second quarter, Rottneros was one of the first suppliers to price BEK in USD to avoid the constant price fluctuations brought about by movements in the exchange rate. The price of BEK was set at USD 650 and NBSK was increased to USD 670. These prices then remained unchanged for the rest of the quarter. At the same time, the pulp market peaked and on several occasions the spot prices were a good USD 100 above the applicable list prices. Last June, Norscan stocks had fallen to 1,071,000 tonnes, their lowest level since 1995. Prices stabilised just before the start of the third quarter, after rising to USD 710 for NBSK and 690 for BEK.

During the fourth quarter, prices remained at USD 710 for NBSK and USD 690 for BEK. Norscan stocks gradually increased, reaching 1,765,000 tonnes by the end of December. This increase was achieved in spite of production restrictions at leading manufacturers in North America and Scandinavia. During December, the utilisation of capacity was down to 85 per cent within Norscan compared to approx. 95 per cent during the year as a whole. The lower rate of pulp deliveries at the end of the year can be largely explained by stock reductions at pulp buyers.

The market for sawn timber products was characterised by uncertainty and was marred by continued overproduction relative to demand.

PRODUCTION AND DELIVERIES

As a result of the strong development of the market over the last five quarters, the Group has achieved high rates of production and delivery. The tables below show the total pulp production and deliveries during the period January-December 2000.

Production (tonnes)	Jan-Dec 2000	Jan-Dec 1999
Sulphate pulp*)	332,190	253,000
Magnefit pulp	71,161	62,300
Groundwood pulp	145,594	137,700
CTMP/TMP	<u>122,715</u>	<u>116,400</u>
TOTAL	671,660	569,400
Deliveries (tonnes)	Jan-Dec 2000	Jan-Dec 1999
Sulphate pulp *)	323,585	244,700
Magnefit pulp	65,991	65,900
Groundwood pulp	143,604	134,700
CTMP/TMP	<u>123,307</u>	<u>118,300</u>
TOTAL	656,487	563,600

*) The sulphate volumes include the figures for the Miranda plant which produced 149,015 (84,106) tonnes and delivered 145,336 (84,700) tonnes during the period January-December 2000. Miranda was acquired in June 1999.

The main reasons for the relatively low production and delivery volumes for sulphate pulp in 1999 were that Miranda was acquired on 1 June 1999 so the figures for 1999 only include 7 months of activity, and the destruction of the soda recovery unit in Vallvik in autumn 1998 meant that the mill did not come back into operation until February 1999 and was not fully on line until May 1999.

Because of the favourable pulp prices, the company management implemented measures to increase the utilisation of capacity, including introducing an extra shift in certain plants and cutting the scheduled and necessary operational stoppages to a minimum. This substantially increased average utilisation of capacity during the reporting period to 95 per cent (89) in total. Broken down by pulp type, the figures are: magnefit pulp 100 per cent (89), groundwood pulp 91 per cent (86) and CTMP/TMP 91 per cent (86). For sulphate pulp the corresponding utilisation of capacity was 98 per cent (92). Four of the five mills set production records for the year as a whole, partly because the time for each stoppage has been minimised thanks to good planning and extra maintenance resources.

The sawmill in Rockhammar has an annual production capacity of 90,000 m³ sawn timber products. During the reporting period the mill produced 74,552 m³ (72,400) and delivered 84,231 m³ (62,200).

INVOICED SALES AND RESULTS FOR THE YEAR AS A WHOLE

The Rottneros Group reported a record result for 2000. Return on capital employed was 52 per cent (9 per cent) and return on equity was 40 per cent (7 per cent). On average over the year, the price of pulp in USD rose by 31 per cent from USD 519 for 1999 to USD 680 for 2000. The dollar also strengthened by 11 per cent against the Swedish krona. This means that on average, the price of pulp expressed in SEK rose from 4,290 to 6,243, an increase of 46 per cent. The volume delivered increased by 93,000 tonnes or 16 per cent compared with the prior year.

The consolidated net turnover in 2000 amounted to SEK 3,385 million (2,101). Of the total net turnover, pulp accounted for SEK 3,199 million (1,941) and sawn timber products for SEK 159 million (103).

The consolidated operating profit of the Group amounted to SEK 908 million (123) and the profit after net financial items was SEK 892 million (111). The operating profit for the pulp producing plants amounted to SEK 1,001 million (121), and, for the sawmill in Rockhammar, to SEK 0.2 million (10). The additional profit is largely due to the rise in the price of paper pulp and a very strong US dollar, plus the fact that all pulp-producing mills achieved high levels of profitability in 2000. The mill in Miranda proved to be the most profitable.

Items disturbing comparability amounted to SEK + 15 million, net, (22) and include refunds from SPP of SEK 26 million (see below) and the insurance payments resulting from the final settlement of the loss in 1998 in Vallvik for SEK 22 million and the final settlement for Rockhammar Timber of SEK 2 million. The "Items disturbing comparability" item also includes depreciation on material fixed assets in Rockhammar Timber AB of SEK -35 million.

The consolidated net profit amounted to SEK 642 million (91). At the start of 2000 the Swedish companies had tax loss carry forwards of SEK 537 million. As at 31 December 2000 SEK 451 million of these tax loss carry forwards had been utilised and SEK 86 million remains to be utilised this year.

Profit/loss after net financial items for the parent company was SEK 77 million (42) which includes the anticipated dividend from Miranda.

Earnings per share after tax were SEK 3.07 (0.43).

SPP surplus

The operating result includes SEK 26 million as an item disturbing comparability, which corresponds to the value of the discounted present value of SPP's repayment of surplus on allocations to the company's occupational pension scheme. The discount factor was 5.6 per cent. The nominal value of the surplus funds amounted to SEK 30 million for the Group as a whole, of which SEK 4.6 million was for the parent company. It is thought that it will be possible to apply the vast majority of the surplus funds against ordinary SPP charges over the next 5 – 7 years.

PROFIT/LOSS - FOURTH QUARTER

The consolidated profit/loss for the fourth quarter 2000 after net financial items was SEK 306 million, an improvement of SEK 208 million compared to the corresponding quarter of 1999 and SEK 69 million up on the third quarter of 2000. The improvement is primarily due to significantly higher pulp price in combination with a higher USD rate and higher volumes.

THE CURRENCY SITUATION

The further strengthening of the US dollar in 2000, referred to above, had a very positive effect on the consolidated operating result. The whole of the Group's turnover is tied to the USD, since the market price for the majority of paper pulp is listed in USD. However, there are delaying effects which will affect the result; partly because certain special products have a price profile which is designed to smooth out the economic ups and downs and partly because of exchange rate hedging. The consolidated net cash flow in USD, that is to say based on direct invoicing in USD, has resulted in a SEK 112 million improvement of the result in 2000. After deductions for maturing forward contracts of SEK 42 million, the result for the year shows an improvement of SEK 70 million, based on net dollar inflow. To this should be added the effects of invoicing in another currency but with USD as the underlying currency. This indirect effect is assessed as having increased the turnover and improved the result by a total of around SEK 210 million during the year.

Towards the end of 1999, the Board of Directors decided to reduce the Group's net exposure in USD. This means that for 2000 the management operated within a framework that permitted guarantees of up to 70 per cent of the anticipated net dollar inflow for 2001, up to 50 per cent in 2002 and up to 30 per cent in 2003. As at 31 December 2000, USD 103 million worth of hedging transactions had been entered into against the Swedish krona at an average rate of SEK 8.63 per USD. For 2001, USD 57 million has been covered at an average rate of 8.58; for 2002 USD 29 million has been covered at an average rate of 8.50; for 2003 USD 17 million has been covered at an average rate of 9.00. There are no forward contracts in other currencies.

New policy for handling financial risk

At the end of 2000, the Board of Directors resolved to further minimise the company's exposure with regard to currency, pulp prices and electricity prices. The aim was to reduce exposure vis-à-vis the most important variables through hedging transactions. The company will take a uniform view of different financial risks and apply a similar method for protecting against these risks, based on a portfolio approach. The company has already introduced a number of different operational measures such as focusing on niches and specific customer segments. These operational measures, together with the new approach to financial risk management, aims at achieving a more consistent result over various economic cycles. The new policy will be introduced gradually during 2001.

CAPITAL EXPENDITURE AND FINANCIAL POSITION

The Group's net capital expenditure on fixed assets amounted to SEK 85 million (164), mainly comprising supplementary investments. During 1999, significant investments were made in the form of the acquisition of fixed assets in Miranda and the investment in the soda recovery unit in Vallvik and the new trimmer in Rockhammar.

Liquid funds including undrawn lines of credit at the end of the year amounted to SEK 1,498 million, compared to SEK 600 million at the end of 1999. All interest-bearing liabilities of the Group have been paid off since the start of the new half-year. The equity ratio was 73 per cent compared to 62 per cent at the end of the prior year. The Group has a significant surplus liquidity which will be invested in accordance with the company's liquidity policy. Equity per share amounted to SEK 9.02 (31.12.99: 6.13).

During the year, a new syndication loan was taken out to the value of SEK 700 million. The purpose of the loan was to replace the existing loan facility and to create general scope for further borrowing within the Group. The loan is structured in three tranches with terms of one year, five years and seven years.

The strong financial position Rottneros has at present makes it possible to stay prepared for new selective strategic acquisitions.

NUMBER OF EMPLOYEES

On average, the Group employed 877 employees in 2000 (884).

OUTLOOK FOR 2001

The current assessment of the profit/loss trend for 2001 is that the full year result will be good even though lower than for 2000. The situation is difficult to assess due to the slowdown in the pulp market at the end of year 2000 and beginning of 2001.

DIVIDEND

The Board of Directors will propose a dividend of SEK 0.50 per share (0.25) at the Annual General Meeting on 24 April 2001. Record day is proposed to be 27 April 2001.

BUY-BACK OF OWN SHARES

The Board of Directors will propose that the Annual General Meeting authorises the Board for a period of time until next Annual General Meeting, to buy-back own shares of maximum 10 per cent of the total shares in the company. The buy-back is planned to be made during 2001 at OM Stockholm Exchange at a price range between the highest buying rate and the lowest selling rate, applicable at each time. The purpose of the buy-back is primarily to adjust the company's capital structure. The authorisation shall include the authority to finance future acquisitions by paying with own shares or to sell own shares over the stock exchange as part of the financing of acquisitions. The company had no own shares as of 31 December 2000.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 5 p.m. on Tuesday, 24 April 2001 at the Hotel Selma Lagerlöf in Sunne. The date of record for entitlement to participate and vote at the AGM is 12 April 2001.

FORTHCOMING INFORMATION EVENTS

The full annual financial statements for Rottneros AB will be available at the beginning of April at Rottneros' head office. They will also be sent out to Rottneros shareholders at the same time.

24 April 2001 – AGM and quarterly report (3 months)

2 August 2001 – half-yearly report (6 months)

25 October 2001 – quarterly report (9 months)

For further information, please visit the Rottneros website at www.rottneros.com.

Karlstad 14 February 2001

Lars Blecko

Managing Director and Group Chief Executive

CONSOLIDATED PROFIT AND LOSS ACCOUNT

<u>Million Swedish kronor</u>	Proforma		
	<u>Full year 2000</u>	<u>Full year 1999</u>	<u>Full year 1999</u>
Net turnover	3,385	2,101	2,291
Change in inventories of finished goods	46	30	25
Other operating income	<u>24</u>	<u>78</u>	<u>81</u>
TOTAL INCOME	3,455	2,209	2,397
Raw materials and supplies	-1,475	-1,219	-1,346
Other external costs	-555	-465	-496
Personnel costs	-377	-315	-341
Depreciation	-112	-94	-101
Items disturbing comparability	15	22	22
Other operating costs	<u>-43</u>	<u>-15</u>	<u>-15</u>
TOTAL COSTS	-2,547	-2,086	-2,277
OPERATING PROFIT/LOSS	908	123	120
Financial items	<u>-16</u>	<u>-12</u>	<u>-16</u>
PROFIT/LOSS AFTER FINANCIAL ITEMS	892	111	104
Paid tax	-65	-1	-1
Deferred tax	<u>-185</u>	<u>-19</u>	<u>-19</u>
PROFIT/LOSS AFTER TAX	642	91	84

CONSOLIDATED BALANCE SHEET

<u>Million Swedish kronor</u>	Dec 2000	Dec 1999
Fixed assets	936	1,130
Inventories	363	335
Current receivables	583	452
Liquid funds	<u>693</u>	<u>147</u>
TOTAL ASSETS	2,575	2,064
Equity	1,888	1,284
Depreciation	171	115
Long-term liabilities		
Interest-bearing	-	2
Interest-free	-	26
Current liabilities		
Interest-bearing	-	259
Interest-free	<u>516</u>	<u>378</u>
TOTAL LIABILITIES AND EQUITY	2,575	2,064

CASH FLOW ANALYSIS SEK MILLION	Full year 2000	Full year 1999
Profit/loss before depreciation	1,031	217
Financial items	-16	-12
Insurance compensation received	24	32
Bookkeeping profit	4	-27
Tax	-65	-1
Other	-	-
Cash flow before changes in working capital and capital expenditure	978	209
Changes in working capital	<u>-21</u>	<u>-65</u>
Cash flow before capital expenditure	957	144
Net capital expenditure on fixed assets	-85	-162
Fixed assets in acquired subsidiary	-	-112
Net change in long-term receivables	<u>24</u>	<u>-61</u>
Cash flow after capital expenditure	896	-191
Net change: interest-bearing liabilities	-261	213
Net change: other long-term liabilities	-26	26
Net change: depreciation excl. deferred tax	-25	99
Dividend	-52	-21
Currency conversion difference	<u>14</u>	<u>-6</u>
Change in liquid funds	546	120

QUARTERLY DATA ROTTNEROS GROUP (SEK million)

	2000				1999				1998			
	IV	III	II	I	IV	III	II	I	IV	III	II	I
Net turnover	924	828	823	810	681	600	491	329	315	385	445	458
Operating profit/loss before depreciation and items disturbing comparability	347	263	223	172	122	69	15	-12	-18	3	19	1
Depreciation	-29	-27	-29	-27	-22	-25	-24	-22	-18	-19	-20	-19
Items disturbing comparability	<u>4</u>	<u>-1</u>	<u>12</u>	<u>-</u>	<u>4</u>	<u>-2</u>	<u>24</u>	<u>-4</u>	<u>191</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating profit/loss	322	235	206	145	104	42	15	-38	155	-16	-1	-18
Net financial items	<u>-16</u>	<u>-2</u>	<u>-</u>	<u>-2</u>	<u>-6</u>	<u>-4</u>	<u>0</u>	<u>-2</u>	<u>-1</u>	<u>0</u>	<u>0</u>	<u>-2</u>
Profit/loss after financial items	306	237	206	143	98	38	15	-40	154	-16	-1	-16
Tax	-84	-78	-54	-34	-14	-6	-	-	-	-	-	-
Profit/loss after tax	222	159	152	109	84	32	15	-40	154	-16	-1	-16
Pulp production, 1,000 tonnes	173.7	164.6	159.7	173.7	152.9	150.2	153.8	112.5	81.6	110.2	123.4	119.9
Pulp deliveries, 1,000 tonnes	158.4	155.0	165.0	178.3	163.1	159.4	139.9	101.2	96.3	110.7	123.8	127.6

Sawn timber production, 1,000 m3	19.2	13.9	20.3	21.2	18.7	13.1	19.4	21.2	20.9	17.4	21.8	22.8
Sawn timber deliveries, 1,000 m3	21.1	18.8	22.4	21.9	15.5	13.9	17.8	15.0	22.5	20.4	20.9	23.2

SUMMARY REVIEW

	2000	1999 ¹⁾	1998	1997	1996	1995	
SALES AND PROFIT/LOSS, SEK MILLION							
Net turnover	3,385	2,101	1,603	1,614	1,533	2,653	
Profit/loss before depreciation and items disturbing comparability	1,005	195	5	57	-104	810	
Planned depreciation	-112	-94	-76	-69	-64	-63	
Items disturbing comparability	15	22	191	-28	81	-	
Operating profit/loss after depreciation and items disturbing comparability	908	123	120	-40	-87	747	
Net financial items	-16	-12	1	2	18	12	
Profit/loss after net financial items	892	111	121	-38	-69	759	
Profit/loss after tax	642	91	121	-38	-69	723	
BALANCE SHEET ITEMS, SEK MILLION							
Fixed assets	936	1,130	896	739	824	805	
Inventories	363	335	253	291	236	328	
Current receivables	583	452	326	289	315	375	
Short-term placements	-	-	-	30	137	78	
Liquid funds	693	147	27	15	69	451	
Equity	1,888	1,284	1,220	1,140	1,220	1,394	
Depreciation	171	115	-	-	-	-	
Long-term interest-bearing liabilities	-	2	2	1	2	49	
Long-term interest-free liabilities	-	26	-	-	86	85	
Short-term interest-bearing liabilities	-	259	45	2	43	39	
Short-term interest-free liabilities	516	378	235	221	230	470	
Balance sheet total	2,575	2,064	1,502	1,364	1,581	2,037	
FINANCIAL RATIOS							
Operating margin	%	30.1	10.3	12.2	1.9	-1.5	30.5
Profit margin	%	26.8	5.9	7.5	-2.4	-5.7	28.2
Return on capital employed	%	52	9	11	-2	-4	²⁾ 49
Return on equity after full tax	%	40	7	10	-3	-5	²⁾ 52
Equity ratio	%	73	62	81	84	77	68
Debt-equity ratio	x	0.0	0.2	0.0	0.0	0.0	0.1
Interest cover	x	100.1	10.3	25	-3.8	-5.3	49
OTHER INFORMATION							
Capital expenditure		85	276	210	100	80	102

PER SHARE DATA

		2000	1999 ¹⁾	1998	1997	1996	1995
Shares (in thousands)	No.	209,332	209,332	209,332	209,332	209,332	209,332
Profit/loss after full tax	SEK	3.07	0.43	0.60	-0.20	-0.30	3.45
Equity	SEK	9.02	6.13	5.85	5.45	5.85	6.66
Dividend	SEK	(0.50) ²⁾	0.25	0.10	0.20	0.20	0.50
Dividend/equity	%	5.5	3.9	1.7	3.7	3.4	7.5
Closing listed price	SEK	7.7	11.10	3.20	6.15	8.70	7.00
Listed price/equity	x	0.9	1.8	0.5	1.1	1.5	1.1
P/E ratio	x	2.5	26	5.3	neg	neg	2.0
Direct yield	%	6.5 ³⁾	2.3	3.1	3.3	2.3	7.1

1) On 1 June 1999 the sulphate Miranda pulp mill was acquired from Kimberly-Clark.

2) Proposed dividend.

3) Direct yield is based on the closing listed price at the end of the year.