

Communication

28 October 2005

**Botnia's Interim Report for January – September 2005****SALES RETURN TO NORMAL LEVEL**

- **Sales EUR 659.0 million (814.4 million for January – September 2004)**
- **Operating profit EUR 25.5 million (123.2 million)**
- **Profit before extraordinary items 28.2 million (122.2 million)**
- **Investments EUR 152.2 million (29.4 million)**
- **Return on capital employed 3.1% (13.0%)**
- **Equity ratio 70.2 % (71.8%)**
- **Gearing ratio 5.3% (-3.8%)**

The figures given in this Interim Review, including those used for comparison, have been adjusted to correspond with IFRS accounting standards.

**Financial results**

Botnia's sales for the first nine months of the year were EUR 659.0 million, 19 per cent down on the same period last year (814.4 million). The volume of pulp sales was correspondingly around 17 per cent lower at 1,515,035 tonnes.

Operating profit was EUR 25.5 million, well below the figure for this period last year (123.2 million). Both sales and operating profit were badly hit by the lock-outs and local strikes that occurred during the second quarter and by technical problems with the re-start of production at the beginning of the third quarter.

Market prices for softwood pulp in foreign currencies averaged 1.4 per cent lower than for this period last year, whereas average prices for hardwood pulp strengthened by 11.7 per cent. The US dollar was 5 per cent stronger against the euro than during January – September 2004.

Sales for the third quarter returned to normal at EUR 254.8 million (279.9 million). Third-quarter operating profit was EUR 29.5 million (52.0 million). Compared with the previous quarter, market prices in foreign currencies were 4.3 per cent lower for softwood pulp and 1.7 per cent lower for hardwood pulp. The dollar was 2 per cent weaker during the third quarter than during the second. The fire that affected the chip conveyor at the Rauma mill in early September caused some production to be lost, and this affected the financial result for the third quarter.

**The market**

Pulp was in good demand during the early part of the year and prices rose. Producers' softwood pulp stocks rose to higher than normal during the spring. Stocks of hardwood pulp, on the other hand, have remained at the same level throughout

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the first nine months of the year despite the introduction, at the start of the year and in May, of new hardwood pulp capacity totalling almost two million tonnes. The closure of old capacity and numerous unexpected shutdowns and production disruptions in different parts of the world kept supply and demand in balance.

The price of softwood pulp was at its highest in March at USD 645/t before falling and finally bottoming out at USD 585 in September. The price of hardwood pulp peaked at USD 600/t in April, falling during the summer to the present level of USD 590.

**Strategic investments**

The pulp mill project in Uruguay is progressing as planned. The site excavation has been completed and construction of the mill started.

In September, Botnia and Jaakko Pöyry Group signed an agreement under which Jaakko Pöyry will assist with the project's implementation and supply engineering services for the mill. Also in September, Botnia signed an agreement with Kemira concerning the supply of chemicals for the pulp mill.

Uruguay and Argentina are in dispute over the handling of the project by a border commission, as the mill site is on the banks of the Rio Uruguay river, which marks the border between the two countries. The two countries have set up a commission of experts to look into the matter. The dispute has so far not affected the progress of the project.

Recruitment is currently under way in Uruguay. The number of persons working on the project at present is 390. The number of persons employed on the project will peak in 2007 at around 4,000. The USD 1.1 billion project will be completed in the third quarter of 2007.

Work on the sawmill being built at Podporozhje in Russia is going as planned and on schedule. The sawmill will start production at the turn of this year. The number of people employed on the project is currently 520. Once in production, the mill will employ 120 people.

**Outlook**

Demand for pulp is currently good. Both producers' and buyers' stocks are at normal levels. Prices have been raised in Asia and price rises for both short-fibre and long-fibre pulp have been announced for Europe.

Botnia expects a slight improvement in both sales and financial results in the final quarter.

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PROFIT AND LOSS ACCOUNT (EUR million)	1-9/05	%	1-9/04	%	Change	%	1-12/04	%
<b>Sales</b>	<b>659,0</b>	<b>100,0</b>	<b>814,4</b>	<b>100,0</b>	<b>-155,4</b>	<b>-19,1</b>	<b>1 066,0</b>	<b>100,0</b>
Interest in associates	0,2		0,0		0,2		0,1	
Other operating income	15,4		18,7		-3,3		26,9	
Operating expenses	563,5		619,0		55,5		830,9	
Depreciation	85,3		90,9		5,6		120,5	
<b>Operating profit</b>	<b>25,8</b>	<b>3,9</b>	<b>123,2</b>	<b>15,1</b>	<b>-97,4</b>	<b>-79,1</b>	<b>141,5</b>	<b>13,3</b>
Net exchange gains/losses	4,9		0,5		4,4		-5,1	
Other financial income and expenses	-2,5	0,4	-1,4	-0,1	-1,1	0,0	-1,8	-0,7
<b>Profit before extraordinary items</b>	<b>28,2</b>	<b>4,3</b>	<b>122,2</b>	<b>15,0</b>	<b>-94,0</b>	<b>-76,9</b>	<b>134,6</b>	<b>12,6</b>
Extraordinary items	0,0		0,0		0,0		0,0	
<b>Profit before taxes and minority interest</b>	<b>28,2</b>	<b>4,3</b>	<b>122,2</b>	<b>15,0</b>	<b>-94,0</b>	<b>-76,9</b>	<b>134,6</b>	<b>12,6</b>
Taxes	-8,8		-21,7		12,9		-24,3	
Minority interest	-1,0		-1,2		0,2		-2,3	
<b>Profit for the period</b>	<b>18,4</b>	<b>2,8</b>	<b>99,3</b>	<b>12,2</b>	<b>-80,9</b>	<b>-81,5</b>	<b>108,0</b>	<b>10,1</b>

BALANCE SHEET (EUR million)	9/2005	%	9/2004	%	12/2004	%
<b>Assets</b>						
Fixed assets	1 131,9	74,1	1 069,7	69,0	1 067,1	69,5
Current assets						
Inventories	141,8	9,3	124,5	8,0	118,0	7,7
Other current assets	179,7	11,8	334,5	21,6	338,0	22,0
Liquid funds	73,7	4,8	20,5	1,3	12,0	0,8
<b>Total</b>	<b>1 527,1</b>	<b>100,0</b>	<b>1 549,2</b>	<b>100,0</b>	<b>1 535,1</b>	<b>100,0</b>
<b>Liabilities</b>						
Shareholders' equity	1 069,1	70,0	1 079,4	69,7	1 084,7	70,7
Minority interest	33,4	2,2	32,5	2,1	30,0	2,0
Provisions for liabilities and charges	4,9	0,3	4,3	0,3	4,7	0,3
Long-term liabilities	256,6	16,8	276,7	17,9	267,4	17,4
Short-term liabilities	163,1	10,7	156,3	10,1	148,3	9,7
<b>Total</b>	<b>1 527,1</b>	<b>100,0</b>	<b>1 549,2</b>	<b>100,0</b>	<b>1 535,1</b>	<b>100,0</b>

		IIIQ / 2005	IIQ / 2005	IQ / 2005	IVQ / 2004	IIIQ / 2004
<b>SALES</b>	<b>MEUR</b>	254,8	148,9	255,3	251,5	279,9
<b>OPERATING MARGIN</b>	<b>MEUR</b>	56,3	-3,7	58,2	47,9	82,6
<b>OPERATING PROFIT</b>	<b>MEUR</b>	29,5	-27,9	23,9	18,4	52,0
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>	<b>MEUR</b>	29,6	-26,9	25,4	12,4	50,6
<b>ROCE</b>	<b>%</b>	3,1	0,2	8,4	10,9	13,0
<b>EGUITY RATIO</b>	<b>%</b>	70,2	69,8	73,0	72,6	71,8
<b>NET GEARING</b>	<b>%</b>	5,3	2,9	0,6	-5,1	-3,9
<b>INVESTMENTS</b>	<b>MEUR</b>	69,5	51,4	31,3	32,5	16,5