

Communications

29 July 2005

Botnia's Interim Report for 1 January – 30 June 2005**FIRST-HALF RESULT SHOWS A LOSS**

- **Sales EUR 404.2 million (534.6 million for January – June 2004)**
- **Operating profit EUR -4.0 million (71.2 million)**
- **Result before extraordinary items EUR -1.5 million (71.6 million)**
- **Investments EUR 82.7 million (39.2 million)**
- **Return on capital employed 0.21% (11.6%)**
- **Equity ratio 69.8% (71.1%)**
- **Gearing ratio 2.9% (1.2%)**

The figures contained in this Interim Report have been converted to correspond with IFRS accounting practice.

Loss attributable to labour market disruptions

Lock-outs and local strikes had a marked impact on business during the second quarter of the year. First-half sales were 24 per cent down on the same period last year at EUR 404.2 million (534.6 million). The volume of pulp sales fell correspondingly by some 22 per cent to 945,619 tonnes. The result of operations was a loss of EUR 4.0 million, a considerable decline on the EUR 71.2 million profit booked for the first half of 2004.

Market prices for softwood pulp in foreign currencies were on average nine per cent below those for the second quarter of last year. Average prices for hardwood pulp were nine per cent stronger. The dollar was five per cent stronger than during the first half of 2004.

Second-quarter operating profit was EUR -27.9 million, much lower than for the first quarter of this year. The sales volume was 45 per cent down on the first quarter at 336,530 tonnes. Market prices in foreign currencies were seven per cent lower for softwood pulp but three per cent higher for hardwood pulp. The dollar was 2 per cent weaker than in the previous quarter.

The market

Producer stocks in the second quarter were above normal for softwood pulp and normal for hardwood pulp. Customer stocks were at normal levels. In China, trading houses reduced their overly large pulp stocks in the spring, disrupting trading between producers and buyers, particularly in softwood pulp.

Demand for softwood pulp was good early in the year but slackened in the spring and prices began to fall. The price of softwood pulp fell from USD 645/tonne in March to USD 600 in June. Demand for hardwood pulp continued strong into the second quarter. Despite the one million tonnes of new hardwood pulp capacity that came on stream late in 2004, numerous unexpected shut-downs and disruptions to production in different parts of the world kept demand and supply in balance. The price of hardwood pulp remained at USD 600 throughout the second quarter, which meant that by June both hardwood and softwood pulps were selling for the same price. In 2004, there was an average price difference of USD 100.

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The second half of the year will be affected by new pulp capacity in Brazil, although the new paper machines in China will consume almost the same amount of pulp.

Strategic investments

The pulp mill project in Uruguay has progressed according to plan. In May, Oy Metsä-Botnia Ab and Andritz Oy signed a letter of intent under which Andritz will supply the main process equipment for the pulp mill being built in Uruguay. The order, which is worth more than EUR 200 million, comprises the entire fibre line from wood handling to the drying machine, together with the recovery system.

Personnel recruitment in Uruguay has also gone according to plan. At present, 55 persons are engaged in the project. The pulp mill itself will employ around 300 workers, but in total the pulp mill will provide jobs for over 8,000 people in Uruguay: 5,000 in terms of direct employment and another 3,000 indirectly.

The focus of the project is now on starting the construction work and on concluding the negotiations for supply of the main equipment. The USD 1.1 billion project is due for completion in the third quarter of 2007.

Construction work on the sawmill being built in the town of Podporozhje in Russia is going ahead as planned. The sawmill will start up early in 2006.

Outlook

Demand for pulp and paper is normally at its slackest during the summer months. Pulp prices are most likely to come under pressure in July and August. However, the market is expected to improve in September.

Restarting production after the long stoppage will increase costs and reduce sales in July, but Botnia expects its sales to return almost to normal during the third quarter.

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PROFIT AND LOSS ACCOUNT (EUR million)	1-6/05	%	1-6/04	%	Change	%	1-12/04	%
Sales	404,2	100,0	534,6	100,0	-130,4	-24,4	1 066,0	100,0
Interest in associates	0,4		-0,1		0,5		0,1	
Other operating income	11,9		13,4		-1,5		26,9	
Operating expenses	361,6		416,5		54,9		830,9	
Depreciation	58,5		60,3		1,8		120,5	
Operating profit	-3,6	-0,9	71,2	13,3	-74,8	-105,1	141,5	13,3
Net exchange gains/losses	3,6		1,4		2,2		-5,1	
Other financial income and expenses	-1,5	0,5	-0,9	0,1	-0,6	0,0	-1,8	-0,7
Profit before extraordinary items	-1,5	-0,4	71,6	13,4	-73,1	-102,1	134,6	12,6
Extraordinary items	0,0		0,0		0,0		0,0	
Profit before taxes and minority interest	-1,5	-0,4	71,6	13,4	-73,1	-102,1	134,6	12,6
Taxes	-1,6		-7,2		5,6		-24,3	
Minority interest	-0,3		-0,8		0,5		-2,3	
Profit for the period	-3,4	-0,8	63,7	11,9	-67,1	-105,3	108,0	10,1

BALANCE SHEET (EUR million)	6/2005	%	6/2004	%	12/2004	%
Assets						
Fixed assets	1 087,3	72,4	1 083,4	71,5	1 067,1	69,5
Current assets						
Inventories	145,9	9,7	137,6	9,1	118,0	7,7
Other current assets	209,2	13,9	245,1	16,2	338,0	22,0
Liquid funds	59,6	4,0	49,7	3,3	12,0	0,8
Total	1 502,0	100,0	1 515,8	100,0	1 535,1	100,0
Liabilities						
Shareholders' equity	1 045,2	69,6	1 044,6	68,9	1 084,7	70,7
Minority interest	32,6	2,2	32,7	2,2	30,0	2,0
Provisions for liabilities and charges	4,8	0,3	4,3	0,3	4,7	0,3
Long-term liabilities	264,9	17,6	282,3	18,6	267,4	17,4
Short-term liabilities	154,6	10,3	151,9	10,0	148,3	9,7
Total	1 502,0	100,0	1 515,8	100,0	1 535,1	100,0

		IIQ / 2005	IQ / 2005	IVQ / 2004	IIIQ / 2004	IIQ / 2004
SALES	MEUR	148,9	255,3	251,5	279,9	272,1
EBITDA	MEUR	-3,7	58,2	48,0	82,6	81,9
OPERATING PROFIT	MEUR	-27,9	23,9	18,4	52,0	51,5
PROFIT BEFORE EXTRAORDINARY ITEMS	MEUR	-26,9	25,4	12,4	50,6	51,5
ROCE	%	0,21	8,4	10,9	13,0	11,6
EQUITY RATIO	%	69,8	73,0	72,6	71,8	71,1
NET GEARING	%	2,9	0,6	-5,1	-3,9	1,2
INVESTMENTS	MEUR	51,4	31,3	32,5	16,5	33,7