

Communications

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Botnia's Interim Report for 1 January – 30 June 2003**FIRST-HALF PROFITABILITY WEAKER THAN FOR THIS PERIOD LAST YEAR, SECOND QUARTER SHOWS IMPROVEMENT ON FIRST**

- Turnover EUR 495.0 million (EUR 512.7 million for January – June 2002)
- Operating profit EUR 47.3 million (76.8 million)
- Profit before extraordinary items EUR 46.2 million (74.3 million)
- Investments EUR 48.6 million (16.0 million)
- Return on capital employed 7.7% (11.7%)
- Equity ratio 68.9% (66.9%)
- Gearing ratio 9.4% (6.7%)

Botnia's profitability hit by weaker dollar

The fall in the exchange rate for the US dollar adversely affected Botnia's profitability for the first half of the year. The dollar was average 23 per cent weaker than during January – June 2002. Turnover was roughly 3.5 per cent down on this period last year at EUR 495 million (512.7 million). The fall is due partly to the sale of the linerboard business in April 2002.

Pulp sales rose by 78,214 tonnes, roughly 7 per cent, to 1,161,319 tonnes (1,083,105). Foreign currency denominated prices for softwood pulp were on average 14 per cent higher than during this period last year. Euro denominated market prices for hardwood pulp were some 4 per cent lower. Operating profit fell by 38.4 per cent to EUR 47.3 million.

Second-quarter profitability improved

Profitability for the second quarter was better than for the first. Operating profit rose by 107.1 per cent to EUR 31.9 million, the improvement being attributable mainly to higher pulp prices. Compared with the first quarter, market prices were some 15 per cent higher for softwood pulp and 3 per cent higher for hardwood pulp. On the other hand, sales volumes were down on the first quarter. Pulp deliveries for the second quarter were 563,896 tonnes, 6 per cent less than for the first quarter (597,423 tonnes). The US dollar was also average 6 per cent weaker than during the first quarter.

Norscan stocks up in second quarter

Pulpwood shortages due to adverse weather conditions in the southern states of the USA restricted pulp production there and brought supply into line with demand during the four months January to April. Pulp stocks held by North American and Scandinavia producers (Norscan) stood at 1.5 million tonnes during the first three months of the year. Norscan stocks began to rise again in April and at the end of June were 1.7 million tonnes.

Having started the year at USD 440/tonne, softwood pulp prices rose to USD 560/tonne in April. Prices began to come under pressure in May, and in June had fallen to USD 540. The price of hardwood pulp was EUR 435/tonne in January, rising to EUR 490 in April and slipping to EUR 440 at the end of June. The pressure in prices will continue in July.

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The average capacity utilization rate for Norscan pulp mills in January – June was 91,4 % (88,1 %).

Investment

No major new investments were launched during the first half of the year. The investment project at Kemi pulp mill, the main feature of which was construction of a new evaporation plant, came on stream in January 2003. The aim of the investment – to improve the mill's operating reliability and cost-effectiveness and to reduce environmental loadings – has been achieved. The total cost of the investment was around EUR 40 million.

Business structure

In March, Botnia purchased a 60 per cent stake in the Uruguayan company Compañia Forestal Oriental S.A. (Fosa) from Shell International Renewables BV. Fosa's other shareholders are UPM-Kymmene Corporation (38.38%) and Finnfund (1.62%).

Fosa owns 48,000 hectares of land in the west of Uruguay, of which 32,000 hectares is good-quality eucalyptus forest planted on grassland.

Fosa's harvesting volumes are rising, and by the end of this decade the company will be producing around one million cubic metres of good-quality short-fibre wood raw material. This will secure supplies of short-fibre raw material to the mills of Botnia and its shareholders in Europe.

Outlook

Downtime taken by European paper mills during the summer months is affecting demand for chemical pulp. In North America, pulping capacity utilization rates could be curtailed by the continuing shortages of wood raw material in the southern USA and also by shortages of wood chips in certain parts of Canada due to low orderstocks at sawmills there.

Financial results for the second half of the year are likely to be similar to those for the first half. Profit for the year as a whole will probably be lower than for last year.

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PROFIT AND LOSS ACCOUNT (EUR million)	1-6/2003	%	1-6/02	%	Change	%	1-12/02	%
Turnover	495,0	100,0	512,7	100,0	-17,7	-3,5	1 033,5	100,0
Interest in associated companies	0,0		0,1		-0,1		0,2	
Other operating income	11,8		15,7		-3,9		25,1	
Operating expenses	404,3		394,2		-10,1		793,2	
Depreciation	55,2		57,5		2,3		111,7	
Operating profit	47,3	9,6	76,8	15,0	-29,5	-38,4	153,8	14,9
Net exchange gains/losses	1,3		1,3		0,0		2,2	
Other financial income and expenses	-2,4	-0,2	-3,8	-0,5	1,4	0,0	-5,5	-0,3
Profit before extraordinary items	46,2	9,3	74,3	14,5	-28,1	-37,9	150,5	14,6
Extraordinary items	0,0		0,0		0,0		0,0	
Profit before taxes and minority interest	46,2	9,3	74,3	14,5	-28,1	-37,9	150,5	14,6
Taxes	-13,4		-21,3		7,9		-43,4	
Minority interest	-0,1		-0,4		0,3		-0,8	
Profit for the period	32,7	6,6	52,6	10,3	-19,9	-37,9	106,2	10,3

BALANCE SHEET (EUR million)	6/2003	%	6/2002	%	12/2002	%
Assets						
Fixed assets	1 222,0	81,3	1 205,2	78,7	1 190,4	76,7
Current assets						
Inventories	141,6	9,4	137,0	8,9	133,4	8,6
Other current assets	128,2	8,5	137,3	9,0	157,3	10,1
Liquid funds	10,3	0,7	52,6	3,4	71,8	4,6
Total	1 502,2	100,0	1 532,1	100,0	1 552,9	100,0
Liabilities						
Shareholders' equity	1 007,2	67,1	1 024,3	66,9	1 077,9	69,4
Minority interest	27,2	1,8	1,3	0,1	1,8	0,1
Provisions for liabilities and charges	5,5	0,4	4,8	0,3	5,6	0,4
Long-term liabilities	324,7	21,6	348,4	22,7	327,0	21,1
Short-term liabilities	137,5	9,2	153,3	10,0	140,6	9,1
Total	1 502,2	100,0	1 532,1	100,0	1 552,9	100,0

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QUARTAL NUMBERS		IIQ / 2003	IQ / 2003	IVQ / 2002	IIIQ / 2002	IIQ / 2002
TURNOVER	MEUR	252,4	242,6	250,9	269,9	241,3
OPERATING MARGIN	MEUR	59,2	43,3	45,5	85,8	59,6
OPERATING PROFIT	MEUR	31,9	15,4	18,3	58,7	31,9
PROFIT BEFORE EXTRAORDINARY ITEMS	MEUR	30,8	15,3	18,0	58,2	32,4
ROCE	%	10,4	5,3	6,0	18,2	10,4
EGUIY RATIO	%	68,9	67,9	69,6	68,6	66,9
NET GEARING	%	9,4	13,0	0,0	3,1	6,7
INVESTMENTS	MEUR	13,1	35,5	16,5	25,4	10,6