

Communications / Annikki Rintala

6 February 2003

BOTNIA'S FINANCIAL RESULT SATISFACTORY

- **Turnover EUR 1,033.5 million (1,165.8 million)**
- **Operating profit EUR 153.8 million (256.5 million)**
- **Profit before extraordinary items EUR 150.5 million (243.0 million)**
- **Capital expenditure EUR 57.9 million (128.1 million)**
- **Return on capital employed 11.7% (18.6%)**
- **Equity ratio 69.6% (65.0%)**

All figures are unaudited.

The market

The uncertain economic outlook affected markets in the most important industrial countries during 2002. Poor demand forced paper mills to take downtime, and pulp producers had to bring production into line with demand correspondingly. Despite this, the average capacity utilization rate in the Norscan countries (North America and the Nordic countries) rose to 91 per cent (86% in 2001). At the end of the year stocks held by Norscan pulp producers stood at 1.63 million tonnes.

Market prices for pulp fell early in the year, rose during the spring and summer, and then started to fall again in the autumn. The market price of bleached softwood pulp was USD 470/tonne at the beginning of the year, USD 432 at the start of the second quarter, USD 480 at the end of the third quarter and finished the year at USD 440/tonne. Short-fibre pulp started the year at EUR 470/tonne, falling to EUR 450 at the end of the first quarter, rising to EUR 510 by the end of the third quarter and closing the year at EUR 445/tonne.

Production, deliveries and wood consumption

Botnia's pulp production in 2002 was 2,249,719 tonnes, an increase of 11.8 per cent on the previous year's figure of 2,011,988 tonnes.

Total sales were 2,238,366 tonnes (2,014,129). Of this amount, 1,703,029 tonnes were supplied to shareholders (1,578,538) and 535,337 tonnes were sold on the market (435,591). Deliveries were 11 per cent up on the year before. Botnia's pulp stocks were at the normal level at the end of the year.

Botnia's wood consumption in 2002 rose to 11.4 million cubic metres (10.5 million). This comprised 5.6 million cubic metres of softwood (5.1 million), 2.7 million cubic metres of softwood chips (2.6 million) and 3.0 million cubic metres of hardwood (2.6 million). Average prices for wood at the mills were around one per cent lower than the year before for both softwood and birch pulpwood. Domestic wood accounted for 86 per cent of all wood procured.

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Targets for 2003

Botnia's primary objectives in 2003 are to further expand its fibre expertise, to make more efficient use of its production capacity, to maintain and improve cost-effectiveness, to secure supplies of its main raw materials, and to manage material flows more efficiently.

Outlook

According to President and CEO Erkki Varis, the market seems to have started 2003 on a positive note. "Demand on the Chinese market is good, and there has also been an improvement in the United States. In Europe, on the other hand, the situation continues to be worse. It has nevertheless been possible to raise prices for both long-fibre and short-fibre pulp", reports Varis.

Weather conditions in Canada and the southern states of the US have temporarily disrupted supplies of wood raw material, and pulp mills in these areas have had to take downtime. The situation towards the end of the year will depend on what happens in paper markets. "The rate of economic growth in the US and Europe, and to an increasing degree in China, will decide whether production can be increased towards the year-end. The trend will also determine future pulp prices. The situation is most stable for packaging and tissue products, and also on the Chinese market."

Despite the low price of pulp, the company expects a satisfactory financial result in 2003.

Financial figures

Turnover and profit

Botnia's turnover was EUR 1,033 million, down 11.3 per cent on the year before. The fall in turnover is due to the sale of the linerboards business and to lower sales prices for pulp.

Profitability was weaker than the year before, but financial results were nevertheless reasonable under the circumstances. Profit for the year before extraordinary items was EUR 150.5 million, 38.6 per cent down on the previous year (243.0 million). The main factors adversely affecting profitability were low world market prices for chemical pulp and the weaker US dollar. However their impact on profit for the period was offset by higher capacity utilization rates at the mills and an increase in sales volumes.

The return on capital employed was 11.7 per cent (18.6%).

Net gearing down to zero

The equity ratio improved to 69.6 per cent (65.0%). Net gearing fell to 0.0 per cent (18.3%). Interest-bearing net liabilities at the end of the year were EUR -0.1 million (195.0 million). No new loans were raised during the year.

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Personnel

The average number of employees was 1,926 (2,008). At the end of the year the company had 1,751 employees (1,977).

Investments

Investments in fixed assets totalled EUR 57.9 million (128.1 million). Capital gains from the sale of fixed assets (not including corporatization of the linerboards business) were EUR 0.9 million (4.1 million).

In 2001, the company began an IT project with the aim of introducing an enterprise resource planning (ERP) system to support the process management concept at all the company's mills. The project, which cost altogether EUR 5.3 million, was completed in autumn 2002.

The investment project at Kemi pulp mill, the main feature of which was construction of a new evaporation plant, was completed by the end of the year. The new plant came on stream in January 2003. The purpose of the investment is to improve the mill's operating reliability and cost-effectiveness and to reduce emissions to water and air. The total estimated cost of the project was EUR 40 million.

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PROFIT AND LOSS ACCOUNT (EUR million)								
	1-12/2002	%	1-12/01	%	Change	%	1-12/01	%
Turnover	1 033,5	100,0	1 165,8	100,0	-132,3	-11,3	1 165,8	100,0
Interest in								
associated companies	0,2		0,0		0,2		0,0	
Other operating income	25,1		14,1		11,0		14,1	
Operating expenses	793,2		798,8		5,5		798,8	
Depreciation	111,7		124,7		12,9		124,7	
Operating profit	153,8	14,9	256,5	22,0	-102,6	-40,0	256,5	22,0
Net exchange gains/losses	2,2		0,4		1,8		0,4	
Other financial income and expenses	-5,5	-0,3	-13,8	-1,2	8,3	0,0	-13,8	-1,2
Profit before extraordinary items	150,5	14,6	243,0	20,8	-92,6	-38,1	243,0	20,8
Extraordinary items	0,0		0,0		0,0		0,0	
Profit before taxes and								
minority interest	150,5	14,6	243,0	20,8	-92,6	-38,1	243,0	20,8
Taxes	-43,4		-72,8		29,4		-72,8	
Minority interest	-0,8		-0,6		-0,2		-0,6	
Profit for the period	106,2	10,3	169,6	14,5	-63,4	-37,4	169,6	14,5

BALANCE SHEET (EUR million)	12/2002	%	12/2001	%	12/2001	%
Assets						
Fixed assets	1 190,4	76,7	1 225,1	74,6	1 225,1	74,6
Current assets						
Inventories	133,4	8,6	152,8	9,3	152,8	9,3
Other current assets	157,3	10,1	183,0	11,1	183,0	11,1
Liquid funds	71,8	4,6	81,9	5,0	81,9	5,0
Total	1 552,9	100,0	1 642,8	100,0	1 642,8	100,0
Liabilities						
Shareholders' equity	1 077,9	69,4	1 066,9	64,9	1 066,9	64,9
Minority interest	1,8	0,1	1,3	0,1	1,3	0,1
Provisions for liabilities and charges	5,6	0,4	5,4	0,3	5,4	0,3
Long-term liabilities	327,0	21,1	371,4	22,6	371,4	22,6
Short-term liabilities	140,6	9,1	197,8	12,0	197,8	12,0
Total	1 552,9	100,0	1 642,8	100,0	1 642,8	100,0

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KEY FIGURES

		IVQ / 2002	IIIQ / 2002	IIQ / 2002	IQ / 2002	IVQ / 2001	IIIQ / 2001
TURNOVER	MEUR	250,9	269,9	241,3	271,4	266,3	273,8
OPERATING MARGIN	MEUR	45,5	85,8	59,6	74,6	54,7	76,5
OPERATING PROFIT	MEUR	18,3	58,7	31,9	44,9	24,4	47,0
PROFIT BEFORE EXTRAORDINARY ITEMS MEUR		18,0	58,2	32,4	41,9	21,3	43,2
ROCE	%	6,0	18,2	10,4	13,5	7,5	14,5
EGUITY RATIO	%	69,6	68,6	66,9	65,4	65,0	67,9
NET GEARING	%	0,0	3,1	6,7	24,2	18,3	21,6
INVESTMENTS	MEUR	16,5	25,4	10,6	5,4	14,3	32,0