

CELLMARK AB

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CellMark 2005
Annual Report

A word from the president

While 2005 was far from a banner year for the pulp and paper industry, it turned out to be a surprisingly good year for CellMark.

The total volume of goods shipped reached another record at just over 4.2 million tons. Our operating income jumped about 10%, also setting a new record for the company. Our net result showed a very marginal decline compared to 2004.

Several segments of the paper market continued to be in balance, with the exception of Europe which was plagued by oversupply. Both the pulp and the packaging markets went through a full cycle, starting the year in balance, bottoming out in the third quarter and again gradually improving towards the end of the year. The Recycling Division had to live through another year of poor market and pricing in North America, but lower domestic demand resulted in increasing export availability. The markets for all divisions have shown a positive development in early 2006 and we are moderately optimistic for the full year.

CellMark Paper, in particular, recorded a strong growth in 2005 and the Packaging Division significantly increased its European based business. Recycling grew its tonnage for the 12th consecutive year. We are supporting the development of pulp derivatives and participate actively in trading the NYBOT pulp contract. The diligent work to implement our risk management strategies continues to be successful and our capacity to manage credit risk exposure and mitigate risk is excellent. Considerable efforts have been made to exploit synergies between our product divisions with notable results, especially in Latin America and Asia.

CellMark Recycling added a fifth production facility. The Paper Division opened a new office in Qingdao, China and created CellMark Iberica in Barcelona through the acquisition of Atrium S.A. We restructured our organization in China and consolidated the Pulp, Packaging and Recycling activities into one larger office in Shanghai. CellMark also acquired our partners' interest in CellMark France S.A. and the paper distribution office in Mexico City. Both offices thus became wholly owned CellMark subsidiaries.

Looking back at another successful year for our company, compliments and congratulations go to our many employees throughout the organization for a job well done!

CellMark Pulp

- World shipments of market pulp increased by approximately 2.1%, driven by increased demand and the start-up of new capacity in Latin America, China and Germany.
- Labour issues as well as various technical and environmental problems in the pulp industry were contributing factors to the lower growth in market pulp production which rose by only 1.9%. Consequently world inventories were fairly well contained throughout 2005 and ended the year slightly lower than at the start.
- The impact of currency changes relative to the US dollar continued to affect the industry's cost curve. The Euro was weak while the currencies of Chile, Canada and, in particular, Brazil appreciated.
- The Division has lost some representations but most of these tons have now been replaced. The total sales volume as well as the Division's profit dropped only marginally and we have continued to improve the efficiency of the organization.
- The Pulp Division continues to play an active role in the development of pulp derivatives and played an important part in the start-up of the NYBOT contract. We are finding many ways to utilize the derivatives market to introduce innovative concepts to our clients. The increase in demand for Certified (Chain of Custody) Pulp in Europe and elsewhere is an important trend and we are fine-tuning our administrative processes to participate in this development.

CellMark Paper

- The generally favourable market conditions that took hold in 2004 continued throughout 2005. In many sectors and geographical areas mills were able to accomplish price increases. Again, Europe was the exception. It was also a year when mills were hurt by significant cost increases in the energy and transport areas.
- Our momentum in gaining market share continued unabated and we were again able to increase volumes by over 20%. Especially in North America our volumes increased substantially. Despite significant investments in our marketing organization we were also able to improve overall profitability.
- Forecasting robust market conditions in the Americas for the coming year must be done with more caution than last year. Europe continues to disappoint everyone in the industry and we see few signs of any real change. We expect Asia to stay healthy with steady growth.
- Many new projects together with the recent addition of some key employees will ensure another year of increased volumes and profitability for the Paper Division.

CellMark Packaging

- 2005 started on a high activity level with strong pricing and good balance in supply/demand. The containerboard market then went through a complete cycle, with prices bottoming out by late summer and then recuperating with a series of price increases for the balance of the year.
- New production capacity in Europe and Asia over the past years found some market demand late in the year to offset a long period of overcapacity. The development of business with European mills resulted in a 12% tonnage growth from this region. Product sourcing from North America became more difficult in the fourth quarter and is expected to remain tight through early 2006.
- South American sales and sourcing continued to grow with a dependable customer and supply base, minimizing risks and finding consistencies. Asian market activity did not follow other market trends, with frustrating results. Asia will gain more focus from our global team in the next year. European markets remained steady in volume and profitability. The Middle East continues with steady demand and has developed product sourcing opportunities. Africa will also have stronger coverage and should produce more activity in the next year.
- Overall results did not reach expected levels, but the outlook for 2006 should allow us to continue with our market and product diversification and deliver a stronger year. Some market areas still remain to be filled, product diversification will continue and new sourcing options are being developed.

CellMark Recycling

- Prices for bulk grade wastepaper reached a three-year low in 2005. North American mills suffered through an off-year due to low finished product prices and higher than expected energy and transportation costs. The news was not all bad, however, as more tonnage became available for export and most markets remained active, with China leading the way with yet another record year of wastepaper imports.
- CellMark Recycling added its fifth production facility to complement our growing domestic business as well as to meet strategic needs from our expanding export customer base.
- CellMark Benelux attained a record year in volume and profitability.
- Sunset Trading, our stocklot roll trading business, grew by 50% in volume and doubled its profitability in just the second full operative year of the company.
- Our strategy of diversified market coverage, selling into more than 40 countries from our growing supply base with purchases from more than 20 countries, continues to be our cornerstone for growth.


About CellMark

For the past several years CellMark has been the world's largest marketing company specializing in pulp and paper. The 4.2 million tons we shipped in 2005 is yet another industry record for a marketing company. Our unprecedented growth since our founding in 1984 has been achieved both organically and through strategic and timely acquisitions. From our earliest days we have steadfastly maintained our focus on the marketing of four basic products.

Two of these, wood pulp and recovered paper, are the raw materials or inputs for the paper and paperboard making process. The other two, printing papers and packaging paper and board, represent the output of the paper and paperboard making process. While four specialized operating divisions manage the four product groupings, synergies abound. These four divisions are:

 CellMark | pulp

 CellMark | paper

 CellMark | packaging

 CellMark | recycling

Each division sources and markets its product range on a worldwide basis, giving us the greatest possible presence while minimizing the impact of regional disruptions. The divisions are supported by our own network of forty-two company offices in twenty-two countries around the globe.

Our success results not only from our focus. A combination of elements including our experienced and dedicated team, our ability to utilize our unrivaled market intelligence, our proficiency in consolidating our many acquisitions, our flat and efficient organizational structure, our logistical capabilities, our risk management expertise, and our strong balance sheet have all proved vital to our success.

Achievements in our goal to place more and more of our product supply under exclusive long-term contracts have also been a major factor in our success. These contracts benefit producers and buyers alike. Producers can realize improved cash flow and reduced overhead. They benefit from lower freight costs by utilizing our leverage in shipping and can concentrate on their strengths in manufacturing. Buyers gain guaranteed supply from dedicated producers, the highest level of service, and access to our financial support and insured credit facilities.

While our balance sheet has grown stronger and stronger through the years our greatest asset will always be our employees. As diverse as they are – these five hundred people around the world, speaking scores of languages and carrying a multitude of different passports – they share the common culture of teamwork and are all equally hardworking and dedicated to CellMark.



ilestones

Cellulose Marketing International AB is founded in Gothenburg, 21 employees. Five overseas sales offices are established in Taipei, Seoul, Geneva, London and Seattle.

Sales volume reaches 350,000 tons.

Cellulose Insurance, Guernsey, is opened.

We become 100% employee-owned. We acquire Pacific Forest Resources, Inc. (PacFor), adding packaging paper and board and recovered paper to our existing base in market pulp and white paper.

By the end of 1989 sales offices have been opened in Jakarta, Hong Kong, Bombay, Singapore, Bangkok, Milan and Appleton (USA).

One million tons are sold to 36 markets.

We acquire 50% of GFI adding chemicals as our fifth product.

Volume reaches 1.7 million tons.

We celebrate our 10th anniversary. Sales volume reaches 1.9 million tons.

The two million ton mark is realized. We become ISO-9002 certified. PacFor buys first recycling plant.

We acquire Unifibra and Perkins-Goodwin. Singapore Pulp Private Ltd. (SPPL) is established in Singapore. During the 1990's additional sales offices are opened in Paris, Bad Honnef (Germany), Eindhoven (Holland), Shanghai, Beijing, Dubai, Mexico City and Miami.

We purchase American Paper Sales in New York and are the co-founders of PULPEX™ in London. Company name is changed to CellMark AB.

Group sales exceed one billion U.S. dollars. We acquire Gothia Paper AB and Larsson Paper AB.

More than three million tons of pulp and paper are sold to 102 markets. Most subsidiaries consolidated under the CellMark brand name. We acquire the remaining 50% of Pulp and Paper Research (PPR), which holds all rights to the PULPEX™ exchange. We acquire Hylte Converting in Sweden. GFI Chemicals and PVS, a major U.S. West Coast distributor, merge and form Basic Chemical Solutions (BCS).

The recycling plants are consolidated under CellMark Industrial Holdings.

Our 20th year in business. We achieve a record sales volume of 3.7 million tons.

CellMark celebrates its 20th anniversary. Again, a new record sales volume of over four million tons is reached.

New offices opened in Qingdao and Barcelona. Consolidation of Pulp, Packaging and Recycling divisional activities in one larger Shanghai office.

1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005

Director's Report

The Board of Directors and the President hereby submit the annual report and the consolidated financial statements for 2005. The parent company's financials are not presented separately in this report. Note 2, number of employees, salaries and emoluments, etc is a summary. The statutory annual report, including the financials of the parent company and complete supplementary information, can be obtained from the company or the Swedish Registration Office, Bolagsverket.

Operations

CellMark Holding AB, together with wholly-owned subsidiaries and associated companies, markets forest products. The net sales of the parent company and the group result from marketing of forest products and commission thereon. Net income from trade in chemicals is reported as earnings from associated companies. Investments for the year for the group totalled TSEK 21 420, whereof TSEK 13 315 referred to equipment and TSEK 8 105 to buildings.

Group Identification

CellMark Holding AB, company reg.no. 556498-0893, is the parent company of CellMark AB, company reg.no. 556244-2433.

Foreign Branches

The Group has representative offices in Beijing and Shanghai.

Financial Highlights of the Group (MUSD*)

	2005	2004	2003	2002	2001	2000	1999	1998
Operating Income	1 684	1 519	1 245	1 022	1 030	1 316	728	549
Profit after								
Financial Items	17.2	18.0	13.1	12.1	15.0	18.7	9.4	6.4
Total Assets	418	404	311	308	294	337	247	151
Equity Ratio (%)	16.7	18.1	19.4	21.9	19.8	14.9	15.1	20.8

*MUSD shall be read as Millions of US Dollars.

Equity Ratio: *Shareholders' equity as a percentage of total assets.*

Equity

The Group's non-restricted equity totals TSEK 451 836, which includes the profit for the year of TSEK 94 328.

The financial results as well as the operating and financial position of the Group are presented in the following income statement and balance sheet, cash flow statement, related supplementary information and notes to the accounts.



	2005	USD (000)*	2004	USD (000)**	Note
Operating Income					
Net Sales	12 664 509	1 683 260	11 136 915	1 518 222	
Other Operating Income	4 152	552	7 880	1 074	
Total Operating Income	12 668 661	1 683 812	11 144 795	1 519 296	1
Operating Expenses					
Goods for Resale	-12 097 147	-1 607 851	-10 636 935	-1 450 062	
Other External Costs	-118 027	-15 687	-114 893	-15 663	3
Personnel Costs	-271 728	-36 116	-246 420	-33 593	2
Depreciation of Fixed Assets	-14 328	-1 904	-12 765	-1 740	5, 6, 7, 8
Total Operating Expenses	-12 501 230	-1 661 558	-11 011 013	-1 501 058	
Operating Profit	167 431	22 254	133 782	18 238	
Result from Financial Investments					
Result from Participations in Associated Companies	17 231	2 290	18 804	2 563	
Interest Income	11 756	1 562	11 526	1 571	
Interest Expenses	-66 829	-8 882	-32 385	-4 415	
Total Result from Financial Investments	-37 842	-5 030	-2 055	-281	
Profit after Financial Items	129 589	17 224	131 727	17 957	
Tax on Profit for the Year	-35 228	-4 682	-29 804	-4 063	4
Minority Interest	-33	-4	-37	-5	
Net Profit for the Year	94 328	12 538	101 886	13 889	

*Based on average exchange rate during
the year | USD = SEK 7.5238

**Based on average exchange rate during
the year | USD = SEK 7.3355

	Dec 31, 2005	USD (000)*	Dec 31, 2004	USD (000)**	Note
ASSETS					
Fixed Assets					
Intangible Fixed Assets					
Goodwill	4 239	533	2 962	448	5
Other Intangible Fixed Assets	5 312	668	413	62	6
Total Intangible Fixed Assets	9 551	1 201	3 375	510	
Tangible Fixed Assets					
Land and Buildings	93 586	11 768	59 149	8 945	7
Equipment	24 244	3 049	20 425	3 089	8
Total Tangible Fixed Assets	117 830	14 817	79 574	12 034	
Financial Assets					
Participations in Associated Companies	82 924	10 427	74 132	11 211	10
Other Shares	879	111	19 972	3 020	
Other Long-Term Receivables	44 095	5 545	37 943	5 738	
Deferred Tax Assets	15 420	1 939	16 689	2 524	
Total Financial Assets	143 318	18 022	148 736	22 493	
Total Fixed Assets	270 699	34 040	231 685	35 037	
Current Assets					
Inventories					
Goods for Resale	451 843	56 818	412 832	62 432	
Current Receivables					
Accounts Receivable - Trade	2 325 399	292 411	1 676 576	253 546	
Receivables from Associated Companies	1 660	210	10 517	1 591	
Prepaid Tax	6 175	776	4 336	656	
Other Receivables	120 515	15 154	98 126	14 839	
Prepaid Expenses and Accrued Income	94 128	11 836	95 246	14 404	
Total Current Receivables	2 547 877	320 387	1 884 801	285 036	
Investments					
Short-Term Investments	67	8	67	10	
Cash and Bank Balances	56 733	7 134	140 384	21 230	
Total Current Assets	3 056 520	384 347	2 438 084	368 708	
TOTAL ASSETS	3 327 219	418 387	2 669 769	403 745	

*Based on closing day rate of exchange
1 USD = SEK 7.9525

**Based on closing day rate of exchange
1 USD = SEK 6.6125

	Dec 31, 2005	USD (000)*	Dec 31, 2004	USD (000)**	Note
EQUITY AND LIABILITIES					
Equity					
Restricted Equity					
Share Capital, 1 564 900/1 950 455 shares à par SEK 0.1	156	20	195	30	
Restricted Reserves	1 025 777	12 899	88 536	13 389	
Total Restricted Equity	1 025 733	12 919	88 731	13 419	
Non-Restricted Equity					
Non-Restricted Reserves	357 508	44 955	292 353	44 212	
Profit for the Year	94 328	11 861	101 886	15 408	
Total Non-Restricted Equity	451 836	56 816	394 239	59 620	
Total Equity	554 569	69 735	482 970	73 039	
Minority Interest					
	773	97	613	93	
Provisions					
Deferred Taxes	28 092	3 532	15 085	2 281	
Long-Term Liabilities					
Liabilities to Credit Institutions	54 340	6 833	76 708	11 600	
Other Long-Term Liabilities	1 258	158	19 069	2 884	
Total Long-Term Liabilities	55 598	6 991	95 777	14 484	
Current Liabilities					
Liabilities to Credit Institutions	1 311 388	164 904	1 051 396	159 001	
Accounts Payable – Trade	1 084 730	136 402	823 802	124 583	
Liabilities to Associated Companies	14 172	1 782	14 576	2 204	
Income Tax Liability	15 270	1 920	4 781	723	
Other Current Liabilities	98 222	12 351	87 524	13 236	
Accrued Expenses and Prepaid Income	164 405	20 673	93 245	14 101	
Total Current Liabilities	2 688 187	338 032	2 075 324	313 848	
TOTAL EQUITY AND LIABILITIES	3 327 219	418 387	2 669 769	403 745	
MEMORANDUM ITEMS					
Pledged Assets					
	2 466 551	310 160	1 685 605	254 912	12
Contingent Liabilities					
	641 624	80 682	465 255	70 360	12

*Based on closing day rate of exchange
1 USD = SEK 7.9525

**Based on closing day rate of exchange
1 USD = SEK 6.6125

Operating Activities	2005	2004
Operating Profit	167 431	133 782
Adjustment for Items Excluded from Cash Flow Statement, etc.		
Depreciation	14 328	12 765
Other Adjustments	6 804	5 192
Capital Gain/Loss of Fixed Assets	-2 596	-112
	185 967	151 627
Interest Received	11 756	11 541
Interest Paid	-66 069	-31 640
Income Taxes Paid	-19 817	-17 370
Cash Flow from Operating Activities before Changes in Working Capital	111 837	114 158
Cash Flow from Changes in Working Capital		
Change in Inventories	-3 650	-89 058
Change in Accounts Receivable	-400 548	-446 382
Change in Receivables	83 541	-114 348
Change in Accounts Payable	160 929	197 089
Change in Liabilities	86 461	451 576
Cash Flow from Operating Activities	38 570	113 035
Investing Activities		
Purchase of Intangible Fixed Assets	-7 923	-321
Purchase of Tangible Fixed Assets	-21 049	-12 684
Purchase of Subsidiaries	172	0
Purchase of Financial Assets	-341	-20 483
Sale of Fixed Assets	3 857	1 063
Sale of Financial Assets	30 439	0
Change in Long-Term Receivables	263	-32 359
Cash Flow from Investing Activities	5 418	-64 784
Financing Activities		
New Share Issue	1 415	19 953
Change in Loan from Credit Institutions, etc.	-39 426	-43 993
Redemption of Shares	-113 555	-56 854
Dividend Paid	0	-12 077
Cash Flow from Financing Activities	-151 566	-92 971
Net Change in Cash and Cash Equivalents	-107 578	-44 720
Cash and Cash Equivalents Beginning of the Year	140 451	196 352
Exchange Rate Difference in Cash and Cash Equivalents	23 997	-11 181
Cash and Cash Equivalents End of the Year	56 870	140 451
Cashflow from Purchase of Subsidiaries		
Purchase Price Paid	-4 829	0
Cash and Cash Equivalents in Purchased Company	5 001	0
Cashflow from Purchase of Subsidiaries	172	0

Accounting principles

The annual report has been prepared according to the Swedish Annual Accounts Act and the general advice and guidelines of the Swedish Accounting Standards Board.

Consolidated financial statements

The consolidated income statement and balance sheet include all companies in which the parent company directly or indirectly holds more than 50% of the shares or voting rights, see note 9.

All acquisitions of companies have been recorded according to the acquisition method. Untaxed reserves reported in the individual group companies are divided in the consolidated balance sheet as a capital part and a tax part. The capital part has been accounted for under restricted reserves. The tax part is accounted for as an allocation under deferred tax.

Companies acquired during the year have been consolidated from acquisition date.

Participations in associated companies have been reported according to the equity method. Companies where CellMark holds between 20% and 50% of the voting rights are treated as associated companies. The equity method means that the acquisition cost for the shares, adding the change in the associated company's equity after the date of acquisition, is accounted for under the heading "Participations in Associated Companies" in the consolidated balance sheet.

The current method has been used in translating the income statements and balance sheets in foreign subsidiaries into Swedish kronor. All assets and liabilities in the foreign subsidiaries' balance sheets have been translated at year-end rate and all items in the income statements have been translated using the average rate of the year. Translation differences arising have been entered directly as equity.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency have been translated at the rate of exchange at year-end. The difference between the acquisition value and the value at year-end has been accounted for as income/expense. Receivables and liabilities that have been sold forward have been valued at the forward exchange rate.



FIXED ASSETS

Fixed assets are accounted for at the acquisition cost with deduction for depreciation according to plan based on assessment of the expected economic life of the assets. Depreciation according to plan is computed as follows:

Computer equipment	20%
Other equipment	20%
Buildings	2%
Revaluation of properties	2.6%
Goodwill	10-20%
Other intangible assets	10%

CURRENT ASSETS

Receivables have been recorded at the amount they are expected to be paid.

Inventories have been valued at the lower of cost or market, i.e. the lower of the acquisition value and the estimated net sales value.

CASH FLOW STATEMENT

Cash and cash equivalents include bank balances and short-term investments.

Note 1
Operating Income

Group	2005	2004
Pulp	5 034 253	5 078 571
Paper	4 399 100	3 140 021
Packaging	1 707 723	1 574 180
Recycled Paper	1 527 535	1 348 468
Other	50	3 555
Total	12 668 661	11 144 795

No Purchases or Sales between the Parent Company and other Group Companies have taken place.

Note 2

Number of Employees, Salaries and Emoluments, etc

Group	2005	Men	2004	Men
Average Number of Employees:				
Sweden	78	33	76	33
USA	175	102	167	98
Other Countries	46	17	36	11
	299	152	279	142
Number of Board Members, Presidents and Managing Officers:	2005	Men	2004	Men
Board Members	21	20	21	20
Presidents and Managing Officers	14	12	14	12
Salaries, emoluments, social security expenses and pension expenses were paid as follows:	2005	2004		
Salaries and Emoluments	207 350	189 483		
Social Security Expenses	31 566	28 170		
Pension Expenses	23 672	19 886		
	262 588	237 539		
Pension Obligation to Board and President	0	0		

Note 3

Disclosure of Audit Fee and Cost Reimbursements

Group	2005	2004
KLN Revision AB		
Audit Assignment	867	757
Non-Audit Assignments	304	558
Other Auditors		
Audit Assignment	3 614	3 468
Non-Audit Assignments	1 714	1 090
Total	6 499	5 873

Note 4
Tax on Profit for the Year

Group	2005	2004
Income Tax	27 248	26 431
Deferred Tax	7 980	3 373
	<u>35 228</u>	<u>29 804</u>

Note 5
Acquisition Values and Depreciation, etc. for Goodwill

Group	Dec 31, 2005	Dec 31, 2004
Acquisition Value Brought Forward	25 214	29 131
Purchases	3 475	0
Exchange Rate Differences	2 345	-3 917
Accumulated Acquisition Value Carried Forward	<u>31 034</u>	<u>25 214</u>
Depreciation Brought Forward	-22 252	-22 247
Exchange Rate Differences	-2 337	3 898
Depreciation for the Period	-2 206	-3 903
Accumulated Depreciation Carried Forward	<u>-26 795</u>	<u>-22 252</u>
Book Value	4 239	2 962

Note 6
*Acquisition Values and Depreciation, etc.
 for Other Intangible Assets*

Group	Dec 31, 2005	Dec 31, 2004
Acquisition Value Brought Forward	5 283	5 463
Purchases	5 726	321
Sales/Disposals	-69	0
Exchange Rate Differences	998	-501
Accumulated Acquisition Value Carried Forward	11 938	5 283
Depreciation Brought Forward	-4 870	-5 362
Purchases	-8	0
Exchange Rate Differences	-973	492
Depreciation for the Period	-775	0
Accumulated Depreciation Carried Forward	-6 626	-4 870
Book Value	5 312	413

Note 7
*Acquisition Values and Depreciation, etc.
 for Land and Buildings*

Group	Dec 31, 2005	Dec 31, 2004
Acquisition Value Brought Forward	69 674	70 139
Purchases	8 105	2 215
Reclassifications	1 730	0
Revaluation of Properties	22 871	0
Exchange Rate Differences	5 870	-2 680
Accumulated Acquisition Value Carried Forward	108 250	69 674
Depreciation Brought Forward	-10 525	-8 919
Reclassifications	-561	0
Exchange Rate Differences	-728	333
Depreciation for the Period	-2 264	-1 939
Depreciation Revaluation of Properties	-586	0
Accumulated Depreciation Carried Forward	-14 664	-10 525
Book Value	93 586	59 149
Book Value, Buildings	91 409	56 884
Book Value, Land	2 177	2 265
	93 586	59 149
Tax Assessment Value		
Tax Assessment Value for Properties in Sweden	24 358	24 358
For Buildings	18 367	18 367

Note 8

Acquisition Values and Depreciation, etc. for Equipment

Group	Dec 31, 2005	Dec 31, 2004
Acquisition Value Brought Forward	66 825	70 828
Purchases	9 224	8 639
Subsidiaries Acquired	4 091	130
Sales/Disposals	-4 819	-9 219
Reclassifications	-2 935	0
Exchange Rate Differences	8 637	-3 553
Accumulated Acquisition Value Carried Forward	81 023	66 825
Depreciation Brought Forward	-46 400	-50 774
Subsidiaries Acquired	-672	0
Sales/Disposals	4 229	8 342
Reclassifications	561	0
Exchange Rate Differences	-6 000	2 955
Depreciation for the Period	-8 497	-6 923
Accumulated Depreciation Carried Forward	-56 779	-46 400
Book Value	24 244	20 425

Note 9

Participating Interests in Group Companies

Company	Book Value
CellMark AB, 556244-2433/par SEK 9 015 000/	
CellMark AB's Participation in Group Companies	
Company	Book Value
CellMark Inc/par USD 49 000/	
CellMark Asia Pte Ltd/par SGD 1 000 000/	
CellMark UK Ltd/par GBP 2 000/	
Singapore Pulp Private Ltd/par SGD 100 000/	
Unifibra SA/par CHF 300 000/	
Gothia Paper AB, 556056-9716/par SEK 1 000 000/	
Hylte Converting AB, 556528-8924/par SEK 600 000/	
Pulp & Paper Research AG/par CHF 1 000 000/	
646325 B.C. Ltd/par CAD 1/	
CellMark SA/par CHF 1 000 000/	
Worldchem Scandinavia AB, 556418-0361/par SEK 670 000/	
CellMark Recycling Benelux BV/par EUR 18 151/	
CellMark France SA/par EUR 80 000/	
CellMark Iberica SL/par EUR 3 010/	
CellMark Paper SA de CV/par MXN 20 000/	
	Book Value

Country/ Reg. Office	Share of Capital	Dec 31, 2005 Book Value	Dec 31, 2004 Book Value
Gothenburg	100%	23 015	23 015
		23 015	23 015
Country/ Reg. Office	Share of Capital	Dec 31, 2005 Book Value	Dec 31, 2004 Book Value
USA	100%	28 916	28 916
Singapore	100%	3 385	3 385
UK	0% (100%)	0	22
Singapore	100%	0	0
Switzerland	100%	73 840	73 840
Gothenburg	100%	0	0
Hyltebruk	100%	7 315	7 315
Switzerland	0% (100%)	0	0
Canada	100%	0	0
Switzerland	100%	516	516
Gothenburg	100%	58 771	58 771
The Netherlands	100%	30 538	30 538
France	100% (50%)	1 730	0
Spain	100%	1 215	0
Mexico	100% (50%)	2 285	0
		208 511	203 303

Note 10

Participating Interests in Associated Companies

Group
Share of Capital, Opening Balance
Purchases
Share of Profit for the Year at Associated Companies
Deduction for Dividends Received
Reorganization within the Group
Exchange Rate Differences
Reclassifications
Share of Capital at Year-End

Company
CellMark Taiwan Company Ltd/par TWD 5 000 000/
CellMark France SA/par EUR 40 000/
CellMark Deutschland GmbH/par EUR 25 564/
CellMark Thailand Co Ltd/par THB 490 000/
Amerisouth Holdings Inc/par USD 38 000/
Interamerican Forest Products/par USD 50 000/
Intersales KB, 91 6840-3930 Participation Right
CellMark (HK) Ltd/par HKD 375 000/
Pittsburgh Recycling Services Inc/par USD 50 000/
CellMark de Mexico SA de CV/par MXN 9 980 000/
CellMark Paper SA de CV/par MXN 10 000/
Central Kentucky Fiber Resources LLC
BCS LLC
CMP Cellulosa Marketing Promotion Sarl/par CHF 10 000/
Long Island Recycling LLC
Book Value

Dec 31, 2005	Dec 31, 2004
74 132	39 468
1 561	58
16 948	17 821
-21 153	-11 704
-2 448	0
2 875	-1 363
11 009	29 852
82 924	74 132

Country/ Reg. Office	Share of Capital	Dec 31, 2005 Book Value	Dec 31, 2004 Book Value
Taiwan	50%	1 467	1 766
France	0% (50%)	0	1 387
Germany	50%	2 742	7 492
Thailand	49%	95	83
USA	50%	2 520	1 870
USA	50%	-178	-149
Gothenburg		-1 623	-2 394
Hong Kong	50%	3 999	3 211
USA	50%	3 866	3 327
Mexico	49.9%	344	378
Mexico	0% (50%)	0	1 061
USA	50%	2 619	1 718
USA	10.531%	65 332	54 324
Switzerland	50%	132	58
USA	50%	1 609	0
		82 924	74 132

Note 11
Equity

Group
Amount Brought Forward
New Share Issue
Redemption of Shares
Translation Difference for the Year
Movement between Restricted and Non-Restricted Equity
Revaluation of Participation in BCS LLC
Revaluation of Properties
Profit for the Year
Amount at Year-End

Share Capital	Restricted Reserves	Non-Restricted Equity	Total
195	88 536	394 239	482 970
2	1 413		1 415
-41	-8	-113 506	-113 555
	15 749	49 269	65 018
	-19 580	19 580	0
	16 467	7 926	7 926
		94 328	94 328
156	102 577	451 836	554 569

TSEK -25 398 of the total translation difference, TSEK -9 882, is allocated to Non-Restricted Reserves and TSEK 15 516 to Restricted Reserves.

Revaluation of participation in BCS LLC is calculated in accordance with the stock option agreement.

The company has raised debenture loans amounting to TSEK 6. At the Annual General Meeting 2005 the Board was authorized to issue options for maximum 110 000 shares. 19 000 of these have been registered during 2005 with the Swedish Registration Office, Bolagsverket. The remaining 91 000 shares will be issued during 2006. Option certificates are attached to these loans and can be converted into shares as follows:

No of shares	Nominal Value	Exercise price	Exercise period
100 000	0.1 SEK	291.54 SEK	060601-060630
4 834	0.1 SEK	291.79 SEK	060601-060630
57 500	0.1 SEK	298.33 SEK	070601-070630
4 833	0.1 SEK	332.43 SEK	070601-070630
4 833	0.1 SEK	373.07 SEK	080601-080630
4 500	0.1 SEK	256.65 SEK	060101-080630
176 500			

Note 12

Pledged Assets and Contingent Liabilities

Group
Pledged Assets for Liabilities to Credit Institutions
Floating Charge
Property Mortgage
Inventories
Accounts Receivable
Bank Balances
Total Pledged Assets
Contingent Liabilities
Sureties/Guarantees
Other Contingent Liabilities
Total Contingent Liabilities

Dec 31, 2005	Dec 31, 2004
30 000	59 000
29 538	29 057
64 097	69 918
2 341 886	1 526 730
<u>1 030</u>	<u>900</u>
2 466 551	1 685 605
599 876	426 710
<u>41 748</u>	<u>38 545</u>
641 624	465 255

Gothenburg, April 20, 2006

Hans Kling
President

Håkan Björnhage

Thomas Hedberg

Göran Malm

Adrian Montague

Our Audit Report was submitted on April 20, 2006

Carl Magnus Kollberg
Authorized Public Accountant

Ulf Lindesson
Authorized Public Accountant

Auditor's Report

**TO THE GENERAL MEETING OF
THE SHAREHOLDERS OF CELLMARK HOLDING AB**

Corporate identity number 556498-0893

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of CellMark Holding AB for the financial year 2005. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the director's report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Gothenburg, April 20, 2006

Carl Magnus Kollberg
Authorized Public Accountant

Ulf Lindesson
Authorized Public Accountant

This audit report is a translation of the audit report issued for the official annual report including information regarding the parent company and complete information in note 2.

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 CellMark | paper
Per Hultengren

 CellMark | packaging
Paul Busnardo

 CellMark | recycling
Vic Rice

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REGIONAL OFFICES HAVE FULL FACILITIES FOR SALES, LOGISTICS AND TRADE FINANCE

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Peter Greenaway

In 1954, at the age of 12, Peter Greenaway had already decided to become a painter. However, this title does not even begin to describe all the different activities on which he has since focused. After completing his artistic studies, he started work at the age of 23 as a film editor at the British Central Office of Information. He stayed there for more than ten years and developed a film style that took him from short cinematic productions to an extensive series of longer films. To many people, Greenaway is perhaps best known for his characteristic questioning films. They are picturesque films packed with allegories and references in all directions in a way that leads one to think of Rembrandt, Vermeer and other baroque masters.

So Peter Greenaway is not simply a painter, he is also a film maker – not to mention a documentary maker, author, illustrator and exhibition producer.

The themes and the picturesque descriptions that can be seen in Peter Greenaway's films can also be found in his work as a painter. The works that are shown in this annual report are a series of washed pen-and-ink drawings, almost in their original size, with which we, in collaboration with the artist, have sometimes taken the liberty of playing.