

# ROTTNEROS INTERIM REPORT

Q2 January–June 2018

**EARNINGS PER SHARE  
ROSE 50 PER CENT**

**EFFICIENCY MEASURES  
ARE PAYING OFF**

**NEW WATER  
TREATMENT  
FURTHER IMPROVES  
SUSTAINABILITY IN  
ROTTNEROS**



Customised pulp for  
the pulp market, with  
a focus on growth in  
selected niches

**YOUR PULP  
COMPANY**



# STRONG RESULTS FOR THE QUARTER

- **Net turnover** for the second quarter of 2018 rose by 26% to SEK 596m (472).
- **Profit after financial items** for the second quarter increased by 45% to 90m (62). Earnings per share for the quarter rose by 50% to SEK 0.48 (0.32).
- **NBSK list price** during the second quarter of 2018 was 33% higher in SEK compared with the second quarter of 2017. Compared with the first quarter of 2018, the list price in SEK was 17% higher.
- **Rising pulp wood prices** and pulp price hedges have a negative impact on earnings.
- **Efficiency measures continue** and have a clear focus on increased profitability.
- **Production volume** for the quarter was 100.1 (101.4) thousand tonnes. An unplanned shutdown in Vallvik Mill held back the growth.
- **Investments** in the Agenda 500 development programme are progressing according to plan, in terms of both increased capacity and costs.
- **Dividend to shareholders** of SEK 56m was paid during the second quarter.
- **The world's first lignin plant** for biofuels is planned to be built at Vallvik Mill.

## The quarter and first half-year in figures

	Apr-Jun 2018	Apr-Jun 2017	change, %	Jan-Jun 2018	Jan-Jun 2017	change, %	Rolling 12 months	Jan-Dec 2017
Net turnover, SEK m	596	472	26	1,137	944	20	2,105	1,912
EBITDA, SEK m	118	83	42	219	160	37	306	247
EBIT, SEK m	94	62	52	172	119	45	209	156
Profit after financial items, SEK m	90	62	45	163	118	38	192	147
Net income, SEK m	73	49	49	130	92	41	152	114
Earnings per share, SEK	0.48	0.32	50	0.85	0.60	42	1.00	0.75
Cash flow from operating activities, SEK m	69	53	30	83	91	-9	214	222
Return on capital employed (rolling 12 months), %				15.3	14.4		15.3	12.9
Production, thousand tonnes	100.1	101.4	-1	200.0	204.3	-2	396.9	401.2
Deliveries, thousand tonnes	97.5	98.9	-1	195.7	200.1	-2	391.5	395.9



## COMMENTS BY THE CEO: ANOTHER STRONG QUARTER – EARNINGS PER SHARE ROSE BY 50%

**The second quarter was characterised by a continued strong market with high demand, rising pulp prices and for us a favourable currency situation. The underlying production pace continued to develop positively and largely compensated for the unplanned and earlier reported shutdown at Vallvik Mill.**

Net turnover increased by as much as 26 per cent and amounted to SEK 596m (472). The increase was positively affected by strong demand and continued rising pulp prices as well as a strong USD. The production shutdown at Vallvik Mill decreased the Group's quarterly production by about 6 percent.

Apart from the stoppage at Vallvik Mill the underlying production developed very strongly and we maintain high and stable production when the mills are running.

The result for the quarter developed very positively. The somewhat lower production volume was more than compensated by higher pulp prices and the USD exchange rate. In addition, our efficiency measures contributed positively as our fixed costs decreased by SEK 13m compared to the second quarter 2017. It is mainly pulp price hedges and continued high pulp wood costs which, however, had a negative impact on the result. The pulp wood situation is still problematic after a snowy winter and very dry spring and early summer, and the wood prices have been established at a clearly higher level.

### **We are working on increasing the availability**

Pulp production is a complicated process that runs continuously, i.e. around the clock seven days per week. There is little or no room for mistakes if the facilities are to reach full production. Production disruptions due to equipment breakdowns are not unusual in our industry. We therefore work systematically to map, eliminate or minimise the risks of mistakes and faults that can lead to stops in our facilities. The work is giving results. Recent years' investments and competence enhancement have meant that we have established ourselves on a higher and more stable production level compared to previous years. Going forward, we will continue to strengthen and develop our preventive maintenance and our clear and modern leadership that builds a strong and responsible corporate culture based on our shared values.

Competence enhancement remains central to developing our employees. With the recruitment of Kristin Israelsson as Mill Director of Rottneros Bruk, we are completing the building of an organisation and management team who together will lead the Rottneros Group forward. The goal is to focus on higher safety, drive increased production volumes, further focus on sustainability and last but not least increase efficiency, as well as take advantage of existing competencies in different parts of the Group.

### **Annual General Meeting at Rottneros Mill**

In mid-May, the annual general meeting was held at Rottneros Mill. About 50 shareholders joined the meeting.

Prior to regular meeting proceedings in the Mirror Hall at Rottneros Mansion we conducted a mill tour. This is the second consecutive year we hold an annual general meeting at one of our facilities. We are proud and happy to show how the new Rottneros Group develops. Read more about the meeting experience on page 21.

### **Reduced emissions at Rottneros Mill**

During the quarter, our new waste water treatment plant was put into operation at Rottneros Mill. The plant meets new environmental standards while its methane gas production further reduces our need of fossil fuels. The cost of the plant is about SEK 85m and is part of our investment program which, by the end of 2018, means that we will reach a production capacity of 440,000 tonnes/year for the Group.

In the second half of the year we plan to complete the expansion of the CTMP line at Rottneros Mill and the installation of the weak gas system at Vallvik Mill as well as to open Rottneros Packaging's production facility in Sunne. An investment that is well timed in the market, supported by an increasing interest in environmentally friendly packaging.



### **Market and outlook**

The market is still very strong with continued price increases and we see no signs that the favourable balance between supply and demand will change dramatically in the near future. The only cloud on the horizon is that the pulp wood situation has not improved as a result of current drought and extensive forest fires across Sweden. Together with our suppliers we are working to understand and estimate the effects for us.

In summary, the first half of the year showed that we made clear progress within the framework of our strategy to grow with profitability in our niches. A favourable market and good effects from production and efficiency enhancing measures mean that we have a positive outlook going forward.

**Lennart Eberleh**



## MARKETS AND PRODUCTS

The underlying demand for pulp is robust in emerging markets and stable in mature economies. The structural decline in graphic paper continues, but has been offset by increased global fibre consumption in packaging and tissue paper.

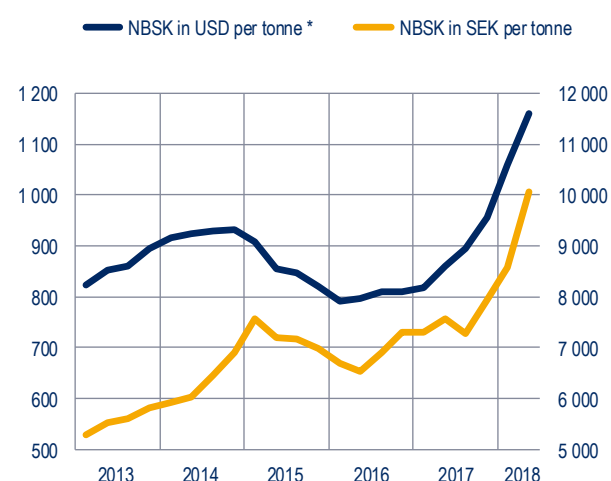
Deliveries of chemical market pulp worldwide (World-20) during January-May amounted to 20.9 million tonnes, an increase of 1.7 per cent from 2017. Demand was strong for NBSK, eucalyptus pulp and unbleached sulphate pulp, but declining for other pulp types. Deliveries to Europe and Asia increased, while they decreased to other areas. Industrial capacity utilisation during the period was 88 per cent.

Producer stocks at the end of May were 4.9 million tonnes, corresponding to 35 days of consumption, broken down to 28 days for long-fibre pulp and 41 days for short-fibre pulp.

The NBSK gross price increased during the second quarter by over 100 dollars to USD 1,200 at the end of June. The price trend for mechanical pulp has essentially been in line with the market, although at a lower level than NBSK. The price increase for long-fibre market pulp has continued in July.



### NBSK quarterly gross prices over the past five years



\* Average gross prices for softwood sulphate pulp deliveries in Europe.

## PRODUCTION AND DELIVERIES

Production volumes in the second quarter of 2018 were 1 per cent lower compared with the second quarter of 2017. In the beginning of May, Vallvik Mill had disruptions in the bleaching plant and the recovery boiler, leading to an unplanned production shutdown with an estimated production loss of about 6,000 tonnes, or approximately 6 per cent of the Group's total planned production for the quarter. During the comparative second quarter of 2017, the production in Vallvik Mill was affected by an unplanned shutdown with a production loss of about 4,500 tonnes.

The Group's customer deliveries during the second quarter of 2018 were 1 per cent lower than in the same period of 2017. Rottneros' market is strong with a good balance between supply and demand.

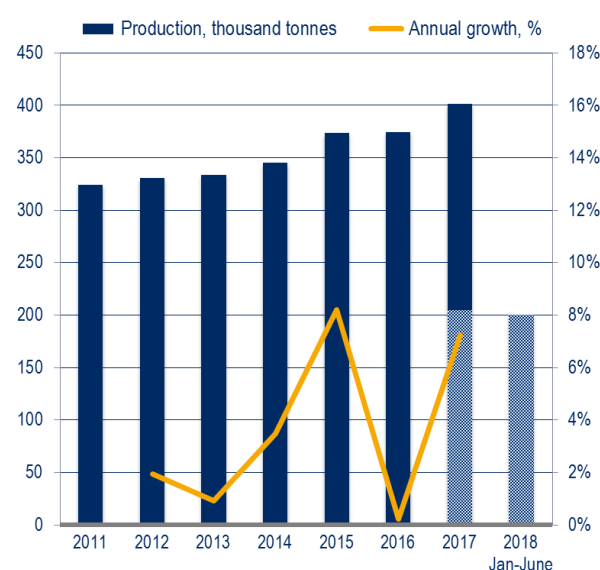
### PRODUCTION (TONNES)

	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Sulphate pulp	56,200	56,800	110,500	115,900	228,600
Groundwood pulp	18,500	18,600	37,000	36,800	71,300
CTMP	25,400	26,000	52,500	51,600	101,300
<b>TOTAL</b>	<b>100,100</b>	<b>101,400</b>	<b>200,000</b>	<b>204,300</b>	<b>401,200</b>

### DELIVERIES (TONNES)

	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Sulphate pulp	53,000	58,800	108,400	117,100	225,100
Groundwood pulp	19,400	16,600	36,400	36,200	72,200
CTMP	25,100	23,500	50,900	46,800	98,600
<b>TOTAL</b>	<b>97,500</b>	<b>98,900</b>	<b>195,700</b>	<b>200,100</b>	<b>395,900</b>

### Annual volumes and annual growth





### Maintenance shutdowns and seasonal variations

In 2018, the annual maintenance shutdown at Rottneros Mill is planned for the third quarter and at Vallvik Mill for the fourth quarter, both as last year.

In accordance with generally accepted accounting practices, the direct costs relating to maintenance shutdowns are recognised in the period during which the shutdown takes place. The maintenance shutdown also involves a certain loss of production, affecting turnover and income for the quarter in which the shutdown takes place.

	Planned maintenance shutdown date		Estimated cost of shutdown 2018 (SEKm)
	2018	2017	
Rottneros Mill	Q3	Q3	15
Vallvik Mill	Q4	Q4	67

The estimated cost of shutdown includes both direct costs and the indirect effect from the loss of production, and it represents an assessment of the impact of a typical annual maintenance shutdown on earnings in relation to a quarter without a maintenance shutdown. In 2018, more extensive maintenance on the recovery boiler in Vallvik Mill will lead to a longer shutdown than in a normal year. Therefore, the indirect effect will also be larger.

Otherwise, the Rottneros Group is not affected by seasonal variations to any appreciable extent.

## SALES AND RESULTS – SECOND QUARTER

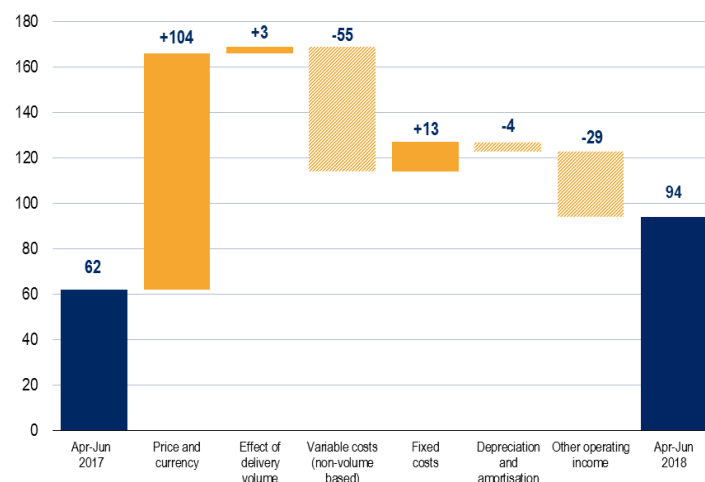
Turnover in the second quarter of 2018 amounted to SEK 596m (472), an increase of 26 per cent. Turnover increased thanks to a higher price level for Rottneros' deliveries. The NBSK list price denominated in SEK rose 33 per cent compared with the second quarter of 2017. Delivery volume decreased by 1 per cent compared with the second quarter of 2017.

EBIT for the second quarter of 2018 was SEK 94m (62), corresponding to 15.8 (13.1) per cent of turnover. Profit for the quarter was affected positively by the higher price level for Rottneros' products and negatively by the higher pulp wood prices as well as by pulp price hedges. Fixed costs for the quarter were somewhat lower than for the second quarter of 2017.

### Second quarter 2018 compared with second quarter 2017

	Apr-Jun 2018	Apr-Jun 2017	change, %
NBSK, USD	1,159	860	35
SEK/USD	8.67	8.80	-1
NBSK, SEK	10,047	7,572	33
Net turnover, SEK m	596	472	26
EBIT, SEK m	94	62	52

### Differences in EBIT Q2 2018 compared with Q2 2017 (SEK m)



Variable costs (non-volume based) for the quarter increased mainly due to higher pulp wood prices and higher usage of oil and chemicals in connection with the production disruptions.

The average price of electricity on the Nord Pool electricity exchange (area SE3) amounted to SEK 0.40 (0.28) per kWh for the second quarter of 2018, which is 43 per cent higher than during the second quarter of 2017. The higher electricity price and the higher consumption had a negative effect of SEK 1m

after electricity price hedging compared with the second quarter of 2017.

*Fixed costs* for the quarter decreased thanks to ongoing efficiency measures.

*Other operating income* during the quarter was lower than in the second quarter of 2017, primarily due to a loss of SEK 29m (loss of 2) from pulp price hedging.



## SALES AND RESULTS – FIRST HALF-YEAR

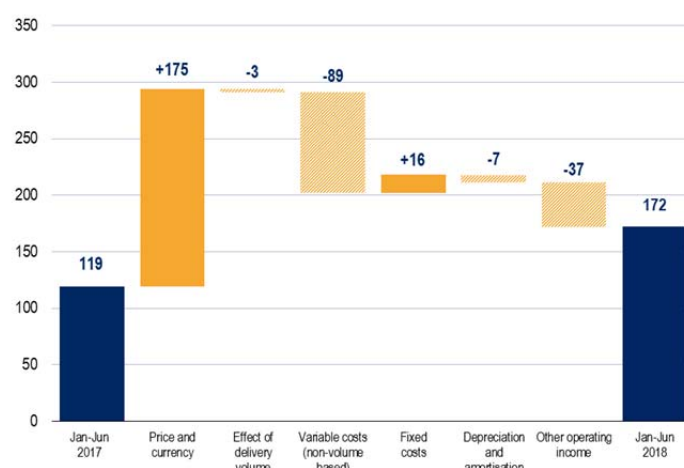
Turnover for January-June 2018 amounted to SEK 1,137m (944), an increase of 20 per cent. Turnover increased thanks to a higher price level for Rottneros' deliveries. The NBSK list price denominated in SEK rose 25 per cent compared with January-June 2017. Delivery volume decreased by 2 per cent compared with January-June 2017.

EBIT for January-June 2018 was SEK 172m (119), corresponding to 15.1 (12.6) per cent of turnover. Profit for January-June was affected positively by the higher price level for Rottneros' products and negatively by the higher pulp wood prices as well as by pulp price hedges. Fixed costs for January-June 2018 were somewhat lower than for January-June 2017.

### First half-year 2018 compared with first half-year 2017

	Jan-Jun 2018	Jan-Jun 2017	change, %
NBSK, USD	1,109	839	32
SEK/USD	8.38	8.86	-5
NBSK, SEK	9,294	7,434	25
Net turnover, SEK m	1,137	944	20
EBIT, SEK m	172	119	45

### Differences in EBIT first half-year 2018 compared with first half-year 2017 (SEK m)



*Variable costs (non-volume based)* for January-June increased due to higher pulp wood prices, which had an effect of some SEK 60m compared with January-June 2017, and due to higher usage of oil and chemicals in connection with the production disruptions.

The average price of electricity on the Nord Pool electricity exchange (area SE3) amounted to SEK 0.39 (0.29) per kWh for January-June 2018, which is 34 per cent higher than during January-June 2017. The higher electricity price and the higher consumption had a negative effect of SEK 2m after electricity price hedging compared with January-June 2017.

*Fixed costs* for January-June decreased thanks to ongoing efficiency measures as well as lower maintenance costs compared to January-June 2017.

*Other operating income* for January-June was lower than in January-June 2017, primarily due to a loss of SEK 43m (loss of 3) from pulp price hedging.

### Other income statement items

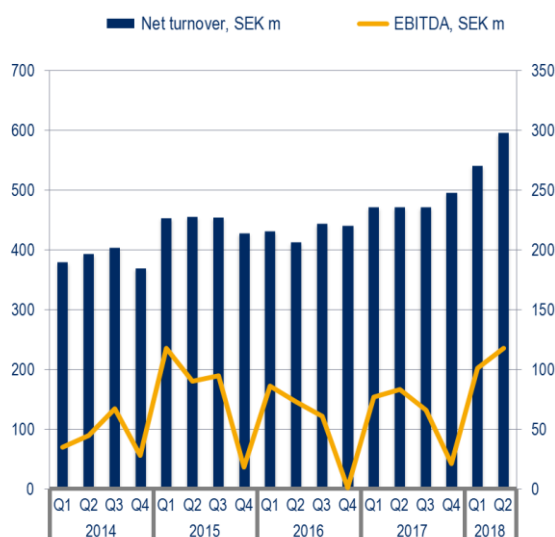
Net financial expenses increased to SEK 9m (1) for January-June 2018, due to the bond of SEK 400m that Rottneros issued in August 2017.

Profit after financial items for the Group increased by 38 per cent to SEK 163m (118) for January-June 2018.

The income tax expense for January-June 2018 was SEK 33m (26). Rottneros plans to take advantage of higher tax depreciation in 2018, which means that the Group is reporting a deferred tax expense instead of tax paid.

Net income totalled SEK 130m (92) and earnings per share SEK 0.85 (0.60) for January-June 2018.

Return on capital employed, measured over a rolling 12-month period, was 15.3 per cent (14.4). Return on equity, measured over a rolling 12-month period, was 12.1 per cent (10.7).



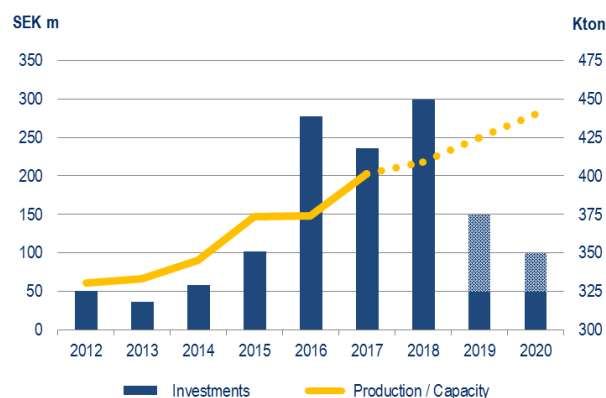
## INVESTMENTS

Investments in fixed assets during January-June 2018 amounted to SEK 87m (99). The investments primarily relate to equipment to increase capacity and efficiency under Agenda 500, the long-term strategic action plan to strengthen and develop Rottneros. A significant portion has also been environmental investments. During the second quarter, the extended biological treatment of process water was taken into use in Rottneros Mill.

During 2018, the Agenda 500 programme will be completed. The remaining decided investments in Agenda 500 for Rottneros Mill relate to the investments on the CTMP line, increasing the mill's capacity by 18,000 tonnes per year. For Vallvik Mill, the remaining investments include a recovery boiler project, with the aim of increasing safety, and several smaller measures to increase capacity. The Board of Directors has decided on total investments of about SEK 710m within the scope of Agenda 500. The annual capacity after completion of investments is estimated to be about 440 thousand tonnes.

In addition to Agenda 500, the Board has decided on investments of approximately SEK 140m. These investments mainly relate to the weak gas system at Vallvik Mill and to the new factory in industrial scale for Rottneros Packaging. Both are expected to be taken into use during the autumn of 2018. When these investments are completed, the Group will return to normal investment levels of some SEK 50-100m per year. In addition to replacement investments, the focus will be on eliminating bottlenecks and increasing efficiency.

## Rottneros investments and capacity expansion



## FINANCIAL POSITION

In order to complete financing of the Agenda 500 strategic plan and to optimise the Group's capital structure in the long term, Rottneros AB issued an unsecured bond of SEK 400 million in August 2017 with a maturity of 5 years to primarily Nordic institutional investors. The bond bears variable interest of STIBOR 3m + 4.15 per cent and must be repaid in September 2022. The bond has a framework amount of SEK 600 million, which allows for an additional bond issue of SEK 200 million. The bond is listed on Nasdaq Stockholm. The bond terms contain standard covenants in the form of net debt to EBITDA of a maximum of 3.5, minimum equity/assets ratio of 50%, and a maximum dividend of 50% of the previous year's net income. These covenants were fulfilled on the balance sheet day.

The Group's cash and cash equivalents amounted to SEK 239m at the end of the second quarter, compared with SEK 326 million at year-end 2017. Interest-bearing liabilities amounted to SEK 395m at the end of the second quarter. Net debt at the end of the second quarter totalled SEK 156m, compared with SEK 68m at the end of 2017. Total granted and unused credit facilities amounted to SEK 182 million at the end of the second quarter of 2018.

The equity/assets ratio amounted to 59 (74) per cent as of 30 June 2018. Equity per share totalled SEK 8.68 (7.67) at the end of the second quarter.

## CASH FLOWS

Cash flow from operating activities for January-June 2018 amounted to SEK 83m (91). In spite of higher EBIT, the cash flow was lower than in January-June 2017, mainly due to an increase in working capital. Cash flow after investments in non-current assets for the quarter was SEK -4m (-8).

Shareholders were paid a dividend of SEK 56m (61) million in the second quarter.

Net cash flow for January-June 2018 was SEK -87m (-5).



## ROTTNEROS PACKAGING

Rottneros Packaging, the Group's development area for eco-friendly fibre trays, started industrial production and customer deliveries in 2017. The manufacturing process and product quality will thereby be developed. An entirely new production line is currently being built in Sunne with a scheduled start of production in the autumn of 2018.

Through the EU project PULPACKTION, Rottneros also plans to develop fully bio-based packaging trays at a competitive price, thereby contributing to more sustainable development in the packaging industry. The project began in October 2016 and will run for four years.



## COLLABORATION ON RENEWABLE FUEL

In September 2017, Rottneros and RenFuel entered into an agreement to deliver the residual product lignin for the production of Lignol®, RenFuel's patented lignin oil that can be refined into renewable petrol and diesel. Test deliveries of lignin from Vallvik Mill for RenFuel's testing and pilot plant in Bäckhammar, Värmland county, have been started.

In May 2018, Rottneros, RenFuel and Preem announced that the companies are assessing the construction of the world's first lignin plant for biofuels at Vallvik Mill. The plant is expected to produce an annual volume of 25,000-30,000 tonnes of lignin and be completed in 2021. In addition to contributing to the transport sector's shift from fossil fuel to biofuel, the extraction of lignin also gives an opportunity to increase pulp production in Vallvik Mill.

## PARENT COMPANY

The loss for the parent company after financial items for January-June 2018 amounted to SEK -21m (-13).

## CHANGES IN MANAGEMENT

Rottneros has appointed Kristin Israelsson as Mill Director of Rottneros Mill. Kristin comes from BillerudKorsnäs, where she has been for the past 16 years, most recently as section head in the pulp mill of Gruvön. She will take office no later than

1 September 2018 and will be part of the Rottneros Group Management Team.

## AVERAGE NUMBER OF EMPLOYEES

The average number of employees during January-June 2018 was 303 (293). The increase was mainly attributable to capacity expansion and skills enhancement.

## SHARE INFORMATION

### Largest shareholders on 30 June 2018

Shareholders	Number of shares (=votes)	Per cent of capital
Arctic Paper S.A.	78,230,883	51.0
PROAD AB	8,190,000	5.3
Försäkringsaktiebolaget Avanza Pension	3,091,611	2.0
Lind Value ApS	1,800,000	1.2
SSB Client Omnibus AC OM07 (15 PCT)	1,553,734	1.0
S3 / IICS Clients	1,480,538	1.0
SEB Investment Management	1,460,276	1.0
Nordnet Pensionsförsäkring AB	1,240,566	0.8
UBS Switzerland AG / Clients Account	1,227,700	0.8
Borell, Joakim	1,161,294	0.8
<b>Total for 10 largest owners – by size of holding</b>	<b>99,436,602</b>	<b>64.8</b>
Other shareholders	53,135,323	34.6
Rottneros AB (treasury shares from buy-back)	821,965	0.5
<b>TOTAL</b>	<b>153,393,890</b>	<b>100.0</b>

### Number of shares and treasury shares

The number of shares in Rottneros totals 153,393,890. Rottneros holds 821,965 treasury shares. No change in treasury shares has occurred during January-June 2018.

### Share price trend during the first half-year

On 30 June 2018, the price of Rottneros shares was SEK 11.28 (7.15 at the end of 2017). The average price during January-June was SEK 10.01 (8.04).

### Price trend for Rottneros shares and Stockholm Stock Exchange, 2014-2018





### Transactions with related parties

During January-June 2018, Rottneros sold pulp to the related party Arctic Paper S.A. Group in the amount of SEK 55m (71). Outstanding operating receivables from Arctic Paper totalled SEK 19m (25) at quarter-end. The transactions took place at market conditions.

## RISK MANAGEMENT

Operationally, the Company uses a number of measures and strategies – for example, focusing on niches and various specific customer segments – aimed at reducing the Group's dependence on market pulp list prices and at moderating fluctuations in profitability over a business cycle. The factors that have the greatest impact on the Group's results are linked to exchange rates and the price of pulp, wood and electricity.

### Currency exposure, USD and EUR

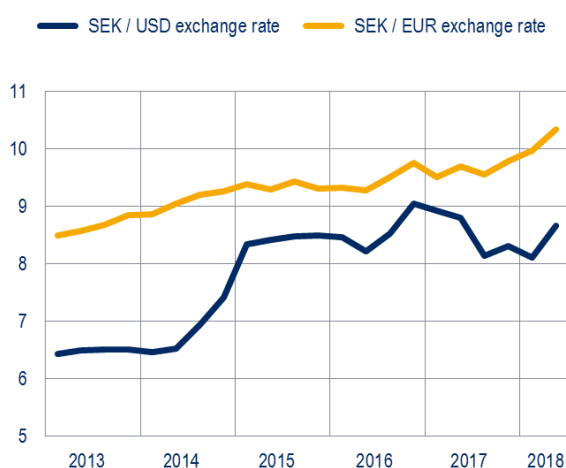
Although Rottneros issues invoices in different currencies, the underlying currency for the pulp price is predominantly USD. The underlying exposure to USD is thus high. The direct inflow of USD (the real flow) represents approximately 45 per cent of the inflow, and of EUR approximately 40 per cent. However, the impact of exchange rate fluctuations on indirect exposure is delayed, as the normal term of a customer contract is between one and three months.

The average USD rate during January-June 2018 was 5 per cent lower than during January-June 2017.

### Pulp price

The price of pulp (NBSK) is set in USD, while production costs are largely incurred in SEK. The Group had pulp hedges of 24,000 tonnes as of 30 June 2018, with due dates between July 2018 up to and including December 2018 at an average price of SEK 7,319 per tonne.

### Exchange rate trend over the past five years



### Electricity

All external electricity for the mills, approximately 300 GWh annually, is purchased directly via the Nord Pool electricity exchange. Electricity prices are quoted in EUR. At the end of

the second quarter of 2018, the Group had price hedges as shown in the following table. The table shows the hedged proportion of estimated total consumption and the average price in SEK/kWh.

### Electricity price hedges as of 30 June 2018

Year	Proportion hedged	SEK/kWh
2018 July-Dec	90%	0.226
2019	85%	0.225
2020	85%	0.218
2021	56%	0.240

The high level of hedging protects Rottneros' future electricity costs against severe price fluctuations. The average price level for electricity on the Nord Pool exchange (area SE3) was SEK 0.39 (0.29) per kWh for January-June 2018.

See pages 38-42 of the Annual Report for 2017 for further information on risks.

## ANNUAL GENERAL MEETING

At the Annual General Meeting on 16 May 2018 in Sunne the meeting resolved to pay the shareholders a dividend of SEK 56m, corresponding to an ordinary dividend of SEK 0.30 and an extra dividend of SEK 0.07 per share, for a total dividend of SEK 0.37 per share.

The AGM decided that the Board of Directors shall consist of five directors and re-elected Marie S. Arwidson, Ulf Carlson, Per Lundeen, Roger Mattsson and Per Skoglund. Per Lundeen was re-elected to serve as chairman of the Board.

More information about the Annual General Meeting can be found on the Rottneros website under corporate governance.

The AGM elected the chartered auditing firm KPMG as auditor until the end of the 2019 AGM.

In addition, the employees appointed Dan Karlsson and Thomas Wasberg to serve as board members, with Gun-Marie Nilsson and Mika Palmu as deputies.

## SUBSEQUENT EVENTS

There were no significant events after the balance sheet date that affected the Group's financial position and results of operations.

## FORTHCOMING FINANCIAL INFORMATION

24 October 2018 Interim Report July-September

For further information, please visit the Rottneros website, [www.rottneros.com](http://www.rottneros.com).

The Board of Directors and the Chief Executive Officer certify that the half-year report gives a true and fair summary of the development of the Group's operations, financial position and results of operations and describes significant risks and uncertainties faced by the company and the companies included in the Group.

Stockholm 25 July 2018

Per Lundeen  
*Chairman of the Board*

Marie S. Arwidson  
*Board Member*

Ulf Carlson  
*Board Member*

Roger Mattsson  
*Board Member*

Per Skoglund  
*Board Member*

Dan Karlsson  
*Board Member,  
employee representative*

Thomas Wasberg  
*Board Member,  
employee representative*

Lennart Eberleh  
*President and CEO*

This information is information that Rottneros AB is obliged to publish under the EU Market Abuse Regulation and the Securities Market Act. The information was submitted via the contact person below for publication on 26 July 2018 at 8 a.m. CET. This report has been drawn up in both a Swedish and an English version. The Swedish version shall prevail in the event of differences between the two reports

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Translation from the Swedish original

## Review report

To the Board of Directors of Rottneros AB (publ.)

Corp. id. 556013-5872

### Introduction

We have reviewed the condensed interim financial information (interim report) of Rottneros AB (publ.) as of 30 June 2018 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm on July 25, 2018

KPMG AB

Jan Malm

Authorised Public Accountant

Auditor in charge

# CONSOLIDATED STATEMENTS OF INCOME

## CONSOLIDATED INCOME STATEMENT

Amounts in SEK m	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Rolling 12 months	Full year 2017
<b>NET TURNOVER</b>	596	472	1,137	944	2,105	1,912
Change in inventories, finished goods	21	12	31	24	29	22
Other operating income	-18	12	-14	25	8	47
<b>Operating income, total</b>	<b>599</b>	<b>496</b>	<b>1,154</b>	<b>993</b>	<b>2,142</b>	<b>1,981</b>
Raw materials and consumables	-304	-230	-592	-477	-1 080	-965
Other external expenses	-112	-114	-213	-227	-489	-503
Employee benefit expenses	-65	-69	-130	-129	-267	-266
<b>EBITDA (operating profit before depreciation, amortisation and impairment)</b>	<b>118</b>	<b>83</b>	<b>219</b>	<b>160</b>	<b>306</b>	<b>247</b>
Depreciation/amortisation and impairment	-24	-21	-47	-41	-97	-91
<b>EBIT (operating profit)</b>	<b>94</b>	<b>62</b>	<b>172</b>	<b>119</b>	<b>209</b>	<b>156</b>
Financial income	1	1	1	1	2	2
Financial expenses	-5	-1	-10	-2	-19	-11
<b>Total financial items</b>	<b>-4</b>	<b>0</b>	<b>-9</b>	<b>-1</b>	<b>-17</b>	<b>-9</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>90</b>	<b>62</b>	<b>163</b>	<b>118</b>	<b>192</b>	<b>147</b>
Tax on profit/loss for the period	-17	-13	-33	-26	-40	-33
<b>NET INCOME</b>	<b>73</b>	<b>49</b>	<b>130</b>	<b>92</b>	<b>152</b>	<b>114</b>
Average number of shares (thousand) <sup>1</sup>	152,572	152,572	152,572	152,572	152,572	152,572
<b>Earnings per share (SEK) <sup>1</sup></b>	<b>0.48</b>	<b>0.32</b>	<b>0.85</b>	<b>0.60</b>	<b>1.00</b>	<b>0.75</b>

<sup>1</sup> No share-based programmes exist that result in dilution.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Rolling 12 months	Full year 2017
<b>NET INCOME</b>	<b>73</b>	<b>49</b>	<b>130</b>	<b>92</b>	<b>152</b>	<b>114</b>
<b>Other comprehensive income</b>						
<b>Items that have been or may be transferred to profit or loss for the period</b>						
Changes in fair value of cash flow hedges	48	14	55	-16	76	5
Income tax effect on changes in fair value	-11	-3	-12	4	-18	-2
Translation differences	0	0	1	0	1	0
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>37</b>	<b>11</b>	<b>44</b>	<b>-12</b>	<b>59</b>	<b>3</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD <sup>2</sup></b>	<b>110</b>	<b>60</b>	<b>174</b>	<b>80</b>	<b>211</b>	<b>117</b>

<sup>2</sup> The entire comprehensive income is attributable to the parent company's shareholders.



## CONSOLIDATED BALANCE SHEET, SUMMARY

Amounts in SEK m	30 June 2018	30 June 2017	31 Dec. 2017
Intangible non-current assets	17	14	19
Property, plant and equipment	1,062	937	1,020
Financial assets	85	14	39
<b>Total non-current assets</b>	<b>1,164</b>	<b>965</b>	<b>1,078</b>
Inventories	345	299	279
Current receivables	482	301	324
Cash and cash equivalents	239	11	326
<b>Total current assets</b>	<b>1,066</b>	<b>611</b>	<b>929</b>
<b>TOTAL ASSETS</b>	<b>2,230</b>	<b>1,576</b>	<b>2,007</b>
<b>Shareholders' equity</b>	<b>1,325</b>	<b>1,170</b>	<b>1,207</b>
Long-term liabilities			
Interest-bearing liabilities	395	70	394
Deferred tax liabilities	87	31	42
Other non-interest-bearing liabilities	17	10	10
<b>Total long-term liabilities</b>	<b>499</b>	<b>111</b>	<b>446</b>
Current liabilities			
Interest-bearing liabilities	-	8	-
Non-interest-bearing liabilities	406	287	354
<b>Total current liabilities</b>	<b>406</b>	<b>295</b>	<b>354</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>2,230</b>	<b>1,576</b>	<b>2,007</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, SUMMARY

Amounts in SEK m	Share capital	Other contributed capital	Treasury shares	Other reserves		Retained earnings, incl. profit for the year	Total shareholders' equity
				Hedging reserve	Translation difference		
<b>Opening balance, 1 January 2017</b>	<b>153</b>	<b>730</b>	<b>-69</b>	<b>15</b>	<b>-8</b>	<b>330</b>	<b>1,151</b>
Net income Jan-June						92	92
Other comprehensive income, Jan-June				-12	0		-12
Total comprehensive income for Jan-June				-12	0	92	80
Dividends to shareholders, Jan-June						-61	-61
<b>Closing balance, 30 June 2017</b>	<b>153</b>	<b>730</b>	<b>-69</b>	<b>3</b>	<b>-8</b>	<b>361</b>	<b>1,170</b>
Net income July-Dec						22	22
Other comprehensive income, July-Dec				15	0		15
Total comprehensive income for July-Dec				15	0	22	37
<b>Closing balance, 31 December 2017</b>	<b>153</b>	<b>730</b>	<b>-69</b>	<b>18</b>	<b>-8</b>	<b>383</b>	<b>1,207</b>
Net income Jan-June						130	130
Other comprehensive income, Jan-June				43	1		44
Total comprehensive income for Jan-June				43	1	130	174
Dividends to shareholders, Jan-June						-56	-56
<b>Closing balance, 30 June 2018</b>	<b>153</b>	<b>730</b>	<b>-69</b>	<b>61</b>	<b>-7</b>	<b>457</b>	<b>1,325</b>

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK m	Jan-Jun 2018	Jan-Jun 2017	Rolling 12 months	Full year 2017
EBIT	172	119	209	156
Adjustment for non-cash flow items				
Depreciation/amortisation and impairment	47	41	97	91
Other items not affecting cash flow	0	-5	5	0
<b>EBIT adjusted for non-cash flow affecting items</b>	<b>219</b>	<b>155</b>	<b>311</b>	<b>247</b>
Received/paid financial items	-10	-1	-25	-16
Received/paid taxes	0	0	0	0
<b>Cash flow from operating activities before changes in working capital</b>	<b>209</b>	<b>154</b>	<b>286</b>	<b>231</b>
Change in working capital	-126	-63	-72	-9
<b>Cash flow from operating activities</b>	<b>83</b>	<b>91</b>	<b>214</b>	<b>222</b>
Investments in non-current assets	-87	-99	-225	-237
Change in current loans receivable	-27	-	-27	-
<b>Cash used in investing activities</b>	<b>-114</b>	<b>-99</b>	<b>-252</b>	<b>-237</b>
Borrowings of long-term loans	-	80	400	480
Amortisation of long-term loans	-	-2	-78	-80
Change in used bank overdraft facilities	-	-14	0	-14
Dividends paid	-56	-61	-61	-61
<b>Cash provided by/used in financing activities</b>	<b>-56</b>	<b>3</b>	<b>261</b>	<b>325</b>
<b>Net cash flow for the period</b>	<b>-87</b>	<b>-5</b>	<b>223</b>	<b>310</b>
Cash and cash equivalents at start of period	326	16	11	16
<b>Net cash flow for the period</b>	<b>-87</b>	<b>-5</b>	<b>228</b>	<b>310</b>
Cash and cash equivalents at end of period	239	11	239	326

## CHANGES IN INTEREST-BEARING LIABILITIES

Amounts in SEK m	Jan-Jun 2018	Jan-Jun 2017	Rolling 12 months	Full year 2017
<b>Interest-bearing liabilities in the balance sheet at the start of the period</b>	<b>394</b>	<b>14</b>	<b>78</b>	<b>14</b>
Changes included in the cash flow from financing activities:				
Long-term loans taken out from banks	-	80	0	80
Bond issue	-	-	400	400
Amortisation of long-term loans from banks	-	-2	-78	-80
Change in used bank overdraft facilities	-	-14	-	-14
<b>Total</b>	<b>-</b>	<b>64</b>	<b>322</b>	<b>386</b>
Other changes:				
Direct costs in connection with the bond issue that are charged to expense over the loan period and included in the cash flow from operating activities	-	-	-7	-7
Direct costs charged to expense	1	-	2	1
<b>Interest-bearing liabilities in the balance sheet at the end of the period</b>	<b>395</b>	<b>78</b>	<b>395</b>	<b>394</b>



## PARENT COMPANY INCOME STATEMENTS

### PARENT COMPANY INCOME STATEMENT

Amounts in SEK m	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
<b>NET TURNOVER</b>	3	3	6
Other operating income	5	5	10
<b>Operating income, total</b>	8	8	16
Other expenses	-8	-8	-18
Employee benefit expenses	-11	-13	-31
<b>EBITDA (operating loss before depreciation, amortisation and impairment)</b>	-11	-13	-33
Depreciation/amortisation and impairment	-2	0	0
<b>EBIT (operating loss)</b>	-13	-13	-33
Profit from participations in Group companies	0	0	28
Financial income	0	0	1
Financial expenses	-8	0	-7
<b>Total financial items</b>	-8	0	22
<b>LOSS AFTER FINANCIAL ITEMS</b>	-21	-13	-11
Tax on loss for the period	5	3	2
<b>NET INCOME</b>	-16	-10	-9

### PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
<b>NET INCOME</b>	-16	-10	-9
Other comprehensive income	-	-	-
<b>Total other comprehensive income</b>	-	-	-
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	-16	-10	-9

## PARENT COMPANY BALANCE SHEET, SUMMARY

Amounts in SEK m	30 June 2018	30 June 2017	31 Dec. 2017
Intangible non-current assets	15	12	17
Equipment	1	0	0
Financial assets	290	284	286
<b>Total non-current assets</b>	<b>306</b>	<b>296</b>	<b>303</b>
Current receivables <sup>1</sup>	913	804	889
Cash and cash equivalents	223	1	311
<b>Total current assets</b>	<b>1 136</b>	<b>805</b>	<b>1 200</b>
<b>TOTAL ASSETS</b>	<b>1 442</b>	<b>1 101</b>	<b>1 503</b>
<b>Shareholders' equity</b>	<b>898</b>	<b>968</b>	<b>970</b>
Long-term liabilities			
Interest-bearing	395	-	394
Non-interest-bearing	17	7	10
<b>Total long-term liabilities</b>	<b>412</b>	<b>7</b>	<b>404</b>
Current liabilities			
Interest-bearing	-	-	-
Non-interest-bearing <sup>2</sup>	132	126	129
<b>Total current liabilities</b>	<b>132</b>	<b>126</b>	<b>129</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1 442</b>	<b>1 101</b>	<b>1 503</b>

<sup>1</sup> Including receivables of SEK 879m (804) from subsidiaries.

<sup>2</sup> Including liabilities of SEK 116m (116) to subsidiaries.

## SUPPLEMENTARY DISCLOSURES AND NOTES, SUMMARY

### ACCOUNTING POLICIES

This report has been prepared in accordance with IAS 34 'Interim Financial Reporting', which complies with Swedish law through the application of the Swedish Financial Reporting Board's Recommendation RFR 1 'Supplementary Accounting Rules for Groups' together with RFR 2 'Accounting for Legal Entities', in respect of the parent company.

The accounting policies, definitions of key ratios and calculation methods are the same as those used in the last annual report.

Unless otherwise stated, all amounts in this report are in SEK million. Rounding-off differences may occur.

#### IFRS 9, Financial Instruments

IFRS 9 Financial Instruments entered into force on 1 January 2018 and replaces IAS 39 Financial Instruments: Recognition and Measurement. Various parts of the new standard have been revised, with one part relating to the recognition and measurement of financial assets and financial liabilities. The new standard does not have any significant impact on the Group.

#### IFRS 15, Revenue from Contracts with Customers

IFRS 15 entered into force on 1 January 2018. The standard replaces all previously issued standards and interpretations addressing income. IFRS 15 contains a comprehensive revenue recognition model for all contracts with customers. The new standard does not have any significant impact on the Group.

Rottneros derives its revenue from sales of a standard product (paper pulp) to its customers. For each sales transaction there is only one performance obligation: delivery of the product in accordance with the terms of the sale. Revenue is recognised at a specific point in time when control of the product is transferred to the customer. Sales price or a price list is included in the customer contract. Credit terms used in the customer contracts are customary in the pulp market.



## FINANCIAL INSTRUMENTS

### FAIR VALUE FOR DERIVATIVES, 30 JUNE 2018

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Currency EUR, forward sell	EUR 4.5m	July-Aug 2018	10.30 SEK/EUR	-1
Currency USD, forward sell	USD 18.0m	July-Aug 2018	8.69 SEK/USD	-5
Pulp, forward sell	24,000 tonnes	July-Dec 2018	7,319 SEK/ton	-44
Electricity, forward buy	834,000 MWh	2018-2021	0.226 SEK/kWh	122
<b>Total fair value</b>				<b>72</b>

### FAIR VALUE FOR DERIVATIVES, 31 DECEMBER 2017

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Currency EUR, forward sell	EUR 2.0m	Jan 2018	9.88 SEK/EUR	0
Currency USD, forward sell	USD 9.8m	Jan-Feb 2018	8.36 SEK/USD	1
Pulp, forward sell	42,000 tonnes	Jan-Dec 2018	7,293 SEK/tonne	-8
Electricity, forward buy	950,520 MWh	2018-2021	0.225 SEK/kWh	31
<b>Total fair value</b>				<b>24</b>

The valuation is based on directly observable price quotations on the reporting date that are classified at level 2 in the fair value hierarchy described in IFRS 13.

The full fair value of a derivative instrument that constitutes a hedging instrument is classified as a non-current asset or non-current liability if the remaining maturity of the hedged item exceeds twelve months, and as a current asset or current liability if the remaining maturity of the hedged item is less than twelve months. The ineffective portion that is reported in the income statement amounted to SEK 0 (0) million with respect to cash flow hedges during the reporting period. The maximum exposure for credit risk on the reporting date is the fair value of the derivative instruments recognised as assets in the balance sheet.

In August 2017, Rottneros AB issued an unsecured bond of SEK 400 million with a term of 5 year. The loan bears variable interest of STIBOR 3m + 4.15 per cent and must be repaid in September 2022. Direct costs in connection with the issue amounted to approximately SEK 7 million and will be reported as interest costs over the bond period. The bond, which has a framework amount of SEK 600 million, is listed on Nasdaq Stockholm. The bond terms contain standard covenants in the form of net debt to EBITDA of a maximum of 3.5, minimum equity/assets ratio of 50%, and a maximum dividend of 50% of the previous year's net income. These covenants were fulfilled on the balance sheet day. The fair value of the bond was assessed to be SEK 410 million on balance sheet day.

The nature of other financial assets and liabilities is in all essential respects the same as on 31 December 2017. The carrying amounts are deemed to be equal to fair values, which was also the case at the end of 2017, since the effect of discounting is not of material significance. Accounts receivable are covered by credit insurance, which reimburses most of any bad debt losses. The Company has long-term relationships with its customers and credit losses have historically been low.





## GROUP PERFORMANCE IN SUMMARY

	Jan-Jun 2018	Jan-Jun 2017	Rolling 12 months	Full year 2017	2016	2015	2014	2013
<b>Income statement (SEK m)</b>								
Net turnover	1,137	944	2,105	1,912	1,730	1,795	1,547	1,389
EBITDA	219	160	306	247	221	321	177	-11
Depreciation/amortisation and impairment	-47	-41	-97	-91	-51	-58	-59	-142
EBIT	172	119	209	156	170	263	118	-154
Financial items (net financial items)	-9	-1	-17	-9	-7	-4	-4	-4
Profit/loss after financial items	163	118	192	147	163	259	114	-158
Net income	130	92	152	114	128	223	133	-158
<b>Cash flow statement (SEK m)</b>								
Cash flow from operating activities	83	91	214	222	187	335	104	62
Investments in non-current assets	-87	-99	-225	-237	-278	-103	-59	-37
Cash flow after investments	-4	-8	-11	-15	-91	232	45	25
Cash used in/provided by financing activities	-56	3	261	325	-62	-152	-30	-18
Net cash flow	-87	-5	223	310	-153	80	54	9
<b>Balance sheet items (SEK m)</b>								
Non-current assets	1,164	965	1,164	1,078	905	706	691	706
Inventories	345	299	345	279	278	267	255	246
Current receivables	482	301	482	324	290	244	226	175
Cash and cash equivalents	239	11	239	326	16	169	89	35
Net debt (+) / net cash (-)	156	67	156	68	-2	-169	-59	25
Shareholders' equity	1,325	1,170	1,325	1,207	1,151	1,058	975	825
Long-term interest-bearing liabilities	395	70	395	394	-	-	30	0
Long-term non-interest-bearing liabilities	104	41	104	52	14	18	9	13
Current interest-bearing liabilities	-	8	-	8	14	-	0	60
Current non-interest-bearing liabilities	406	287	406	354	310	310	247	264
Capital employed	1,481	1,237	1,481	1,275	1,149	889	916	849
Total shareholders' equity and liabilities	2,230	1,576	2,230	2,007	1,489	1,386	1,261	1,161
<b>Key ratios</b>								
EBITDA margin, %	19.3	16.9	14.5	12.9	12.8	17.9	11.4	-0.8
EBIT margin, %	15.1	12.6	9.9	8.2	9.8	14.7	7.6	-11.1
Return on shareholders' equity (rolling 12 months), %	12.1	10.7	12.1	9.7	11.6	21.9	13.6	Neg.
Return on capital employed (rolling 12 months), %	15.3	14.4	15.3	12.9	16.7	29.1	13.4	Neg.
Equity/assets ratio, %	59	74	59	60	77	76	77	71
Debt/equity ratio, %	12	6	12	6	0	-16	-6	3
<b>Other</b>								
Average no. of employees	303	293	302	301	282	264	251	256
Pulp production, 1,000 tonnes	200.0	204.3	396.9	401.2	374.1	373.3	345.0	333.4
Pulp deliveries, 1,000 tonnes	195.7	200.1	391.5	395.9	374.1	372.2	344.2	332.1
List price of NBSK pulp, USD per tonne <sup>1</sup>	1 109	839	1 017	882	802	857	925	857
SEK/USD <sup>2</sup>	8.38	8.86	8.31	8.54	8.56	8.44	6.86	6.51
List price of NBSK pulp, SEK per tonne	9,294	7,434	8,449	7,530	6,867	7,228	6,345	5,582

<sup>1</sup> Source: Market listing of gross prices once a week. Average for each period.

<sup>2</sup> Source: Riksbanken's daily quotations. Average for each period.

## QUARTERLY DATA, GROUP

	2018		2017				2016			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Income statement (SEK m)</b>										
Net turnover	596	541	496	472	472	472	441	444	413	432
EBITDA	118	101	21	66	83	77	1	61	73	86
Depreciation/amortisation and impairment	-24	-23	-28	-22	-21	-20	-5	-15	-16	-15
EBIT	94	78	-7	44	62	57	-4	46	57	71
Financial items (net financial items)	-4	-5	-5	-3	0	-1	-3	-1	-1	-2
Profit/loss after financial items	90	73	-12	41	62	56	-7	45	56	69
Tax on profit/loss for the period	-17	-16	2	-9	-13	-13	1	-11	-10	-15
Net income	73	57	-10	32	49	43	-6	34	46	54
<b>Per share</b>										
Earnings per share, SEK	0.48	0.37	-0.06	0.21	0.32	0.28	-0.04	0.23	0.30	0.35
<b>Other</b>										
Pulp production, 1,000 tonnes	100.1	99.9	94.4	102.5	101.4	102.9	87.1	91.9	100.0	95.1
Pulp deliveries, 1,000 tonnes	97.5	98.2	100.1	95.7	98.9	101.2	92.8	95.6	92.8	92.9
List price of NBSK pulp, SEK per tonne	10,047	8,584	7,949	7,279	7,572	7,290	7,313	6,912	6,541	6,699

## SHARE DATA <sup>1</sup>

		Jan-Jun 2018	Jan-Jun 2017	Rolling 12 months	Full year 2017	2016	2015	2014	2013
Shares outstanding, opening <sup>2</sup>	Number	152,572	152,572	152,572	152,572	152,572	152,572	152,572	152,572
Shares outstanding, closing <sup>2</sup>	Number	152,572	152,572	152,572	152,572	152,572	152,572	152,572	152,572
Average number of shares outstanding <sup>2</sup>	Number	152,572	152,572	152,572	152,572	152,572	152,572	152,572	152,572
Treasury shares <sup>2</sup>	Number	822	822	822	822	822	822	822	822
Earnings per share	SEK	0.85	0.60	1.00	0.75	0.84	1.46	0.87	-1.04
Cash flow after investments/share <sup>3</sup>	SEK	-0.03	-0.05	-0.08	-0.10	-0.60	1.52	0.29	0.16
Equity per share	SEK	8.68	7.67	8.68	7.91	7.54	6.93	6.39	5.41
Dividend									
Ordinary dividend	SEK	-	-	0.30	0.30	0.30	0.30	0.20	-
Extra dividend	SEK	-	-	0.07	0.07	0.10	0.20	0.60	-
Total	SEK	-	-	0.37	0.37	0.40	0.50	0.80	-
Dividend/equity per share	%	-	-	4.3	4.7	5.3	7.2	12.5	-
Share price at end of period	SEK	11.88	8.05	11.88	7.15	8.05	8.15	3.74	1.99
Market price/equity/share	times	1.4	1.0	1.4	0.9	1.1	1.2	0.6	0.4
P/E ratio per share	times	11.9	10.2	11.9	9.5	9.6	5.6	4.3	Neg.
Direct yield <sup>4</sup>	%	-	-	3.1	5.2	5.0	6.1	21.4	

<sup>1</sup> None of the key ratios are affected by any dilution effect.

<sup>2</sup> The number of shares is in thousands and excluding Rottneros' treasury shares.

<sup>3</sup> Cash flow from operating activities less investments in non-current assets, divided by the average number of shares outstanding.

<sup>4</sup> Direct yield is calculated in proportion to the share price at end of period.

## ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures (APM) are financial measures that are not defined in IFRS and are presented outside the financial statements. Rottneros uses the following APMs: Cash flow after investments, Net debt/net cash, Capital employed, Return on capital employed, Return on equity, Equity/assets ratio and Debt/equity ratio. The Company believes that these key ratios are useful for readers of the financial statements as a complement to other key performance indicators to assess the Rottneros Group's financial position and profitability. Rottneros also uses the key indicators P/E ratio and Direct yield, which the Company believes are relevant for investors and other readers. APMs can be defined in different ways by other companies and therefore may not be comparable with similar measures used by other companies.

## DEFINITIONS OF IFRS KEY RATIOS AND APM

### EBITDA

Earnings before depreciation/amortisation and impairment, financial items and income taxes (operating profit before depreciation, amortisation and impairment).

### EBIT

Earnings before financial items and income taxes (operating profit).

### EBIT margin

EBIT as a percentage of net turnover.

### Profit margin

Profit after financial items as a percentage of net turnover.

### Earnings per share

Net income divided by the average number of shares outstanding.

### Shareholders' equity per share

Shareholders' equity divided by number of shares.

### Cash flow after investments

Cash flow from operating activities less investments in non-current assets.

### Net debt/net cash

Interest-bearing liabilities minus cash and cash equivalents.

### Capital employed

Shareholders' equity plus interest-bearing liabilities minus cash and cash equivalents.

### Return on capital employed (rolling 12 months)

EBIT for the past 12 months, as a percentage of average capital employed (average of capital employed at the beginning of the period and at the end of the period).

### Return on shareholders' equity (rolling 12 months)

Net income for the past 12 months, as a percentage of average shareholders' equity (average of shareholders' equity at the beginning of the period and at the end of the period).

### Equity/assets ratio

Equity as a percentage of the sum of shareholders' equity and liabilities.

### Debt/equity ratio

Net debt/cash as a percentage of shareholders' equity.

### P/E ratio

Share price at the end of the period in relation to earnings per share (rolling 12 months).

### Direct yield

Dividend as a percentage of the share price at the end of the period.

## GLOSSARY

Market pulp	Pulp sold on the market and transported to the customer. Market pulp accounts for about one third of pulp production worldwide. The remaining two thirds are produced at integrated paper and board mills, or used internally within a group.	Short-fibre pulp	Pulp where the raw material is hardwood, which has shorter cellulose fibre than softwood.
BCTMP	Bleached Chemi-Thermo-Mechanical Pulp: bleached mechanical pulp where the raw material is impregnated with chemicals. Stronger than TMP. The term is common in North America and Asia (see CTMP).	Long-fibre pulp	Pulp where the raw material is softwood, which has longer cellulose fibre than hardwood.
BEK	Bleached Eucalyptus Kraft pulp.	Mechanical pulp	Pulp produced using a mechanical process for fibre separation and processing. Has a higher level of bulk, stiffness and opacity than chemical pulp. Groundwood pulp, TMP and CTMP/BCTMP are types of mechanical pulp.
CTMP	Chemi-Thermo-Mechanical Pulp. Development of TMP, where the mechanical pulp is impregnated with chemicals. Stronger than TMP. Stronger than TMP. The term is used in Europe for both bleached and unbleached pulp.	NBSK	Northern Bleached Softwood Kraft: bleached long-fibre sulphate pulp. The leading indicator of world market prices.
ECF	Elemental Chlorine Free. Sulphate pulp bleached using chlorine dioxide, not chlorine.	Groundwood pulp (SGP)	Mechanical pulp based on roundwood as a raw material.
High-yield pulp	Groundwood pulp, TMP and CTMP/BCTMP.	TMP	Thermo-Mechanical Pulp: mechanical pulp produced using a technique in which the chips are preheated with steam, but without chemicals.
Chemical pulp	Paper pulp produced by boiling raw timber with chemicals. The pulp can be bleached to a higher brightness and a higher strength than mechanical pulp. Chemical pulp is usually sulphate pulp, but can also be sulphite pulp.	UKP	Unbleached Kraft Pulp, unbleached sulphate pulp.



Michael Lindberg, shareholder of Rottneros

## THANKS FOR A REWARDING AGM

Michael Lindberg, a police inspector and beekeeper with a sting in the portfolio, invested in Rottneros because of his love for the forest and nature. Today, almost two years later, his investment has doubled in value and has also generated a yearly dividend yield of over five percent – a valuable contribution to his future pension.

An interest in saving in shares was sparked when interest on ordinary bank savings fell to zero and an orange envelope from the Swedish Pensions Agency landed in the mailbox. The bitter reality was brutally presented and Michael realised that something had to be done.

"It was all about finding constructive solutions, which is why I decided to start saving in shares and managing my holdings myself – not funds with high fees but directly in shares," says Michael. He goes on: "At the same time, I was exposing myself to an economic experiment and forcing myself to live on my calculated pension. All surpluses were used in full to purchase shares."

Saving in shares soon became a hobby, which was alternated with extra income from forestry and beekeeping. All the income from these activities also went straight to the stock exchange and into the Rottneros' share.

### Why Rottneros?

"I have had my eye on Rottneros for a long time. I was attracted by the beauty of the landscape, the mill gardens and the beautiful sounding name, but in particular by the reasonably priced share and high dividend yield. When I trade in securities, I look for shares with a dividend yield of 5-6 percent on the purchase value – then I've nailed it! Rottneros is a stable company and easily satisfied my requirements."

Michael's journey to the meeting began at the early hour of five in the morning when he got into his car in Förslov to head for Sunne. A wrong turn and congestion in Gothenburg meant that Michael arrived about five minutes late at Mirror Hall in Rottneros Park and for the lunch. Everyone was already at the table, but luckily he was joined by a young man, a student from Stockholm School of Economics, who came in just after him.

Lunch was followed by a mill tour led by the production manager. Michael tells us: "Seeing production close up was a great experience. The new bubbling fluidised bed boiler is an impressive piece of work. We also saw the new reactor for the production of methane. This in particular shows concern for the environment, which is so important – well done Rottneros!"

The participants were bussed back from the factory to Mirror Hall in Rottneros Park for the general meeting. The meeting really gave a good insight into the business. Both management and the board introduced themselves and Lennart Eberleh (CEO) gave an excellent and informative address. I really felt that we shareholders were important to the company. Coffee and cake were served after the meeting and I had the opportunity to exchange a few words with Lennart Eberleh – a modern and insightful leader," says Michael, who was also delighted about his new acquaintance: "I set off back home after a lovely day and gave my new friend Cimi a lift to Karlstad where he was catching a train to Stockholm. We exchanged details and have kept in touch since, so making a new acquaintance was an extra bonus from the day," concludes Michael Lindberg, shareholder in Rottneros.

### Annual General Meeting = the shareholders' day!

For Rottneros, the AGM is the shareholders' day; an occasion when large and small shareholders alike have the opportunity to meet other shareholders, the board and management, and get to visit the mill and learn more about the business. This article began with Michael's mail to Lennart Eberleh and developed into the text above after the two of them joined forces.

**"Life as a voluntary low-income earner has gone extremely well. I have learned a lot about recycling, frugal life, and the joy of manufacturing my own gadgets."**





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