

Q2  
2019



INTERIM REPORT  
JAN–JUN 2019

# Positive production development, stable results

Production record  
for a single quarter,  
108 ktonnes

Strong cash flow,  
SEK 107m in dividend  
to shareholders

Continued good  
profitability,  
EBIT SEK 103m



ROTTNEROS

PURE POSSIBILITIES

## Interim report Januari-June 2019

# Positive production development, stable results

### Q2 2019 COMPARED TO (Q2 2018)

- **NET TURNOVER** for the second quarter of 2019 increased by 1% to SEK 582m (576).
- **PROFIT AFTER FINANCIAL ITEMS** for the second quarter increased by 9% to 98m (90). Earnings per share for the quarter rose by 4% to SEK 0.50 (0.48).
- **NBSK LIST PRICE** during the second quarter of 2019 was 10% lower in USD and 1% lower in SEK compared with the second quarter of 2018. Compared with the first quarter of 2019, the list price in SEK was 6% higher.
- **PRODUCTION VOLUME** for the quarter was 107.7 (100.1) thousand tonnes, which is a new quarterly record.
- **HIGHER WOOD PULP COSTS** than in 2018 have a negative effect, while electricity price hedges have a positive effect.
- **INVESTMENT** in a methane gas burner for fossil-free production at Rottneros Mill.
- **DIVIDEND TO SHAREHOLDERS** of SEK 107m was paid during the second quarter.

### THE QUARTER AND FIRST HALF-YEAR IN FIGURES

	Apr-Jun 2019	Apr-Jun 2018	change, %	Jan-Jun 2019	Jan-Jun 2018	change, %	Rolling 12 month	Jan-Dec 2018
Net turnover, SEK m	582	576	1	1,212	1,113	9	2,359	2,260
EBITDA, SEK m	131	118	11	298	219	36	473	394
EBIT, SEK m	103	94	10	244	172	42	367	295
Profit after financial items, SEK m	98	90	9	234	163	44	347	276
Net income, SEK m	77	73	5	185	130	42	276	221
Earnings per share, SEK	0.50	0.48	4	1.21	0.85	42	1.81	1.45
Cash flow from operating activities, SEK m	92	69	33	239	83	188	379	223
Return on capital employed (rolling 12 months), %				24.1	15.3		24.1	20.4
Production, thousand tonnes	107.7	100.1	8	205.3	200.0	3	398.9	393.6
Deliveries, thousand tonnes	95.2	97.5	-2	194.3	195.7	-1	381.1	382.5



**Lennart Eberleh**  
President and CEO

## Comments from the CEO

During the second quarter, we continued increasing production in our mills. We reached record levels for both the quarter and the first half of the year. The volume increase together with diminishing impact from pulp price hedges meant that EBIT in Q2 increased by 10 per cent compared to last year's Q2 and 42 per cent in the first half of 2019. At the same time, cash flow grew sharply. Our solid balance sheet and strong cash flow mean that we are well equipped for a more challenging market. Our focus on continuous improvements in both production and sustainability will continue.

With a production of 108 thousand tonnes in Q2, we significantly exceeded the previous record for a single quarter, 103 thousand tonnes. It is extremely gratifying that the effort among all employees to increase capacity utilization in the mills continues to produce results. At the same time, there is still room to improve availability and production levels going forward.

The increased volumes together with diminishing impact from pulp price hedges meant that the strong earnings trend continued during the second quarter. EBIT increased by 10 per cent to SEK 103m compared with last year's Q2, despite higher wood prices and fixed costs. Cash flow during the first half of the year increased by 188 per cent and amounted to SEK 239m, of which we distributed SEK 107m to our shareholders during the quarter. Pulp wood supply improved significantly during the quarter and the balance between local wood supply and imports is back to a more favorable and long-term sustainable level.

### CONTINUED PRICE PRESSURE ON THE MARKET

Pulp prices continue to be pressured by a short-term deterioration in the market balance, resulting in increased producer inventories. Consumption growth is hampered by the slowdown in the world economy, where China is mainly affected by increased trade barriers. At the same time, the supply on the market has increased through new production volumes from several Nordic players in the past six months. The gross price of NBSK declined gradually during the second quarter from USD 1,100 in the beginning to below USD 1,000 at the end. At the same time, the long-term trend of an annual consumption increase of 1-2 per cent is expected to continue. The market balance and the prices thus have good prospects of improving when the short-term inventory adjustment is over. It is also positive that no new major capacity additions have been announced.

### A NEW LOGO REINFORCES THE MESSAGE OF A PROACTIVE ROTTNEROS

In conjunction with the Annual General Meeting in Sunne on the second of May, we presented the Group's new logo. It is an important step on the way to communicate our

focus on climate-smart products and gender equality. It is also linked to the project "One Rottneros", which creates a common value base, a committed leadership and reinforces our brand. We focus on safety, training and the availability of highly competent labour. The AGM was well attended and arranging the meeting in one of our mills is an excellent way to deepen our shareholders' knowledge of our operations.

### WE CONTINUE TO INVEST FOR A FOSSIL-FREE PRODUCTION PROCESS

During the quarter, we decided on a new methane gas burner in Rottneros Mill. By utilizing the methane gas generated in the bio effluent treatment plant and using it internally, we will replace the equivalent of 1,000 cubic meters of fossil fuel in the form of oil. Together with other investments in recent years the total decrease is about 7,000 cubic meters. Thus, we largely achieve the goal of a fossil-free production process at Rottneros Mill.

After an in-depth analysis, the board decided in June to end the Lignol project, which we ran together with Preem and RenFuel. The reason were the significant risks we see, in relation to the sustainability gains and the potential revenues. Sustainability and the business always go hand in hand when we make strategic decisions.

### FULL SPEED AHEAD IN ROTTNEROS PACKAGING

The growth initiative within Rottneros Packaging continues according to plan. There is a significant and strongly growing interest in climate-smart packaging products and fiber trays. An additional machine was purchased at the end of March and will be put into operation by the end of the year.

In summary, we have established a higher utilization level and production volume in our mills creating continued growth opportunities, not least within our selected niches. Our focus is to constantly optimize the factors we ourselves can influence regardless of external factors. With a strong momentum in the organization and solid finances, we are well prepared for both potential challenges and opportunities going forward. I would like to conclude by expressing my gratitude to the entire organization customers and suppliers for the excellent quarter and first half results of 2019.

## Sales and results, second quarter

Turnover in the second quarter of 2019 amounted to SEK 582m (576), an increase of 9 per cent. The turnover was positively impacted by improved results from pulp price hedges and negatively impacted by both lower sales volumes and sales prices being lower than in 2018. The NBSK list price denominated in SEK fell by 1 per cent compared with the second quarter of 2018. The production volume increased by 8 per cent compared to the second quarter 2018, while the delivery volume decreased by 2 per cent.

EBIT for the second quarter of 2019 was SEK 103m (94), corresponding to 17.7 (15.8) per cent of turnover. Profit for the quarter was affected positively by good production while higher wood prices and fixed costs contributed negatively compared to the second quarter of 2018.

### Second quarter 2019 compared with second quarter 2018

	Apr-Jun 2019	Apr-Jun 2018	change, %
NBSK, USD	1,048	1,159	-10
SEK/USD	9,45	8,67	9
NBSK, SEK	9,900	10,047	-1
Net turnover, SEK m	582	576	1
EBIT, SEK m	103	94	10

The average price of electricity on the Nord Pool electricity exchange (area SE3) amounted to SEK 0.35 (0.40) per kWh for the second quarter of 2019, which is 12 per cent lower than during the second quarter of 2018. Electricity price hedging had a positive effect of SEK 10m for the quarter which is somewhat lower than in the second quarter of 2018.

Variable costs for the quarter increased mainly due to higher costs for raw materials. Fixed costs for the quarter increased mainly due to increased manning, maintenance measures and higher planned depreciations.

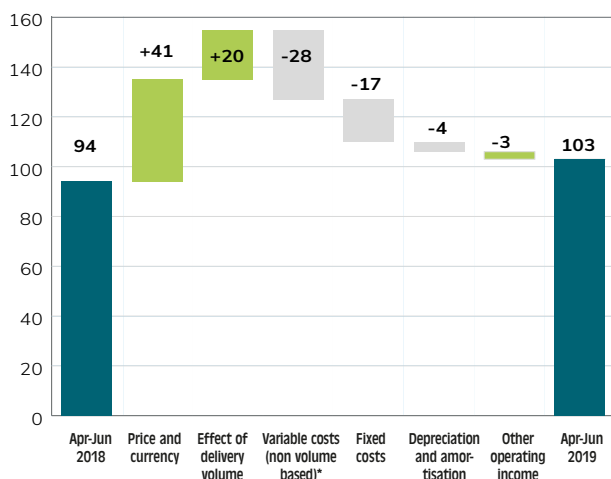
## The pulp market

The second quarter has been characterised by an imbalance in the pulp market. Short term the slowdown in the global economy and lower growth in China have affected the paper market, at the same time as the supply of market pulp has been good. This has resulted in higher pulp stocks. Producer stocks (World-20) at the end of May were approximately 6.8 million tonnes, corresponding to 51 days of consumption, broken down to 39 days for long-fibre pulp and 62 days for short-fibre pulp.

Deliveries of chemical market pulp worldwide (World-20) during January-May amounted to 20.1 million tonnes, a decrease of 3.6 per cent from 2018. Short-fibre sulphate pulp accounted for the largest decline (8.4 per cent) while NBSK rose by 1.4 per cent. Global demand for chemical market pulp fell by 2.9 per cent January – May, with increased demand in North America while declining in Europe, China and other countries. Industrial capacity utilisation during the period was 84 per cent.

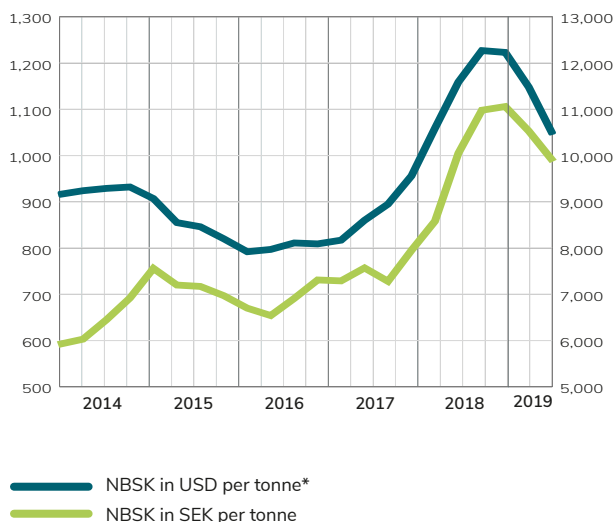
The NBSK gross price decreased during the second quarter by 100 dollars to USD 1,000 at the end of June. The price trend for mechanical pulp has essentially been in line with the market. The price decline for NBSK has continued in July.

### DIFFERENCES IN EBIT Q2 2019 COMPARED WITH Q2 2018 (SEK M)



\* Variable costs are excluding costs that are related to higher or lower production and delivery volumes. Instead, such costs are included in the "volume effect", together with the volume increase/decrease in net turnover.

### NBSK QUARTERLY GROSS PRICES OVER THE PAST FIVE YEARS



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

## Production and deliveries

Production volumes in the second quarter of 2019 were 107,700 tonnes or 8 per cent higher compared with the same quarter previous year. During the comparative quarter April-June 2018 production at Vallvik Mill was affected by an unplanned production shutdown with a production loss of about 6,000 tonnes.

The Group's customer deliveries during the second quarter of 2019 were 2 per cent lower than in the same period the previous year. The quarter has been characterised by declining demand and increased supply of pulp.

PRODUCTION, TONNES	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Sulphate pulp	61,300	56,200	114,300	110,500	219,600
Groundwood pulp	18,100	18,500	37,400	37,000	72,000
CTMP	28,300	25,400	53,600	52,500	102,000
<b>TOTAL</b>	<b>107,700</b>	<b>100,100</b>	<b>205,300</b>	<b>200,000</b>	<b>393,600</b>

DELIVERIES, TONNES	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Sulphate pulp	51,900	53,000	103,400	108,400	211,900
Groundwood pulp	20,200	19,400	40,700	36,400	68,900
CTMP	23,100	25,100	50,200	50,900	101,700
<b>TOTAL</b>	<b>95,200</b>	<b>97,500</b>	<b>194,300</b>	<b>195,700</b>	<b>382,500</b>

## MAINTENANCE SHUTDOWNS AND SEASONAL VARIATIONS

In 2019, 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
	2019	2018	2019 (MSEK)
Rottneros Mill	Q3	Q3	10
Vallviks Mill	Q4	Q4	70

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. For Rottneros Mill consideration has been given to a somewhat shorter stop than a normal year.

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

## ANNUAL VOLUMES AND ANNUAL GROWTH



## Sales and results, first half-year

Turnover for January-June 2019 amounted to SEK 1,212m (1,113), an increase of 20 per cent. Turnover increased thanks to a higher price level for Rottneros' deliveries as well as better outcome on the pulp price hedges. The NBSK list price denominated in SEK rose 10 per cent compared with January-June 2018. Delivery volume decreased marginally by 1 per cent compared with January-June 2018.

EBIT for January-June 2019 was SEK 244m (172), an increase of 42 per cent, and corresponding to 20.1 (15.1) per cent of turnover. Profit for January-June was affected positively by the higher price level for Rottneros' products and higher production volumes. The result was negatively affected by higher costs for pulp wood and higher fixed costs.

### First half-year 2019 compared with first half-year 2018

	Jan-Jun 2019	Jan-Jun 2018	change, %
NBSK, USD	1,098	1,109	-1
SEK/USD	9.31	8.38	11
NBSK, SEK	10,216	9,294	10
Net turnover, SEK m	1,212	1,113	9
EBIT, SEK m	244	172	42

The average price of electricity on the Nord Pool electricity exchange (area SE3) amounted to SEK 0.42 (0.39) per kWh for January-June 2019, which was 6 per cent higher than during January-June 2018. The outcome for the electricity price hedges was SEK 27m (22) for the first half of 2019.

Variable costs for January-June increased mainly due to higher costs for raw materials compared to the same period 2018. Fixed costs for January-June increased mainly due to higher maintenance costs, higher planned depreciations and a revaluation of spare parts inventories. As Rottneros Packaging is fully operational fixed costs are increasing compared to 2018.

Other operating income was primarily affected by income from sales of emission allowances, SEK 14m.

### OTHER INCOME STATEMENT ITEMS

Net financial expenses were SEK 10m (9) for January-June 2019, and are related to the bond of SEK 400m that Rottneros issued in August 2017.

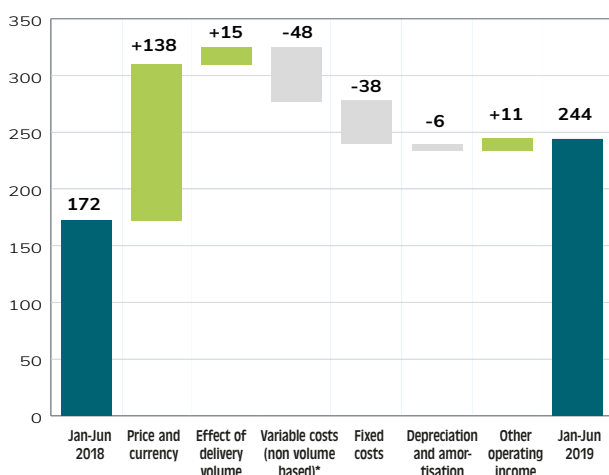
Profit after financial items for the Group increased by 44 per cent to SEK 234m (163) for January-June 2019.

The income tax expense for January-June 2019 was SEK 49m (33). Rottneros plans to take advantage of higher tax depreciation in 2019, which means that the Group is reporting a deferred tax expense instead of tax paid.

Net income totalled SEK 185m (130) and earnings per share SEK 1.21 (0.85) for January-June 2019.

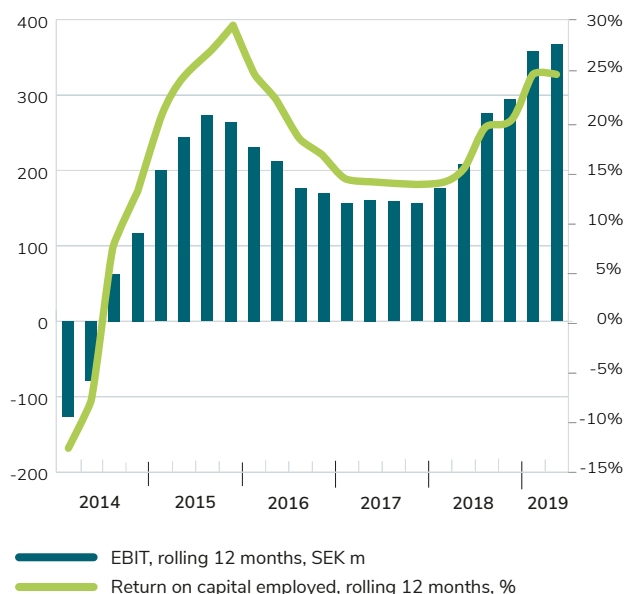
Return on capital employed, measured over a rolling 12-month period, was 24.1 per cent (15.3). Return on equity, measured over a rolling 12-month period, was 19.6 per cent (12.1).

### DIFFERENCES IN EBIT FIRST HALF-YEAR 2019 COMPARED WITH FIRST HALF-YEAR 2018 (SEK M)



\* Variable costs are excluding costs that are related to higher or lower production and delivery volumes. Instead, such costs are included in the "volume effect", together with the volume increase/decrease in net turnover

### EBIT, ROLLING 12 MONTH



## Rottneros Packaging

Rottneros Packaging, the Group's development area for eco-friendly fibre trays, started commercial production of moulded fibre trays in the new factory premises in Sunne during the first quarter of 2019. First customer deliveries of fibre trays manufactured in the new factory were made in the beginning of April 2019.

The investments in the new factory amount to some SEK 30m as of now, mainly consisting of a tailor-made system for preparing pulp and three machines for the manufacture of trays. An additional machine was purchased at the end of March and will be put into operation by the end of 2019.

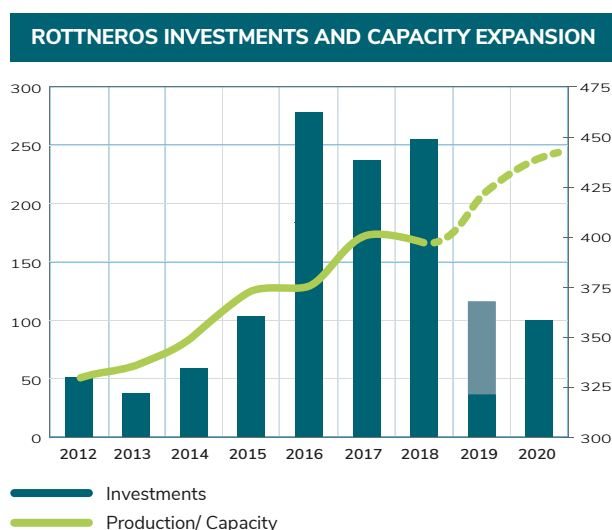
After commissioning and trimming, the capacity in the factory will amount to 50-80 million trays per year, depending on the size of trays produced. The trays are primarily intended for food and as a replacement for disposable plastic articles, but also for packaging of electronic products and other components. The products can be manufactured with and without barrier, are made of renewable Swedish forest raw material, and are completely free of PFAS (perfluorinated alkylated substances). The products are recyclable as paper packaging.

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.

## Investments

Investments in fixed assets during January-June 2019 amounted to SEK 33m (87). The level of investments is expected to be some SEK 150m in 2019 and some SEK 50-100m per year thereafter. In addition to replacement investments, the focus will be on eliminating bottlenecks and increasing efficiency.

During the quarter Rottneros Mill was granted SEK 15m for investing in a methane gas burner, a step in achieving the goal of a fossil-free production process.



## Financial position

Rottneros AB has an unsecured bond of SEK 400 million, issued in August 2017 to primarily Nordic institutional investors. The bond bears variable interest of STIBOR 3m + 4.15 per cent and shall 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 following standard covenants:

	Covenant	Outcome Q2 2019
Net debt to EBITDA ratio	Under 3.5	0.2
Equity/assets	Over 50 %	60 %
Dividend / net income	Max 50 %	48 %

The Group's cash and cash equivalents amounted to SEK 337m at the end of the second quarter, compared with SEK 238 m at year-end 2018. Interest-bearing liabilities amounted to SEK 411m at the end of the second quarter. Net debt at the end of the second quarter totalled SEK 74m, compared with SEK 157m at the end of 2018. Total granted and unused credit facilities amounted to SEK 182m at the end of the second quarter of 2019.

The equity/assets ratio amounted to 60 (59) per cent as of 30 June 2019. Equity per share totalled SEK 9.78 (8.68) at the end of the second quarter.

## Cash flow

Cash flow from operating activities for January-June 2019 amounted to SEK 239m (83) thanks to good profitability. Cash flow after investments in non-current assets for the quarter was SEK 205m (-4).

Shareholders were paid a dividend of SEK 107m (56) in the second quarter.

Net cash flow for January-June 2019 was SEK 99m (-87).

## Parent Company

The loss for the parent company after financial items for January-June 2019 amounted to SEK -6m (-21).

## Changes in management

During the quarter Michael Berggren, Mill Director at Vallvik Mill, and Kristin Israelsson, Mill Director at Rottneros Mill, have chosen to resign to take up positions outside Rottneros. Replacement recruitments are ongoing.

## Average number of employees

The average number of employees during January-June 2019 was 313 (303). The increase was mainly attributable to the start-up of Rottneros Packaging and skills enhancement.

## 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 dependency 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 2019 was 11 per cent higher than during January-June 2018.

### 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 12,000 tonnes as of 30 June 2019, with due dates between July 2019 up to and including June 2020 at an average price of SEK 9,495 per tonne. The fair value of these unrealised price hedges totalled SEK -6m on 30 June 2019.

## 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 2019, 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

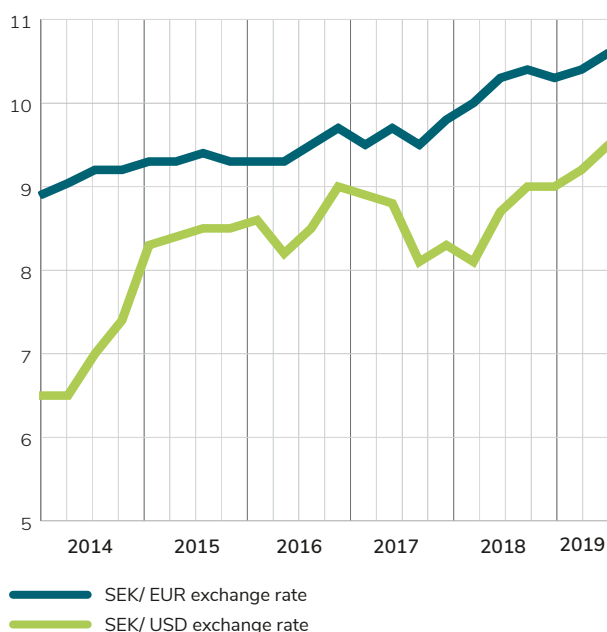
Year	Proportion hedged	SEK/kWh
2019 Jul-Dec	80%	0.225
2020	82%	0.218
2021	68%	0.259
2022	27%	0.341

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 0.42 (0.39) per kWh for January-June 2019.

See pages 40-44 of the Annual Report for 2018 for further information on risks.

### EXCHANGE RATE TREND OVER THE PAST FIVE YEARS



## Share information

### 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 2019.

### SHARE PRICE TREND DURING THE FIRST HALF-YEAR

On 30 June 2019, the price of Rottneros shares was SEK 11.60 (8.24 at the end of 2018). The average price during January-June was SEK 11.37 (8.84).

### TRANSAKTIONER MED NÄRSTÅENDE

During January-June 2019, Rottneros sold pulp to the related party Arctic Paper S.A. Group in the amount of SEK 56m (55). Outstanding operating receivables from Arctic Paper totalled SEK 26m (19) at quarter-end. The transactions took place at market conditions.

### LARGEST SHAREHOLDERS ON 30 JUNE 2019

Shareholders	Number of shares (=votes)	Per cent of capital
Arctic Paper S.A.	78,230,883	51.0
PROAD AB	9,665,660	6.3
Försäkringsaktiebolaget Avanza Pension	4,353,704	2.8
UBS Switzerland AG, W8IMY	3,127,700	2.0
BNY MELLON SA/NV (FORMER BNY), W8IMY	2,085,192	1.4
CBNY-DFA-INT SML CAP V	1,512,779	1.0
SEB Investment Management	1,508,415	1.0
BNY MELLON NA (FORMER MELLON), W9	1,470,305	1.0
Credit Agricole (Suisse) SA, W8IMY without P.R.	1,200,000	0.8
State Street Bank and Trust Co, W9	1,119,275	0.7
<b>TOTAL for 10 largest owners – by size of holding</b>	<b>104,273,913</b>	<b>68.0</b>
Other shareholders	48,298,012	31.5
Rottneros AB (treasury shares from buy-back)	821,965	0.5
<b>TOTAL</b>	<b>153,393,890</b>	<b>100.0</b>

## Annual general meeting

At the Annual General Meeting on 2 May 2019 in Sunne the meeting resolved to pay the shareholders a dividend of SEK 107m, corresponding to an ordinary dividend of SEK 0.40 and an extra dividend of SEK 0.30 per share, for a total dividend of SEK 0.70 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 and Roger Mattsson. The AGM elected Conny Mossberg as new member of the Board. Per Lundeen was re-elected to serve as chairman of the Board.

The AGM elected the chartered auditing firm KPMG as auditor for the period until the 2020 AGM.

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

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

## Subsequent events

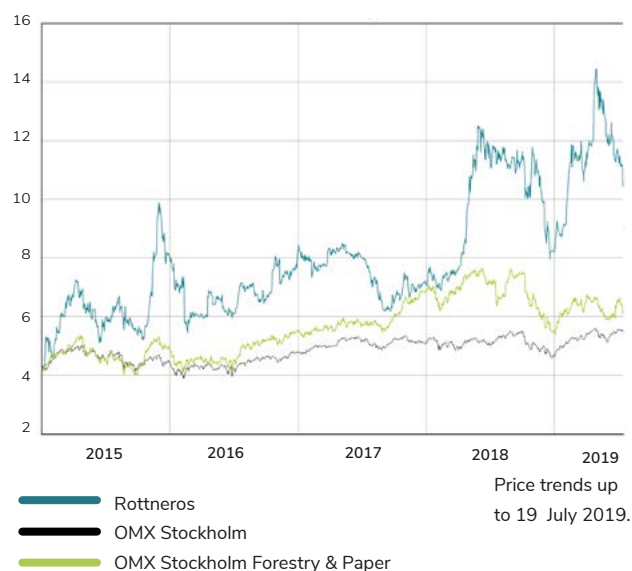
There were no significant events after the balance sheet date that affected the Group's financial position and results of operations.

## Forthcoming financial information

22 October 2019 Interim Report July-September.

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

### PRICE TREND FOR ROTTNEROS SHARES AND STOCKHOLM STOCK EXCHANGE, 2015-2019



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 juli 2019

**Per Lundeen**  
Chairman of the Board

**Marie S. Arwidson**  
Board Member

**Ulf Carlsson**  
Board Member

**Roger Mattsson**  
Board Member

**Conny Mossberg**  
Board Member

**Dan Karlsson**  
Board Member,  
employee representative

**Mika Palmu**  
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 25 July 2019 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.

**For further information, please contact:**  
**Lennart Eberleh, President and CEO, Rottneros AB, +46 (0)270 622 65**

Rottneros AB (publ), P.O. Box 144, 826 23 Söderhamn, Sweden  
Tel. +46 (0)270-620 00, [info@rottneros.com](mailto:info@rottneros.com), [www.rottneros.com](http://www.rottneros.com)  
Corp. ID no. 556013-5872

Translation from the Swedish original.



## REVIEW REPORT

To the Board of Directors of Rottneros AB  
Corp. id. 556013-5872

## INTRODUCTION

We have reviewed the condensed interim financial information (interim report) of Rottneros AB as of 30 June 2019 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 to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices. The review measures taken at an interim review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The stated conclusion based on a review has therefore not the security that a stated conclusion based on an audit has.

## 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, 2019

KPMG AB

A blue ink signature of Jan Malm, written in a cursive style.

**Jan Malm**  
Authorised Public Accountant  
Auditor in charge

A blue ink signature of Sven Cristea, written in a cursive style.

**Sven Cristea**  
Authorised Public Accountant  
Auditor in charge

## CONSOLIDATED INCOME STATEMENT

AMOUNTS IN SEK M	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Rolling 12 month	Full year 2018
<b>Net turnover</b>	<b>582</b>	<b>576</b>	<b>1,212</b>	<b>1,113</b>	<b>2,359</b>	<b>2,260</b>
Change in inventories, finished goods	58	21	60	31	107	78
Other operating income	-1	2	20	10	44	34
<b>OPERATING INCOME, TOTAL</b>	<b>639</b>	<b>599</b>	<b>1,292</b>	<b>1,154</b>	<b>2,510</b>	<b>2,372</b>
Raw materials and consumables	-322	-304	-622	-592	-1,241	-1,211
Other external expenses	-113	-112	-232	-213	-524	-505
Employee benefit expenses	-73	-65	-140	-130	-272	-262
<b>EBITDA (OPERATING PROFIT BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT)</b>	<b>131</b>	<b>118</b>	<b>298</b>	<b>219</b>	<b>473</b>	<b>394</b>
Depreciation/amortisation and impairment	-28	-24	-54	-47	-106	-99
<b>EBIT (operating profit)</b>	<b>103</b>	<b>94</b>	<b>244</b>	<b>172</b>	<b>367</b>	<b>295</b>
Financial income	0	1	0	1	0	1
Financial expenses	-5	-5	-10	-10	-20	-20
<b>TOTAL FINANCIAL ITEMS</b>	<b>-5</b>	<b>-4</b>	<b>-10</b>	<b>-9</b>	<b>-20</b>	<b>-19</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>98</b>	<b>90</b>	<b>234</b>	<b>163</b>	<b>347</b>	<b>276</b>
Tax on profit/loss for the period	-21	-17	-49	-33	-71	-55
<b>NET INCOME</b>	<b>77</b>	<b>73</b>	<b>185</b>	<b>130</b>	<b>276</b>	<b>221</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>0.50</b>	<b>0.48</b>	<b>1.21</b>	<b>0.85</b>	<b>1.81</b>	<b>1.45</b>

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN SEK M	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Rolling 12 months	Full year 2018
<b>NET INCOME</b>	<b>77</b>	<b>73</b>	<b>185</b>	<b>130</b>	<b>276</b>	<b>221</b>
Items that have been or may be transferred to profit or loss for the period						
Changes in fair value of cash flow hedges	11	48	-58	55	-2	111
Income tax effect on changes in fair value	-3	-11	12	-12	1	-23
Translation differences	0	0	0	1	-1	0
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>8</b>	<b>37</b>	<b>-46</b>	<b>44</b>	<b>-2</b>	<b>88</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD <sup>2</sup></b>	<b>85</b>	<b>110</b>	<b>139</b>	<b>174</b>	<b>274</b>	<b>309</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 Jun 2019	30 Jun 2018	31 Dec 2018
Intangible non-current assets	15	17	17
Property, plant and equipment	1,160	1,062	1,179
Activated leases	15	-	-
Financial assets	70	85	94
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,260</b>	<b>1,164</b>	<b>1,290</b>
Inventories	460	345	389
Current receivables	416	482	484
Cash and cash equivalents	337	239	238
<b>TOTAL CURRENT ASSETS</b>	<b>1,213</b>	<b>1,066</b>	<b>1,111</b>
<b>TOTAL ASSETS</b>	<b>2,473</b>	<b>2,230</b>	<b>2,401</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>1,492</b>	<b>1,325</b>	<b>1,460</b>
Bond	396	395	395
Interest-bearing lease liability	15	-	-
Deferred tax liabilities	156	87	119
Other non-interest-bearing liabilities	19	17	18
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>586</b>	<b>499</b>	<b>532</b>
Non-interest-bearing liabilities	395	406	409
<b>TOTAL CURRENT LIABILITIES</b>	<b>395</b>	<b>406</b>	<b>409</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>2,473</b>	<b>2,230</b>	<b>2,401</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	
				Hedging reserve	Translation difference		
Opening balance, 1 January 2018	153	730	-69	18	-8	383	1,207
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
Closing balance, 30 June 2018	153	730	-69	61	-7	457	1,325
Net income July-Dec						91	91
Other comprehensive income, July-Dec				45	-1		44
Total comprehensive income for July-Dec				45	-1	91	135
Closing balance, 31 December 2018	153	730	-69	106	-8	548	1,460
Net income Jan-June						185	185
Other comprehensive income, Jan-June				-46	0		-46
Total comprehensive income for Jan-June				-46	0	185	139
Dividends to shareholders, Jan-June						-107	-107
Closing balance, 30 June 2019	153	730	-69	61	-8	625	1,492

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

AMOUNTS IN SEK M	Jan-Jun 2019	Jan-Jun 2018	Rolling 12 months	Full year 2018
EBIT	244	172	367	295
Depreciation/amortisation and impairment	54	47	106	99
EBIT adjusted for non-cash flow affecting items	298	219	473	394
Received/paid financial items	-8	-10	-16	-18
Cash flow from operating activities before changes in working capital	290	209	457	376
Change in working capital	-51	-126	-78	-153
Cash flow from operating activities	239	83	379	223
Investments in non-current assets	-34	-87	-202	-255
Sales of fixed assets	1	0	1	0
Change in current loans receivable	-	-27	27	-
Cash used in investing activities	-33	-114	-174	-255
Dividends paid	-107	-56	-56	-56
Cash provided by/used in financing activities	-107	-56	-56	-56
NET CASH FLOW FOR THE PERIOD	99	-87	149	-88
Cash and cash equivalents at start of period	238	326	239	326
NET CASH FLOW FOR THE PERIOD	99	-87	98	-88
Cash and cash equivalents at end of period	337	239	337	238

## CHANGES IN INTEREST-BEARING LIABILITIES

AMOUNTS IN SEK M	Jan-Jun 2019	Jan-Jun 2018	Rolling 12 months	Full year 2018
Interest-bearing liabilities in the balance sheet at the start of the period	395	394	395	394
Changes included in the cash flow from financing activities:	-	-	-	-
Recognition of an interest-bearing lease liability in accordance with IFRS 16	15	-	15	-
Direct costs in connection with the bond issue that are charged to expense over the loan period.	1	1	1	1
Interest-bearing liabilities in the balance sheet at the end of the period	411	394	411	395

## PARENT COMPANY INCOME STATEMENT

AMOUNTS IN SEK M	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Net turnover	4	3	6
Other operating income	6	5	9
<b>OPERATING INCOME, TOTAL</b>	<b>10</b>	<b>8</b>	<b>15</b>
Other expenses	-9	-8	-17
Employee benefit expenses	-15	-11	-22
<b>EBITDA (operating loss before depreciation, amortisation and impairment)</b>	<b>-14</b>	<b>-11</b>	<b>-24</b>
Depreciation/amortisation and impairment	-2	-2	-3
<b>EBIT (operating loss)</b>	<b>-16</b>	<b>-13</b>	<b>-27</b>
Profit from participations in Group companies	0	0	49
Financial income	0	0	4
Financial expenses	-10	-8	-20
Results from hedging activities	20	-	-
<b>TOTAL FINANCIAL ITEMS</b>	<b>10</b>	<b>-8</b>	<b>33</b>
<b>LOSS/ PROFIT AFTER FINANCIAL ITEMS</b>	<b>-6</b>	<b>-21</b>	<b>6</b>
Tax on loss/ profit for the period	1	5	-2
<b>NET INCOME</b>	<b>-5</b>	<b>-16</b>	<b>4</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN SEK M	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
<b>NET INCOME</b>	<b>-5</b>	<b>-16</b>	<b>4</b>
Other comprehensive income	-	-	-
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-5</b>	<b>-16</b>	<b>4</b>

## PARENT COMPANY BALANCE SHEET, SUMMARY

AMOUNTS IN SEK M	30 Jun 2019	30 Jun 2018	31 Dec 2018
Intangible non-current assets	12	15	14
Equipment	1	1	0
Financial assets	293	290	293
<b>TOTAL NON-CURRENT ASSETS</b>	<b>306</b>	<b>306</b>	<b>307</b>
Current receivables <sup>1</sup>	774	913	966
Cash and cash equivalents	293	223	218
<b>TOTAL CURRENT ASSETS</b>	<b>1,067</b>	<b>1,136</b>	<b>1,184</b>
<b>TOTAL ASSETS</b>	<b>1,373</b>	<b>1,442</b>	<b>1,491</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>805</b>	<b>898</b>	<b>918</b>
Long-term liabilities – Interest-bearing	396	395	395
Long-term liabilities – Non-interest-bearing	19	17	18
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>415</b>	<b>412</b>	<b>413</b>
Non-interest-bearing <sup>2</sup>	153	132	160
<b>TOTAL CURRENT LIABILITIES</b>	<b>153</b>	<b>132</b>	<b>160</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,373</b>	<b>1,442</b>	<b>1,491</b>

<sup>1</sup> Including receivables of SEK 756m (879) from subsidiaries

<sup>2</sup> Including liabilities of SEK 141m (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, except for the lease contracts, which are accounted for in accordance with IFRS 16 as of 1 January 2019.

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

### Net turnover

The clear majority of Rottneros' revenues is derived from the sales of pulp. Control is passed at a point in time, which coincides with the actual delivery of the goods. Revenue is recognised at fair value of the consideration received or receivable. Net turnover in the income statement consists of revenues from the sale of goods and invoiced freight, net of returns, discounts, pulp price hedges and VAT.

### IFRS 16, Leases

IFRS 16 entered into force on 1 January 2019 and replaces IAS 17, Leasing. IFRS 16 entails the reporting of substantially all lease contracts in the balance sheet. Rottneros has chosen to apply the modified retroactive transition method for IFRS 16, meaning that the value of all identified contracts on 1 January 2019 have affected the value of recognised assets and liabilities with equal amounts. IFRS 16 has a very limited effect on Rottneros' financial statements since the number of lease contracts of any mentionable value is limited. On 30 June 2019, the total carrying value of leased assets in the balance sheet was SEK 15m.

### ROTTNEROS' NET TURNOVER CONSISTS OF THE FOLLOWING:

Amounts in SEK m	Jan-Jun 2019	Jan-Jun 2018	Rolling 12 months	Full year 2018
Sales of pulp	1,176	1,102	2,316	2,266
Results from pulp price hedging	-2	-42	-91	-131
Sales of by-products	25	12	53	40
Sales of pulp wood	13	41	56	84
Sales of fibre trays	0	0	1	1
<b>NET TURNOVER, TOTAL</b>	<b>1,212</b>	<b>1,113</b>	<b>2,335</b>	<b>2,260</b>

## FINANCIAL INSTRUMENTS

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 411 million on balance sheet day.

The nature of other financial assets and liabilities is in all essential respects the same as on 31 December 2018. The carrying amounts are deemed to be equal to fair values, which was also the case at the end of 2018, 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.

### FAIR VALUE FOR DERIVATIVES, 30 JUNE 2019

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Pulp, forward sell	12,000 tonnes	2019 -Jul 2020	9,495 SEK/tonnes	-6
Electricity, forward buy	702,600 MWh	2019-2022	0.247 SEK/kWh	81
<b>Total fair value</b>				<b>75</b>

### FAIR VALUE FOR DERIVATIVES, 31 DECEMBER 2018

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Currency EUR, forward sell	EUR 2.5m	Jan-Feb 2019	10.30 SEK/EUR	0
Currency USD, forward sell	USD 11.0m	Jan-Feb 2019	9.01 SEK/USD	0
Pulp, forward sell	12,000 tonnes	Jan-Dec 2019	9,800 SEK/tonne	-8
Electricity, forward buy	701,520 MWh	2019-2021	0.226 SEK/kWh	141
<b>Total fair value</b>				<b>133</b>

## GROUP PERFORMANCE IN SUMMARY

	Jan-Jun 2019	Jan-Jun 2018	Rolling 12 months	Full year 2018	2017	2016	2015	2014
<b>Income statement (SEK m)</b>								
Net turnover	1,212	1,137	2,359	2,260	1,912	1,730	1,795	1,547
EBITDA	298	219	473	394	247	221	321	177
Depreciation/amortisation and impairment	-54	-47	-106	-99	-91	-51	-58	-59
EBIT	244	172	367	295	156	170	263	118
Financial items (net financial items)	-10	-9	-20	-19	-9	-7	-4	-4
Profit/loss after financial items	234	163	347	276	147	163	259	114
Net income	185	130	276	221	114	128	223	133
<b>Cash flow statement (SEK m)</b>								
Cash flow from operating activities	239	83	379	223	222	187	335	104
Investments in non-current assets	-34	-87	-202	-255	-237	-278	-103	-59
Cash flow after investments	205	-4	177	-32	-15	-91	232	45
Cash used in/provided by financing activities	-107	-56	-56	-56	325	-62	-152	-30
Net cash flow	99	-87	149	-88	310	-153	80	54
<b>Balance sheet items (SEK m)</b>								
Non-current assets	1,260	1,164	1,260	1,290	1,078	905	706	691
Inventories	460	345	460	389	279	278	267	255
Current receivables	416	482	416	484	324	290	244	226
Cash and cash equivalents	337	239	337	238	326	16	169	89
Net debt (+) / net cash (-)	74	156	74	157	68	-2	-169	-59
Equity	1,492	1,325	1,492	1,460	1,207	1,151	1,058	975
Long-term interest-bearing liabilities	411	395	411	395	394	-	-	30
Long-term non-interest-bearing liabilities	175	104	175	137	52	14	18	9
Current interest-bearing liabilities	-	-	-	-	-	14	-	0
Current non-interest-bearing liabilities	395	406	395	409	354	310	310	247
Capital employed	1,566	1,481	1,566	1,617	1,275	1,149	889	916
Total equity and liabilities	2,473	2,230	2,473	2,401	2,007	1,489	1,386	1,261
<b>Key ratios</b>								
EBITDA margin, %	24.6	19.3	20.1	17.4	12.9	12.8	17.9	11.4
EBIT margin, %	20.1	15.1	15.6	13.1	8.2	9.8	14.7	7.6
Return on shareholders' equity (rolling 12 months), %	19.6	12.1	19.6	16.6	9.7	11.6	21.9	13.6
Return on capital employed (rolling 12 months), %	24.1	15.3	24.1	20.4	12.9	16.7	29.1	13.4
Equity/assets ratio, %	60	59	60	61	60	77	76	77
Debt/equity ratio, %	5	12	5	11	6	0	-16	-6
<b>Other</b>								
Average no. of employees	313	303	307	303	301	282	264	251
Pulp production, 1,000 tonnes	205.3	200.0	398.9	393.6	401.2	374.1	373.3	345.0
Pulp deliveries, 1,000 tonnes	194.3	195.7	381.1	382.5	395.9	374.1	372.2	344.2
List price of NBSK pulp, USD per tonne <sup>1</sup>	1,098	1,109	1,162	1,167	882	802	857	925
SEK/USD <sup>2</sup>	9.31	8.38	9.15	8.69	8.54	8.56	8.44	6.86
List price of NBSK pulp, SEK per tonne	10,216	9,294	10,617	10,144	7,530	6,867	7,228	6,345

<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

	2019		2018				2017			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Income statement (SEK m)</b>										
Net turnover	582	630	580	567	576	537	496	472	472	472
EBITDA	131	167	39	136	118	101	21	66	83	77
Depreciation/amortisation and impairment	-28	-26	-27	-25	-24	-23	-28	-22	-21	-20
EBIT	103	141	12	111	94	78	-7	44	62	57
Financial items (net financial items)	-5	-5	-5	-5	-4	-5	-5	-3	0	-1
Profit/loss after financial items	98	136	7	106	90	73	-12	41	62	56
Tax on profit/loss for the period	-21	-28	2	-24	-17	-16	2	-9	-13	-13
Net income	77	108	9	82	73	57	-10	32	49	43
<b>Per share</b>										
Earnings per share SEK	0.50	0.71	0.06	0.54	0.48	0.37	-0.06	0.21	0.32	0.28
<b>Other</b>										
Pulp, production 1,000 tonnes	107.7	97.6	93.6	100.0	100.1	99.9	94.4	102.5	101.4	102.9
Pulp, deliveries 1,000 tonnes	95.1	99.1	94.3	92.5	97.5	98.2	100.1	95.7	98.9	101.2
List price of NBSK pulp SEK per tonne	9,900	10,527	11,056	10,983	10,047	8,584	7,949	7,279	7,572	7,290

SHARE DATA <sup>1</sup>

		Jan-Jun 2019	Jan-Jun 2018	Rolling 12 months	Full year 2018	2017	2016	2015	2014
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	1.21	0.85	1.81	1.45	0.75	0.84	1.46	0.87
Cash flow after investments/share <sup>3</sup>	SEK	1.34	-0.03	1.16	-0.21	-0.10	-0.60	1.52	0.29
Equity per share	SEK	9.78	8.68	9.78	9.57	7.91	7.54	6.93	6.39
<b>Dividend</b>									
Ordinary dividend	SEK	-	-	0.40	0.40	0.30	0.30	0.30	0.20
Extra dividend	SEK	-	-	0.30	0.30	0.07	0.10	0.20	0.60
Total	SEK	-	-	0.70	0.70	0.37	0.40	0.50	0.80
Dividend/equity per share	%	-	-	7.2	7.3	4.7	5.3	7.2	12.5
Share price at end of period	SEK	11.60	11.88	11.60	8.24	7.15	8.05	8.15	3.74
Market price/equity/share	times	1.2	1.4	1.2	0.9	0.9	1.1	1.2	0.6
P/E ratio per share	times	6.4	11.9	6.4	5.7	9.5	9.6	5.6	4.3
Direct yield <sup>4</sup>	%	-	-	6.0	8.5	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 ratio 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.

#### CAPITAL EMPLOYED

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

#### NET DEBT/NET CASH

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

<b>Market pulp</b>	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.
<b>BCTMP</b>	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).
<b>BEK</b>	Bleached Eucalyptus Kraft pulp.
<b>CTMP</b>	Chemi-Thermo-Mechanical Pulp. Development of TMP, where the mechanical pulp is impregnated with chemicals. Stronger than TMP. The term is used in Europe for both bleached and unbleached pulp.
<b>ECF</b>	Elemental Chlorine Free. Sulphate pulp bleached using chlorine dioxide, not chlorine.
<b>High-yield pulp</b>	Groundwood pulp, TMP and CTMP/BCTMP.
<b>Chemical pulp</b>	Pulp produced by boiling wood raw material 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.
<b>Short-fibre pulp</b>	Pulp where the raw material is hardwood, which has shorter cellulose fibre than softwood.
<b>Long-fibre pulp</b>	Pulp where the raw material is softwood, which has longer cellulose fibre than hardwood.
<b>Mechanical pulp</b>	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.
<b>NBSK</b>	Northern Bleached Softwood Kraft: bleached long-fibre sulphate pulp. The leading indicator of world market prices.
<b>Groundwood pulp (SGP)</b>	Mechanical pulp based on roundwood as a raw material.
<b>TMP</b>	Thermo-Mechanical Pulp: mechanical pulp produced using a technique in which the chips are preheated with steam, but without chemicals.
<b>UKP</b>	Unbleached Kraft Pulp, unbleached sulphate pulp.

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Rottneros AB (publ)

P.O. Box 144, SE-826 23 Söderhamn, Sweden

Visiting address: Vallviks Bruk, SE-826 79 Vallvik, Sweden

+46 (0)270 620 00 [info@rottneros.com](mailto:info@rottneros.com) [rottneros.com](http://rottneros.com) Corp. ID no. 556013-5872