



ROTTNEROS

2019

ROTTNEROS ANNUAL REPORT



OPERATIONS

- 4 Rottneros in Brief
- 6 The year Brief
- 8 Comments by the CEO
- 10 Market
- 18 Objectives and Strategies
- 20 Dividend Policy and Long-Term Goals
- 21 Letter from the Chairman
- 22 Strategy – Pulp Wood Supply
- 25 Strategy – Production
- 32 Products and Areas of Application

SUSTAINABILITY REPORT

- 40 Sustainability Report
- 45 Financial Responsibility
- 49 Social Responsibility
- 52 Environmental Responsibility

DIRECTORS' REPORT

- 56 Directors' Report
- 58 Proposed Appropriation of Profits
- 59 The Board of Directors' Proposal for Guidelines for Remuneration
- 61 Opportunities and Risks
- 68 Corporate Governance Report

FINANCIAL REPORTING

- 76 Consolidated Statements of Income
- 77 Consolidated Balance Sheet
- 78 Consolidated Statement of Changes in Shareholders' Equity
- 79 Consolidated Statement of Cash Flows
- 80 Parent Company Statements of Income
- 81 Parent Company Balance Sheet
- 82 Parent Company Statement of Changes in Shareholders' Equity
- 83 Parent Company Statement of Cash Flows
- 84 Supplementary Disclosures and Notes
- 100 Proposed Appropriation of Profits and Assurance
- 101 Auditor's report

OTHER INFORMATION

- 104 Board of Directors, Auditors and Management Team
- 106 The Rottneros Share
- 108 Multi-year overview
- 109 Alternative Performance Measures and Definitions of Key Ratios
- 110 Glossary
- 111 Annual General Meeting

About the Sustainability Report

Pages 40–55, constitute Rottneros statutory sustainability report. The report covers Rottneros AB and its subsidiaries during the financial year January 1, 2019 to December 31, 2019. The content is based on regularly updated analyses of significant issues for stakeholders. The Sustainability Report is reviewed by the Group's auditor and the opinion has been submitted on page 103.

An aerial photograph of a serene landscape featuring a winding lake, dense green forests, and rolling hills under a clear sky. The text "PURE POSSIBILITIES" is overlaid in the center in a white, sans-serif font.

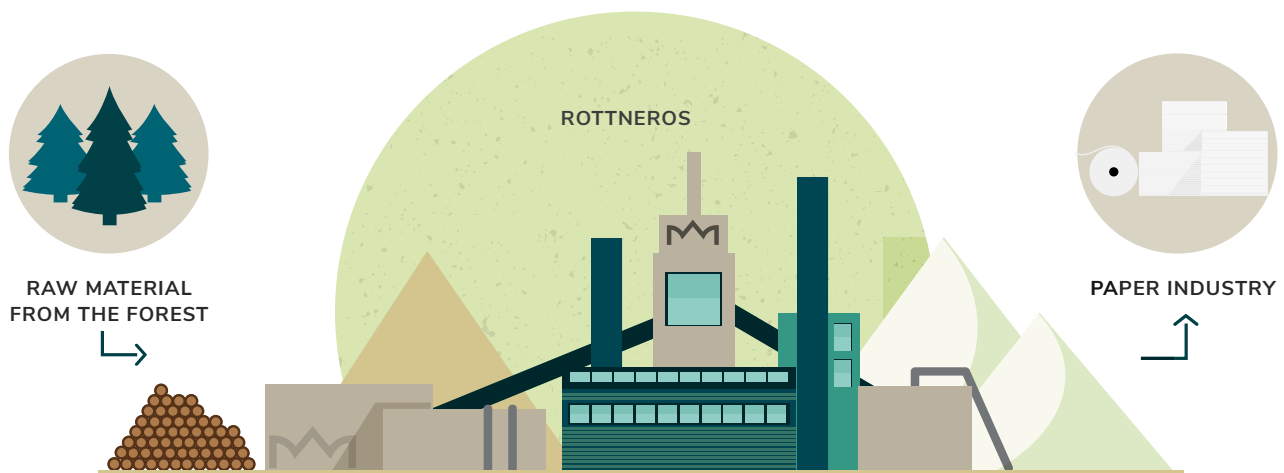
PURE POSSIBILITIES

Independent and sustainable producer of customised market pulp

Rottneros develops and produces pulp of highest quality. The Group offers one of the broadest product ranges on the global market. We work closely with our customers and tailor our offer to optimise their processes and products. The Group is also active in Northern Europe within the fast growing segment of fibre-based food trays. Market-leading products and services from Rottneros provide customers with added value, the key to creating sustained profitability.

This is Rottneros

Rottneros processes pulp wood in two specialised pulp mills and one new facility for production of fibre trays. We offer one of the world's broadest product ranges in pulp. The number of end products that contain our pulp is large.



2,376

SEK MILLION TURNOVER

Net turnover grew 5 per cent in 2019, mainly because of increased pulp deliveries.

303

NUMBER OF EMPLOYEES

The Rottneros Group has 303 motivated employees who primarily work at the Group's two pulp mills in Vallvik and Rottneros.

406,000

TONNES PULP PRODUCTION

In 2019, the Group produced a total of 406 thousand tonnes of pulp, a new record, corresponding to an increase of 3 per cent compared with 2018.

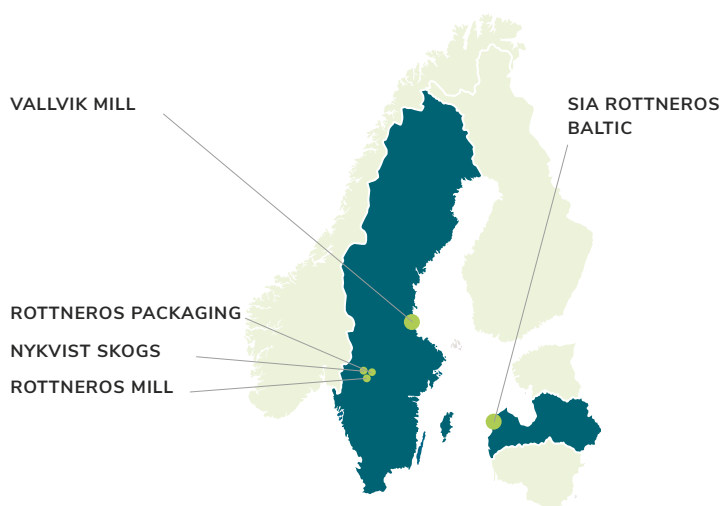
We produce:



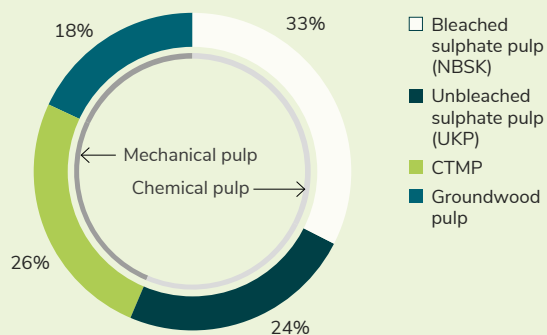
Our customers produce:



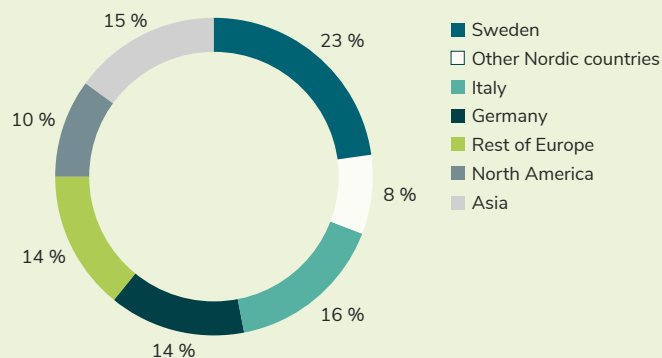
Our facilities:



The Group's products, delivery volume breakdown



Geographical distribution of turnover



Good profitability despite a weak market, volume growth continued as planned

2019 was a good year for Rottneros. Production increased by 3 per cent to 406 thousand tonnes, a new annual record. We reported a strong EBIT result, SEK 268 million, despite the challenging market. Cash flow from operating activities continued at a high level and totalled SEK 462 million. We were therefore able to pay our shareholders a dividend of almost SEK 215 million.

Q1

NEW RECORD QUARTER

EBIT totalled SEK 141m, which was a record for a single quarter in the Group's current structure.

Cash flow from operating activities was also strong, SEK 147m. Rottneros Packaging started commercial production of fibre trays in the new facility in Sunne.

Q3

BOARD OF DIRECTORS PROPOSED EXTRA DIVIDEND

The Board of Directors proposed an extra dividend of SEK 0.70/share, which was then resolved by an Extraordinary General Meeting in November. We recruited and filled two key positions, Ola Thomasson as mill director at Rottneros Mill and Peter Sävelin as mill director at Vallvik Mill.

Q2

TOP LEVEL PRODUCTION

Production volume totalled 107.7 thousand tonnes, which was a new quarterly record. We presented the Group's new logo at the Annual General

Meeting. This is an important step to clarify our focus on gender equality and climate-smart products. During the quarter we decided to invest in a new methane gas burner at Rottneros Mill, which will essentially allow us to achieve the goal of a fossil-free production process at Rottneros Mill.

Q4

PURCHASE OF NYKVIST SKOGS

We reached an agreement to acquire the forest operating company Nykvist Skogs AB. The deal further strengthens our ability to source raw materials through increased access to private forest owners. New annual records are achieved on the basis of continued good production, 406 thousand tonnes produced and 408 thousand tonnes delivered.

462

Cash flow from operating activities was SEK 462 million.

11.3%

The EBIT margin was a historically strong 11.3 per cent, even though pulp prices fell sharply during the year.

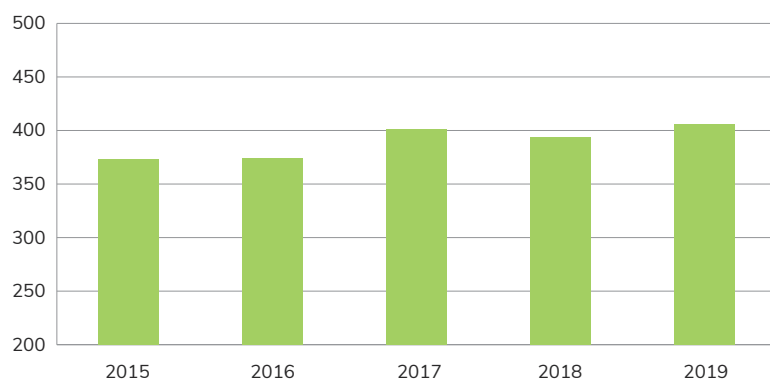
THE YEAR IN BRIEF

KEY RATIOS	2019	2018	Change, %
Net turnover	2,376	2,260	5
EBITDA	374	394	-5
EBIT	268	295	-9
Profit/loss after financial items	247	276	-11
Net income	194	221	-12
Earnings per share, SEK	1.27	1.45	-12

⬆ 5%

Net turnover grew 5 per cent, mainly because pulp deliveries increased by 7 per cent.

PRODUCTION, THOUSAND TONNES

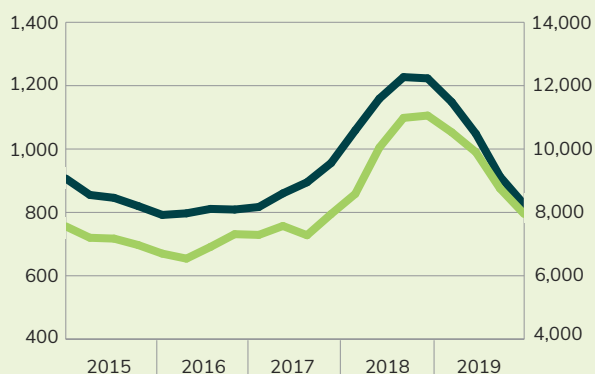


⬆ 3%

The Group's pulp production increased 3 per cent as a result of the investments made in recent years, as well as improved availability in the mills.

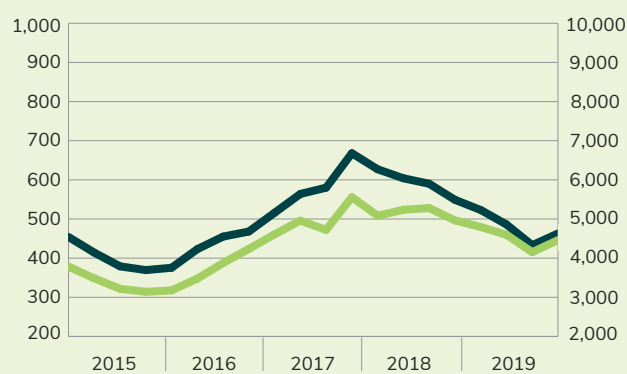
In 2019 Rottneros produced 406 thousand tonnes of pulp, which is a new production record for the Group.

PULP PRICES NBSK IN USD AND SEK



— Pulp prices NBSK Europe in USD per tonne
— Pulp prices NBSK Europe in SEK per tonne

PULP PRICES BCTMP IN USD AND SEK



— Pulp prices BCTMP China in USD per tonne
— Pulp prices BCTMP China in SEK per tonne

NBSK is proxy for "chemical pulp", BCTMP is proxy for "mechanical pulp".
Sources: NBSK Europe list price (FOEX), BCTMP China (Brian McClay), Exchange rate (Riksbank)

A successful year with good profitability and continued volume growth

Overall, 2019 was a good year for Rottneros. The systematic work at our mills in recent years has paved the way for continued production growth and increased efficiency. Production increased by 3 per cent to a new annual record, 406 thousand tonnes. Those factors we can directly influence thereby performed well and in line with our plans. At the same time, the weak market trend was a challenge and an inhibiting factor for earnings. Nevertheless, both earnings and cash flow were strong, allowing us to distribute almost SEK 215m in dividends to our shareholders.

2019 was a successful year in many ways. Once again we saw confirmation that our long-term focus on continuous improvements and gradual investments resulted in increased production, productivity and sustainability. Our focus on optimising those factors we can directly influence is the key to our value generation for both a sustainable society in general, and to create a good risk-adjusted return for our shareholders.

STRONG CASH FLOW ALLOWS EXTRA DIVIDEND

Our EBIT was SEK 268m and the EBIT margin was 11.3 per cent, an outstanding performance given the gradually weakening market situation during the year. Cash flow from operating activities was extremely strong at SEK 462m.

Pulp deliveries increased by an impressive 7 per cent, which meant that we achieved the goal of disposing of the entire volume we had available for sale at profitable price levels. This achievement is the result of the determined efforts of our marketing department to develop both current and new niches, in both existing and new geographical markets. The establishment of our own marketing channel in Central Europe is one concrete example of this effort. Through direct contact with customers, we increase the ability to customise our products to their needs and thereby improve profitability for them as well as for ourselves.

SUSTAINABILITY IS PART OF OUR DNA

Sustainability is found naturally in our DNA. Our products are part of the solution in the effort to create long-

term sustainable development globally. Like the forest, our products store carbon dioxide. Step by step, we are also on the way towards an essentially fossil-free production process by replacing oil with bark and chips. During the year we decided to invest in a new methane gas burner at Rottneros Mill, which means that we will basically achieve the goal of a fossil-free production process at the mill.

SHARPLY FALLING PULP PRICES IN 2019

In 2019, the global pulp market worsened dramatically, resulting in gradually falling prices. The main reason was lower consumption growth due to the slowdown in the world economy, especially in China, which was affected by factors such as increased trade barriers. At the same time, the supply in the market increased through high capacity utilisation globally and increased production volumes from several Nordic players. Towards the end of the year, however, the market balance improved and inventory levels fell. At that point the price trend levelled off at a low level. The gross price of NBSK fell from USD 1,200 at the beginning of 2019 to around USD 820 at the end, corresponding to a decline of just over 30 per cent. The long-term trend, with an annual consumption growth of 1–2 per cent, is expected to continue. Another positive factor is that there will be no major capacity increases in the market over the next few years.

NEW LOGO, VISION AND BUSINESS CONCEPT

The year was eventful in many ways. In conjunction with the well-attended Annual General Meeting in

COMMENTS BY THE CEO



Sunne in May we presented the Group's new logo. This is an important step to clarify our focus on gender equality and climate-smart products. It is also linked to the "One Rottneros" project that we concluded during the year. "One Rottneros" is based on a set of common core values, dedicated leadership and clarification of our brand. Safety, education and competence enhancement are important areas on which we are focusing.

The Group's new vision, Always make a difference, which was adopted in the fall, ties in well with the soul of our organisation. As part of our efforts to renew Rottneros, we also adopted a reformulated business idea: Guided by curiosity and experience, we offer products and services in close cooperation with our customers. Both signal our focus on constant improvement and being close to our customers to proactively create added value as often as we can.

Our high ambitions for sustainability are an important piece of the puzzle in the effort to make Rottneros a good employer and to strengthen our brand in the quest for new talents for our operations.

During the fall we recruited and filled two key positions in group management, Ola Thomasson as mill director at Rottneros Mill and Peter Sävelin as mill director at Vallvik Mill. Both will play a key role in the continued development of our mills towards increased volumes and efficiency.

PURCHASE OF NYKVIST SKOGS AB

In early November we entered into an agreement to acquire the forest operating company Nykvist Skogs AB.

The deal further strengthens our pulp wood supply through increased access to wood from private forest owners. This group accounts for about half of all forest ownership in Sweden. The aim is to continue to expand the business as an independent player and to gradually increase the amount of wood that is managed.

Our investment in Rottneros Packaging continues. At the beginning of the year commercial production of moulded fibre trays began in Sunne. An additional machine is planned to be ready for startup in the first half of 2020. Demand for climate-smart packaging and fibre trays continues to be strong and is growing fast.

In 2020, we face the significant challenges that the rapid spread of the corona virus poses to society at large. As always, the health of our employees is a top priority. In addition, our focus will be even stronger towards completing the work of recent years and further streamlining the company for increased production, efficiency, sustainability and proximity to our customers. Our focus on optimizing the factors we can influence ourselves thus continues at high pace and we are well equipped, both operationally and financially, to meet the challenges that await. Most of the applications we supply to should be relatively resilient against the economic downturn.

Last but not least, I would like to thank all of our employees, customers, suppliers and our Board of Directors for their outstanding collaboration during the year.

Lennart Eberleh
President and CEO



From forest ...

... to product

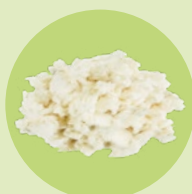
Few other manufacturing industries have the advantage of working with a renewable raw material. Rottneros primarily uses Swedish raw materials from the forest, which are part of a natural cycle – without beginning or end. Demand for products that use natural resources responsibly is growing. Using this as a point of departure, we can proudly produce a variety of customised product ranges for the global market.



Unbleached
chemical pulp



Bleached
chemical pulp



CTMP, bleached and
unbleached



Groundwood pulp,
bleached and unbleached



Fibre trays



End products



Board and
packaging



Filters



Electrotechnical
applications



Tissue paper



Printing and
writing paper



Special
products

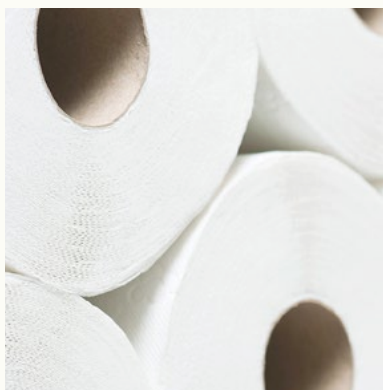
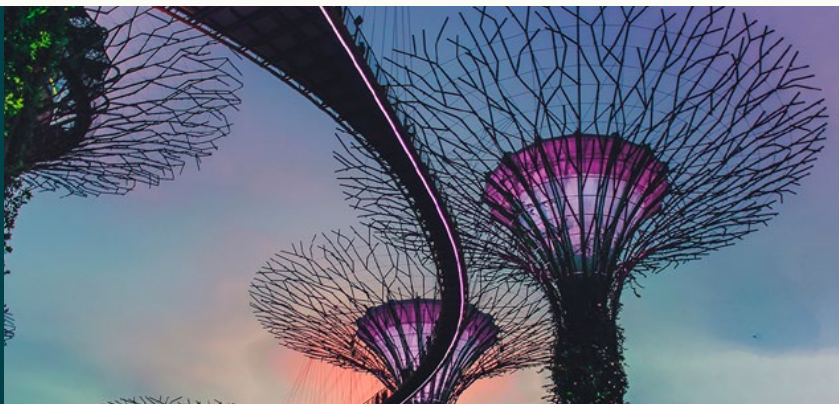


Fibre trays

Five megatrends that affect Rottneros

LONG-TERM ECONOMIC GROWTH

The strong industrial expansion and gradually improving living standard are fundamental driving forces behind the growing use of pulp around the world, with an emphasis on the rapidly expanding emerging economies.



GROWING NEED FOR TISSUE PAPER

As living standards rise in emerging markets, private consumption is also increasing, including consumption of hygiene products. Tissue paper is the segment that currently demonstrates the fastest growth and accounts for over one third of market pulp consumption worldwide.



DIGITALISATION

Digitalisation is shifting the structure of the market. The trend is moving away from graphic paper towards pulp for other applications such as packaging, tissue paper and specialty paper.



GEOGRAPHIC SHIFT

Production and consumption of pulp are shifting geographically from the mature economies in the west towards the rapidly growing markets in Asia. Over the past five years, demand for market pulp has grown by about 2 per cent annually, and of this increase, Asia accounts for 90 per cent of global consumption growth.



GROWING DEMAND FOR SUSTAINABLE PACKAGING

Many studies show the advantage of board as a fossil-free and sustainable packaging material. Rottneros is active in this transition through its focus on pulp for board and its own tray production.

Growing need for hygiene and packaging products drive growth

The Rottneros Group is an independent and flexible niche producer of both chemical and mechanical pulp. Sales are global with a focus on Europe. Significant volumes also go to the US and Asia. After several years of rising prices, the trend in the pulp market turned downwards in 2019. The main reasons were a weaker world economy and relatively high capacity utilisation among pulp producers.

In the long term, demand will continue to show stable growth, mainly due to a growing need for hygiene and packaging products in the rapidly expanding economies in Asia and Latin America. Wood fibre-based products will also grow in areas where plastic still dominates because of the gradual increase in environmental awareness in society.

ROTTNEROS AND THE MARKET

Rottneros' strategy focuses on market leadership in selected niches with the overarching objective of increasing the proportion of sales to end products that show good market growth by developing both current and completely new niches.

The Rottneros Group produces pure or extremely pure pulps with properties that meet high standards in certain niche areas. The Group's pulp is for example

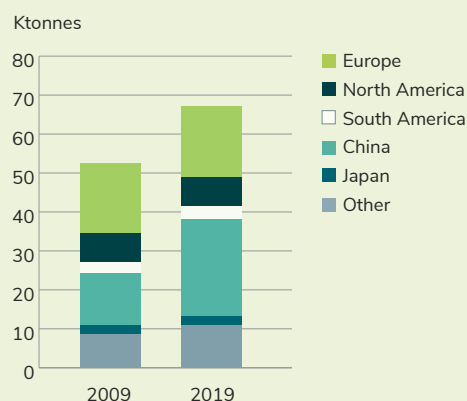
used for production of filters for various purposes.

E-pulp is another important product that is excellent for electrical insulation in transformers and high voltage cables for underwater use. The continued industrialisation of Asia and Latin America should help to boost demand, as should the expansion and modernisation of power grids in Europe and the US.

The company also has a strong position in a third and larger market segment, pulp for board manufacturing. The Group's pulp provides added value for the customers by improving bending stiffness and printability, which are important properties for board.

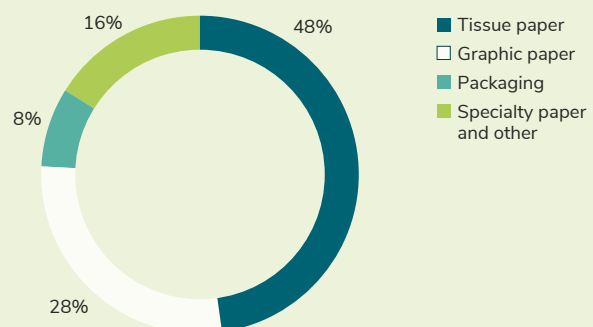
The high quality of Rottneros' pulp makes it well-suited for board products used for food and beverages, which provides an important advantage in the market. A key feature is that the board should not affect the taste or odour of the packaged product.

MARKET PULP – GLOBAL CONSUMPTION BY REGION



Demand for market pulp has grown in China in particular, which now accounts for more than one third of consumption.

MARKET PULP – GLOBAL CONSUMPTION BY APPLICATION



There is a trend towards increasing production of pulp for tissue paper, packaging and specialty paper, and decreasing pulp production for graphic paper.

The unbleached sulphate pulp produced in Vallvik Mill is ideally suited for the growing brown liquid packaging board segment. The mill's large washing capacity makes it possible to produce a very pure unbleached pulp that gives Rottneros an advantage over competitors and a strong market position. The investment in fibre tray production at Rottneros Packaging is also a good fit in the company's overarching focus on segments that grow where the Group has a competitive advantage.

Groundwood pulp from Rottneros Mill represents a competitive alternative within the thin fine paper market segment, particularly where there are high requirements for opacity (paper that is not transparent), as well as for tissue paper and board.

MARKET OVERVIEW

Globally, the use of cellulose fibre for paper, board and hygiene products amounts to 410 million tonnes per year. Just over half of this consists of recycled fibre. The remainder largely consists of virgin fibre from coniferous and leaf trees. That part amounts to 175 million tonnes

annually, of which just over 60 per cent is produced in integrated paper and board mills. The remainder, around 67 million tonnes, consists of market pulp that is sold on the market. It is dominated by chemical pulp, nearly 40 per cent of which is long-fibre pulp made from softwood. The proportion of mechanical pulp is relatively modest, approximately six per cent or about four million tonnes.

Market pulp is used for production of tissue paper and other hygiene products, graphic paper, board, packaging paper and various types of specialty applications for paper, as well as for other areas.

LONG-TERM DRIVERS AND TRENDS

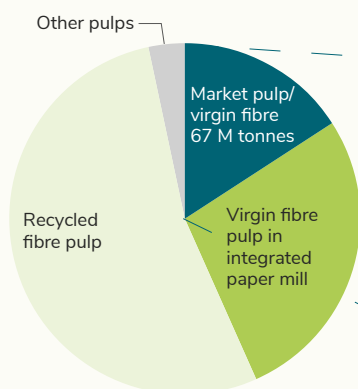
Global demand for market pulp has increased by about 2 per cent annually over the past five years, though this growth has been unevenly distributed among markets and regions. The mature industrial countries in the west show stagnating demand, while consumption in the Asian emerging markets is surging. Asia has accounted for 90 per cent of the global increase in consumption of

Rottneros is active in the market pulp segment, which is about 17 per cent of the total pulp market

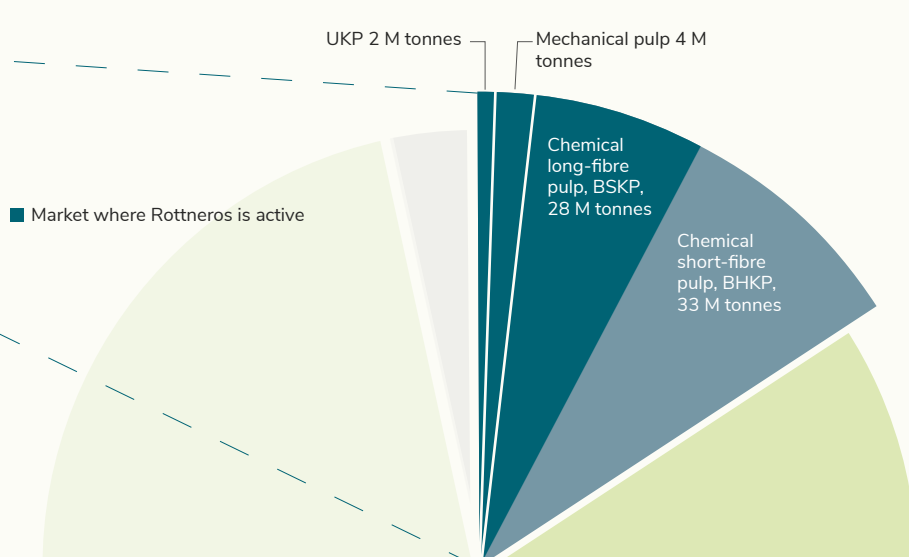
The total annual consumption of cellulose fibre for paper, board, hygiene products and textiles is about 410 million tonnes. Rottneros is active in the market pulp segment, which amounts to 67 million tonnes. The largest portion of the market pulp segment comprises bleached chemical pulp, either long-fibre pulp based on softwood or short-fibre pulp based

on eucalyptus, birch or other hardwood. Chemical long-fibre pulp can also be unbleached and is then called UKP. Vallvik Mill produces bleached and unbleached chemical long-fibre pulp. Mechanical pulp accounts for a small part of the market, about 4 million tonnes. CTMP and groundwood pulp, which are produced at Rottneros Mill, are mechanical pulps.

TOTAL FIBRE CONSUMPTION: 410 M TONNES



MARKET PULP: 67 M TONNES



MARKET

market pulp over the past five years. At about 25 million tonnes, China is the world's largest buyer of market pulp and the country has increased its share of the global market from 25 to 37 per cent since 2009.

The structure of the market has gradually shifted as a result of digitalisation and the rapidly growing economies in Asia. Thus the trend is moving towards pulp for tissue paper, packaging and specialty paper, while moving away from pulp for graphic paper. At the same time, consumption of pulp is shifting from the mature economies in the west towards the rapidly growing markets in Asia. The strong industrial expansion and gradually improving living standard are fundamental driving forces behind the growing use of pulp.

The area of application that currently demonstrates the fastest growth is tissue paper, which accounts for over one third of market pulp consumption worldwide. As living standards rise in the emerging markets, private consumption is also increasing, including consumption of hygiene products. Demand for tissue paper is high and stable in mature markets, and strongly increasing

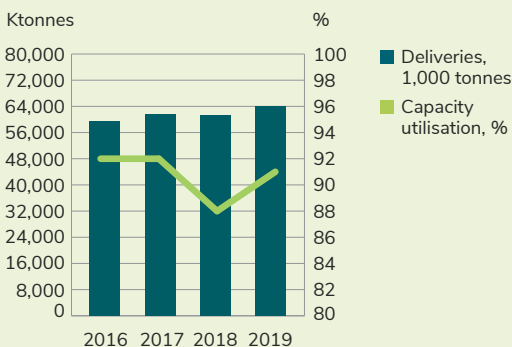
in emerging markets. China is the world's largest tissue market, followed by the US. Tissue is mainly produced in non-integrated paper mills and the expansion has largely been based on market pulp.

Demand for tissue and board will continue to grow over the next few years, mainly as a result of the gradually rising standard of living in the expanding countries in Asia. Meanwhile, consumption in the developed countries is expected to be stable. Demand for graphic paper will continue to decline moving forward.

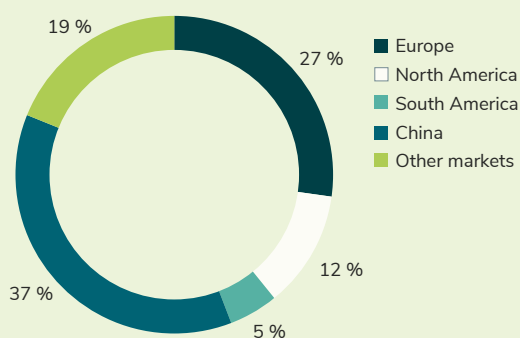
For a long time, graphic paper was the predominant area of use for market pulp. Ten years ago, more than 40 per cent of the world's market pulp was used in paper production. Digitalisation of media has forced the paper industry to restructure and adapt production to lower demand. Nevertheless, graphic paper is still a significant application, but its share of global consumption has now fallen to about 25 per cent. For pulp producers, this trend entails continued readjustments to other customer segments and product niches in the coming years. For the Rottneros Group this mainly involves focusing on

Chemical pulp

GLOBAL DEMAND AND CAPACITY UTILISATION, MARKET PULP

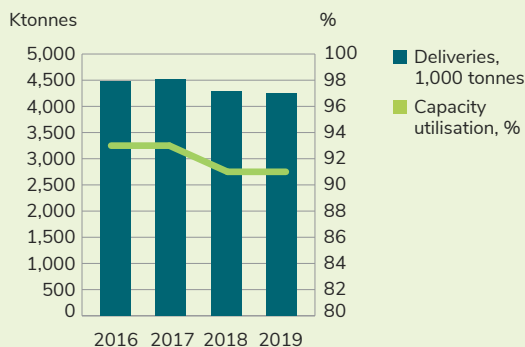


DELIVERIES OF CHEMICAL MARKET PULP, WORLDWIDE

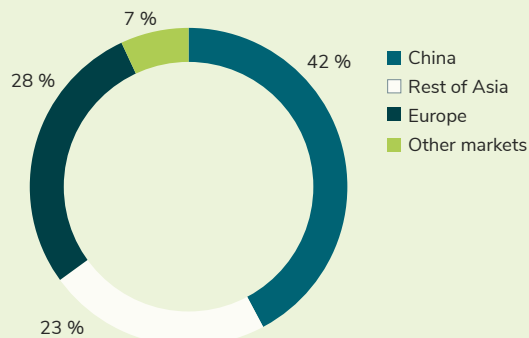


Mechanical pulp

GLOBAL DEMAND AND CAPACITY UTILISATION, MARKET PULP



DELIVERIES OF MECHANICAL MARKET PULP, WORLDWIDE





Market pulp

is pulp that is sold mainly to non-integrated paper or board mills, but also to integrated mills when their own pulp production is insufficient.

An integrated mill

produces its own pulp in connection with production of paper and board.

A non-integrated mill

buys pulp on the market (market pulp) which is then further processed in the factory.

the growth areas board and tissue paper, as well as on those particular niches where the Group's high quality pulps meet the high standards of customers. The Group aims to leverage its expertise, in terms of both technology and production, to establish and advance its strong market position within these selected niches. A close relationship with customers and a solid understanding of their needs and operations will be required to accomplish this objective. However, graphic paper will continue to be an important customer segment because of its size.

WEAKER PULP MARKET IN 2019

The pulp market weakened in 2019 as a result of the slowdown in the global economy. China demonstrated growth, while demand in Europe and North America declined. A total of about 67 million tonnes of market pulp were delivered during the year, corresponding to an increase of 2 per cent compared with 2018. Deliveries of bleached softwood sulphate, where Rottneros has a large portion of its sales, also increased.

Consumption of pulp for graphic paper continued to decline as a result of the ongoing structural changes, in which digital media are taking market share from printed products. As in the past, the decline was offset by increased demand in the hygiene and packaging segments.

Europe

The majority of Rottneros' sales, almost 75 per cent, take place in Europe. Europe's consumption of about 18 million tonnes corresponds to barely 30 per cent of global market pulp consumption. In 2019 the market shrunk, in part because of a weaker economy, as deliveries declined by 6 per cent.

Asia and the US

The non-European markets account for about one quarter of sales for the Rottneros Group, mainly comprising mechanical pulp for Asia, and chemical pulp for the northeastern US. Despite strong domestic production in North America, there is a clear need for the niche specialty pulps that Rottneros delivers.

More than half of all market pulp worldwide, about 35 million tonnes, is consumed in Asia. Deliveries to the region continued to grow in 2019. The North American market, which is dominated by hygiene products and specialty paper, amounts to about 7.5 million tonnes. Here demand for market pulp declined during the year, mainly because of weaker growth.

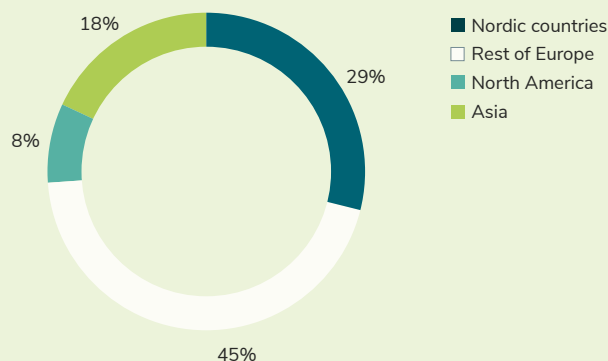
PRICE TRENDS

Pulp prices fell during the year because of high capacity utilisation which, along with a weaker global economy, caused inventory levels to increase. Consequently prices were gradually pressed downwards during the year. The price of long-fibre pulp fell in 2019 by USD 380 and was at year-end USD 820.

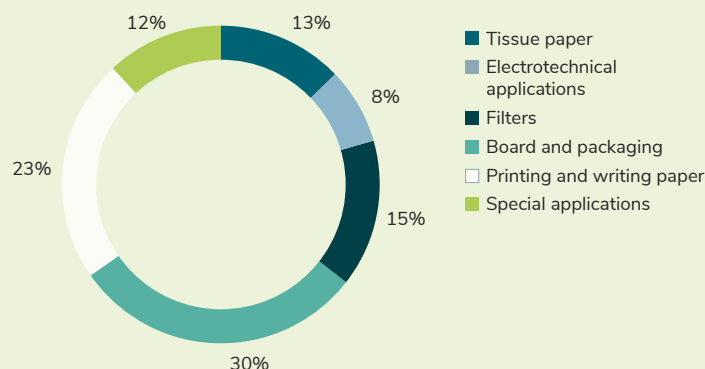
ROTTNEROS' SALES ORGANISATION

The Rottneros Group is mainly dependent on the development in the European market, where about 75 per cent of Rottneros' sales take place. The main focus of our sales organisation is on meeting the demands of this market. In 2019 Rottneros strengthened its sales organisation in Europe by replacing the previous agency in Germany with its own sales representative for Central Europe, thus coming closer to customers and being able to offer a better service.

ROTTNEROS' PULP DELIVERIES,
TOTAL 408,000 TONNES, BY MARKET



ROTTNEROS' PULP DELIVERIES,
TOTAL 408,000 TONNES, BY APPLICATION



Constant development with focus on productivity, niches and sustainability

Rottneros' overall objective is to create sustained and long-term profitability, as well as to yield a good return for the Group's shareholders. To do so, the Group will offer products and services of the highest quality that create clear added value in growing niches. We are constantly working to develop new products and applications for both current and new customer groups. Employee safety, high productivity in the mills and first-class service to our customers are top priorities.

Vision

ALWAYS MAKE A DIFFERENCE

Business idea

GUIDED BY CURIOSITY AND EXPERIENCE, WE OFFER PRODUCTS AND SERVICES IN CLOSE COOPERATION WITH OUR CUSTOMERS.

Curiosity

We are innovative, progressive, and, solution-oriented – with the ambition to always do better.

Experience

The fact that the mills have existed for over 100 years makes it impossible to exaggerate our accumulated skill and experience.

Close cooperation

Close means understanding the customer's market and challenges. Also, close implies real relationships, exchange of knowledge, and excellent collaboration.

Customers

Our current and future customers, here or on the other side of the globe.

OBJECTIVES AND STRATEGIES

PULP WOOD SUPPLY

Rottneros' overarching strategy is to have a small and efficient organisation to procure raw material. The Group does not have any forest of its own and captures its raw materials mainly in the local wood market around each mill. The wood is certified, which guarantees that the raw material does not come from controversial sources.

SAFETY AND EFFICIENCY

Rottneros has a zero target approach regarding personal injuries. It permeates the entire operation and is part of the Group's effort to be a sustainable workplace. We apply a structured and targeted approach to avoid workplace accidents. The productivity of the mills is critical for creating both short-term and long-term profitability.

Through constant improvements, production is gradually increased through higher availability and capacity. The focus is on safety, preventive maintenance, orderliness, continuous optimisation of procedures and removal of bottlenecks.

PRODUCT DEVELOPMENT AND SERVICE

Rottneros' comprehensive objective is to increase the proportion of sales that go to end products that demonstrate clear market growth by developing both current and completely new niches. By leveraging the competitive advantages of pulp combined with a high level of technical expertise, the Group can establish a strong market position in selected segments. Consistent business intelligence monitoring and curiosity are also important for growth in current niches, as well as for identifying new segments with good market growth.

Development work and the high level of service are key components of the Group's strategy of positioning both mills towards a high proportion of specialised customers. It also opens opportunities for collaboration where Rottneros can offer customers tailored solutions. This is accomplished through combining two mills that produce both chemical and mechanical pulp and the high level of specialised knowledge within the company.

What Rottneros does



Strategies

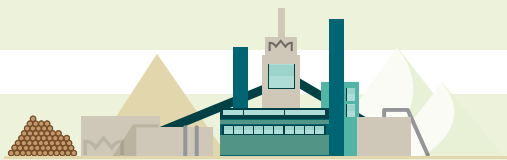


PURCHASE OF RAW MATERIALS

Our products are made with raw material from the forest. Chemicals, water and electricity are also required.

RELIABLE SUPPLY OF RAW MATERIALS

The Group does not have any forest of its own and mainly captures its raw materials in the local wood market around each mill. The wood is certified, which guarantees that it does not come from controversial sources.



PULP PRODUCTION

Two specialised pulp mills and one new facility for production of fibre trays.

SAFETY AND EFFICIENCY

Production that maximises the number of produced tonnes and delivers energy as a by-product for the needs of the mills. Strong focus on safety and zero accidents.



TYPES OF PULP AND PRODUCTION

MECHANICAL: Rottneros Mill produces both bleached and unbleached mechanical pulp from the two categories CTMP and groundwood pulp, in about 25 different qualities.



CHEMICAL: Vallvik Mill produces chemical pulp, both bleached and unbleached, by boiling woodchips in a special cooking liquor so that the fibres are released.



ROTTNEROS PACKAGING: A one hundred percent fossil-free packaging solution primarily intended for food packaging.

DEVELOP TYPES OF PULP

Develop types of pulp for selected niche industries.

BROADEN THE OFFER

Create a third leg for Rottneros in the longer term.



RAW MATERIAL FOR MANY END PRODUCTS

Through its two mills Rottneros offers one of the broadest ranges of pulp products in the world, which leads to a large number of end products that contain our pulp.

EFFICIENT DISTRIBUTION

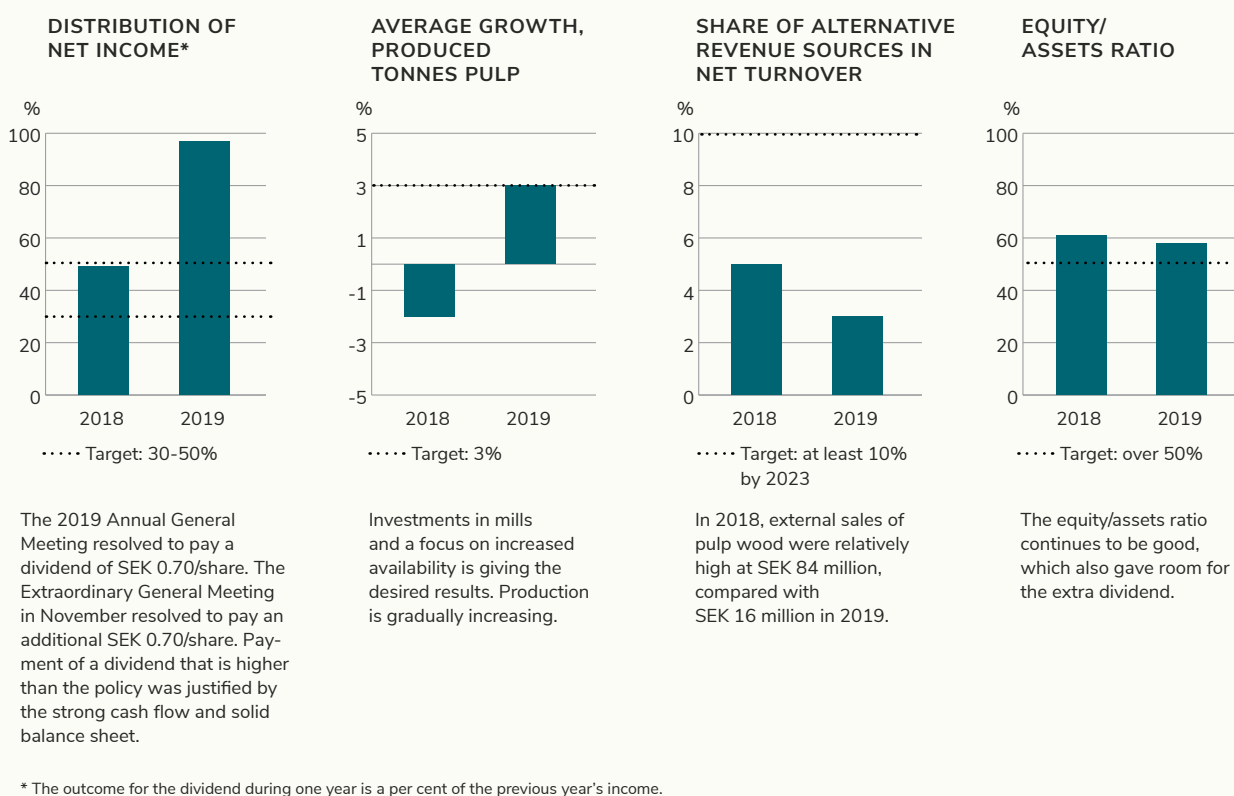
HIGH STANDARD OF SERVICE

EXPANSION INTO RELATED SEGMENTS

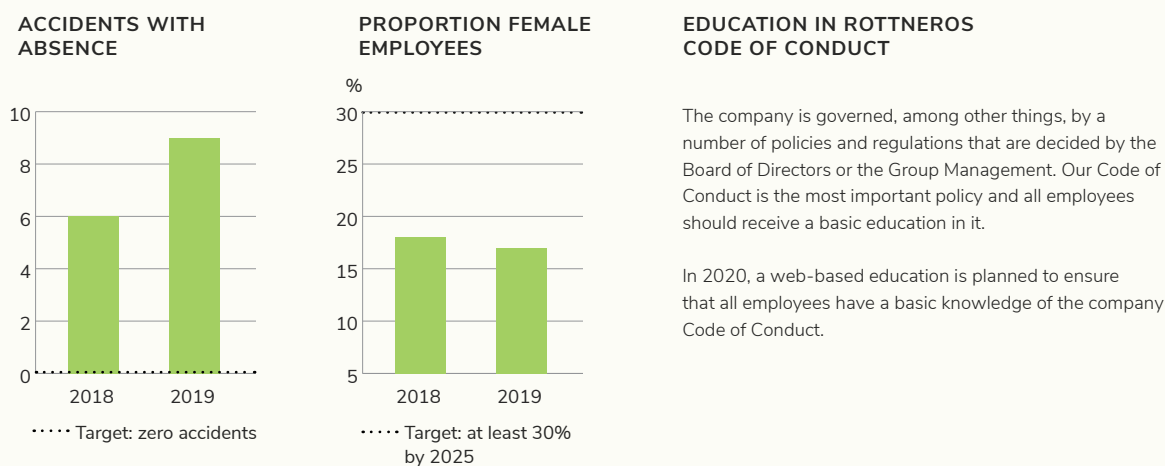
Goals and outcomes

In 2018 Rottneros' Board of Directors updated the dividend policy and adopted long-term financial and sustainability goals for the Group.

Financial objectives



Sustainability goals



Focus on shareholder value and sustainability

Rottneros' position as a sustainable, profitable and leading global player in a number of selected niches is the result of a long-term commitment to creating added value for our most important stakeholders. The primary task of the Board of Directors is to ensure, along with management, that the Group creates maximum value, both in terms of a sustainable development as well as a good return on equity for shareholders. Rottneros' long-term focus is a good fit with the growing awareness of sustainability issues throughout society.

In 2020, the consequences of the corona virus will pose major challenges to society and the world economy. The health of our employees' is always top priority and with our streamlined operations and solid finances, Rottneros is well equipped for the new situation. Longer-term, increased environmental awareness combined with a growing need for competitive packaging solutions should mean that the pulp market will show good growth.

The potential to continue to grow within Rottneros' various market niches is substantial and the investments we decide to make will provide clear added value for our shareholders, through both a good potential return and the sustainability values we can create for society at large. After several years of investing at a higher rate, the Group is now focused on consolidating, streamlining and fine-tuning the new equipment in the mills, to achieve the full value potential of the investments.

Clearly the need to replace fossil based products with sustainable materials that have a minimum impact on the environment will be a top priority in our society for a long time to come. Consumers are increasingly demanding wood fibre-based packaging in areas where plastic still dominates. Consequently, packaging of various types will be a key growth driver for Rottneros, both short and long term.

The investment in Rottneros Packaging is a perfect fit in this context. For example, fibre trays for food have substantially better environmental properties than the primarily plastic-based products that dominate the market today. Working closely with customers through our own production of fibre trays provides an understanding of the market that can also be applied in the continued development of market pulp for fibre trays.

A balanced indebtedness is crucial to create the best possible return combined with a reasonable level of risk. This strategy goes hand in hand with a good



“After several years of investing at a higher rate, the Group is now focused on consolidating, streamlining and fine-tuning the new equipment in the mills.”

dividend level. At the same time, the balance sheet requires a strong equity ratio to ensure the company is well equipped for more challenging times. These factors lead to an equity to assets ratio target of at least 50 per cent, which Rottneros currently meets with a good margin.

It is highly gratifying that the Group's good cash flow and strong finances have made it possible to pay a high dividend in recent years. In 2019, the Board of Directors resolved to distribute a total of SEK 1.40 per share, corresponding to just over SEK 210 million, of which SEK 1 was an extra dividend and SEK 0.40 an ordinary dividend.

Through the acquisition of Nykvist Skogs the Group is becoming more active on the raw material market. In the long term, it can strengthen the company's access to wood from private forest owners. They account for about half of forest ownership in Sweden and are becoming increasingly important with respect to the supply of wood for the forestry industry.

In conclusion, I would like to extend a warm thank you to Group Management and my colleagues on the Board for their excellent collaboration during the year.

Per Lundeen
Chairman

Good availability of raw material during the year

Rottneros' strategy is to have a small and efficient organisation to procure pulp wood. During the year Rottneros agreed to acquire Nykvist Skogs AB, which manages forests. Rottneros does not own its own forest and finds its raw material mainly in the local wood market near each mill. Certified wood guarantees that the raw material used does not come from controversial sources.

In 2019 availability of wood was good after a challenging 2018.

Rottneros has its own organisation to acquire wood in Sweden, as well as a wood procurement company in Latvia: SIA Rottneros Baltic. Wood is purchased in the form of pulp wood or as woodchips from different sawmills. While Rottneros Mill has more suppliers in relative terms, Vallvik Mill has fewer but larger suppliers. The state-owned Sveaskog and the forestry owners' association Mellanskog are the largest suppliers. In addition, a certain volume is imported for increased flexibility in the supply of raw materials, typically about 10 per cent in a normal year.

SIA Rottneros Baltic is a strategic aspect of the raw material organisation, which was particularly appreciated in 2018 when Rottneros could substantially increase imports of raw materials when domestic suppliers were unable to meet their obligations because of the weather. Woodchips imported from Latvian sawmills comprise most of the Group's imports and primarily go to Vallvik Mill, which has its own harbour. Imports to Rottneros Mill mainly come from nearby areas in Norway.

In late 2019 Rottneros reached an agreement to acquire the timber company Nykvist Skogs AB. Through this deal, Rottneros further strengthened its ability to procure timber by increasing access to raw material from private forest owners who account for about half of all forest ownership in Sweden. To ensure the continued

development of Nykvist Skogs the business will be operated as an independent subsidiary in the Group. The aim is to continue to expand the business and to gradually grow the flow of timber that is managed.

Rottneros' costs for raw materials increased somewhat in 2019 compared with the previous year. The total cost for pulp wood was just over SEK 860 million in 2019), corresponding to 45 per cent of the Group's costs.

THE PULP WOOD MARKET

The raw material balance is primarily affected by the forest owners' interest in harvesting and selling their wood, the price of pulp wood and competitive conditions. Since chips from sawmills comprise a substantial portion of our raw materials, the business situation and production at the sawmills is important. The inflow of raw materials from Norway to Sweden benefits the Swedish timber balance.

Access to raw materials was good in 2019. The balance between the local supply of timber and imports was at a favourable and long-term sustainable level. The market for the sawmill industry deteriorated, however, but had only limited effect on access to raw material for Rottneros. A weaker economy helped to improve the balance on the timber market, thereby enabling the Rottneros Group to increase the proportion



Pulp wood supply

WOOD

- Purchased as pulp wood or woodchips.
- State-owned Sveaskog and the forestry owners' association Mellanskog are the largest suppliers.
- A certain volume is imported.

CHEMICALS

- Rising market prices for chemicals in 2019.
- Rottneros has contacts with a wide selection of suppliers.



STRATEGY – PULP WOOD SUPPLY

of local volumes and reduce import volumes to normal levels after a challenging 2018. Imports accounted for about 10 per cent of the need for raw material.

The Group used a total of more than 1.5 million cubic metres of pulp wood and chips in 2019. The objective is for each mill to maintain an inventory of raw material to cover two to three weeks of production, with certain exceptions. Parts of the raw materials are traded with other industries in an effort to reduce transportation distances, which entails both environmental and financial savings. Seasonal variations, pricing and weather conditions affect the flow of wood supplies. Good communication and long-term relationships with suppliers are necessary to ensure stock levels and the supply of raw material to the mills.

TRACEABILITY

The Rottneros Group has a strong focus on sustainability and is traceability-certified according to two systems: FSC® (Forest Stewardship Council) and PEFC™ (Programme for the Endorsement of Forest Certification). Traceability certification guarantees that there is

nothing controversial about the origin of the wood used (e.g., illegal felling or timber from key biotopes), which can be traced back in the supply chain. Demand for certified pulp is gradually growing.

CHEMICALS

The market prices of the chemicals that the Group uses for production rose somewhat in 2019. Rottneros' target is to maintain a wide selection of suppliers to secure both its own production and competitive prices.

ELECTRICAL ENERGY

The Group's third largest external input is electricity. All external electricity for the mills is purchased directly via the Nord Pool electricity exchange at market price. To achieve stable electricity costs future prices are hedged according to an adopted strategy. By the end of 2019 Rottneros had hedged 74 per cent of electricity consumption in 2021, 42 per cent of the consumption in 2022 and 14 per cent of the consumption in the years 2023 to 2025.

A big heart for the forest at Nykvist Skogs



“The key to success for Nykvist Skogs is our passion for the forest.”

In late 2019 Rottneros reached an agreement to acquire the forest operator Nykvist Skogs. This acquisition increases the Group's access to raw material that is offered by private forest owners. As a group, the private forest owners represent about half of all forest ownership in Sweden. Nykvist Skogs will continue to evolve as an independent raw material stakeholder in Värmland.

Pär Skinnargård is the Managing Director of Nykvist Skogs. As a partner in the company he helped building it up for over 20 years.

“We are extremely pleased to be a part of the Rottneros Group. It is a natural step in the continued development of Nykvist Skogs. We are an independent raw material company that creates value for both forest owners and timber buyers through our comprehensive and flexible service offering. We are local, which is a major strength. We have a close relationship with many forest owners, which provides us with the opportunity to increase the growth in value of their green gold. We also have close contact with the local forestry industry and can therefore offer them fast and flexible solutions. The key to success for Nykvist Skogs is our passion for the forest. The heart of the forest beats throughout the entire organisation”, says Pär.

Pär Skinnargård continues:

“We place great value on long-term business relationships, both with forest owners and the industry. In addition to our own machinery and personnel, we engage local forest contractors for help. We employ a total of 20 people today. Personal service is a major part of our business.

Simplicity is one of our guiding principles. For example, we can take care of everything related to the customer's forest, which is crucial for those whose main

occupation is not forestry. In addition, if the customer lives far away from their forest, it may be convenient to let us keep an eye on it from time to time. When it is time for harvesting, we ensure that the forest becomes desirable timber using modern technology combined with 40 years of experience.

Some forest owners want us to review their properties annually to see whether any issues need to be addressed. We report back to the forest owner and discuss measures that may be needed. This solution may be appropriate for owners who live far from their property, or feel that they want regular help from an expert.”

“We want to optimise the long-term value of the forest. Customers come to us for help with all their forestry needs, from the time that the forest is ready for rejuvenation until the timber reaches the forest industry. We always start by taking a look at the forest and making an assessment. We feel it is important to give sound advice. If we see that the customer would benefit from waiting rather than selling at once, then we say so,” says Pär.

Focus on niches and high availability

The Rottneros Group produces and markets both chemical and mechanical high-quality market pulp, as well as fibre trays within Rottneros Packaging. Pulp is produced at two mills, Vallvik Mill and Rottneros Mill. The fibre trays are produced at a new facility in Sunne. The specialised knowledge of the employees within the end-use areas of the customers is an important competitive advantage. This knowledge enables Rottneros to adapt products for a specific customer's end product. High availability and capacity utilisation in the facilities are crucial for profitability.



Chemical pulp — long-fibre sulphate from spruce and pine at Vallvik Mill.

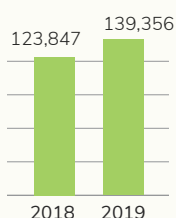
Vallvik Mill produces chemical pulp by boiling woodchips in a special cooking liquor. Chemicals in the cooking liquor dissolve the wood to release the fibres. Both bleached and unbleached chemical pulp are manufactured in the same production line.

In 2019, 227,600 tonnes were produced at Vallvik Mill.

Vallvik Mill

Bleached chemical pulp

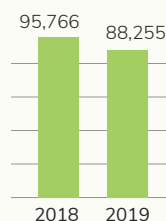
PRODUCTION IN TONNES



Filters
Printing and writing paper
Board
Special applications

Unbleached chemical pulp

PRODUCTION IN TONNES

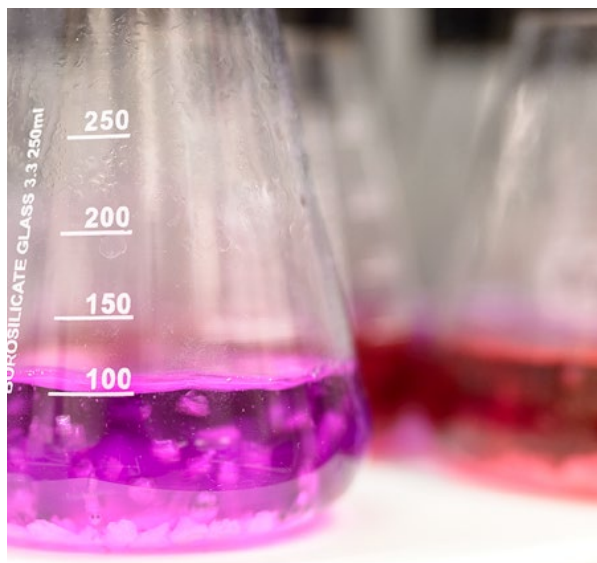


Filters
Board
Electrotechnical applications
Special applications

PRODUCTS

The properties of the chemical long-fibre pulp contribute to the strength of the various end products. The slow-growing spruce and pine fibre from northern Scandinavia, which Rottneros uses, is ideal for his purpose. The bleached long-fibre sulphate pulp is generally called Northern Bleached Softwood Kraft (NBSK) on the market, which is a quality labelling of pulp and is used in official pulp price indices such as PIX.

The long-fibre chemical sulphate pulp is produced at Vallvik Mill and marketed under the name Robur Flash. The mill's pulp is dried in flash dryers, causing the fibres to have an open structure that gives the product important properties in the production of absorbent products and filters.



Analysis of chemical oxygen demand for process water – an important environmental parameter.



Handling of a valve for water on a heat exchanger.

RANGE OF APPLICATIONS

Both white (ECF) and brown (UKP) sulphate pulp are produced alternately in the same production line. ECF (Elemental Chlorine Free) is used for production of white or light-coloured paper, as well as board products, printing and writing paper, filters and specialty paper. UKP (Unbleached Kraft Pulp) is produced in various qualities, such as for packaging board and for electrotechnical applications, with special requirements for mechanical properties and chemical purity.

The highest quality, called E-pulp, is an extremely well-washed and pure pulp that has been continuously developed for 20 years to reach today's uniquely low conductivity. Consequently, Rottneros is a world-leading supplier of pulp that can be used for manufacturing electrical insulating materials, such as transformer boards, condenser paper and winding insulation in transformers, or high voltage cables located on, for example, the seabed.

PRODUCTION PROCESS

Vallvik Mill uses the sulphate process to produce chemical pulp – the most common process. The central component of the sulphate process is cooking, where wood chips are heated together with white liquor in a digester, thereby releasing the wood fibres. The lignin, which binds the wood fibres in the chips, is found in the cooking liquor that is recycled and becomes fuel for the mill's recovery boiler, which provides the energy needed in the process and starts the recycling of the cooking chemicals. The pulp is washed and screened before being bleached to the desired brightness, if ECF is produced, via the oxygen stage and additional bleaching stages in the bleaching plant. The pulp is then screened and dried before it is

pressed into pulp bales. In production of the unbleached UKP, large portions of the bleaching plant's equipment are used to achieve the desired properties for the pulp.

PRODUCTION

Vallvik Mill has a production capacity of about 240,000 tonnes per year with the current product mix of unbleached and bleached pulp. In 2019 production totalled 227,600 tonnes. Production generally maintained a high daily production rate. However, there were a number of days with various disruptions that resulted in lower production. A number of new daily production records were set, indicating that the mill can potentially produce at the level of its calculated maximum capacity.

Due to the advanced cycle of the production process, the mill has very limited environmental impact. Almost 100 per cent of the energy used is renewable and the level of self-sufficiency for electricity is very high. Almost 100 per cent of the cooking chemicals are reused because of the factory's recovery cycle.

INVESTMENTS

After a few years during which the investment rate was high, 2019 was characterised by a number of smaller investments focused on fine-tuning and increasing availability in the mill. These investments included a rebuilt chip screen to improve the chip quality of the wood fed into the digester. This increases the availability of the digester, which results in higher and more even production. Other investments include certain minor measures to gradually improve the production capacity, utilisation rate and quality of the mill over the next years.

Rottneros Mill



Mechanical pulp – groundwood pulp from spruce and CTMP from spruce, pine, aspen and birch in Rottneros Mill.

Two categories of mechanical pulp are manufactured at Rottneros Mill: CTMP and groundwood pulp, both bleached and unbleached. These pulps, which are available in about 25 product variants with different qualities, account for approximately 44 per cent of the Group's production.

Rottneros Mill produced 178,400 tonnes of pulp in 2019, an increase of 2.5 per cent.

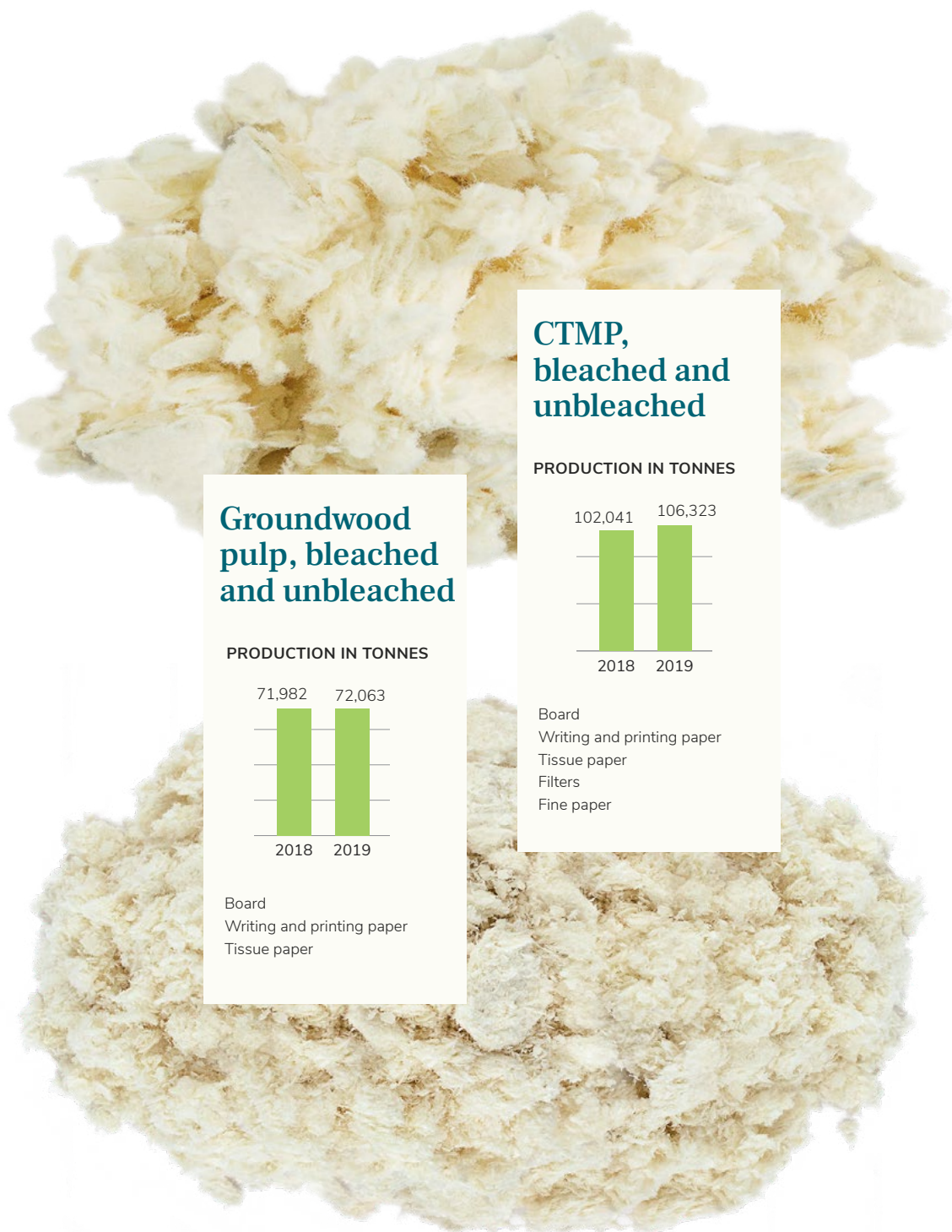
PRODUCTS

Rottneros produces two main types of mechanical pulp: CTMP (Chemi-Thermo-Mechanical Pulp) and groundwood pulp. The pulp is produced in two separate lines at Rottneros Mill and is available in about 25 different versions of the product with different properties. Rottneros product offering in mechanical pulp is the most complete on the world market and is often customised based on the needs and requests of the customer.

RANGE OF APPLICATIONS

CTMP and groundwood pulp are primarily used for production of board, printing and writing paper, filters and tissue paper. Mechanical pulp for board is a segment with long-term market growth and is one of the areas in which Rottneros intends to continue to grow.

The Group's explicit aim is to maintain a high level of innovation regarding new products. Three products that were launched in recent years are Absorption



Express for tissue paper, Bulk Booster for board and Opacity Extreme for thin paper. They are all well established on the market and help to create added value for customers.

Absorption Express has an extremely high absorption capacity, which makes it competitive as an input for tissue products. Bulk Booster is a niche board product and increases the thickness so that the stiffness of the

board can be improved without increasing the weight. Alternatively, lighter packaging can be achieved with unchanged stiffness.

With its combination of good strength properties, high purity and superior opacity, Opacity Extreme is extremely competitive on the market for thin packaging and printing paper.



The logs rotate in a debarking drum to peel off the bark.



In the wet machine water is pressed out of the fiber web.

PRODUCTION PROCESSES

The environmental impact of the production process for mechanical pulp is extremely low because of both a high yield from the raw material and low consumption of chemicals. CTMP uses up to 95 per cent of the wood raw material and groundwood pulp a full 98 per cent. At the same time, the energy-intensive process is vulnerable to variations in the price of electricity.

To produce CTMP, first the wood is chipped and then pre-treated with chemicals at an elevated temperature before the mechanical processing begins, the chips are ground and the fibres are separated between rotating metal plates into finished pulp. In contrast, groundwood pulp is produced by directly processing the wood, forcing it against special stone rollers.

The wood is primarily locally sourced, which provides both environmental and cost advantages. It is usually sourced from within about a 100-km radius of Rottneros Mill. In 2019 a total of 178,400 tonnes of mechanical pulp were produced, an increase of 2,5 per cent compared with the previous year.

INVESTMENTS

In 2019, the fine tuning of equipment installed between 2016 and 2018 continued. The work progressed according to plan and the mill achieved a new production record for the full year, 178,400 thousand tonnes. As a result of the investments in recent years, Rottneros is now one of the largest producers of mechanical market pulp in Europe.

Safety and the environment are top priorities when investing. In recent years, the use of fossil fuels has declined by more than 60 per cent at Rottneros Mill, mainly because of the investment in a new energy and emissions efficient biomass boiler. Energy from the boiler is used to dry the pulp. The new boiler uses bark and chips as fuel.

During the year a decision was taken to invest SEK 15m in a methane gas burner to achieve the goal of an essentially fossil-free production process. The methane gas generated as a by-product of the new biological water treatment plant can be used in the mill's drying process. The burner, which will be commissioned during the first half of 2020, will reduce both fossil-fuel consumption and variable costs.

Rottneros Packaging

Cellulose pulp is used to create moulded trays for both hot and cold foods. They meet customer needs for packaging with significantly better environmental performance than current options, which are often plastic-based. Demand for environmentally friendly packaging is high and is also growing strongly.

Rottneros Packaging focuses on high quality food packaging with properties that meet extremely high demands. Such properties are hygiene, barrier properties to achieve long shelf life, surface quality and traceability.

Through its extensive experience and strong expertise in the field, Rottneros is well equipped to take a leading position on the market where both regulatory requirements and growing consumer interest in new sustainable alternatives to plastic are driving developments.

NEW PRODUCTION PLANT

The investment in Rottneros Packaging continued as planned. An additional machine was purchased at the end of March 2019 and commissioning is planned for the first half of 2020. The machine more than doubles the capacity to produce fibre trays. Continuous development efforts are underway to optimise both the products and the production process.

Rottneros is the only Swedish industry partner participating in EU's innovation project PULPACKTION. The goal is to develop a completely renewable bio-based packaging solution at a competitive price in order to contribute to more sustainable development in the packaging industry. Rottneros is a coordinator for the project which will end in 2020. The moulded packaging trays that Rottneros currently produces have a renewable raw material rate of 80–95 per cent.



Rottneros Packaging

This one hundred percent fossil-free packaging solution, which is primarily intended for food, is safe, lightweight and biodegradable. In short, Rottneros is aiming to have the investment in fibre packaging serve as a third leg for the Group in the long term.



Focus on niches and differentiation

The Rottneros Group is a world-leading pulp producer in several market segments. The aim is to continue to expand in current niches and to be open to new business opportunities in applications in which Rottneros products have a competitive advantage. Fibre trays intended primarily for food represent a relatively new area of focus from Rottneros Packaging with great potential. Continuous adaptation and technology development to proactively meet customer needs are a hallmark of the Group.



Board and
packaging



Filters



Electrical appli-
cations



Tissue paper



Writing and
printing paper



Special prod-
ucts



Fibre trays

Rottneros' comprehensive objective is to increase the proportion of sales that go to end products that demonstrate clear market growth by developing both current and completely new niches. By leveraging the competitive advantages of pulp combined with technology expertise, the Group can establish a strong market position in selected segments. There is potential to continue to expand in these areas through a stronger market presence in countries with rapid economic growth in Asia.

KNOW-HOW — AN IMPORTANT OFFERING

The Group also aims to expand its market share in the packaging market in Europe, which will expand in the long term. This market includes cellulose for fibre trays, where mechanical pulp from Rottneros has excellent properties. The company is currently a world-leading producer of pulp that is primarily used in filter production and electrical applications.

An important part of the product offering is the technical know-how of the employees and their specialist knowledge in the customers' end-use areas. This knowledge enables Rottneros to constantly develop its pulp qualities and tailor products suitable for a specific customer's end product. Development work and the high level of service are important components of the Group's strategy of positioning both mills towards a high proportion of specialised customers.

It also opens opportunities for collaboration with customers where Rottneros can offer tailored solutions. The combination of our two mills, production of both chemical and mechanical pulp and the high level of specialised knowledge within the company create opportunities to offer joint product development with a clear customer focus.

WELL EQUIPPED FOR FUTURE MARKETS

Another important component of the Group's offering is the role of the pulp, and thus also the fibre products, as a natural and environmentally friendly alternative to plastic. Pulps from Rottneros are of such high quality that they can be used to manufacture products used for food and beverages, which is a clear competitive advantage. The investment in fibre trays at Rottneros Packaging is a good fit for this purpose.

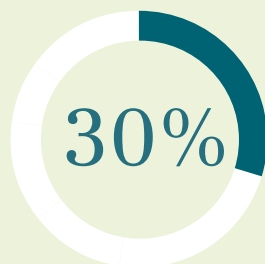
The business environment and customer behaviour are changing at an increasingly rapid pace. Through consistent business intelligence monitoring and curiosity, the Group ensures its ability to grow within current niches, as well as to find new segments with good market growth.

With the unique breadth of its range of products, along with the increasing demand for environmentally sustainable alternatives, Rottneros is well positioned for the future.

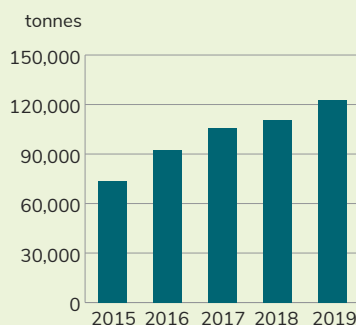
Board and packaging



PROPORTION OF ROTTNEROS' TOTAL DELIVERIES



ROTTNEROS' PULP DELIVERIES TO BOARD AND PACKAGING



ECONOMIC GROWTH AND INCREASED E-COMMERCE ARE DRIVING AN EXPANDING BOARD MARKET

Pulp for board is a segment with long-term market growth potential and is therefore an area on which Rottneros focuses. More goods are being packed and shipped as a result of growing global trade, coupled with steadily increasing online purchases. Demand for pulp is being driven by this trend, combined with rising awareness of sustainable packaging and a shortage of recycled fibre.

The high purity of the Group's CTMP and sulphate pulps makes them particularly suitable for liquid packaging board, which places high demands on properties relating to taste and odour.

ROTTNEROS PULPS HAVE IMPORTANT PROPERTIES FOR PACKAGING SOLUTIONS

At both Rottneros Mill and Vallvik Mill several types of pulp are produced that are suitable for board manufacturing. For example, the mechanical pulp Bulk Booster makes it possible to produce a thicker, and thus stiffer, board using the same quantity of raw material. The sulphate pulp Robur Flash is also an excellent choice for increasing strength and thus also convertibility. The high purity of the Group's CTMP and sulphate pulps makes them particularly suitable for liquid packaging board, which places high demands on properties relating to taste and odour and can be used in end products such as milk or juice containers.

The unbleached sulphate pulp produced in Vallvik Mill is ideally suited for the growing brown liquid packaging board segment. The mill's large washing capacity makes it possible to produce a very pure brown pulp that gives Rottneros a clear competitive advantage and a strong market position.

Filters



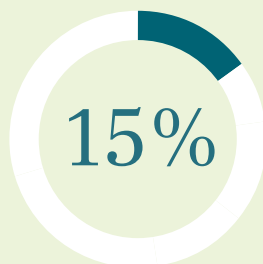
MARKET-LEADING PULP FOR BOTH AIR AND LIQUID FILTERS

The Group is a global leader in pulp for manufacturing filters. Both of the company's mills produce specialised pulp qualities that are used by manufacturers of both air and liquid filters. The Group's pulp qualities offer advantages such as high porosity and strength for both coffee filters and automotive filters.

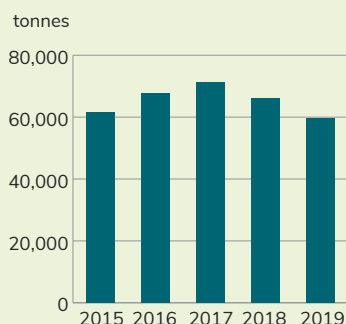
A high pulp quality with the right properties combined with a high standard of technical customer service, warehousing and logistics solutions, as well as long and close customer relationships, give Rottneros a position that few competitors can challenge.

The Group's filter pulps can be combined in different versions, thereby providing a wide range of desired properties, making Rottneros unique among the world's suppliers of cellulose fibre for the automotive industry.

PROPORTION OF ROTTNEROS' TOTAL DELIVERIES



ROTTNEROS' PULP DELIVERIES TO FILTERS



COMPLETE PULP OFFERING FOR AUTOMOTIVE FILTERS

The Rottneros Group produces several types of pulp that are used to manufacture both air and liquid filters for the automotive industry. A combination of properties must be achieved for the various industrial filters, depending on the application. The properties are primarily the total capacity of the filter and its purification efficiency (how much is filtered out for different particle sizes) and purification capacity (how many dirt particles can be taken up by the filter before the total capacity becomes too low). The Group's filter pulps can be combined in different versions, thereby providing a wide range of desired properties, making Rottneros unique among the world's suppliers of cellulose fibre for the automotive industry.

BROWN PULP OF HIGHEST QUALITY FOR COFFEE FILTERS

Rottneros is also the leader in pulp for coffee filters. Achieving the best possible taste experience for a cup of coffee requires a pulp of maximum purity and filtering capacity.

Electrotechnical applications



WORLD LEADER IN E-PULP

Rottneros is a world leader in an extremely well-washed and pure pulp that is used in electrical insulation materials, transformer boards and condenser paper, often referred to as E-pulp. E-pulp is available in a variety of qualities, the purest of which is marketed under the name Robur Flash UKP E-grade and is used for purposes such as insulation in marine high voltage cables. The product has a very strong position in its niche.

MEETS HIGH DEMANDS FOR INSULATION

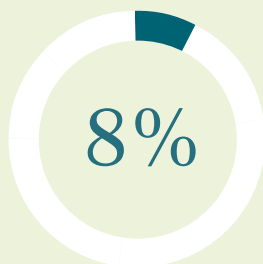
Today's E-pulp, with its unique low conductivity, is the result of 20 years of continuous development. An advanced production process and extensive washing allow this product to be used in the most demanding insulation materials where the strength properties of the E-pulp are as important as the electrical properties. The pulp is produced at Vallvik Mill.

STABLE MARKET

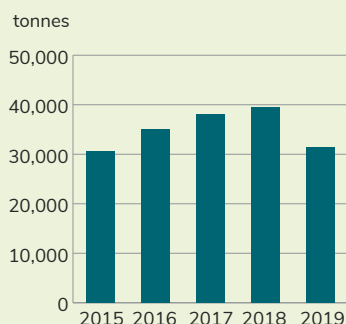
The market is characterised by stability and long-term customer relationships. Only a few suppliers are in this market, which makes it less exposed to pulp market fluctuations.

Rottneros is a world leader in an extremely well-washed and pure pulp that is used in electrical insulation materials, transformer boards and condenser paper.

PROPORTION OF ROTTNEROS' TOTAL DELIVERIES



ROTTNEROS' PULP DELIVERIES TO ELECTROTECHNICAL APPLICATIONS



Tissue paper



LARGE AND RELATIVELY STABLE MARKET

Tissue paper is used to manufacture paper napkins, paper towels and toilet paper. The market for these products is both large and relatively independent of cyclical fluctuations. Demand is steadily growing as the standard of living improves in many emerging markets.

ROTTNEROS OFFERS SEVERAL PULP QUALITIES FOR TISSUE PAPER

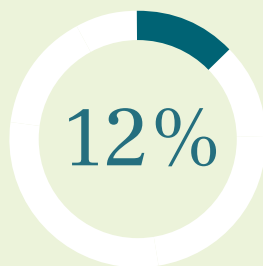
Groundwood pulp, CTMP and long-fibre sulphate pulp can all be used to manufacture tissue paper. Our technical specialists recommend to customers which types of pulp should be mixed in order to obtain the right properties.

TISSUE PAPER PLACES HIGH DEMANDS ON THE PROPERTIES OF THE PULP

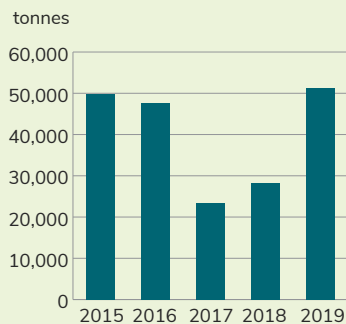
Demands placed on pulp used in tissue paper are often high. Properties that need to be considered include bulk, absorption, how the paper feels, how well it holds together when wet, appearance and brightness. Rottneros Absorption Express is a mechanical pulp with an absorption capacity of the highest class, as well as a high bulk.

Demand for tissue paper is steadily growing as the standard of living improves in many emerging markets.

PROPORTION OF ROTTNEROS' TOTAL DELIVERIES



ROTTNEROS' PULP DELIVERIES TO TISSUE PAPER



Printing and writing paper



CONTINUED GREAT POTENTIAL FOR EXCLUSIVE NICHE PRODUCTS

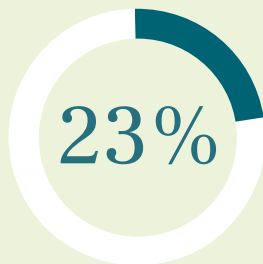
As advances in digital media leave graphic paper behind, demand is shifting from ordinary writing paper to more exclusive products, which suits Rottneros well. The Group's broad product portfolio for use in high-quality graphic papers offers great opportunities in selected niches, even though the total market is shrinking.

PURITY AND OPACITY PROVIDE COMPETITIVE ADVANTAGES FOR ROTTNEROS

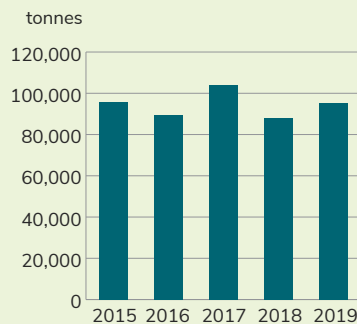
For thin packaging and printing paper grades, as well as a number of special applications, opacity, purity (low "shives content") and bulk are important properties. Rottneros has a clear competitive advantage with its pure and high-quality pulps. One type of pulp that is perfect for this application is Opacity Extreme, which is produced at Rottneros Mill.

The Group's broad product portfolio for use in high-quality graphic papers offers great opportunities in selected niches, even though the total market is shrinking.

PROPORTION OF ROTTNEROS' TOTAL DELIVERIES



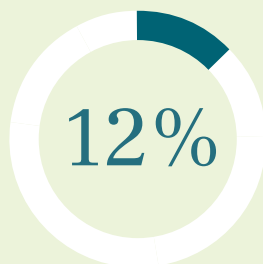
ROTTNEROS' PULP DELIVERIES TO PRINTING AND WRITING PAPER



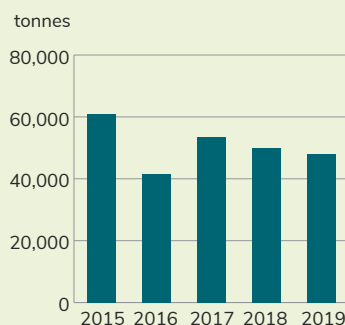
Special applications



PROPORTION OF ROTTNEROS' TOTAL DELIVERIES



ROTTNEROS' PULP DELIVERIES TO SPECIAL APPLICATIONS



CUSTOMISED PULPS FOR A LARGE RANGE OF END PRODUCTS

Because of their unique properties, Rottneros mechanical and chemical pulps can be used for numerous of special applications. In addition to the areas mentioned previously, applications for pulps from Rottneros include wallpaper, laminate flooring, greaseproof paper, fibre cement, absorption material and moulded fibre.

Our high-quality, specially developed pulp Robur Flash is an excellent choice for a strong and reliable grease-resistant paper.

SUSTAINABLE MATERIALS IN HOMES ARE BECOMING INCREASINGLY IMPORTANT

Parchment paper and butter paper can be found in most homes and make cooking easier, while improving hygiene. The most important properties are resistance to fat and oil. Our high-quality, specially developed pulp Robur Flash is an excellent choice for a strong and reliable grease-resistant paper.

The tailor-made pulp blends have also proven to be good basic materials for labels for many leading denim manufacturers. Here, the fibre structure of the sulphate pulp, long fibres that guarantee excellent strength and absorption, is attractive to customers. Rottneros also has a type of pulp that is suitable for production of laminate flooring and wallpaper.

Moulded trays

COMPLETELY SUSTAINABLE MOULDED TRAYS

Rottneros aims to have this investment in packaging serve as a third leg for the Group in the long term. The point of departure is a one hundred percent durable fossil-free packaging solution that is primarily intended for food and it is safe, lightweight and biodegradable.

LARGE AND GROWING MARKET ENVIRONMENTALLY FRIENDLY FOOD TRAYS

Our pulp is ideal for creating moulded trays for both hot and cold foods. They meet customer needs for packaging with significantly better sustainability properties than the current alternative, which is often plastic-based. Demand for environmentally friendly packaging is high and is also growing strongly.

The point of departure is a one hundred percent durable fossil-free packaging solution for food that is safe, lightweight and biodegradable.

ROTTNEROS PACKAGING MEETS STRINGENT REQUIREMENTS

Our main focus is on high-quality food packaging with properties that meet extremely stringent requirements. Such properties mainly concern hygiene, barrier properties to achieve long durability, surface quality and the traceability of the timber used as a raw material. Today, the market for fibre-moulded products is characterised by alternatives with a lower sustainability factor due to a mixture containing a high level of plastic.



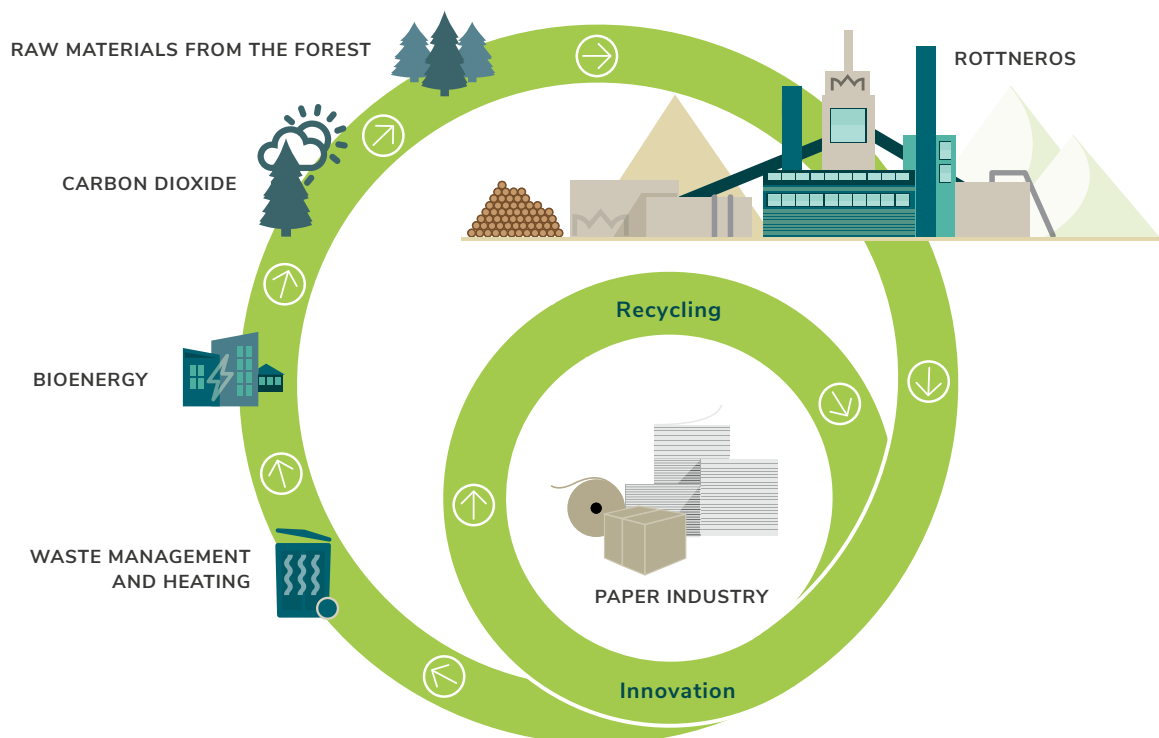
Sustainability Report

Sustainability is essential for long-term value creation. Rottneros shall demonstrate sustained profitability over an economic cycle by running the business responsibly and by making financial, environmental and socially sustainable investments. Rottneros is a small company in the industry, but has substantial know-how, extensive experience and deliver high-quality pulp for several applications to customers on a global market.





Rottneros is part of a circular economy



SUSTAINABLE BUSINESS IN A CIRCULAR INDUSTRY

Rottneros operates in a circular industry. The raw material is renewable and new bio-based products are under development to replace fossil-based products. Paper and cardboard recycling is an established practice in many parts of the world. As is the case for many industry participants, environmental issues are part of the DNA at Rottneros. But sustainable development cannot stop there.

“We must constantly ensure a sustainable business from several perspectives. It's about being persistent over time, and Rottneros has proven itself with its history that dates back more than a century”, says Lennart Eberleh, CEO and President of the Rottneros Group.

“We will offer the right products with as little environmental impact as possible throughout the value chain. We will take into account human rights, attract potential employees and provide opportunities for development under safe conditions. We want long-term relationships with both customers and suppliers, and of course we also want to give the owners profit over time. It's essential to develop in order to stay relevant.

In order to succeed, Rottneros is concentrating on

developing its corporate culture. During the year Rottneros has clarified its values and strengthened the brand in a collaboration between the management team and employees.

The focus on increased efficiency and sustainability has continued. Despite the beginning of a recession in 2019, Rottneros has found markets for its products and taken on challenges in a number of areas.

Although Rottneros is a small player, it is doing its part in the green transition taking place around the world.

ROTTNEROS' ROLE IN THE CIRCULAR FORESTRY INDUSTRY

Rottneros is part of a circular economy that is helping Sweden to achieve the climate goal of net-zero emissions by 2045. The forest as a renewable raw material is the starting point in the circular forestry industry.

Rottneros uses raw materials from the forest along with chemicals, electricity and water to produce customised market pulp and fibre packaging. High utilisation of raw materials, high efficiency and low environmental impact are objectives in production. Skilled employees are central and Rottneros focuses on a safe and developing

Prioritised areas of focus

Based on its stakeholder and materiality analysis, Rottneros designed its sustainability management programme to address areas that are most critical and where change has the greatest impact.



SUSTAINABLE BUSINESS

Profitability
Customer and supplier relationships
Anti-corruption



THE RIGHT SKILLS IN A SAFE AND SECURE WORK ENVIRONMENT

Safety
Equal treatment
Skills development
Human rights



THE ENVIRONMENTAL ISSUE IS EMBEDDED IN ROTTNEROS' DNA

Climate
Emissions to air and water
Efficient use of resources



work environment. Jobs are created in the company, with subcontractors and in the local community.

With high-quality renewable products, Rottneros provides global customers with a variety of useful solutions which in many cases phase out fossil-based materials. Bio-based products can be recycled up to seven times.

When the fibre is finally worn out, it can be used for heating, as energy in production, or for cars and houses. In combustion, biogenic carbon dioxide is formed which is absorbed by growing trees. A new round in the cycle begins.

The greatest sustainability risks arising from Rottneros' operations are environmental risks such as emissions to air and water from production and transport, social risks such as workplace accidents or bullying, and financial risks such as fluctuations in world market prices or skills shortages.

PRIORITIES

Rottneros identifies important sustainability issues through stakeholder and materiality analyses. First, the Group identifies its main stakeholders and their

requirements from a sustainability perspective. Based on these requirements, Rottneros then prioritises areas of focus that pose the greatest risk in terms of sustainability and where Rottneros can have the greatest impact. Risk analyses and follow-up are carried out regularly and sustainability risks are integral to the Group's risk management programme.

GOVERNANCE FOR SUSTAINABLE BUSINESS

Rottneros has expressed its framework and direction in a number of policy documents and targets for its operations. The priorities are based on an analysis of significant risks at Rottneros.

Policies are posted on the Group's intranet. The managers are responsible for ensuring compliance with policies and outcomes are analysed annually. Targets are followed up regularly and presented to the management and the Board of Directors in a comprehensive report that includes financial targets, sustainability targets and other operational targets.

To ensure efficient working methods, the management system at Rottneros is formulated to meet the requirements of ISO 9001, ISO 14001 and ISO 50001.

SUSTAINABILITY REPORT

Compliance with the certified management system is regularly tested through audits.

Certifications and careful supplier evaluations are policy instruments for access to sustainable raw materials. The Rottneros Group wood raw material is certified according to both FSC® and PEFC™. See page 52 for more information.

More and more focus is placed on corporate culture and values as policy instruments. In 2019, the Group's management team formulated new values that provide guidance for everyone. All employees were informed about these values and a new vision in 2019.

GOVERNANCE DOCUMENTS FOR OVERALL RESPONSIBILITY IN RELATION TO STAKEHOLDERS

Sustainability Policy
Code of Conduct
Who we are – The Book about the Rottneros Brand
Work Environment Policy
Equal Treatment Plan
Energy and Environmental Policy
Ethical Rules for Suppliers
Purchasing Policy
Anti-Corruption Policy
Competition Law Policy

STAKEHOLDER DIALOGUE

Stakeholders can be found both within and outside of Rottneros and some requirements are shared by several stakeholders.

STAKEHOLDERS' MAIN SUSTAINABILITY REQUIREMENTS

Customers:	Certified pulp that is traceable Rottneros is a sustainable supplier
Employees:	Equal treatment Safe workplace Stimulating work Attractive terms of employment and benefits
Suppliers:	Rottneros is a reliable partner that meets its commitments Positive development Safe workplace for suppliers Fair procurement processes
Community, neighbours:	Reduced emissions to air and water Jobs
Authorities:	Compliance with legal requirements relating to the environment and the work environment
Shareholders, capital:	Achievement of long-term goalmarket Return

Sustainable business goals

Rottneros' Board of Directors has adopted long-term goals for the Group that also guide the sustainability management programme. Group goals are divided into goals within different parts of the organisation for the selected focus areas.

FINANCIAL OBJECTIVES	OBJECTIVE
Average growth, produced tonne pulp	3%
Proportion of alternative revenue of net turnover	At least 10% in 2023
Equity/assets ratio	Over 50%

SUSTAINABILITY GOALS	OBJECTIVE
Accident with absence	'Vision zero'
Proportion female employees	At least 30% in 2025
Proportion employees who completed training in Rottneros' Code of Conduct	100%

Read more about how we work with these goals on pages 51 and 55.

An overarching aim of environmental efforts at Rottneros is to achieve fossil freedom and follow Sweden's national goals in this area. Since an analysis of what this entails has not been completed, a Group goal has not yet been formulated. The entire organisation works with investments, new development and efficiency to reduce its dependence on fossil fuels. Read more about the Group's work and focus in the section on the environment on pages 51–55.

FIVE GLOBAL GOALS

Rottneros' operations and sustainability management programme are inspired by and help to achieve the UN's 17 global goals for sustainable development. Relevant goals for Rottneros:

5. Gender equality
8. Decent work and economic growth
12. Sustainable consumption and production
14. Life below water
15. Life on land



Sustainable Business

For several of Rottneros' stakeholders, particularly owners, capital markets, customers and suppliers, sustainability is linked to a long-term approach and financial accountability. Sustainable profitability and long-term relationships with customers and suppliers are important issues.



SUSTAINED PROFITABILITY

Sustainable and stable profitability is a priority for sustainability. The business must be run in a responsible manner and investments must be financially, environmentally and socially sustainable.

To reduce dependence on fluctuating pulp prices, Rottneros strives to broaden its product portfolio and increase alternative revenues. The goal is to increase the share of alternative revenue to at least 10 per cent of turnover by 2023. In 2019, alternative revenue accounted for 3 per cent of turnover.

The investment in moulded fibre trays is an example of how to broaden operations while doing good for the environment. Another example is the acquisition in late 2019 of Nykvist Skogs AB, which both ensures access to raw materials and provides new revenue flows from various forestry related services.

Rottneros has increased communication with the capital market and its activities are characterised by transparency and honesty. The company complies with the laws, regulations and ethical guidelines that apply to the capital markets. Rottneros aims to reduce the

Group's risk exposure in order to give shareholders a stable return on their investment.

Press releases and quarterly financial statements, as well as meetings with analysts and investors are the primary ways in which the Group contacts current and potential shareholders. See also Rottneros' financial targets on page 20.

CLOSE TO CUSTOMERS

More and more customers are demanding certified and traceable pulp for production of eco-labelled products, especially customers who manufacture consumer products. Rottneros develops products in close collaboration with customers to understand their needs and to strengthen their business. This approach provides a strong and trusting relationship and an opportunity to establish a long-term and stable business through advanced niche knowledge. One promising collaborative effort with a customer in 2019 involved product development together with Biosorbe, which manufactures an oil spill absorber. Aided by Rottneros employees, test runs

were carried out in 2019 at Rottneros Mill with pulp as the main component. The results were favourable and full-scale production is being planned.

Rottneros offers high quality in its products and good service and advice. Meetings are held with customers regularly to discuss product and quality-related issues. Customer surveys are carried out regularly to serve as a basis for decisions on changes and adaptation of the supply.

Rottneros supports and strives to achieve fair competition in all of its operations. The company has a competition law policy that is intended to counteract and prevent unlawful anti-competitive behaviour. There have been no incidents related to competition law.

SUPPLIER RELATIONSHIPS

Supplier relationships based on partnership and trust are essential for securing long-term raw material access and represent a high-priority sustainability issue for Rottneros.

Sustainable business opportunities



SUSTAINABLE MOULDED TRAYS FROM ROTTNEROS PACKAGING

There is strong and growing interest in climate-smart packaging products and fibre trays. Rottneros aims to have this investment in packaging serve as a third leg for the Group in the long term.

Rottneros is participating in the EU's PULPACKTION innovation project as the only Swedish industry partner and is serving as project coordinator. The project aims to develop cellulose-based packaging solutions for food and electronics to reduce dependence on fossil-based packaging.

Production of fibre trays began in 2018. The investment has been successful to date and has been proceeding according to plan. An additional machine that was purchased in the spring of 2019 will be commissioned in early 2020. Interest in the market is strong, especially in the food industry in the Nordic region.

In 2020, additional steps will be taken, including continued fine-tuning of the factory, expanded capacity and product development.

The trays are made of cellulose-based fibre and can be provided with a thin polymere film if a sealing barrier is needed.

Rottneros' trays are completely free of harmful PFAS chemicals and made of virgin pulp produced for products that come into direct contact with food. A 100% sustainable packaging solution with bio-based and degradable film has been developed. An overall aim is to reduce the use of fossil-based packaging.

Rottneros has a responsibility in relation to its suppliers and partners. Clear agreements must be drawn up to avoid misunderstandings and disputes. Rottneros shall provide a safe work environment for suppliers and sub-contractors within Rottneros production areas; suppliers also demand a safe work environment.

Rottneros procures raw materials primarily in the immediate area to keep transport distances short and to build strong local partner relationships. The largest suppliers of raw materials from the forest today are Sveaskog and Mellanskog, with which Rottneros has cooperated for many years.

Sveaskog trades wood with some of Rottneros' colleagues in the industry. Swapping wood geographically and driving to the closest industry reduces both costs and environmental impact. To further increase the potential for local sourcing, Rottneros acquired Nykvist Skogs AB in 2019. Nykvist Skogs purchases wood from small forest owners and will be a good complement to today's suppliers.

Some raw material, about 10 per cent, is imported from Latvia through the subsidiary SIA Rottneros Baltic. This is strategic because the subsidiary operates in a different raw material market with different cycles.

RESPONSIBLE INVESTMENTS

The Agenda 500 investment project, which was carried out between 2015 and 2018, has established a new level of availability and production volume in the mills through increased capacity, quality improvements and energy efficiency. Major improvements were achieved in both capacity and reduced dependency on fossil fuels.

Now the focus is on streamlining and fine tuning the new machinery and facilities. The rate of investment is declining, but Rottneros continues to invest in a sustainable future through safety and environmental improvements and the expansion of fibre tray production.

Anti-corruption

Rottneros must always comply with applicable laws, regulations and ethical standards and reject all forms of corruption. A separate Anti-Corruption Policy emphasises the importance of counteracting and preventing conflicts of interest, bribery and other forms of corruption. The purchasing and sales organisation has been thoroughly briefed on the policy and the responsible manager ensures that it is followed. Additional tools to counter corruption include delegation and authorisation procedures.

Whistle blower service

Rottneros has a whistle-blower service where anyone can anonymously report suspicions of bribery, corruption, judicial disqualification, violation of human rights or other breach of policy. The aim is to reduce risk. The service can be reached via Rottneros' external website, rottneros.com. In 2019, no cases were received that resulted in measures being taken.



Targets and follow-up

Solid finances with a strong balance sheet to be well equipped for any downturns in the economy and the pulp market are of great importance for the company's continued development. The balance sheet should be strong with balanced debt to create a reasonable return on shareholders' capital.

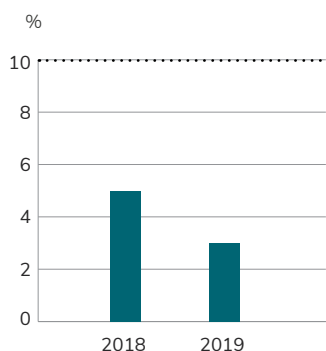
In order to deal with inflation in fixed costs, including annual wage increases, it is important to have underlying growth in production volume and associated productivity growth. Consequently, the Group set a target of 3 per cent annual growth in production volume.

The pulp market is cyclical and prices are mainly denominated in USD. Consequently, the business is therefore affected by two volatile factors. The goal is to become less dependent on external factors over time by creating alternative revenues as a complement to the core business. The first step in this journey is the target that in addition to the pulp sales, alternative revenues, will comprise 10 per cent of the Group's net turnover in 2023.

+3%

Production increased by 3 per cent. Investments in mills and a focus on increased availability through a structured and systematic approach, as well as an increased focus on preventative maintenance, have yielded the desired result as production increases gradually.

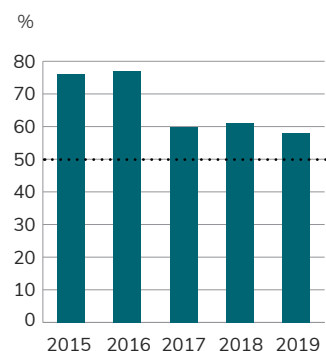
PROPORTION ALTERNATIVE REVENUE FLOWS OF NET TURNOVER



..... Target: at least 10% 2023

Alternative revenue flows include Rottneros Packaging and Nykvist Skogs. Both are expected to increase the proportion of alternative revenues. Reduced external sales of wood explains the decline in alternative revenues in 2019.

EQUITY/ASSETS RATIO 5 YEARS



..... Target: 50%

The long-term target is an equity/assets ratio over 50 per cent. The target is achieved at the same time that the company carried out major investments and paid extra dividends.



The right skills in a safe and secure work environment

Rottneros aims to be a safe and modern employer that develops over time. Diversity and differing opinions are encouraged and contribute to skills development. Safety for employees, suppliers and customers is a basic premise. Risks that may cause serious injury must never be taken.



SAFETY FIRST

Several occupational groups at Rottneros are at risk of workplace accidents. The number of accidents leading to sick leave must be reduced and the goal can only be a zero target.

To achieve this target, there must be a culture based on safety awareness. Everyone should take risks seriously in order to achieve a safer workplace for everyone, including employees, suppliers and visitors. The safety culture must be supported by a structured approach without stress or uncertainty. In 2019 activities were

carried out to increase awareness of risks associated with different steps. Ongoing safety training is provided to new employees, who receive "SSG safety driving licenses". Decisions were taken in 2019 to expand the safety organisation.

SKILLS DEVELOPMENT AND VALUES

Employees build Rottneros and a supply of talent is a key issue. Attracting talent in areas outside the metropolitan regions is a challenge. Both Rottneros Mill and Vallvik Mill offer apprenticeships at the upper secondary school level

and trainee programmes aimed at people with university degrees. The programmes are being developed in collaboration with municipalities and regional chambers of commerce. These efforts have resulted in several new hires. In 2019 a total of ten apprentices and one trainee worked within the organisation. Rottneros has a good collaborative relationship with the local community and contributes to the welfare of the region by offering jobs. Local students have been offered internships during the year and study visits are always welcome.

In 2019, Rottneros clarified important values and strengthened its leadership. A new vision and a modernised logo reflect the values and the initiative to promote climate-smart products and equal treatment. All leaders have completed a 6-day training programme based on the new values. The values have been addressed in discussions within each work group.

OUR VALUES

We get involved

We shall be a reliable part of the community and conduct our business with as little environmental impact as possible. Customers and employees shall always get a positive feeling from Rottneros. We want our

customers and the world to see us as an innovative company for the future. A company that is committed to the environment.

We respect everyone

We're working hard to be a safe and modern employer, keeping ahead of time, and values every individual. We encourage diversity and multiple opinions. This is the basis for our creativity and innovation drive.

We are professionals

We have high expectations of ourselves and each other. We always think about our and others' safety. We love solutions that combine research, technological development, eco-friendly products, and the understanding of the trends that motivate people's behaviour and consumption patterns. We're not satisfied before knowing, suggesting, and implementing in practice.

EQUAL TREATMENT

Rottneros offers good working conditions, competitive salaries, development opportunities and various benefits. Employee surveys are conducted regularly. The results in recent years have been higher than the benchmark.



Helena found the perfect place at Rottneros

After a one-year traineeship and two years as a process operator at Vallvik Mill, Helena Pettersson has found a workplace that is perfect for her. Previously, she worked in the grocery industry for 15 years. Alongside her position at Rottneros, Helena is studying to improve her technical skills with the aim of advancing at the mill.

"It really feels like I've found where I belong. In my job, no two days are alike. As process operator I face various challenges that often involve problem solving where you have to think and figure things out. It's really stimulating. The focus is always on how we can develop and improve the process for higher availability and production at the mill. It produces results. The factory has broken a number of daily production records this year. We are gradually eliminating bottlenecks in the system at the annual maintenance shutdowns.

Besides my job as process operator I'm studying part-time somewhere between 25 and 50 per cent. The goal is to learn

the right skills, step by step, to be able to work as a technician and maybe, in the long term, as an engineer at the mill. Working with both short and long-term problem solving seems to be my thing. I've studied at various universities, like Linnaeus University in Småland and Dalarna University. Quality engineering, timber studies, reliability and quality control are some examples.

I think that Rottneros is a great employer. I feel that I'm appreciated as an employee. The company sees me as an asset and is open to ideas, which inspires me in my daily work. I'm the only woman among the 14 people on my shift team, but that isn't a problem, though the work can be heavy at times. I feel that my managers strongly support my ambition to advance", says Helena Pettersson, process operator at Vallvik Mill.

Equal treatment is essential for a safe and innovative work environment. Rottneros wants to increase the proportion of female and foreign-born employees.

Rottneros also wants to strike a work-life-balance at different stages in life for everyone in the Group. For example, working hours may need to be adjusted for parents of young children.

RESPECT FOR HUMAN RIGHTS

Rottneros respects and promotes human rights and works against all forms of corruption. "Ethical Rules for Suppliers" is a document used when contracts are signed with suppliers and partners and is also part of the evaluation process.

Common ethical principles within the Group can be found in the Code of Conduct. One objective is that all employees must complete training in what the Code of Conduct entails in practice.

All employees within the Rottneros Group are covered by collective union agreements. Collective agreements have been concluded with Pappersindustriarbetareförbundet (Swedish Paper Workers' Union), Unionen, Ledarna (Swedish Organisation for Managers) and Sveriges Ingenjörer (Swedish Association of Graduate Engineers).

ROTTNEROS BREAKS THE PATTERN

A workplace where everyone can feel safe and secure is based on daring to change something fundamentally and to make certain sacrifices. A new drug and alcohol policy was introduced in 2019. The Group no longer serves alcohol at corporate parties, conferences or trainings. Some people may be disappointed, but the new policy has created a more secure environment during the workday and after hours.

Targets and follow-up

In addition to the financial targets, it is important to continually work with social goals and corporate governance. A safe work environment, (UN goal number 8) measured as number of accidents with sick leave, is a given, and a zero target is the only acceptable goal for us to strive to achieve. Increasing the proportion of female employees is the first step towards a workplace with gender equality. Workplaces with gender equality have a better psychosocial work environment and better profitability.



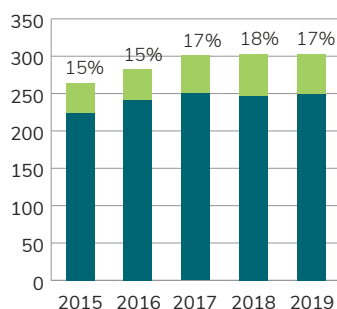
Target 5.5. We will ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.



Target 8.8. Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

AVERAGE NUMBER OF EMPLOYEES AND PERCENTAGE WOMEN

■ Number of women



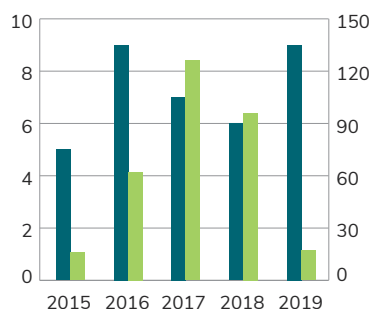
TARGET: Proportion of female employees shall be at least 30% by 2025.

The proportion of women has declined somewhat. Building a culture and a brand that attracts, welcomes and successfully retains more women in a traditionally male-dominated industry takes time. Crucial steps were taken in 2019 to increase the proportion of female employees in the long term.

ACCIDENTS

■ Number of accidents

■ Number of sick days



TARGET: Zero accidents

The number of accidents resulting in sick days has increased. Additional resources, including both personnel and investments, are being allocated to the work environment to reverse this trend. This area is a top priority. Above is a presentation of the number of sick days due to workplace accidents.



The environmental issue is embedded in Rottneros' DNA

Rottneros' work with environmental risks is of particular interest for the authorities, customers and the local community. Development is constantly underway to improve environmental performance. Rottneros considers it to be an advantage to be in an industry that is circular and where the products can make a positive contribution to the environment and the climate.

FORESTRY FOR A BETTER CLIMATE

Rottneros operates in an industry that is part of the solution to global warming. Carbon dioxide is absorbed by the growing forest and captured in products that are manufactured. Intensive research is underway in many places to develop new products that replace fossil-based raw material with bio-based.

To achieve sustainable forestry from various aspects, the authorities set requirements on how the forest is used. Requirements are also set by the certification bodies FSC® and PEFC™^{1,2}. The certification programmes regulate the amount of land used and they also have requirements regarding social aspects of forestry.

ROTTNEROS CONTRIBUTES TO SUSTAINABLE FORESTRY

Rottneros does not own any forest, but contributes to sustainable forestry in many ways.

Suppliers and raw materials are carefully selected. The Rottneros Group is certified under FSC® and PEFC™ and has been purchasing raw materials primarily from certified suppliers for many years. In cases where certified forest is not available, careful supplier evaluations are carried out to live up to customer demands in accordance with our certificates.

Efficient use of raw materials in production provides advantages from both an environmental and economic perspective. Rottneros Mill uses 95–98 per cent of the

raw material. At Vallvik Mill, about 44–47 per cent of the raw material becomes pulp. Residual products are mainly used as energy.

Purchasing raw material locally reduces transports. Vallvik Mill sources 25 per cent and Rottneros Mill 75 per cent of its wood raw material within a radius of 100 kilometres. Transport distances are reduced through planning and when possible, by coordinating transports within the Group or with other companies. One goal is to use the most environmentally friendly transport methods possible, such as rail and ship.

ENVIRONMENTAL REQUIREMENTS AND CONTROL

Large parts of Rottneros' activities require reporting or permits under the Swedish Environmental Code. These parts include pulp production, emissions to air and water, storage of chemicals and oil. Permits are required before construction of new facilities that handle chemicals or fuel. All parts can be found at Rottneros Mill, Vallvik Mill and Rottneros Packaging.

Rottneros maintains regular contact with surrounding municipalities and County Councils at the production locations and is responsive to requests for improvements in the environment around the mills.

ENVIRONMENTAL CHALLENGES

Rottneros' production processes have various risks that affect environmental initiatives. Rottneros Mill has a

1) Forest owners who are certified according to one or both of the FSC® and PEFC™ certification systems refrain from using at least 5 per cent of their productive forest land.

2) The Rottneros Group is traceability-certified according to two systems: FSC® (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification). Traceability certification guarantees that there is nothing controversial about the origin of the wood used (e.g., illegal felling or timber from key biotopes), which can be traced back in the supply chain.

mechanical production process and the greatest environmental risks are energy consumption and emission to water. Energy consumption is substantial and the focus has been on reducing fossil dependence by designing more efficient equipment and by changing the product composition. The new solid fuel boiler, which burns bark and fuel chips, was commissioned at the end of 2018 and has reduced fossil dependence in 2019 by 50 per cent. Some adjustment of the water purification step was needed during the year. Noise mitigation measures were taken to improve the local environment and new equipment has reduced dust in the air.

At Vallvik Mill, where pulp is produced with chemical processes, the greatest environmental risks are posed by chemical handling and by emissions to water and air. Emissions of sulphur to air decreased in 2019 following installation of the new weak gas system at the end of 2018. Vallvik's impact on emissions to water consists of Chemical Oxygen Demand (COD) and nutrients that increase eutrophication. Further measures need to be

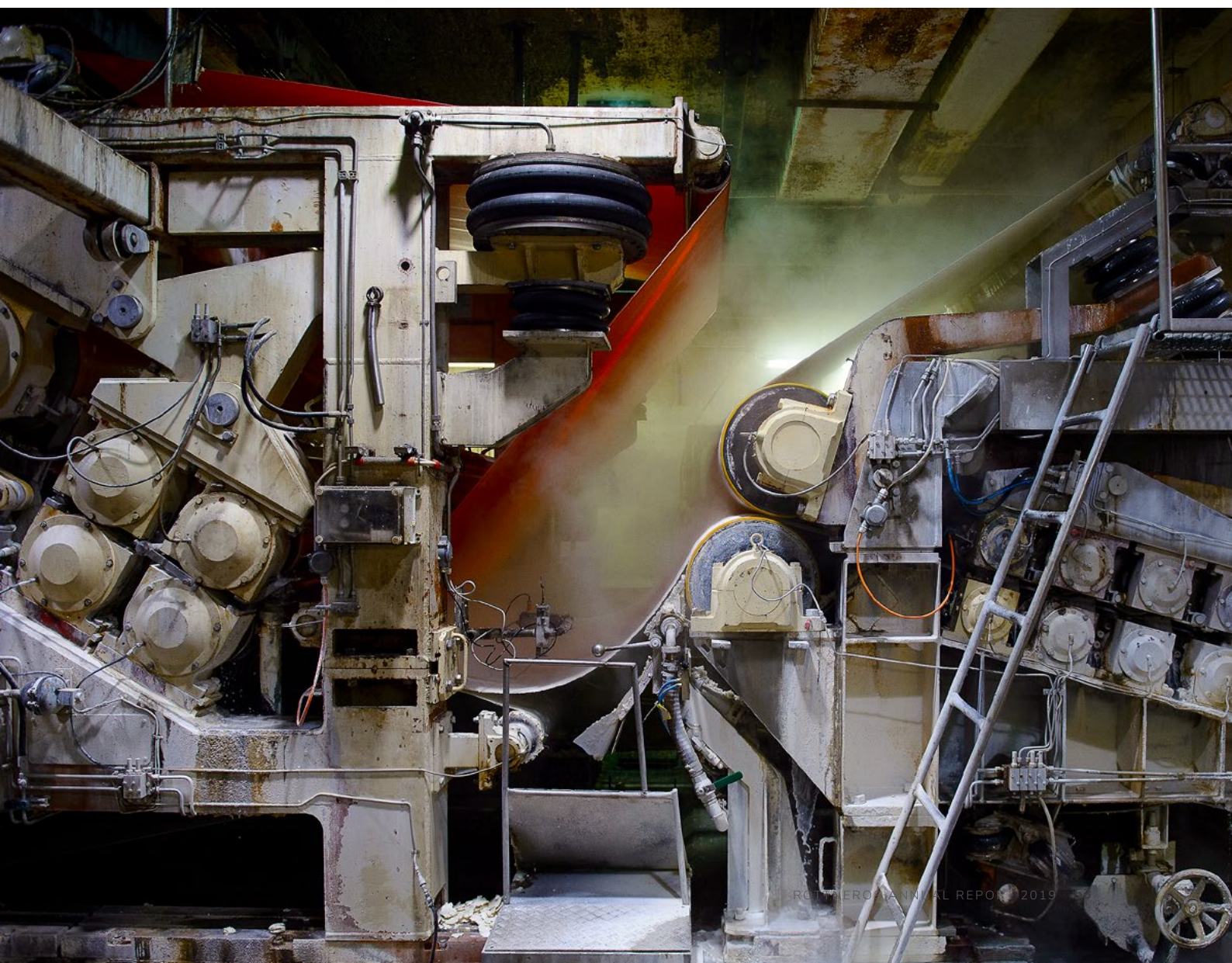
taken here to reach the desired levels and an investigation is underway. Most of the chemicals used at Vallvik Mill are recycled. Vallvik Mill is self-sufficient regarding energy for heat and 75-80 per cent self-sufficient for electricity. In the production process, 98 per cent of the energy used is renewable.

The factory that manufactures trays in Sunne is brand new and has been designed with the environment in mind from the start. The pulp and water system is closed to minimise emissions and fresh water consumption.

ENVIRONMENTAL EVENTS AT THE MILLS IN 2019

Vallvik Mill

In 2018 Vallvik Mill invested in a weak gas system to reduce the emission of sulphur into the atmosphere. The facility has been fine tuned and now functions according to plan. As a result, the mill meets the environmental requirements for emission of diffuse sulphur. As previously, the mill meets the environmental





Taking samples for environmental analysis.



Control of boiler water quality.

requirements for sulphur from the combustion boilers. During the year, Vallvik completed covering the old landfill. The new landfill, which is placed on the old one, is now running. Consequently, the mill now has landfill capacity for about the next two decades.

One way to reduce the mill's environmental emissions is to increase the mill's availability, which means increased production at a more even level. During the year, investments at the mill included improved screening of the chips that are fed into the digester. Taken together, the various measures have resulted in a production increase of 8,000 tonnes compared with the previous year.

Rottneros Mill

During the year, the mill continued working on the bio boiler that was commissioned in 2018. A few measures remain before the boiler can continuously supply energy to the mill based on biofuels, mainly bark from the mill's debarking machine. Because of these tasks, the mill applied for and was granted a temporary increase in permitted carbon dioxide emissions. This permit has not been used, but should be regarded as a precautionary measure to avoid exceeding the environmental limits.

Rottneros Mill is investing for a fossil-free production process

Rottneros Mill is investing SEK 15 million in a methane gas burner as part of the initiative to achieve the target of a fossil-free production process.

In the biological water treatment process, the methane gas that is formed as a by-product in the anaerobic stage is collected and can then be used as a source of energy to preheat air for the flash dryers in which the pulp is dried.

The new methane gas burner will be commissioned in May 2020 during the regular production shutdown. The investment will result in both reduced consumption of fossil fuels and lower variable costs.

"The investment means that we have essentially achieved the goal of a fossil-free production process at Rottneros Mill. The methane gas generated in the biotreatment process when we dry the

pulp can be used to replace the equivalent of 1,000 cubic metres of fossil fuel in the form of oil. All in all, our investments in the mill over the past few years have reduced annual oil consumption by about 7,000 cubic metres, while production volume has grown significantly," says Nils Hauri, Director of Innovation and Strategic Projects.

Targets and follow-up

Rottneros' overarching environmental goal is to reduce fossil fuel dependence. Vallvik Mill has a long-term plan for fossil fuel-free production and fossil fuel-free internal transports. In principle, production is already fossil free.

Major steps have been taken to reduce the Group's CO₂ footprint in recent years. As a result, over 97 per cent of fuel used at the mills is fossil-free. Carbon dioxide emissions from fossil fuels (GHG Scope 1) decreased until 2018, but increased in 2019 because of disruptions in production.



Target 12.2. By 2030, achieve the sustainable management and efficient use of natural resources.



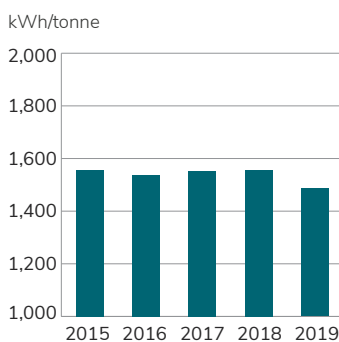
Target 14.1. By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.



Target 15.2. By 2020, promote the implementation of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

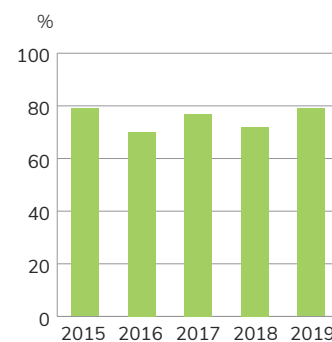
Read more on pages 22 and 52 about raw timber and sustainable forestry.

ELECTRICITY CONSUMPTION ROTTNEROS MILL, KWH/TONNE PULP



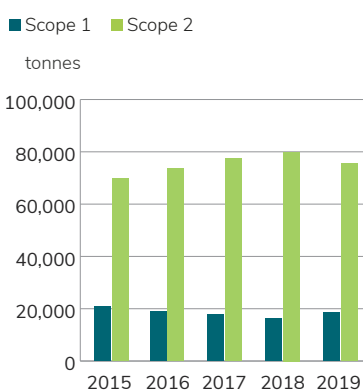
By designing equipment more efficiently and changing the product composition, electricity consumption per tonne of pulp has declined.

SELF-SUFFICIENCY RATE FOR ELECTRICITY, VALLVIK MILL



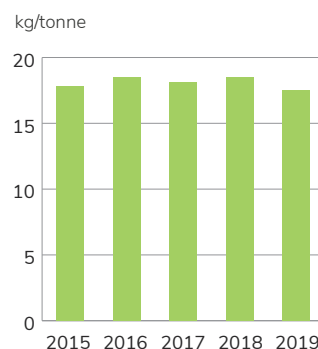
High and even production have helped to achieve a higher self-sufficiency rate for electricity.

FOSSIL CARBON DIOXIDE EMISSIONS, GHG SCOPE 1 & 2 (TONNES CO₂ EKV)



Carbon dioxide emissions from fossil fuels were negatively impacted by production disruptions.

EMISSIONS OF COD



The Group's goal is to reduce emissions of oxygen-consuming substances (CODs) to water. Investigations are currently underway at Vallvik Mill to explore additional measures.

Directors' Report

The Board of Directors and CEO of Rottneros AB (publ), corporate identity number 556013-5872, based in Sunne, hereby present the annual accounts and consolidated accounts for the financial year 2019.

CONTINUED VOLUME GROWTH

In 2019, the global pulp market worsened dramatically, resulting in gradually falling prices. Nevertheless, Rottneros reports good profitability and a strong cash flow. EBIT (operating profit) was SEK 268m (295).

The Rottneros Group is an independent and flexible producer of high-quality chemical and mechanical pulp. The Group operates in the market pulp segment, where the pulp produced is sold to customers throughout the world. The majority of Rottneros' sales take place in Europe, the United States and certain Asian markets.

The Rottneros Group's principal activity takes place at two pulp mills: Vallvik Mill and Rottneros Mill. The company focuses on expanding in selected niches where the Group is among the leading manufacturers in the world, or areas where Rottneros Group's pulp has a clear competitive advantage. The Group also develops Rottneros Packaging, producing packaging trays used mainly for food.

SALES AND RESULTS

Sales

Net turnover for the Group amounted to SEK 2,376m (2,260) for full-year 2019, an increase of about 5 per cent. The increase in turnover is attributable to increased delivery volume, as well as better outcomes for pulp price hedging, while lower sales prices had a negative impact.

The Group set new annual records for both production at 406,000 (393,600) tonnes and deliveries at 408,300 (382,500) tonnes. Delivery volume in tonnes increased by 7 per cent compared with 2018.

The average gross price of long-fibre sulphate pulp (NBSK) denominated in SEK decreased by 8 per cent compared with the previous year.

Turnover for 2019 also includes sales of wood for SEK 16m (84), revenue from by-products of SEK 51m (40), and profit from pulp price hedging of SEK 10m (loss: 131). See also Note 1 in the Annual Report.

SUMMARY CONSOLIDATED INCOME STATEMENT

	2019	2018
Net turnover	2,376	2,260
EBIT	268	295
Profit/loss after financial items	247	276
Net income	194	221

DEVIATION ANALYSIS

SEK MILLION	2019	2018
NBSK PIX, USD	984	1,167
SEK/USD	9,46	8,69
NBSK, SEK	9,304	10,144
EBIT	268	295

OPERATING PROFIT

The Group's EBIT for 2019 fell by 9 per cent to SEK 268m (295). Profit was negatively impacted by lower price levels for Rottneros' products and positively impacted by the weaker SEK, along with a positive impact of pulp price hedging and higher volumes.

EXPENSES

The cost of raw materials and consumables increased by 1 per cent compared with the previous year, mainly due to higher volumes, but also higher wood prices at the beginning of the year and higher chemical costs.

Electricity costs, which are also included in raw materials and consumables, are affected by the price of electricity on the Nord Pool electricity exchange (area SE3), which averaged SEK 0.41(0.46) per kWh in 2019, a price reduction of 11 per cent. The outcome of electricity price hedging was SEK 49m (59) in 2019.

Fixed costs increased as a result of higher maintenance costs, revaluation of inventory and the cost of

DIRECTORS' REPORT

running Rottneros Packaging now that it is in full operation. Personnel expenses and scheduled depreciation and amortisation also increased.

OTHER INCOME STATEMENT ITEMS

Other operating income decreased by SEK 6m. Net financial expenses increased to SEK 21m (19) because of interest expenses, primarily due to the SEK 400m bond that Rottneros issued in August 2017.

Profit/loss after financial items

The Group's profit after financial items declined by 11 per cent to SEK 247m (276).

Income taxes

The income tax expense for 2019 was SEK 53m (55) and the effective tax rate was 20 (20) per cent. The effective tax rate was in line with the previous year.

Net income

Consolidated net income decreased by 12 per cent to SEK 194m (221) and earnings per share to SEK 1.27 (1.45).

INVESTMENTS

Group investments in non-current assets amounted to SEK 109 (255) million in 2019. The investments related to equipment to increase capacity and efficiency, as well as to environmental investments. No individual major investments were made during the year. The aim is to maintain the technical standard that has been achieved through the large investments of recent years. The new production record confirms that the recent investments and the focus on increased availability have produced the desired effect.

Rottneros invested a total of about SEK 980m between 2015 and 2019 in upgrades for the pulp mills in Vallvik and Rottneros, as well as a new industrial-scale factory for Rottneros Packaging.

The annual investment rate is expected to remain on a level of about SEK 100m per year moving forward. In addition to reinvestments, the focus will be on eliminating bottlenecks and efficiency improvements.

FINANCIAL POSITION

Non-current assets amounted to SEK 1,280m (1,290) on 31 December 2019, which is somewhat lower compared with the previous year mainly because of depreciation and amortisation of property, plant and equipment, as well as a lower value for long-term unrealised electricity price hedges. Property, plant and equipment comprise 94 (91) per cent of the Group's non-current assets.

Current assets, excluding cash and cash equivalents, amounted to SEK 717m (873) on 31 December 2019 and comprise 52 (45) per cent inventories and 48 (55) per cent accounts receivable and other current receivables. Current assets decreased by 18 per cent compared

with the end of 2018, mainly because of lower accounts receivable and a lower value for current unrealised electricity price hedges.

Group cash and cash equivalents amounted to SEK 376m (238) at the end of the year.

To complete financing of the strategic plan Agenda 500, and to optimise the Group's capital structure in the long term, Rottneros AB issued an unsecured bond of SEK 400m 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 600m, which allows for an additional bond issue of SEK 200m. 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 per cent, and a maximum dividend of 50 per cent of the previous year's net income.

Interest-bearing net debt at the end of the year was SEK 35m (157). Granted and unused credit facilities amounted to SEK 182m (182) on 31 December 2019. The equity/assets ratio at year-end was 58 (61) per cent. Equity per share amounted to SEK 9.05 (9.57). The Extraordinary General Meeting held 4 November 2019 resolved to adopt the proposal of the Board of Directors and pay an extra dividend of SEK 0.70/share. The dividend exceeded the covenant for the distribution of last year's net income, for which reason approval was required and obtained from the bondholders.

CASH FLOW

Cash flow from operating activities was SEK 462m (223) in 2019. Cash flow was higher because of lower investments and a reduction in operating capital thanks to lower accounts receivable and inventories. Cash flow after investments for the year was SEK 353m (-32). Cash flow from financing activities amounted to SEK -214m (-56). During the year shareholders were paid dividends totalling SEK 214m (56).

Net cash flow for the year was SEK 138m (-88).

PARENT COMPANY

The parent company's turnover for 2019 amounted to SEK 7m (6). The parent company's sales comprise inter-company revenue from administrative and operational management services. The parent company's profit after net financial items amounted to SEK 96 (6) million for 2019. This figure includes group contributions received/paid of SEK 96m (49).

FUTURE TRENDS

The Rottneros Group continues to pursue its core business using a structured and systematic approach, with continuous improvements in all regards.

At the same time, Rottneros continues to develop

DIRECTORS' REPORT

new products that contribute to the fossil-free society. Rottneros Packaging continues to build its production lines and commercial production will be scaled up in 2020.

CONSOLIDATED BALANCE SHEET, SUMMARY

SEK MILLION	2019	2018
Non-current assets	1,280	1,290
Current assets	717	873
Cash and cash equivalents	376	238
Total assets	2,373	2,401
Shareholders' equity	1,380	1,460
Interest-bearing liabilities	411	395
Non-interest-bearing liabilities	582	546
Total shareholders' equity and liabilities	2,373	2,401

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

SEK MILLION	2019	2018
Cash flow from operating activities	462	223
Cash flow from investing activities	-109	-255
Cash flow after investments	353	-32
Change, interest-bearing liabilities	—	—
Dividend paid	-214	-56
Net cash flow	138	-88

CHANGES IN MANAGEMENT

During the year, Kristin Israelsson, mill director of Rottneros Mill, and Michael Berggren, mill director of Vallvik Mill, resigned from their positions in the Group. They were replaced by temporary mill directors for the remainder of the year.

AVERAGE NO. OF EMPLOYEES

The average number of employees amounted to 303 (303) in 2019. The average term of employment is about 13 (14) years, and the average age of employees is approximately 47 (48) years.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

Rottneros develops the Group's pulp wood supply through the acquisition of Nykvist Skogs AB. The company will be consolidated in Rottneros' accounts beginning 1 January 2020. As a consequence of the increased uncertainty of the global economic outlook coming from the spread of the corona virus, Rottneros' Board of Directors has decided to revise the dividend proposal for the 2020 AGM. The revised proposal implies that the ordinary dividend of SEK 0.40 /share will be maintained, while the previously proposed extra dividend of SEK 0.20 /share is cancelled. The revision should be seen as a precautionary measure in the light of increased uncertainty regarding the global economic outlook.

Proposal for profit distribution

In its proposal for appropriation of profits, the Board has taken into account the company's financial position, cash flow and future prospects. The consolidated income statement and balance sheet will be submitted to the AGM on 28 April 2020 for adoption.

A detailed statement regarding the Board's proposal for appropriations of profits are available at www.rottneros.com

AT THE DISPOSAL OF THE AGM:

Retained earnings	111,423,749
Net income for the year	75,031,832
Total SEK	186,455,581

The board of directors proposes:

To be distributed to shareholders ^{1,2}	61,028,770
To be carried forward	125,426,811
Total SEK	186,455,581

1) After adjustment for repurchased shares in treasury.
2) Ordinary dividend SEK 0,40 per share.

The board of directors' proposal for guidelines for remuneration to executive managers and board members

SCOPE

These guidelines include board members and group management, which include the CEO and other members of the executive management of Rottneros AB (publ). The guidelines are forward-looking and applicable to remuneration already agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2020. These guidelines do not apply to any remuneration decided or approved by the general meeting.

PROMOTION OF THE COMPANY'S BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY

Rottneros's overall objective is to achieve sustainable profitability and yield a good return for the group's shareholders. To deliver this, Rottneros will offer the highest quality products and services that create clear added value in growing niches. Rottneros is continuously working on developing new products and applications for existing as well as new customer groups. Employee safety, high productivity in the mills and a first-class level of service to Rottneros's customers are of top priority.

A prerequisite for a long-term successful and sustainable implementation of the company's business strategy is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the executive management a competitive total remuneration.

REMUNERATION TO EXECUTIVE MANAGEMENT

Types of remuneration etc.

Rottneros shall offer remuneration in accordance with market practice which enables the recruitment and retention of qualified executives. Remunerations within Rottneros shall be based on principles of performance, competitiveness and fairness. The remuneration to the executive management may consist of fixed remuneration, variable remuneration, share and share-price related incentive programs, pension and other benefits. If local conditions justify variations in the remuneration principles, such variations may occur.

The fixed remuneration shall reflect the individual's responsibility and experience level. The fixed remuneration shall be reviewed annually. The variable cash remuneration may amount to a maximum of 50 per cent of the annual fixed salary for the CEO, and a maximum of 30 per cent of the annual fixed salary for other members of the executive management. The variable

cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development. The satisfaction of the criteria for awarding variable cash remuneration shall be measured over a period of one year. To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The board of directors is responsible for the evaluation so far as it concerns variable cash remuneration to the CEO. For variable cash remuneration to other executives, the remuneration committee is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

For the CEO and other executive managers, pension benefits shall be premium defined and entitle the managers to pension from the age of 65. Variable cash remuneration shall qualify for pension benefits.

Other benefits may include, for example, life insurance, medical insurance (Sw. sjukvårdsförsäkring) and company cars. Such benefits shall not constitute a substantial part of the total remuneration.

Additional cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary work performance beyond the individual's ordinary tasks. Such cash remuneration shall be commercially justified, in proportion to the individuals fixed salary and not be paid more than once a year and per person. Any resolution on such remuneration shall be made by the board of directors based on a proposal from the remuneration committee.

In addition, general meetings may, if resolved, submit an offer of long-term incentive plans such as share- or share-price-related remuneration or incentive plans. Such plans are to be resolved by the general meeting and are therefore excluded from these guidelines.

For employments governed by rules other than Swedish these guidelines may be duly adjusted for compliance with such mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

CRITERIA FOR AWARDING VARIABLE CASH REMUNERATION, ETC.

The variable cash remuneration and remuneration awarded under potential cash-based incentive programs shall be linked to predetermined and measurable criteria which can be financial or non-financial. Fulfilment of the criteria for awarding short-term variable cash-based remuneration shall be measured for a period of one year.

They may also be individualised, quantitative or qualitative objectives. The criteria for short-term as well as long-term variable cash remuneration shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. The remuneration committee is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

The board of directors shall have the possibility, under applicable law or contractual provisions, subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds.

REMUNERATION TO BOARD MEMBERS

Remuneration to board members for their work in the board of directors of Rottneros shall be resolved upon by the general meeting. The board of directors are only entitled to remuneration resolved by the general meeting. However, board members may receive additional remuneration for services board members provide to Rottneros within their respective areas of expertise in addition to their duties as board members. Such remuneration shall be on market terms and based in a consultancy agreement approved by the board of directors.

EMPLOYMENT CONDITIONS

Salary and employment conditions for employees

In the preparation of the board of directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board of directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

Termination of employment

In the event of termination by the company of the CEO's employment the notice period may not exceed eighteen months and for other members of the executive management the notice period may not exceed twelve months. When termination is made by the executive, the notice period may not exceed twelve months. When termination of the CEO's employment is made by the company, the CEO shall receive normal salary and other benefits during the notice period. In all other cases, no severance pay shall be paid.

Decision-making process, amendments and deviations, etc.

The decision-making process to determine, review and implement the policy

In the preparation of the board of directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board of directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

Derogation from the guidelines

The board of directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the remuneration committee's tasks include preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

REMUNERATION 2019

Pay and remuneration for the company's senior executives in 2019 was compatible with the guidelines determined at the 2019 AGM. Pay and remuneration for the CEO and other senior executives in 2019 can be found in Note 8 of the annual report.

Variable remuneration in 2019 has been dependent on the achievement of measurable targets, which are set annually.

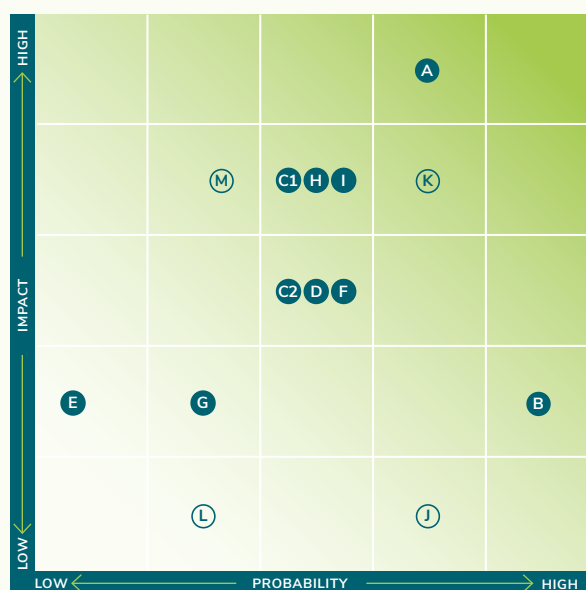
Variable remuneration in 2019 for the CEO was capped at 48 per cent of fixed salary. Variable remuneration for other senior executives is capped at 27 per cent of fixed salary. During the year a "stay on" bonus was paid to the CEO.

Balance in management of financial and operational risks

Rottneros is affected by the general business cycle, currency fluctuations and other company-specific environmental factors. The most important risks that affect the Group's capacity to achieve the objectives set are described in this section, as is the management of each risk.

Rottneros is working to minimise risk through preventive work or, where this is not possible, by working with different kinds of hedging and insurance. Many of the risks shown below may have both a positive and negative impact on Rottneros. Work relating to risk is managed by the Board of Directors at an overall level and by the

CEO and Group management at an operational level. The risk management process includes, among other things, strategic business planning, conducting an on-going risk inventory, preventive maintenance work and investments and also financial hedging activities.



OPERATIONAL RISK AREAS

- A Variations in pulp price
- B Structural change
- C1 Access to raw material
- C2 Raw material prices
- D Electricity prices
- E Customer structure and customer credit
- F Facilities
- G Political decisions
- H Sustainability and accountability
- I Environment

FINANCIAL RISK AREAS

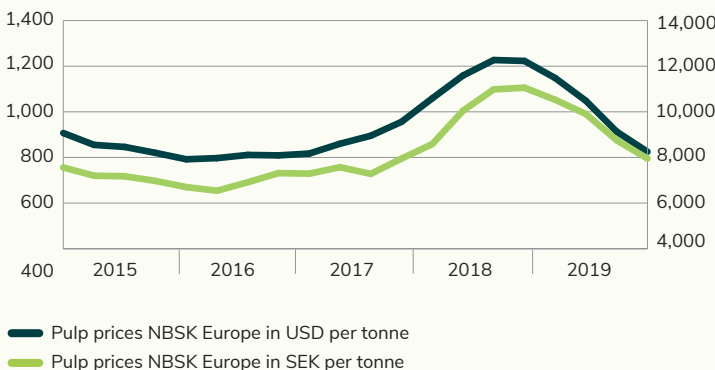
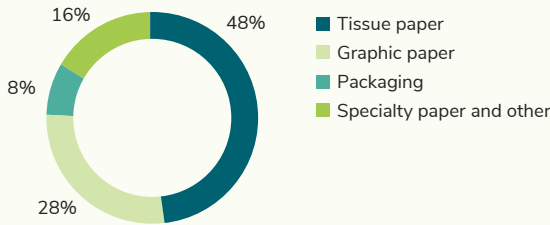
- J Currency – balance exposure
- K Currency – transaction exposure
- L Interest
- M Liquidity and refinancing

SENSITIVITY ANALYSIS, 2019

Type of risk	Change	Effect on profit/loss after financial items (SEK m)		Sensitivity
		2019	2018	
Pulp price	USD 50/tonne	120	110	High
USD	SEK 0.50/USD	65	65	High
Electricity prices	SEK 0.20/kWh	30	30	High
Pulp wood prices	SEK 20/m ³	30	30	High
Interest rate risk	1 percentage point	4	4	Low
Refinancing				Low
Credit risk				Low

Sensitivity calculations for each type of risk do not take into account the fact that actual changes will also affect other items. The effects of hedging or fixed-price contracts, if any, have not been taken into account either.

Operational risk areas

RISK AREA	RISK MANAGEMENT
<p>A Variations in pulp price</p> <p>Pulp price risk means the risk of changes in pulp prices having a negative impact on the consolidated income statement and balance sheet.</p> <p>The pulp price is set in a global market and the price of Rottneros' products is dependent on how global demand for pulp products can be matched with the industry's production volume.</p> <p>Variations in pulp price are seldom related to changes in Rottneros' costs and may thus generate major fluctuations in the result.</p> <p>A high pulp price is positive for the result but may have a negative impact on potential sales volumes.</p>	<p>Probability 4 Impact 5</p> <p>The setting of prices in the pulp market is governed by international price levels that depend on demand and the global economy. Pulp price hedging is used when the price levels in long-term contracts are economically advantageous or when the market price is so low that further reductions may threaten the survival of the company. As a main rule, pulp prices are hedged in Swedish kronor.</p> <p>Rottneros develops product segments that involve more added value and that can substitute mass products in the long term. The objective is to reduce dependency on the list price for market pulp and thereby mitigate fluctuations in profitability over a business cycle.</p> <p>COMMENTS ON OUTCOME FOR 2019</p> <p>In 2019, the world market price for NBSK pulp fell by 16 per cent. The Group had hedged 16,500 tonnes at an average price of SEK 9,586 per tonne, 3 per cent over the market price denominated in SEK per tonne. The realised result of these pulp price hedges in 2019 was SEK 10m. The Group had pulp hedging of 7,500 tonnes as of 31 December 2019, with a due date between September 2020 at an average price of SEK 8,878 per tonne.</p> <p>PULP PRICES NBSK IN USD AND SEK</p>  <p>— Pulp prices NBSK Europe in USD per tonne — Pulp prices NBSK Europe in SEK per tonne</p>
<p>B Structural change</p> <p>Digitisation, globalisation and increased trade reduce demand for certain types of pulp and effect structural changes in the industry. Demand for newsprint and printing paper is weakening while demand for tissue, board and specialty paper is strengthening.</p>	<p>Probability: 5 Impact 2</p> <p>Rottneros has focussed on growth in product segments in which the company can add value through its knowledge and high-quality pulp, in order to manage structural change in the industry. The objective is to reduce dependency on the list price for market pulp and thereby mitigate fluctuations in profitability over a business cycle.</p> <p>MARKET PULP – GLOBAL CONSUMPTION BY APPLICATION</p>  <p>■ Tissue paper ■ Graphic paper ■ Packaging ■ Specialty paper and other</p>

OPPORTUNITIES AND RISKS – OPERATIONAL

RISK AREA	RISK MANAGEMENT															
C1 Access to raw material	Probability: 3 Impact 4															
<p>Pulp wood supplies are crucial for a pulp producer. Rottneros does not have any forests of its own and is therefore dependent on an optimal flow of pulp wood to its pulp mills. Deliveries and customer relations would be in jeopardy if Rottneros were to be without pulp wood.</p>	<p>The Group ensures that it has a good, long-term relationship with those stakeholders in the vicinity of each mill to safeguard access to pulp wood. The state-owned Sveaskog and the forestry owners' association Mellanskog are the largest suppliers. Rottneros normally signs agreements with major pulp wood suppliers for a period of between six and twenty-four months. The Group has its own company in Latvia for supplies of pulp wood and chips in order to increase flexibility. The goal is to carry an inventory of raw materials that is sufficient to cover two to three weeks of production.</p> <p>COMMENTS ON OUTCOME FOR 2019 After a turbulent 2018 with a shortage of raw material and sharply rising prices, 2019 was much more favourable. Availability of wood was adequate, prices fell from July onwards, and the proportion of wood that Rottneros imported returned to normal levels.</p>															
C2 Raw material prices	Probability: 3 Impact 4															
<p>Price and price changes for pulp wood affect pulp producers. Higher prices for pulp wood have a negative impact on profit and Rottneros is unable to compensate for price increases on input goods.</p>	<p>The Group does not hedge against market price fluctuations, but long-term supply agreements provide some stability to prices. A price change of SEK 20 per m³ will affect the Group's annual profit by approximately SEK 30m.</p> <p>COMMENTS ON OUTCOME FOR 2019 Raw materials continued to be expensive in 2019. The year began with high prices as a result of lower availability of raw material in 2018 and high demand from industry. Prices fell in 2019, but the price level remained at a historically high level. The cost of raw materials for pulp production for the Group was SEK 846m (781) in 2019, which corresponds with 36 (35) per cent of net turnover.</p>															
D Electricity prices	Probability: 3 Impact 3															
<p>Energy costs represent a substantial part of Rottneros' manufacturing costs. Increased energy prices may lead to increased production costs and have a negative impact on the Group's operating profit.</p>	<p>All external electricity for the mills is purchased directly via the Nord Pool electricity exchange. Electricity prices are quoted in EUR. A price change of SEK 0.10 per kWh will affect the Group's annual profit by approximately SEK 30m, in the absence of any electricity price hedges. Future electricity prices are hedged in advance according to a set strategy to protect Rottneros' future electricity costs against major fluctuations and achieve a predictable electricity price. The Board of Directors approves hedging levels based on proposals from senior management. The Board also approves new financial counterparties.</p> <p>NORD POOL ELECTRICITY PRICE (AREA SE3) IN SEK PER KWH</p> <p>SEK/MWh</p>  <p>COMMENTS ON OUTCOME FOR 2019 The average price level for electricity on the Nord Pool exchange (area SE3) amounted to SEK 0.41 (0.46) per kWh in 2019. Thanks to the high level of hedging, the higher electricity price only had a marginal effect on profit, while electricity consumption dropped by 3 per cent during the year. The Group's cost of electricity, adjusted for the hedging result, amounted to SEK 80m (92) in 2019. At the end of 2019, electricity prices were hedged as specified in the following table. The table shows the hedged proportion of forecasted consumption and the average hedged price in SEK/kWh.</p> <table><tr><th>Year</th><th>Proportion hedged, %</th><th>SEK/kWh</th></tr><tr><td>2020</td><td>85</td><td>21.8</td></tr><tr><td>2021</td><td>74</td><td>26.1</td></tr><tr><td>2022</td><td>42</td><td>34.1</td></tr><tr><td>2023–2025</td><td>14</td><td>34.4</td></tr></table>	Year	Proportion hedged, %	SEK/kWh	2020	85	21.8	2021	74	26.1	2022	42	34.1	2023–2025	14	34.4
Year	Proportion hedged, %	SEK/kWh														
2020	85	21.8														
2021	74	26.1														
2022	42	34.1														
2023–2025	14	34.4														

OPPORTUNITIES AND RISKS – OPERATIONAL

RISK AREA	RISK MANAGEMENT
E Customer structure and customer credit	Probability: 1 Impact 2
<p>A high dependency on a small number of major customers, industries or geographical markets may have a significant impact on revenue if a major customer or industry were to have problems.</p> <p>In all, 99 (99) per cent of total outstanding accounts receivable were insured on 31 December 2019. Historically, the Group has only incurred small credit losses. In 2019 the Group's largest customer accounted for 7 (11) per cent of turnover.</p>	<p>Rottneros considers that the Group has a good diversification of commercial risk with around 200 customers, of which the ten largest together represent approximately 40 per cent of turnover. Printing paper customers account for approximately 25 per cent of revenue, which in the long term may constitute too high a proportion considering the long-term structural changes occurring in the market.</p> <p>Geographically, the Rottneros Group is not dependent on the market in any particular country. Most of the Group's turnover is generated in Europe, where Sweden, Norway, Germany and Italy represent the largest markets.</p> <p>Credit risk is managed at a Group level. Credit risk arises through cash and cash equivalents, derivative instruments and deposits at banks and financial institutions, and through credit exposures to customers. With few exceptions, business risk relating to accounts receivable is insured through credit insurance with a ten per cent excess.</p> <p>COMMENTS ON OUTCOME FOR 2019</p> <p>The Group has approximately 200 customers and the maximum credit risk on outstanding accounts receivable amounted to SEK 30m (37) at the end of 2018 (10 per cent deductible + any uninsured receivables).</p>
F Facilities	Probability: 3 Impact 3
<p>Rottneros has two large production facilities that conduct continuous production. Industrial injuries, machinery breakdowns, fires and other accidents may result in extended production shutdowns, damage to the facility and delivery problems.</p>	<p>The management team conducts an annual review of the mills' maintenance needs for the coming years. This work includes identifying ongoing annual investments, investments in expansion and investments that aim to improve quality and safety.</p> <p>The Rottneros Group holds annual maintenance shutdowns to ensure a high and even rate of production. Maintenance shutdowns are carefully planned to minimise downtime. In addition, preventive maintenance is carried out regularly. Rottneros insures all of its facilities against property damage and business interruption and also has relevant liability insurance.</p> <p>The insurance companies conduct annual audits of the Group's facilities and make recommendations for improvements and reduction of risks.</p> <p>Despite significant investments in 2015-2018, Rottneros has a relatively low level of capital in fixed assets compared with the rest of the industry, which results in low depreciation and a low capital cost. At the end of 2019, the Group's property, plant and equipment had a book value of SEK 1,198m (1,179). The replacement cost is much higher.</p> <p>COMMENTS ON OUTCOME FOR 2019</p> <p>In 2019, maintenance shutdowns were carried out during the third quarter at Rottneros Mill and during the fourth quarter at Vallvik Mill. Insurance is reviewed and procured annually.</p>
G Political decisions	Probability: 2 Impact 2
<p>Political decisions to change environmental legislation may have a negative impact on production at the Group's pulp mills, restrict access to raw timber, or change various support systems such as trade with emission allowances and electricity certificates</p>	<p>Rottneros' exposure to political risks is considered to be limited.</p> <p>Rottneros runs its production in Sweden and sells most of its products to Sweden and the rest of Europe. These markets are stable democracies and the political risk of rapid changes to legislation, rules and regulations is relatively slight.</p> <p>Rottneros considers that there is always a risk of political decisions that raise the price or limit Rottneros' opportunities to produce pulp in some way or another. However, the company considers this risk to be limited. Rottneros works to constantly improve the production process and the goal is that all investments in the mills will also benefit the environment.</p>

OPPORTUNITIES AND RISKS – OPERATIONAL

RISK AREA	RISK MANAGEMENT
H Sustainability and accountability	Probability: 3 Impact 4
<p>Inadequate responsibility relating to sustainability issues could harm trust in the company and the brand, thereby having a negative impact on the company's profitability.</p> <p>To achieve sustainable profitability and value creation Rottneros must simultaneously create value for those stakeholders who are affected by the Group's operations. See also the sustainability report on pages 40–55.</p>	<p>Rottneros shall run its business responsibly with respect to the external and internal environment, society, our customers and suppliers, our shareholders and our employees. Trust in Rottneros as a responsible participant, supplier and employer strengthens our position in society and in the market, and promotes employee commitment. Rottneros communicates regularly with its stakeholders to maintain an open and positive relationship.</p> <p>Rottneros endeavours to make its products better, both from a quality and efficiency perspective, by understanding the customers' processes and product strategy. Environmental, social and economic factors are crucial to this success.</p> <p>The Group has a sustainability policy describing Rottneros' responsibility regarding shareholders, customers, suppliers, environment, society, personnel and the work environment, and human rights, as well as anti-corruption and competition law.</p> <p>The Group has a Code of Conduct describing how Rottneros and the Company's employees act in relation to the surrounding world and towards each other. The Code of Conduct defines Rottneros' social responsibility, ethical commitment and position in respect of gender equality and diversity issues, as well as the approach that Rottneros' employees should adopt on issues of principle importance.</p> <p>Employee well-being is an important part of Rottneros' success. The Group takes responsibility towards employees by promoting good health, environment and safety in the workplaces Rottneros has a zero target regarding occupational injuries leading to sick leave.</p> <p>COMMENTS ON OUTCOME FOR 2019</p> <p>Rottneros continues to develop new areas of application for its products that contribute to more sustainable development in society. Rottneros Packaging started commercial production of recyclable and decomposable fibre trays in 2019. Through the EU innovation project PULPACKTION, Rottneros Packaging is developing a completely bio-based packaging solution at a competitive price.</p> <p>In 2019, 9 (6) accidents occurred that resulted in a total of 17 (96) sick days.</p>
I Environment	Probability: 3 Impact 4
<p>Rottneros' activities have an impact on the environment, which may entail environmental restoration costs.</p> <p>Extensive environmental legislation governs Rottneros' operational area, and its activities require permits that need to be renewed periodically.</p> <p>There is a risk of permits granted being exceeded, which may not only entail production restrictions or the need for investments, but also criminal penalties or the revocation of permits.</p> <p>There is also a risk of environmental legislation being amended, which may affect Rottneros' activities. No such changes are known at the current time. See also the environment section on pages 52–55.</p>	<p>Good management of environmental issues represents a fundamental and important issue for the Board of Directors and corporate management, for which reason ongoing debriefing takes place monthly, half-yearly and annually. Both of the Group's mills have environmental management systems and are certified according to ISO 14001. The environmental management system includes well-established routines for follow-up, taking samples and dealing with deviations.</p> <p>The Group has a continuous sampling system with alarm functions linked to the mills' control systems to detect and prevent any infringements of applicable provisions and requirements. Random manual samples are taken in addition to this.</p> <p>According to the Group's policy, all employees in relevant positions must have the necessary expertise in the environmental field. Senior environmental staff within the Group undertake continuous professional training. Ongoing communications take place with county administrative boards and municipal authorities. Compliance consultation meetings are to be held with the county administrative board four times a year, to which the municipal authority will also be invited to attend.</p> <p>COMMENTS ON OUTCOME FOR 2019</p> <p>Efforts to further reduce emissions to air and water continued in 2019. In 2018 Vallvik Mill invested about SEK 70m in a weak gas system to reduce the emission of sulphur into the atmosphere. The facility has been fine tuned and now functions according to plan.</p> <p>Rottneros Mill continued to work with equipment commissioned in 2018, primarily a biomass boiler and equipment for biological purification of process water. An anaerobic step is included in the biological water treatment process that causes methane gas to be formed as a by-product. In 2020 the mill is investing SEK 15m in a methane gas burner as part of the initiative to achieve the target of fossil-free production.</p>

Financial risk areas

The following describes the Rottneros Group's policies for managing financial risks. Financial risks and other arrangements are described in Note 7 of the Annual Report. The factors that have the greatest impact on the Group's result are associated with the price of pulp in USD, exchange rates and pulp wood and electricity prices.

Financial risk is managed at a Group level in accordance with guidelines defined in the Group's Financial Policy and approved annually by the Board of Directors. The Board of Directors makes decisions on overall

mandates and limits for restricting the Group's financial risk exposures and also makes decisions on all long-term financing. The Board of Directors approves hedging levels based on proposals from senior management. The management continually assesses whether factors such as the USD exchange rate, pulp price or electricity price present attractive opportunities for strategic hedging. Financial hedging instruments are not used speculatively, but solely to hedge transactions and costings in accordance with the approved financial policy.

RISK AREA	RISK MANAGEMENT
J Currency – Balance exposure	Probability: 4 Impact 1
<p>Currency risk means that currency rate changes may have a negative impact on the Group's future results, cash flows and values of assets and liabilities.</p>	<p>Rottneros' pulp mills and assets are 99 per cent in Sweden and other than the currency risk related to operating transactions, balance exposure is very low.</p>
K Currency – Transaction exposure	Probability: 4 Impact 4
<p>Transaction exposure is the risk of exchange rate fluctuations in export revenue and import costs having a negative impact on operating profit.</p>	<p>Most invoices are issued in USD, EUR and SEK. The Rottneros Group's assets and liabilities are valued in SEK. The central finance function is responsible for proactively monitoring and managing the Group's exchange rate exposure and ensuring that actual risk exposure is identified and managed.</p> <p>COMMENTS ON OUTCOME FOR 2019 The underlying exposure to USD is high, while the direct inflow of USD corresponds to approximately 48 per cent and in EUR approximately 37 per cent of turnover. At the same time, the Group has expenses denominated in EUR that reduce exposure. As of 31 December 2019 the Group had no currency hedges.</p>
L Interest	Probability: 2 Impact 1
<p>Interest rate risk comprises the exposure of the Group's financial assets and financial liabilities with a variable interest rate.</p>	<p>Between 2009 and 2016, Rottneros had a low level of borrowing. In August 2017, Rottneros issued a bond of SEK 400m. The Group's borrowing is presented in Note 20 of the Annual Report. Interest rate risk relates primarily to the variable interest rate of the bond and the return on cash and cash equivalents.</p> <p>COMMENTS ON OUTCOME FOR 2019 The bond of SEK 400m that Rottneros issued in August 2017 has a maturity of five years and bears variable interest. A change of one percentage point in the interest rate will affect the Group's annual profit by SEK 4m. Cash and cash equivalents amounted to SEK 376m (238) as of 31 December 2019. The interest income on cash and cash equivalents is negligible.</p>

OPPORTUNITIES AND RISKS – FINANCIAL

RISK AREA	RISK MANAGEMENT
<p>(M) Liquidity and refinancing</p>	<p>Probability: 2 Impact 4</p>
<p>There is a risk that Rottneros may not have sufficient liquid assets to pay for running costs, or the Group not being granted credit.</p>	<p>The financing risk shall be minimised as far as possible by the due dates for loans and other credit facilities being well-diversified and evenly spread over time. Outstanding credit facilities shall be refinanced no later than three months before they fall due. The Group's objective is for liquidity reserves to amount to at least ten per cent of the Group's 12-month rolling turnover and be available within 30 days. The Group continuously produces liquidity forecasts.</p> <p>Rottneros' credit agreements are considered to be sufficient for normal operating and investment cash flow for the next few years. Both the liquidity and refinancing risks are therefore considered to be low at this time.</p> <p>The Group shall maintain an optimal capital structure to keep capital costs down while ensuring that it is able to continue its activities.</p> <p>The Group may take on new debt, change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce its debts in order to maintain or adjust its capital structure. The Group assesses its capital on the basis of its debt/equity ratio. This key ratio is defined as net debt/cash as a percentage of shareholders' equity.</p> <p>COMMENTS ON OUTCOME FOR 2019</p> <p>In August 2017, Rottneros AB issued an unsecured bond of SEK 400m 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 600m, which allows for an additional bond issue of SEK 200m. 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 per cent, and a maximum dividend of 50 per cent of the previous year's net income. In 2019 the company paid an extra dividend that caused the dividend to exceed the covenant. The company received approval from the bondholders prior to this deviation. Otherwise the covenants were fulfilled on the balance sheet date.</p> <p>Granted and unused credit facilities amounted to SEK 182 million at the end of the year. The Group's liquidity reserve at the end of 2019 amounted to 23 per cent (19) of turnover and the target is "at least 10 per cent".</p> <p>Group net loans receivable for 2019 amounted to SEK 35 million (157). The Group's debt/equity ratio amounted to 3 per cent (11) at the end of 2019.</p>

Corporate Governance at Rottneros

Rottneros is a Swedish public limited company based in Sunne, Sweden and is listed in the Small Cap segment on NASDAQ Stockholm ("the Stock Exchange"). Rottneros' corporate governance is based on the Swedish Companies Act, the Annual Accounts Act, the Rules of the Stock Exchange and the Swedish Code of Corporate Governance ("the Code"). This Corporate Governance Report refers to both Rottneros AB, which is the parent company, and the Group.

PRINCIPLES FOR CORPORATE GOVERNANCE

Rottneros applies the rules prescribed by law or other enactment, and also the Code. Rottneros applied the Code without deviations in 2019.

STRUCTURE FOR CORPORATE GOVERNANCE

The shareholders at the AGM/general meeting make the appointments by election and lay down the guidelines which will form the basis for the corporate governance of Rottneros. The following organisation chart summarises how corporate governance is organised at Rottneros.

CONTROL INSTRUMENTS

The external control instruments that form the frameworks for corporate governance within Rottneros include the Swedish Companies Act, the Annual Accounts Act, the rules of the Stock Exchange, the Code and other relevant laws. Foreign subsidiaries apply the laws and ordinances in force in the country in question, but also ensure that the Group's guidelines for governance and control are observed.

The Board of Directors is ultimately responsible for the organisation and administration of the company's affairs. The authorities and bodies appointed by the authorities exercise supervision through receiving reports from the company and through regular checks conducted by the authorities.

The internal control instruments include the Articles of Association as adopted by the AGM and similarly the Rules of Procedure for the Board and the Terms of Reference for the CEO, the Board's committees and the financial reporting. In addition, there are, for example,

financial and quantitative targets, budgets, reports, policies, valuations and codes of conduct.

The policies resolved by the Board include the Code of Conduct, the Financial Policy, the Communication Policy, the Sustainability Policy, the Environmental and Energy Policy, the Anti-Corruption Policy, the Competition Policy and the Insider Policy. The CEO decides on the Customer Credit Policy, Crisis Management Policy, IT Security Policy and Work Environment Policy, which are communicated to the Board. There are also other important steering documents decided by the CEO or the person appointed by the CEO.

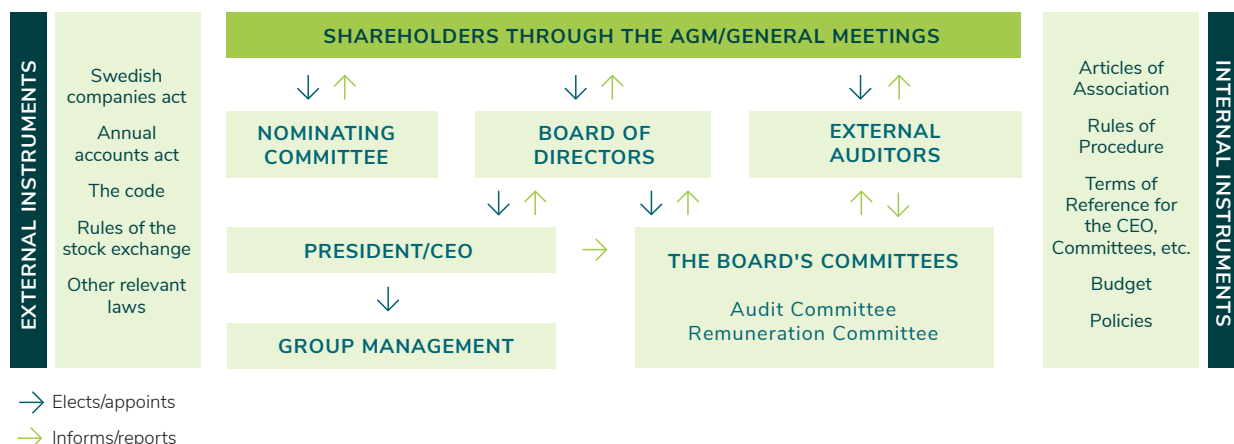
ANNUAL GENERAL MEETING

Rottneros' shareholders exercise their right to make decisions on the company's affairs at the AGM or, where applicable, an extraordinary general meeting. The AGM is Rottneros' highest decision-making body. The AGM makes decisions on the Articles of Association, appoints the Board of Directors and the Chairman of the Board, elects the auditors, adopts the income statement and balance sheet, makes decisions on the appropriation of profits and discharge from liability, and also makes decisions on nomination procedures, guidelines for the remuneration of senior executives, etc.

Rottneros' Articles of Association do not have any specific provisions on the appointment and dismissal of Board members or on amendments to the Articles of Association.

Each shareholder has the right to participate in the AGM, either in person or through an authorised proxy. Each shareholder has the right to raise issues to be

Structure for corporate governance



addressed at the AGM. Notices of meetings and other information prior to AGMs/general meetings are available on Rottneros' home page. Minutes, the CEO's statements, etc. from the latest meetings are also available on the website.

SHAREHOLDERS

Rottneros' ordinary shares have been listed on Nasdaq Stockholm since 1987. According to the share register kept by Euroclear Sweden, Rottneros had 13,803 shareholders on 31 December 2019. The share capital amounted to SEK 153,393,890, divided among 153,393,890 ordinary shares, each carrying equal voting rights and equal rights to the company's profit and capital. The Articles of Association contain no restrictions on the number of votes each shareholder can cast at a general meeting.

Arctic Paper S.A. had a participating interest amounting to 51.0 per cent of the total number of shares and votes on 31 December 2019. Otherwise, none of the shareholders had a direct or indirect shareholding representing at least one tenth of votes attached to all shares in Rottneros.

Rottneros' holding of treasury shares amounts to 821,965, corresponding to around 0.54 per cent of the total number of shares. See pages 106–107 for additional information about the share, shareholders, etc. Information is also available on the company's website.

2019 ANNUAL GENERAL MEETING

Rottneros held its 2019 AGM on 2 May 2019 in Sunne. Fifty-one of the company's shareholders attended the

meeting, representing 52.8 per cent of the company's votes and capital (excluding Rottneros' treasury shares). A majority of the Board members, including Chairman of the Board Per Lundeen, as well as the CEO, were present. The company's auditor also attended the meeting.

Among other things the AGM passed the following resolutions:

- The AGM resolved to discharge the Board of Directors and Chief Executive Officer from liability for the 2018 financial year.
- The AGM resolved in accordance with the Board of Directors' proposal to pay shareholders a dividend of SEK 0.40 per share as a regular dividend and SEK 0.30 per share as an extra dividend (total of SEK 0.70 per share).
- The Board should comprise five ordinary members.
- Marie S. Arwidson, Ulf Carlson, Per Lundeen, and Roger Mattsson were re-elected and Conny Mossberg was elected to serve as a director.
- Per Lundeen was re-elected to serve as Chairman of the Board.
- A fee of SEK 550,000 should be paid to the Chairman of the Board and SEK 275,000 to each of the other directors. Additionally, a fee of SEK 20,000 should be paid to each of the members of the Audit Committee and SEK 10,000 to each of the members of the Remuneration Committee. Each employee representative will be paid a fee of SEK 27,500. Auditors' fees are paid based on invoices approved by the CEO.
- The chartered auditing firm KPMG AB was re-elected as auditors until the end of the 2020 AGM, with Jan Malm as auditor in charge.

CORPORATE GOVERNANCE REPORT

- The AGM resolved in accordance with the Board's proposal to lay down guidelines for remuneration for the CEO and other senior executives. These entail, for example, that remuneration shall comprise fixed salary, a possible variable remuneration component, other benefits and pension. The total remuneration package must be in line with market rates and competitive in the market in which the executives work. The variable component of remuneration, which is cash, is to be based on outcomes in relation to defined and measurable targets and is capped in relation to fixed salary. Matters relating to the remuneration of the executive management are dealt with by the Remuneration Committee, except in respect of the CEO, whose remuneration is decided by the Board.

NOMINATING COMMITTEE

Rottneros' AGM makes decisions on the principles for the appointment of the Nominating Committee. The 2019 AGM resolved that the Nominating Committee shall comprise the Chairman of the Board and two additional members. The Chairman of the Board may not be Chairman of the Committee. One of these two members, in addition to the Chairman of the Board, must be appointed by the company's largest shareholder and the other shall be appointed by one of the company's other four largest shareholders. Neither of these two members may be a Board member at the same time. The Nominating Committee appoints a Chairman from within its ranks. It is the responsibility of the Chairman of the Board to ensure that members are appointed as stated above. The principles also include a procedure for replacing members who leave the Nominating Committee before the end of their mandate or when a member represents a shareholder that is no longer one of the five largest shareholders.

The names of members of the Nominating Committee shall be presented at least six months prior to the 2020 AGM. The composition of the Nominating Committee at any given time will be published on Rottneros' website. A press release with information about the composition of the Nominating Committee and how shareholders may submit suggestions to the Nominating Committee was published on 21 October 2019 and has been held available on Rottneros' website. Julia Onstad (appointed by Arctic Paper S.A.) was appointed Chairwoman of the Nominating Committee. Other members were Stefan Sundh, appointed by PROAD AB, and Per Lundeen, Chairman of the Board of Rottneros AB. Altogether, the Nominating Committee represented just over 57.8 per cent of the votes attached to all shares in Rottneros.

The Nominating Committee shall submit proposals for decisions to the 2020 AGM as regards election of the Chairman for the AGM, number of Board members and deputies, election of Board Chairman and other Board members, fees for the Board and committee

work, election of and fees for the auditors, and where appropriate, changes in the instruction for the Nominating Committee.

In 2019 the Board adopted a specific Diversity Policy concerning the composition of the Board of Directors. This policy is available on the Rottneros website.

AUDITORS

Rottneros' auditors are elected at the AGM. At the 2019 AGM, KPMG AB was re-elected as the company's auditor up until the end of the 2020 AGM, with authorised public accountant Jan Malm as auditor in charge. Rottneros' Articles of Association do not set down any term for the auditor. This means that auditors for Rottneros are elected annually at the AGM in accordance with the Swedish Companies Act.

AUDIT WORK

The auditors examine the parent company's and the Group's annual accounts and accounting records and the administration of the company by the Board of Directors and the CEO.

The company's auditor attends at least one Board meeting each year. The auditors attended all meetings of the Audit Committee and the 2019 AGM. The auditor attends the AGM to present the auditor's report.

Fees for the auditor for 2019 are presented in Note 6 of the Annual Report.

BOARD OF DIRECTORS**Composition and fees of the Board**

According to the Articles of Association, the Board of Directors of Rottneros shall comprise a minimum of three and a maximum of ten members elected by the AGM. In addition, the employees elect two representatives with two deputies. The Board of Rottneros comprises five members without deputies elected at the AGM, as well as two members and two deputies appointed by the employees. The CEO is not a member of the Board but is called in to all Board meetings, except when the agenda includes an evaluation of the work of the Board and the CEO. Other officials of the company are also called in when necessary to present matters. The table on page 71 shows the composition of the Board in 2019 as well as remuneration paid to Board members for 2019 and 2018, respectively. Additional information about the Board members is presented on page 104.

Evaluation of the Board's work

The Board of Directors annually conducts a systematic evaluation where members are given an opportunity to present their views on work arrangements, Board material, their own and other members' contributions to the Board's work. The purpose is to improve the work of the Board and also to furnish the Nominating Committee with relevant decision guidance documentation prior to the AGM.

CORPORATE GOVERNANCE REPORT

COMPOSITION OF THE BOARD AND ATTENDANCE 2019

Amounts in SEK thousand		Depend- ence	Total fees, 2019/20 ⁴	Total fees, 2018/19 ⁴	Attendance 2019 ¹	
					Board meetings, %	Committee meetings, %
Per Lundeen ^{2,3}	Chairman	X	580	570	100	100
Marie S. Arwidson			295	285	100	100
Ulf Carlson			305	295	100	100
Roger Mattsson ³		X	295	285	100	100
Conny Mossberg ³		X	285	–	100	100
Per Skoglund ³		X	–	285	100	–
Dan Karlsson	Employee representative		28	28	92	–
Mika Palmu	Employee representative		28	28	91	–
Gun-Marie Nilsson	Employee representative/deputy		28	28	100	–
Jörgen Wasberg	Employee representative/deputy		28	–	86	–
Tomas Wasberg	Employee representative		–	28	80	–

1) For directors elected at the 2019 AGM, attendance refers to meetings since the AGM. For directors who served on the Board until the 2019 AGM, but who were not re-elected, attendance refers to meetings prior to the AGM.

2) Per Lundeen is dependent in relation to the company and its management, because he served as CEO of the company from 6 November 2014 until 1 September 2016.

3) Dependent in relation to the company's largest shareholder, Arctic Paper S.A.

4) Including fees for committee work.

Independence

According to the Code, a majority of the members elected at the AGM must be independent in relation to the company and executive management; also, at least two of these members must be independent in relation to the company's major shareholders.

Rottneros' Board of Directors is considered to have met the requirements of the Code regarding independence, since two of the Board members elected at the AGM are considered independent of both the company and executive management and of the company's major shareholders. All directors elected by the AGM have been independent of the Company and its management in 2019, with the exception of Board member Per Lundeen, since he served as CEO of the company from 6 November 2014 until 1 September 2016.

Board work and responsibilities

The Board of Directors oversees the work of the CEO and is responsible for ensuring that the organisation, management and guidelines for managing the company's funds are appropriate. The Board is also responsible for ensuring that the company is organised in such a way that its internal control is appropriate, that appropriate systems are monitoring the business and its risks, and that the company is in compliance with laws, rules and internal guidelines. The Board is also responsible for developing and monitoring the company's strategies through plans and objectives, decisions on acquisitions and divestments of activities, major investments, appointments of and remuneration for the management

team as well as day-to-day monitoring during the year. The Board approves the budget and annual accounts.

Rules of Procedure for the Board

The work of the Board of Directors follows specific Rules of Procedure prescribing the distribution of responsibilities between the Board and the CEO, between the Board's various committees and within the Board, as well as instructions for financial reporting. The Board's Rules of Procedure contain special Terms of Reference for the CEO.

A statutory Board meeting is held immediately after the AGM or immediately after extraordinary general meetings where a new Board has been elected. Rottneros held a statutory Board meeting on 2 May 2019 where among other things members of the Board committees were appointed and the above-mentioned Rules of Procedure were adopted.

In addition to the statutory meeting, the Board convenes five scheduled meetings each year and additional meetings when the Chairman sees fit or within 14 days following a request for a meeting from a member of the Board or the CEO. In 2019 12 Board meetings were held. The work of the Board follows a schedule established in advance, which includes specific fixed items that require decisions during the financial year:

- The year-end report, the Board's recommendations with respect to dividends and any necessary additions to the budget and business plan are dealt with in January/February. The Board also evaluates its work arrangements and procedures for making decisions and considers improvements to these.

CORPORATE GOVERNANCE REPORT

- The public annual report is dealt with in March. The company's auditors report any observations made when conducting their audit. Remuneration issues are also dealt with.
- Quarterly results are addressed in April, July and October.
- Investment plans for the coming financial year and a review of the Group's strategies are dealt with in June.
- Preparations for the annual accounts and approval of the business plan for the coming year are dealt with in December.

The Board also receives a monthly report on the company's performance and liquidity trends. Other business is dealt with as determined by the nature of each individual matter.

FINANCIAL POLICY ISSUES

The Board of Directors has the ultimate responsibility for the Group's financial activities. The Board is responsible for approving the Group's Financial Policy, which is to be updated annually. The Board makes decisions on comprehensive mandates and limits for restricting financial risk-taking by the Group in accordance with the Financial Policy, and also makes decisions about long-term financing. The Board approves hedging levels based on proposals from the executive management.

The Board has delegated the operational responsibility in line with the allocation of responsibility indicated by the Financial Policy laid down.

THE BOARD'S CONTROL OF FINANCIAL REPORTING

The Board of Directors monitors the quality of financial reporting by providing instructions for its execution and through the Terms of Reference for the CEO. One of the tasks of the CEO is to work with the CFO to review and ensure the quality of all external financial reporting, including year-end reports, interim reports, annual reports, press releases with economic content and presentation materials for meetings with the media, shareholders and financial institutions.

The Board's Audit Committee works to ensure that financial reporting is accurate and maintains a high quality, and also that it is given final approval by the Board and communicated. The Board receives monthly financial reports, and the financial position of the company and the Group is addressed at each Board meeting. The Board also reviews interim reports and the Annual Report.

In order to ensure that the Board receives the information it needs, the company's auditors report to the Board every year on observations made during the audit and express an opinion on the company's internal control, in addition to reporting to the Audit Committee. The company's auditors report to the Board at least once a year on whether the company has succeeded in

ensuring that bookkeeping, administration and financial control are effective, after which the Board discusses this with the auditors without the presence of the CEO or other members of management.

THE BOARD'S COMMITTEES

The Board of Directors has full knowledge of and responsibility for all matters on which it must make decisions. However, work was conducted by two of the committees appointed by the Board during the year: the Audit Committee and the Remuneration Committee.

Audit Committee

This Committee comprises at least three representatives of the Board of Directors. Its tasks include:

- Preparatory work for decisions to be made by the Board to assure the quality of the company's financial reporting.
- Monitor and give recommendations and proposals to ensure the accuracy of the reporting concerning e.g. the efficiency of the company's internal controls and risk management.
- Assisting the Nominating Committee when procuring audit services and arranging for the election and payment of the auditors.
- Reviewing the scope and focus of audit assignments.
- Addressing audit issues and evaluating audit work.
- Establishing guidelines for the purchasing of permitted services other than auditing from the company's auditors, and if appropriate approving such services according to guidelines.
- Following up and assessing the application of current accounting principles and adopting new accounting principles, and other accounting requirements as stipulated in legislation, generally accepted accounting principles, applicable Stock Exchange rules, etc.

The company's auditor in charge and representatives of the accounting firm are co-opted for most of the meetings. Senior executives are also co-opted for meetings when appropriate. Since the 2019 AGM the Committee has consisted of Board members Marie S. Arwidson, Ulf Carlson, Per Lundeen and Roger Mattsson. Marie S. Arwidson is Chairwoman of the Committee.

The Audit Committee held five meetings in 2019 and minutes are forwarded to the Board on an ongoing basis. The auditors attended all of the meetings of the Audit Committee.

REMUNERATION COMMITTEE

This Committee shall comprise at least two representatives of the Board of Directors. The main tasks of the Committee are to prepare the Board's decisions on issues concerning principles for remuneration, remuneration and other terms of employment for the executive management; monitor and evaluate programmes for variable remuneration for the executive management,

both ongoing and those that have ended during the year; and monitor and evaluate the application of the guidelines for remuneration for senior executives that the AGM is legally obliged to establish, as well as current remuneration structures and levels at the company.

The CEO's remuneration package and the principles for remunerating the executive management are determined by the Board. Remuneration for other senior executives is determined by the Remuneration Committee within frameworks established by the Board and AGM.

Since the 2019 AGM the Committee has consisted of Ulf Carlson, Per Lundeen and Conny Mossberg. Per Lundeen is Chairman of the Committee.

The Committee held one meeting in 2019 and the Board has received minutes from the Remuneration Committee.

CEO/PRESIDENT

The CEO's responsibility as stipulated by the rules of the Swedish Companies Act and other legislation is to manage the company's day-to-day business according to the Board's guidelines and instructions and to take the measures necessary to ensure that the company's bookkeeping is managed in a satisfactory manner. The CEO also ensures that the Board receives the information it needs on an ongoing basis to monitor the company's and the Groups' financial situation, position and development in a satisfactory way and to otherwise fulfil its reporting obligations with respect to the company's finances.

The company's CEO manages the business within the frameworks established by the Board in the special Terms of Reference for the CEO. These Terms of Reference include the CEO's responsibility for day-to-day business and matters that always require Board decisions or that must be reported to the Board, as well as the CEO's responsibility for presenting financial reports to the Board.

The CEO works with the Chairman to produce the materials required for information and decisions prior to Board meetings, presents matters and justifies proposed decisions.

The Board evaluates the work of the CEO on an ongoing basis.

GROUP MANAGEMENT

The CEO leads the work of Group management and makes decisions in consultation with other members of the management team. In 2019 this team comprised the CEO and eight additional individuals: three factory directors, the CFO and four heads of Group staff. Information about the CEO and Group management is shown on page 105 of the Annual Report. Group management has regular operational reviews led by the CEO.

FURTHER INFORMATION IS AVAILABLE AT WWW.ROTTNEROS.COM

- Articles of Association
- Information from past AGMs (notices, minutes, resolutions, CEO statements)
- Information about the Nominating Committee
- Corporate governance reports from 2008 to 2019 (included in the Annual Report for the respective year)

ROTTNEROS' SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT IN CONJUNCTION WITH THE FINANCIAL REPORTING

The Board of Directors is responsible for internal control in accordance with the Swedish Companies Act and the Code. According to the Swedish Annual Accounts Act, the Corporate Governance Report shall include information about the most important elements of the company's system for internal control and risk management in conjunction with financial reporting.

Rottneros' internal control structure is predominantly based on the COSO model, according to which reviews and assessments are made in the following areas: control environment, information and communication, risk assessment, control activities and follow-up.

Control environment

The Board of Directors has drawn up a number of steering documents for the company's internal control and governance, including Rules of Procedure for the Board and Terms of Reference for the CEO and the Board's committees, reporting instructions and a Financial Policy, with the aim of ensuring a clear definition of roles and responsibilities. Financial information is reported through a Group-wide reporting system.

The CEO and Group management, who report to the Board in accordance with established procedures, are responsible for maintaining an effective control environment and the day-to-day internal control and risk management work. Managers at various levels within the company have the same responsibility within their respective areas of responsibility and in turn report to Group management.

Information and communication

The information contained in Rottneros' important steering documents, in the form of policies, guidelines and manuals, is primarily communicated through a Group-wide intranet.

Risk assessment

Rottneros continuously updates its risk analysis with respect to assessing the risks that may result in errors in the financial reporting. This is done mainly through contacts between Group management and the subsidiaries' management teams. At risk reviews, Rottneros identifies areas where there is an increased risk of errors occurring.

Control activities

Monthly financial reports are prepared for all of the companies within the Group together with consolidated financial reports. These form the basis of the monthly meetings at each subsidiary, where the CEO and CFO have a review with the respective company's management team. A specific analysis is conducted of production, order status, cost follow-up, investments and cash flow. The CFO also visits the subsidiaries several times a month. These meetings are regularly supplemented with Finance meetings at which the CFO, financial manager of each subsidiary, the Group Controller and other controllers meet. At these meetings, particular emphasis is placed on following up any problems and ensuring the accuracy of financial reporting. Forecasts are updated every four months for all Group companies.

Through the Audit Committee, the Board of Directors monitors the reliability of the financial reporting, evaluates recommendations for improvement and discusses issues relating to the identified risks. The Audit Committee presents regular oral reports to the Board and makes recommendations on matters that require a decision from the Board. The control environment has been created through shared values, corporate culture, rules and policies, communication and follow-up, as well as the way in which the business is organised. The main tasks of Group staff are to implement, further

develop and maintain the Group's control procedures and also to introduce internal control routines aimed at business-critical issues.

Rottneros' auditors examine both the financial information for the half year and the annual accounts. Every year the auditors also examine a sample of controls and processes and report any areas for improvement to both Group management and also the management team for each subsidiary. The auditor in charge also attends most meetings of the Audit Committee.

Rottneros' Group-wide finance function is represented locally at each company and reports via a Group-wide reporting system. The finance function has regular meetings and a close cooperation in matters concerning the annual accounts and reporting.

INTERNAL AUDIT FUNCTION

Rottneros has not had any reason to establish an internal audit function to date. The Board of Directors is of the opinion that the business does not need such a function.

Instructions are available and an ongoing evaluation is conducted to ensure that officers at the organisation have the competence and support resources required to perform their work concerning the production of financial reports.

FINANCIAL REPORTING

Consolidated Statements of Income

CONSOLIDATED INCOME STATEMENT 1 JANUARY - 31 DECEMBER

Amounts in SEK m	Note	2019	2018
NET TURNOVER	1, 2	2,376	2,260
Change in inventories, finished goods		-8	78
Other operating income	3	28	34
Operating income, total		2,396	2,372
Raw materials and consumables	4	-1,223	-1,211
Other external costs	5, 6	-528	-505
Employee benefit expenses	8	-271	-262
EBITDA (operating profit/loss before depreciation/amortisation and impairment)		374	394
Depreciation/amortisation and impairment losses	11, 12	-106	-99
EBIT (operating profit/loss)		268	295
Financial income	9	0	1
Financial expenses	9	-21	-20
Total financial items		-21	-19
PROFIT/LOSS AFTER FINANCIAL ITEMS		247	276
Tax on profit for the year	10	-53	-55
NET INCOME		194	221
Average number of shares (thousand shares) ¹		152,572	152,572
EARNINGS PER SHARE (SEK)¹		1.27	1.45

1) No share-based programmes exist that result in dilution.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

Amounts in SEK m	Note	2019	2018
NET INCOME		194	221
OTHER COMPREHENSIVE INCOME			
Items that have been or may be transferred to profit or loss for the period			
Changes in value of cash flow hedges		-77	111
Income tax effect on changes in value		17	-23
Translation differences		0	0
TOTAL OTHER COMPREHENSIVE INCOME		-60	88
COMPREHENSIVE INCOME²		134	309

2) The entire comprehensive income is attributable to the parent company's shareholders.

Consolidated Balance Sheet

CONSOLIDATED ASSETS, 31 DECEMBER

Amounts in SEK m	Note	2019	2018
Non-current assets			
Intangible assets	11	13	17
Property, plant and equipment	12	1,198	1,179
Derivatives	7	20	69
Other financial assets	13	49	25
Total non-current assets		1,280	1,290
Current assets			
Inventories	15	375	389
Accounts receivable	16	267	334
Current tax assets		0	4
Derivatives	7	36	73
Other current receivables	17	39	73
Cash and cash equivalents	18	376	238
Total current assets		1,093	1,111
TOTAL ASSETS		2,373	2,401

CONSOLIDATED SHAREHOLDERS' EQUITY AND LIABILITIES, 31 DECEMBER

Amounts in SEK m	Note	2019	2018
Shareholders' equity	19		
Share capital		153	153
Other injected capital		730	730
Treasury shares		-69	-69
Other reserves		38	98
Retained earnings, incl. net income for the year		528	548
Total shareholders' equity		1,380	1,460
Long-term liabilities			
Interest-bearing liabilities	20	411	395
Deferred tax liability	10	135	119
Other non-interest-bearing liabilities		41	18
Total non-current liabilities		587	532
Current liabilities			
Accounts payable	21	202	174
Derivatives	7	0	8
Other non-interest-bearing liabilities	22	204	227
Total current liabilities		406	409
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,373	2,401

Consolidated Statement of Changes in Shareholders' Equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2019

Amounts in SEK m	Share capital	Other injected capital	Treasury shares	Other reserves		Retained earnings, incl. net income for the year	TOTAL SHARE-HOLDERS' EQUITY
				Hedging reserve	Translation difference		
Opening balance, 1 January 2019	153	730	-69	106	-8	548	1,460
Comprehensive income							
Net income	–	–	–	–	–	194	194
Other comprehensive income							
Cash flow hedging, profit/loss after tax	–	–	–	-60	–	–	-60
Exchange rate differences	–	–	–	–	0	–	0
Total other comprehensive income	–	–	–	-60	0	–	-60
Total comprehensive income	–	–	–	-60	0	194	134
Transactions with shareholders							
Dividends to shareholders	–	–	–	–	–	-214	-214
Closing balance, 1 December 2019	153	730	-69	46	-8	528	1,380

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY 2018

Amounts in SEK m	Share capital	Other injected capital	Treasury shares	Other reserves		Retained earnings, incl. net income for the year	TOTAL SHARE-HOLDERS' EQUITY
				Hedging reserve	Translation difference		
Opening balance, 1 January 2018	153	730	-69	18	-8	383	1,207
Comprehensive income							
Net income	–	–	–	–	–	221	221
Other comprehensive income							
Cash flow hedging, profit/loss after tax	–	–	–	88	–	–	88
Exchange rate differences	–	–	–	–	0	–	0
Total other comprehensive income	–	–	–	88	0	–	88
Total comprehensive income	–	–	–	88	0	221	309
Transactions with shareholders							
Dividends to shareholders	–	–	–	–	–	-56	-56
Closing balance, 31 December 2018	153	730	-69	106	-8	548	1,460

Consolidated Statements of Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS 1 JANUARY – 31 DECEMBER 2019

Amounts in SEK m	Note	2019	2018
EBIT		268	295
Adjustment for items not included in cash flow			
Depreciation/amortisation and impairment losses	11, 12	106	99
Other items not affecting cash flow		3	0
EBIT adjusted for items not affecting cash flow		377	394
Financial items received		0	1
Financial items paid		-21	-19
Cash flow from operating activities before changes in working capital		356	376
Change in working capital			
Change in inventories		14	-109
Change in current receivables		110	-172
Change in current liabilities (non-interest-bearing)		-18	128
Total changes in working capital		106	-153
CASH FLOW FROM OPERATING ACTIVITIES		462	223
Investments in intangible assets	11	-2	-2
Investments in property, plant and equipment	12	-107	-253
Change in current loan receivables			-
CASH FLOW FROM INVESTING ACTIVITIES		-109	-255
Bond issue	20	-	-
Borrowings, non-current bank loans	20	-	-
Amortisation, non-current bank loans	20	-	-
Change in credit facilities	20	-	-
Dividend paid		-214	-56
CASH FLOW FROM FINANCING ACTIVITIES		-214	-56
NET CASH FLOW		138	-88
Cash and cash equivalents at the beginning of the year		238	326
Cash and cash equivalents at the end of the year	18	376	238
Granted and unutilised credit facilities	20	182	182

Statements of Income – Parent Company

PARENT COMPANY INCOME STATEMENT 1 JANUARY – 31 DECEMBER

Amounts in SEK m	Note	2019	2018
NET TURNOVER	1, 2	7	6
Other operating income	3	65	9
Operating income, total		72	15
External costs	5, 6	-18	-17
Employee benefit expenses	8	-30	-22
EBITDA (operating profit/loss before depreciation/amortisation and impairment)		24	-24
Depreciation/amortisation and impairment losses	11, 12	-4	-3
EBIT (operating profit/loss)		20	-27
Profit from participations in Group companies	9	96	49
Financial income	9	1	4
Financial expenses	9	-21	-20
Total financial items		76	33
PROFIT/LOSS AFTER FINANCIAL ITEMS		96	6
Tax on profit for the year	10	-21	-2
NET INCOME		75	4

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

Amounts in SEK m	Note	2019	2018
NET INCOME		75	4
Other comprehensive income		–	–
COMPREHENSIVE INCOME		75	4

Balance Sheet – Parent Company

PARENT COMPANY ASSETS, 31 DECEMBER

Amounts in SEK m	Note	2019	2018
Non-current assets			
Intangible assets	11	10	14
Deferred tax assets	10	0	0
Other financial assets	13, 14	438	293
Total non-current assets		448	307
Current assets			
Current receivables	17	534	955
Cash and cash equivalents	18	362	218
Total current assets		896	1,173
TOTAL ASSETS		1,344	1,480

PARENT COMPANY SHAREHOLDERS' EQUITY AND LIABILITIES, 31 DECEMBER

Amounts in SEK m	Note	2019	2018
Shareholders' equity	19		
Share capital		153	153
Statutory reserve		440	440
Share premium reserve		268	268
Retained earnings, incl. net income for the year		-82	57
Total shareholders' equity		779	918
Long-term liabilities			
Interest-bearing liabilities	20	396	395
Non-interest-bearing liabilities		42	18
Total non-current liabilities		438	413
Current liabilities			
Accounts payable	21	3	2
Other non-interest-bearing liabilities	22	124	147
Total current liabilities		127	149
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,344	1,480

Statement of Changes in Shareholders' Equity – Parent Company

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY 2019

Amounts in SEK m	Share capital	Statutory reserve	Share premium reserve	Retained earnings incl. profit/loss for the year	TOTAL SHAREHOLDERS' EQUITY
Opening balance, 1 January 2019	153	440	268	57	918
Comprehensive income	–	–	–	75	75
Dividends to shareholders	–	–	–	-214	-214
CLOSING BALANCE, 31 DECEMBER 2019	153	440	268	-82	779

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY, 2018

Amounts in SEK m	Share capital	Statutory reserve	Share premium reserve	Retained earnings incl. profit/loss for the year	TOTAL SHAREHOLDERS' EQUITY
Opening balance, 1 January 2018	153	440	268	109	970
Comprehensive income	–	–	–	4	4
Dividends to shareholders	–	–	–	-56	-56
CLOSING BALANCE, 31 DECEMBER 2018	153	440	268	57	918

Statements of Cash Flows – Parent Company

PARENT COMPANY STATEMENTS OF CASH FLOWS 1 JANUARY – 31 DECEMBER

Amounts in SEK m	Note	2019	2018
EBIT		20	-27
Adjustment for items not included in cash flow			
Depreciation/amortisation and impairment losses	11, 12	4	3
EBIT adjusted for items not affecting cash flow		24	-24
Financial items received		1	4
Financial items paid		-21	-19
Cash flow from operating activities before changes in working capital		4	-39
Change in working capital			
Change in current receivables		394	-26
Change in current liabilities (non-interest-bearing)		-40	28
Total changes in working capital		354	2
CASH FLOW FROM OPERATING ACTIVITIES		358	-37
Investments in intangible assets	11	–	–
CASH FLOW FROM INVESTING ACTIVITIES		–	–
Bond issue	20	–	–
Change in credit facilities	20	–	–
Dividend paid		-214	-56
CASH FLOW FROM FINANCING ACTIVITIES		-214	-56
NET CASH FLOW		144	-93
Cash and cash equivalents at the beginning of the year		218	311
Cash and cash equivalents at the end of the year	18	362	218
Granted and unutilised credit facilities	20	90	90

Supplementary Disclosures and Notes

Accounting policies and valuation principles

BASIS OF THE REPORTS' PREPARATION

These consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and the International Financial Reporting Standards (IFRS), in the form they have been adopted by the European Union. RFR 1 'Supplementary Accounting Rules for Groups' has also been applied.

PRECONDITIONS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The parent company's functional currency is Swedish kronor, which is also the presentation currency for both the parent company and the Group. Unless otherwise indicated, all amounts shown are rounded to the nearest million. The consolidated accounts are prepared according to the cost method, except in the case of certain financial assets which are measured at fair value.

The most important accounting policies applied when preparing the consolidated accounts are described below. These policies have been applied consistently for all years presented, unless otherwise indicated.

AMENDMENTS OF ACCOUNTING POLICIES AND DISCLOSURES

Only those standards, amendments and interpretations that are expected to affect the Group are described below.

Standards, amendments and interpretations that entered into force in 2019 and were applied by the Group

The Group has applied IFRS 16 Leases as of January 1, 2019, which has resulted in changed accounting principles and adjustments in the amounts reported in the financial report. In accordance with the transition provisions in IFRS 16 the Group applied the simplified transition method and has therefore not recalculated the comparative figures.

The application of IFRS 16 primarily affects lessees' accounting of operating leases as the standard states that most leases shall be recognised in the balance sheet, the change is not considered to have any significant impact on the Group. An agreement is, or contains, one lease agreement in accordance with IFRS 16 if the agreement assigns the right to under a certain period decide on the use of an identified asset in exchange for remuneration. The current distinction between operational and financial agreements are removed for lessees and the standard requires instead that an asset (the right of use) and a financial debt should be accounted for all contracts that meet the definition of a lease.

All rights to use are valued at the transition to an amount corresponding to the lease debt. During the transition, the following relief rules were applied: The same discount rate has been applied to leasing portfolios with similar properties. Operating leases with a remaining lease term of less than 12 months as of 1 January 2019 have been reported as short-term leases. Direct acquisition costs for utility rights have been excluded at the time of the transition, and historical information has been used when assessing the length of a lease agreement in the event that there are options to extend or terminate an agreement.

The changes have had a marginal impact on operating income and profit after tax for the year. The impact on the consolidated balance sheet relates to recognised right-of-use assets with a corresponding liability of SEK 15 million.

Standards, amendments and interpretations that have not yet taken effect and that have not been applied in advance by the Group

A number of new and amended IFRS have not yet come into effect and were not applied prospectively. No updates that could have a material

impact on the consolidated financial statements have been identified. None of the other new standards, amended standards or IFRIC interpretations published on 31 December 2019 are expected to have any impact on the consolidated financial statements.

COMPOSITION OF THE GROUP

The consolidated annual accounts include the annual accounts for the parent company and all subsidiaries for which Rottneros AB is entitled to formulate financial and operational strategies in a way that is normally associated with a shareholding amounting to more than half of the voting rights.

PRINCIPLES OF CONSOLIDATION

The consolidated accounts are prepared in accordance with the acquisition method. This method means that the equity in the subsidiary at the time of acquisition is eliminated in full. Only the profit/loss recognised after the acquisition date is included in the Group's equity. The equity in the acquired subsidiary is determined on the basis of a fair value measurement of the assets and liabilities on the acquisition date. In cases where the fair value measurement of assets and liabilities indicates materially different values compared to the acquired company's book values, these fair values are deemed to constitute the Group's acquisition cost. The difference between the cost of the subsidiary's shares and the value of the equity calculated on the acquisition date is reported as goodwill on consolidation where applicable. Acquisition-related expenses are carried as an expense when they arise.

Goodwill is initially valued as the amount by which the total purchase price and the fair value of any non-controlling interests exceed the fair value of the identifiable assets acquired and liabilities assumed. If the purchase price is lower than the fair value of the net assets of the acquired company, the difference is recognised directly in the income statement.

Intra-Group transactions, balance sheet items, revenues and expenses for transactions between Group companies are eliminated. All subsidiaries are wholly-owned. In other words, there are no non-controlling interests in the subsidiaries.

UNTAXED RESERVES/APPROPRIATIONS

When preparing the consolidated accounts, untaxed reserves and appropriations recorded for the individual companies are split between deferred tax and shareholders' equity. The deferred tax liability has been calculated at the current tax rate. The estimated tax thus arrived at, which is attributable to the year's appropriations, is included in the Group's reported tax as 'deferred tax'. See also Note 10.

TRANSLATION OF FOREIGN SUBSIDIARIES

The local currency for all companies within the Group is the functional currency for the company. The Swedish krona, which is the parent company's functional and presentation currency, is the currency used in the consolidated accounts. Assets and liabilities are translated at closing day rates. Items in the income statements are translated at the average rate for each month. Translation differences are not recognised in the income statement, but are instead posted directly to consolidated shareholders' equity via other comprehensive income. When a foreign subsidiary is no longer included in the consolidated accounts, the accumulated exchange difference is recycled into the consolidated income statement as part of the calculation for the transaction gain or loss.

REVENUE (in accordance with IFRS 15)

All revenues from contracts with customers are recognised when the control of a good or service is transferred to the buyer. At the inception of a contract with the customer, each distinct performance obligation shall be identified and accounted for separately. Performance obligations that are not separately identifiable are combined with other such performance obligations. Elements of variable consideration in the contract are taken into account when determining the transaction price.

ACCOUNTING POLICIES AND VALUATION PRINCIPLES

Rottneros has a relatively straightforward business model of a traditional nature regarding revenue recognition.

Revenue is recognised either at a point in time or over time, depending on when the control is passed to the buyer. Control is defined as the buyer's ability to direct the use and thereby obtain substantially all of the benefits from the asset.

Control is passed over time if any of the following criteria is met:

- The customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs.
- The entity's performance creates or enhances an asset (e.g. work in progress) that the customer controls as the asset is created.
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Factors that may indicate the point in time at which control passes include, but are not limited to:

- The entity has a present right to payment for the asset
- The customer has legal title to the asset
- The entity has delivered the asset
- The customer has the significant risks and rewards related to the ownership of the asset
- The customer has accepted the asset

The vast 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.

SEGMENT REPORTING

IFRS 8, Operating Segments, requires that an operating segment is reported on the same basis as is used in the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the function responsible for allocating resources and assessing the performance of the operating segment. In the Group this function was identified as the President. Rottneros does not report any segments in its internal reporting and consequently nor in its annual accounts.

TRANSACTIONS AND BALANCE SHEET ITEMS IN FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency in accordance with the exchange rates applicable on the transaction day or the day on which the items are revalued. Exchange gains and losses that arise when paying for such transactions are recognised in the income statement. Receivables and liabilities in foreign currencies are valued at the closing day rate. The difference between cost and the value on the reporting date has been included in the profit/loss.

INVENTORIES

Inventories mainly comprise raw materials and consumables together with pulp. Inventories are measured at the lower of cost and net realisable value. The cost of raw materials and consumables is based on the purchase price and includes expenditure incurred in acquiring the inventories and transporting them to their present location and condition. The cost of finished goods (pulp) comprises raw materials, direct salaries, other direct costs and attributable indirect manufacturing costs (based on normal manufacturing capacity). Net realisable value is the estimated selling price in normal circumstances, less the costs required to complete the sale.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances. Any blocked bank accounts are included under the balance sheet item "Cash and cash equivalents".

REPORTING OF LEASE AGREEMENTS

Accounting policies as from 1 January 2018 (in accordance with IAS 17)

Where a lease agreement means that the Group, as lessee, essentially enjoys the financial benefits and bears the financial risks attributable to the lease object, the object is recognised as a fixed asset in the consolidated balance sheet. A corresponding obligation to pay future lease

payments is recognised as a long-term or short-term interest-bearing liability. Each lease payment is apportioned between repayment of debt and financial expenses. The interest element of the financial cost is recognised in the income statement, allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Fixed assets held under financial lease agreements are depreciated over the shorter of the asset's useful life and the lease term.

Other leases are recognised as operating leases and are carried as an expense on a straight-line basis over the lease term.

Accounting policies as from 1 January 2019 (in accordance with IFRS 16)

The Group's leases consist of premises and the leases are normally written for fixed periods of three to five years. There are options to extend certain agreements, as described below. The terms are negotiated separately for each agreement and contain a number of different contract terms.

An agreement is, or contains, one lease agreement in accordance with IFRS 16 if the agreement assigns the right to under a certain period decide on the use of an identified asset in exchange for remuneration. The standard requires that an asset (the right of use) and a financial debt should be accounted for all contracts that meet the definition of a lease.

The leasing agreements are reported as rights of use (tangible fixed assets) and a corresponding liability (long-term and short-term interest-bearing liabilities), on the date which the leased asset is available for use by the Group. Each lease payment is allocated between amortisation of the debt and financial cost. The financial cost shall be distributed over the lease period so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability reported during each period. The right of use is amortised on a straight-line basis over the shorter of the asset's economic life and the lease period. The lessee determines the contract period by assessing factors such as the importance of the property for the business, its own planned or completed investments in the leased property and the market situation for the property. Assets and liabilities arising from leasing agreements are initially recognised at present value. Leasing liabilities include the present value of the following lease payments:

- fixed fees (including fees that are fixed in their substance), less incentive claims
- variable leasing fees that depend on an index or price

Leasing payments are discounted with the incremental borrowing rate. Assets with rights of use are valued at cost and include the following:

- the initial valuation of the lease debt;
- payments made at or before the time when the leased asset is made available to the lessee.

Leases of lesser value are recognised as an expense in the income statement.

Options to extend or terminate leases, leases or premises are included in the asset and liability when it is reasonably certain that they will be used. The terms are used to maximise the flexibility of the agreements.

INTANGIBLE ASSETS

Trademarks and licences acquired are carried at cost. Software licences acquired are capitalised on the basis of the costs that arose to commission the software. Intangible assets under development are carried at cost. All intangible assets have finite useful lives. Development work forms an integral part of production and refers to measures to improve processes and quality, the costs of which are carried as an expense when they are incurred.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment. Property, plant and equipment have been divided into major components when the components have substantially different useful lives. The depreciable amount is the cost less estimated residual value if this is material. Expenditures for repairs and maintenance are recognised as a cost in the period in which they arise.

ACCOUNTING POLICIES AND VALUATION PRINCIPLES

DEPRECIATION/AMORTISATION

Scheduled depreciation/amortisation is based on the cost and estimated useful life of the assets. The straight-line method is used for all kinds of fixed assets. The residual value and useful life of the assets are assessed on each reporting date and adjusted if appropriate.

The following depreciation/amortisation periods have been applied	
Licences	10 years
Software	3–5 years
Buildings and land improvements	20–50 years
Plant and machinery	10–20 years
Equipment, tools, fixtures and fittings	5–10 years
Computers	3–5 years

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assessments are carried out throughout the year to determine whether any assets have declined in value. For intangible assets not yet ready for use the recoverable amount is calculated annually.

If it is not possible to establish essentially independent cash flows for an individual asset, the assets are grouped during impairment testing at the lowest level at which the identifiable cash flow can be identified (cash-generating unit). An impairment is recognised when the recorded value of an asset or cash-generating unit exceeds the recoverable value. Impairment is charged to the income statement.

Impairment of assets is calculated in proportion to the assets included in the unit. The recoverable amount is the higher of the asset's net realisable value and its value in use. Value in use is the present value of future cash flows discounted at a rate based on the risk-free rate adjusted for the risk associated with the specific asset. For an asset that does not generate cash flows, the recoverable amount of the cash-generating unit to which the asset belongs is calculated.

At each reporting period it is determined whether there are indications that a previous impairment of an asset, wholly or partially, is no longer justified. If such indications are present the recoverable amount of the asset is calculated.

A previous impairment of an asset is reversed only if there has been a change in the assumptions that formed the basis for the determination of the recoverable amount when the most recent impairment was charged. If so, the carrying amount of the asset is increased to the recoverable amount. This increase is a reversal of an impairment.

PROVISIONS

A provision is recognised in the balance sheet where: there is a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required in order to settle the obligation; and a reliable estimate can be made of the amount. Provisions for restructurings are made when there is a detailed formal plan for the restructuring and a valid expectation has been raised in those affected.

In cases where it is not expected that the provisions will be utilised within a twelve-month period, they are measured at the present value of the amount expected to be required to settle the obligation. A pre-tax discount rate is used in the calculations that reflects the current market assessment of the time value of money and those risks specific to the provision. The increase in the provision due to the passage of time is recognised as an interest expense.

TAXES

Income taxes recognised include tax that will be paid or received for the current period, adjustments for current tax for prior periods, as well as changes in deferred tax.

Tax assets/liabilities are measured at nominal amounts and in accordance with the tax provisions and tax rates established or where notice has been given and there is a high degree of certainty that they will be confirmed.

For items recognised in the income statement, any related tax effects are also recognised in the income statement. Tax effects of items credited directly to shareholders' equity are also recognised as equity. Tax relating to items reported in other comprehensive income is also reported in other comprehensive income.

Deferred tax is calculated and recognised according to the balance sheet liability method for all temporary differences arising between the tax base and the carrying amount of assets and liabilities, and also accumulated tax loss carry-forwards. Deferred tax is calculated using the tax rates (and laws) that have been established or where notice has been given as of the reporting date and that are expected to apply when the relevant deferred tax asset is realised or the deferred tax liability is settled.

Estimated current tax liabilities are recognised in the balance sheet as current liabilities. Deferred tax liabilities are recognised as provisions. Deferred tax assets are recognised as long-term receivables to the extent it is likely that a future tax surplus will be available.

REMUNERATION OF EMPLOYEES

With the exception of the ITP (supplementary pensions for salaried employees) plan, the Group only has defined contribution plans. The Group's payments in respect of defined contribution plans are recognised as a cost during the period when the employees performed the services to which the contribution relates.

The commitments for the retirement and family pensions of salaried office workers in Sweden are guaranteed through an insurance policy with Alecta, an ITP plan which according to a statement from the Swedish Financial Accounting Standard Council (UFR 3), is a defined benefit plan covering a number of employees. However, a disclosure in accordance with the provisions of Item 29 of IAS 19 cannot be made as the insurance provider is unable to provide the necessary information. Accordingly the ITP plan is recognised as a defined contribution plan in accordance with Item 30 of IAS 19. This year's pension insurance premiums according to ITP that are contracted with Alecta amount to SEK 6 million (SEK 6 million). Alecta's surplus can be distributed to the policyholders and/or the insured parties. Alecta's surplus in the form of the collective consolidation level amounted to 142 per cent (142 per cent) at the end of 2019. The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's actuarial assumptions, which are not in line with IAS 19.

Rottneros has no share-related payment transactions with employees where the company receives services from employees as consideration for the Group's equity instrument.

EMISSION ALLOWANCES

Emission allowances received are recognised in accordance with the rules for government grants. Upon allocation, emission allowances are recognised as current receivables at cost, which are deemed to correspond to the market value of the emission allowances at the time of allocation. A corresponding amount is recognised as deferred income. The deferred income is taken up as other operating income in pace with recorded receivables reducing and emissions being carried as an expense as raw materials and consumables. Revenue from emission allowances is recognised for emissions made at the value at which they were recognised on allocation. Any remaining emission allowances (not required to cover own emissions) are taken up as revenue when sold.

ELECTRICITY CERTIFICATES

Electricity certificates shall be allocated for renewable electricity produced by the company and are sold on an ongoing basis. Electricity certificates sold, which are not settled as cash, are recognised at market value as accrued income and other operating income. Any unsold electricity certificates are recognised at market value on each occasion of allocation and as a current financial receivable. They are impaired to the market value at year end if that value is lower.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period they arise.

CASH FLOW STATEMENT

The cash flow statement is prepared in accordance with the indirect method. The recorded cash flow only covers transactions involving cash receipts or payments. This means that there may be variances when compared with changes to individual items in the balance sheet.

ACCOUNTING POLICIES AND VALUATION PRINCIPLES

FINANCIAL INSTRUMENTS

All financial instruments are initially measured at fair value plus transaction costs, except for those financial instruments that are measured at fair value through profit or loss for which the transaction costs are charged to expense when incurred.

Financial assets are removed from the balance sheet when the right to receive cash flows from the asset has expired or been transferred and the Group has transferred substantially all risks and rewards associated with ownership.

**Classification of financial assets as from 1 January 2018
(in accordance with IFRS 9)**

In accordance with IFRS 9, financial assets are classified and accounted for as either debt instruments, equity instruments or derivative instruments.

**Financial assets accounted for as debt instruments
(as from 1 January 2018)**

The classification and measurement of debt instruments depends on the business model that Rottneros applies regarding how the financial assets are managed. Debt instruments are measured at:

- Amortised cost
- Fair value through other comprehensive income
- Fair value through profit or loss

All of Rottneros debt instruments are held in order to receive payments of principal and interest. Therefore, all debt instruments are accounted for and measured at amortised cost, using the effective interest method. Interest income is reported in the financial items in the income statement. Any transaction gain or loss arising from the de-recognition of these assets are reported as other operating income or expense, respectively. Rottneros' financial assets accounted for as debt instruments include accounts receivable and loans receivable.

Equity instruments (as from 1 January 2018)

All equity instruments are measured at fair value in the balance sheet, with the changes in fair value recorded in other operating income or expense in the income statement.

Financial liabilities**Accounts payable**

Accounts payable are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Borrowing

Borrowing, including utilised credit facilities, is initially recognised at fair value, net after transaction costs. Borrowing is subsequently recognised at amortised cost, and any difference between the amount received (net after transactions costs) and the amount repaid is recognised in the income statement over the term of the loan applying the effective interest method.

Borrowing is classified as current liabilities unless the Group has an unconditional right to defer payment of the liability for at least twelve months after the reporting date.

Derivatives

Derivative instruments are recognised in the balance sheet on the contract date and are measured at fair value both initially and when they are subsequently revalued. The method for recording the gain or loss resulting from revaluation depends on whether the derivative has been designated as a hedging instrument. The Group uses derivatives to hedge the risk of exchange rate fluctuations and changes in pulp prices, and to hedge its exposure to changes in electricity prices. All types of hedging are used from time to time to protect the value of future cash flows. When the transaction is entered, the Group documents the relationship between the hedging instrument and the hedged item as well as the Group's risk management objectives and risk management strategy for such hedging. The Group also documents its assessment – both at the inception of the hedge and in subsequent periods – of whether the derivative instruments used in hedging transactions are effective as regards cash flows attributable to the hedged items.

A disclosure about a fair value for the various derivative instruments used for hedging purposes can be found in Note 7. The entire fair value of a derivative that constitutes a hedging instrument is classified as a fixed asset or long-term liability when the remaining term for the hedged item exceeds twelve months, and as a current asset or current liability when the remaining term for the hedged item is less than twelve months.

The effective portion of the changes in fair value of a derivative instrument that has been identified as a cash flow hedge and that meets the conditions for hedge accounting is recognised in other comprehensive income. Changes in the hedging reserve in shareholders' equity are shown in Note 19. The ineffective portion of the gain or loss is immediately recognised in the income statement under the item "Net turnover" for pulp futures, "Other income" for currency futures and under the item "Raw materials and consumables" for electricity futures.

IMPORTANT ESTIMATES AND ASSUMPTIONS

When preparing financial statements, a number of important estimates must be made for accounting purposes, and the management team needs to make certain judgments when applying the Group's accounting policies. Estimates and judgments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations for future events that are deemed reasonable in the prevailing circumstances.

The Group makes estimates and assumptions about the future. The resulting estimates for accounting purposes, by definition, seldom correspond to the actual outcome. Valuation of property, plant and equipment and valuation of finished goods are areas that involve a high level of judgment on the part of Rottneros and where assumptions and estimates are of material importance for the consolidated accounts.

Valuation of property, plant and equipment

Significant assumptions and estimates related to property, plant and equipment include judgment of whether amounts are to be expensed as maintenance or capitalised as an asset, assessment of the expected useful lives, the recoverable amount of the assets, identification of cash-generating units, the discount rate used in present value calculations, as well as assessing whether there is any indication that an asset may be impaired or that a previous impairment is no longer justified.

Valuation of finished goods

Inventories are measured at the lower of cost and net realisable value. The cost of finished goods also includes a reasonable share of indirect costs, based on normal production capacity. Incorrect assumptions in the calculation model would result in an incorrect cost allocation, affecting the valuation of finished goods and the recorded cost for goods sold.

THE PARENT COMPANY'S ACCOUNTING POLICIES

The parent company applies the same accounting policies as the Group, with the following exceptions. Derivatives are recognised during the term of the contract at the lower of cost and fair value. Participating interests in subsidiaries are carried at cost less any impairment losses.

Group contributions that the parent company receives from a subsidiary are reported at the parent company as normal dividends from subsidiaries in accordance with RFR 2. This means that Group contributions are reported as 'financial income'. Tax on Group contributions are reported in the income statement in accordance with RFR 2.

Group contributions provided to a subsidiary by the parent company are reported, according to the main approach of RFR 2, as an increase in the participating interests in the subsidiary. A review is simultaneously conducted of whether there is any need to perform an impairment test on participating interests for those subsidiaries that have received Group contributions. The tax effect is reported in accordance with IAS 12, i.e., in the income statement. All lease agreements are recognised as operating leases.

Notes

Amounts in SEK million unless otherwise stated

NOTE 1. NET TURNOVER

Net turnover consists of the following:

	Group		Parent Company	
	2019	2018	2019	2018
Sales of pulp	2,299	2,266	–	–
Results from pulp price hedging	10	-131	–	–
Sales of by-products and other	51	41	–	–
Sales of pulp wood	16	84	–	–
Management fees received	–	–	7	6
Total	2,376	2,260	7	6

Revenue from the sales of Rottneros products is recognised at a specific point in time when control of the product is transferred to the customer. For each sales transaction there is only one performance obligation: delivery of the product in accordance with the terms of the sale.

Net turnover broken down by geographic markets:

	2019	%	2018	%
Sweden	536	23	335	15
Norway	140	6	225	10
Other Nordic countries	55	2	58	3
Germany	328	14	303	13
Italy	383	15	278	12
Poland	103	4	102	5
Rest of Europe	239	10	303	13
US	208	9	264	12
Rest of North America	36	2	29	1
Asia	346	15	343	15
Rest of world	2	0	20	1
Total	2,376	100	2,260	100

In 2019 the Group's largest customer accounted for 7 (11) per cent of turnover. No other customer accounts for more than 10 per cent of turnover. Of the parent company's net turnover 100 per cent (100) relates to wholly owned subsidiaries.

NOTE 2. TRANSACTIONS WITH RELATED PARTIES

Arctic Paper S.A. (parent company of Rottneros AB) owned 51 per cent of the shares in Rottneros AB at the end of the year. Arctic Paper S.A. is a parent company in the Arctic Paper S.A. Group, which includes the following customers of Rottneros and is thus reported as a related party to Rottneros:

- Arctic Paper Grycksbo AB
- Arctic Paper Kostrzyn S.A.
- Arctic Paper Munkedals AB

The following table shows the total amount of transactions with the above-mentioned related parties that occurred in 2019 and 2018 respectively. Goods are sold on the same terms as for non-related parties.

	Sales	Account receivable	Accounts receivable
Related party	2019	31 Dec 2019	31 Dec 2018
Arctic Paper S.A. Group	135	107	26

Receivables for related parties derive in full from sales transactions, and no provisions have been made for doubtful receivables for related parties.

One hundred (100) per cent of the parent company's net turnover comprised turnover from subsidiaries and 2 (4) of its operating costs related to purchases from subsidiaries.

Transactions with persons discharging managerial responsibilities
Information about salaries, fees and other remuneration to persons discharging managerial responsibilities is presented in Note 8.

NOTE 3. OTHER OPERATING INCOME

	Group		Parent Company	
	2019	2018	2019	2018
Sale of by-products	–	–	–	–
Currency return	5	15	-1	0
Loss/gain from currency hedging contracts	-5	-16	-5	–
Loss/gain from pulp price hedging contracts	–	–	10	–
Sale of green electricity certificates	2	3	–	–
Sale of emission allowances	18	16	–	–
Loss/gain from electricity hedging contracts	–	–	49	–
EU grant PULPACKTION	2	4	–	–
Other	6	12	12	9
Total	28	34	65	9

NOTE 4. RAW MATERIALS AND CONSUMABLES

	Group		Parent Company	
	2019	2018	2019	2018
Pulp wood	-854	-861	–	–
Chemicals	-189	-162	–	–
Electricity	-130	-151	–	–
Loss/gain from electricity price hedging contracts	49	59	–	–
Fuel	-67	-65	–	–
Other costs for raw materials and consumables	-32	-31	–	–
Total	-1,223	-1,211	–	–

NOTES 5-7

NOTE 5. OPERATING LEASES

The nominal value of future minimum lease payments relating to non-cancellable leases is broken down as follows:

	Group		Parent Company	
	2019	2018	2019	2018
Due within one year	3	3	0	0
Due later than one year but within five years	5	6	–	–
Total	8	9	0	0

NOTE 6. AUDIT EXPENSES

	Group		Parent Company	
	2019	2018	2019	2018
Audit engagement, KPMG	1.1	0.7	0.5	0.4
Audit engagement (EY)	–	1.2	–	0.3
Audit business in addition to the audit engagement (EY)	–	0.1	–	0.1
Total	1.1	2.0	0.5	0.8

The audit firm EY was Rottneros' auditor up until the Annual General Meeting in 16 May 2018 when the audit firm KPMG was elected as auditor for the period until the end of AGM 2019. Rottneros has not purchased any material services beyond the audit engagement from the audit firm elected by the AGM.

NOTE 7. FINANCIAL INSTRUMENTS

Financial instruments for each category

	2019	2018
Assets		
Financial assets		
Equity instruments	8	8
Derivatives		
Derivative instruments used for hedging purposes	56	142
Financial receivables and cash equivalents		
Accounts receivable	267	334
Cash and cash equivalents	376	238
Total assets	707	722
Liabilities		
Financial liabilities		
Interest-bearing liabilities	411	395
Accounts payable	202	174
Derivatives		
Derivative instruments used for hedging purposes	–	8
Total liabilities	613	577

Financial instruments that are measured at fair value

The table below shows financial instruments measured at fair value, including how the fair value hierarchy was classified. The various levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2).
- Inputs for assets or liabilities that are not based on observable market inputs (i.e., unobservable inputs) (Level 3).

	Fair value		Classification in the fair value hierarchy
	2019	2018	
Assets			
Equity instruments	8	8	Level 3
Derivative instruments used for hedging purposes	56	142	Level 2
Total assets	64	150	
Liabilities			
Derivative instruments used for hedging purposes	0	8	Level 2
Total liabilities	0	8	

Financial instruments that are measured at amortised cost

The table below show fair value for such financial instruments that are measured at amortised cost.

	2019		2018	
	Book value	Fair value	Book value	Fair value
Assets				
Accounts receivable	267	267	334	334
Cash and cash equivalents	376	376	238	238
Total assets	643	643	572	572
Liabilities				
Interest-bearing liabilities	411	426	395	410
Accounts payable	202	202	174	174
Total liabilities	613	628	569	584

Financial risks and risk management

The factors that have the greatest impact on the Group's result are associated with the price of pulp in USD, exchange rates and pulp wood and electricity prices. Financial risk is managed at a Group level in accordance with guidelines defined in the Group's Financial Policy and approved annually by the Board of Directors. The Board of Directors makes decisions on overall mandates and limits for restricting the Group's financial risk exposures and also makes decisions on all long-term financing.

The Board of Directors approves hedging levels based on proposals from senior management. The management continually assesses whether factors such as the USD exchange rate, pulp price or electricity price present attractive opportunities for strategic hedging. Financial hedging instruments are not used speculatively, but solely to hedge transactions and costings in accordance with the approved financial policy. A more detailed description of opportunities and risks, together with a sensitivity analysis, can be found on pages 61–67.

NOTE 7

Pulp price risk

The setting of prices in the pulp market is governed by international price levels that depend on demand and the global economy.

Pulp hedging is used when the price levels in long-term contracts are economically advantageous or when the market price is so low that further reductions may threaten the survival of the company. As a main rule, pulp prices are hedged in Swedish kronor.

Foreign currency risk

Transaction exposure from commercial cashflows consists of sales and purchases in currencies other than the Group's reporting currency. Most invoices are issued in USD, EUR and SEK. Operating expenses are mainly denominated in SEK, but also in EUR. As a rule, net exposure in EUR and USD is not hedged.

Pulp wood price risk

The Group does not hedge against market price fluctuations, but long-term supply agreements provide some stability to prices.

Electricity price risk

All external electricity for the mills is purchased directly via the Nord Pool electricity exchange. Electricity prices are quoted in EUR. Future electricity prices are hedged in advance according to a set strategy to protect Rottneros' future electricity costs against major fluctuations and achieve a predictable electricity price.

Interest rate risk

In August 2017, Rottneros issued a bond of SEK 400m. The Group's borrowing is shown in Note 20 on page 98. Interest rate risk relates primarily to the variable interest rate of the bond and the return on cash and cash equivalents.

Liquidity and refinancing risk

The financing risk shall be minimised as far as possible by the due dates for loans and other credit facilities being well-diversified and evenly spread over time. Outstanding credit facilities shall be refinanced no later than three months before they fall due.

The Group's objective is for liquidity reserves to amount to at least ten per cent of the Group's 12-month rolling turnover and be available within 30 days. The Group continuously produces liquidity forecasts. Rottneros' credit agreements are considered to be sufficient for normal operating and investment cash flow for the next few years. Both the liquidity and refinancing risks are therefore considered to be low at this time.

The Group shall maintain an optimal capital structure to keep capital costs down while ensuring that it is able to continue its activities. The Group may take on new debt, change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce its debts in order to maintain or adjust its capital structure.

Derivatives

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Currency forwards	–	–	1	–
Cash flow hedges				
Pulp price forwards	6	–	–	8
Electricity price forwards	50	–	141	–
Total	56	0	142	8
Minus non-current portion:				
Electricity price forwards	-20	–	-69	–
Current portion	36	0	73	8

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, which is recognised in the income statement, was SEK 0 (0) million in respect of cash flow hedges. The maximum exposure to credit risk on the balance sheet date regarding derivatives is real value of the derivative instruments that are recognised as assets in the balance sheet.

Derivatives, 31 December 2019

Hedging	Hedged volume	Maturity	Hedging level	Fair value
Currency USD, forward sell	–	–	–	–
Currency EUR, forward sell	–	–	–	–
Pulp price, forward sell	12,000 tonnes	Jan-Sept 2020	SEK 8,878/tonne	6
Electricity price, forward buy	756,480 MWh	2020-2025	SEK 0.274/kWh	50
Total fair value				56

Derivatives, 31 December 2018

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

The valuation is based on directly observable price quotations on 31 December that are classified at level 2 in the fair value hierarchy described in IFRS 13.

NOTE 8

NOTE 8. PERSONNEL AND REMUNERATION

	2019		2018	
	Average no. of employees	of whom women %	Average no. of employees	of whom women %
Parent Company	10	30	8	25
Subsidiaries	293	18	295	18
Group, total	303	18	303	18
Of which				
Sweden	300	18	300	18
Latvia	3	33	3	33

Pay and other remuneration plus social security contributions:

	2019			2018		
	Pay and other remuneration	Social security contributions	(of which pension expenses)	Pay and other remuneration	Social security contributions	(of which pension expenses)
Parent Company	18	10	4	13	9	6
Subsidiaries	162	72	16	173	67	8
Group, total ¹	180	82	20	186	76	14

1) SEK3.6 (2.9) million of the Group's pension expenses relate to the CEO/MDs and other senior executives.

Pay and other remuneration distributed between the Board of Directors, CEO and other employees:

	2019			2018		
	Board, CEO, and other senior executives	(of which variable remuneration)	Other employees	Board, CEO, and other senior executives	(of which variable remuneration)	Other employees
Parent company	20	5	1	12	4	1
Subsidiaries	3	0	168	5	0	170
Group, total	23	5	169	17	4	171

Remuneration of senior executives

Principles

The Chairman and members of the Board of Directors receive a fee as determined by the AGM. This fee is also for Board committee work. Employee representatives receive a fee as determined by the AGM for the time needed to read materials prior to meetings.

Remuneration for the CEO and other senior executives complies with the guidelines for the remuneration of senior executives adopted by the AGM. Remuneration consists of a fixed salary, any variable component of pay, other benefits and pension. The total remuneration package must be in line with market rates and competitive in the market in which the executives work. Fixed salary and variable remuneration are related to the responsibilities and powers held by each executive. "Other senior executives" currently means the eight people who make up Group management together with the CEO. See page 105 for the composition of Group management.

See page 59 in the Directors' Report for the Board's proposal to the AGM 2019 regarding "Guidelines for remuneration for senior executives".

Variable remuneration

The variable component of pay, which is cash, is based on outcomes in relation to defined and measurable targets and is capped in relation to fixed salary. These targets are broken down into specified quantitative objectives, mainly directed at financial objectives, results and cash flow of the Group, but also – in relation to Heads of Units – the respective business unit, as well as qualitative personal objectives, which mean that variable remuneration is related to the individual's efforts and performance.

Variable remuneration for the CEO is capped at 50 per cent of fixed salary. Variable remuneration for other senior executives is capped at 30 per cent of fixed salary.

The Board of Directors can impose conditions, restrict or decline to make variable remuneration payments in exceptional financial circumstances if the Board considers such measures to be reasonable and compatible with the duties of the company in relation to shareholders, employees and other interested parties.

Pensions

The retirement age for the CEO is 65 years. The pension premium amounts to 30 per cent of the basic salary. Other senior executives are covered by current collective bargaining agreements between the Confederation of Swedish Enterprise and the Federation of Salaried Employees in Industry and Services (PTK) and have a retirement age of 65.

The CEO and certain other senior executives have chosen to take out a portion of their compensation in the form of capital pension through a so-called salary exchange. The balance sheets for the Group and the Parent Company include a long-term receivable consisting of premiums paid to the insurance company and a corresponding non-interest bearing liability. The recognised liability is expected to fall due later than 5 years after the balance sheet date.

Severance payments

The period of notice is six months if notice is given by the CEO. If notice is given by the Company, the CEO of the parent company is entitled to 18

NOTE 8

monthly salaries. A period of notice of three to six months applies for other senior executives if notice is given by the employee. If notice is given by the Company, the period of notice is between six and twelve months.

Decision-making process

All matters relating to the remuneration of the executive management are dealt with by the Remuneration Committee, except in respect of the CEO and the principles for remuneration for the executive management, which are decided by the Board of Directors. If the company in a particular case assigns an individual Board member tasks on behalf of the company over and above their regular board and committee duties, the Board shall determine the level of remuneration, which must be reasonable and in line with market rates.

Remuneration and other benefits in 2019 (SEK m)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pension expenses	Other remuneration	TOTAL
Chairman of the Board, Per Lundeen	0.6	–	–	–	–	0.6
Board members:						
Marie S. Arwidson	0.3	–	–	–	–	0.3
Ulf Carlson	0.3	–	–	–	–	0.3
Roger Mattsson	0.3	–	–	–	–	0.3
Conny Mossberg ¹	0.2	–	–	–	–	0.2
Per Skoglund ²	0.1	–	–	–	–	–
Chief Executive Officer Lennart Eberleh ³	3.1	1.5	0.1	1.3	2.1	8.1
Other senior executives (eight people)	7.9	2.1	0.4	2.3	0.1	12.8
Total	12.8	3.6	0.5	3.6	2.2	22.6

1) Board member beginning on 2 May 2019

1) Board member until 2 May 2019

3) Other remuneration mainly relates to contractual "stay-on bonus" of SEK 2 million.

Remuneration and other benefits in 2018 (SEK m)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pension expenses	Other remuneration	TOTAL
Chairman of the Board, Per Lundeen	0.6	–	–	–	–	0.6
Board members:						
Marie S. Arwidson	0.3	–	–	–	–	0.3
Ulf Carlson	0.3	–	–	–	–	0.3
Roger Mattsson	0.3	–	–	–	–	0.3
Per Skoglund	0.3	–	–	–	–	0.3
Chief Executive Officer Lennart Eberleh	3.0	1.5	0.1	1.2	0.1	5.9
Other senior executives (eight people)	7.1	2.1	0.5	1.7	0.3	11.7
Total	11.9	3.6	0.6	2.9	0.4	19.4

Comments on the table

- Variable remuneration refers to what is charged to profit/loss for 2019 and 2018 respectively. Variable remuneration for 2019 is paid out in 2020.
- Other benefits mainly relate to company cars and apartments for overnight stays.
- There are two employee representatives and two deputies for the employees on the Board of Directors. The two representatives are Dan Karlsson and Mika Palmu and the two deputies are Gun-Marie Nilsson and Jörgen Wasberg. The four representatives each received a fee of SEK 27,500 (27,500) per person for the time needed to read materials prior to meetings.
- The group of senior executives (nine people in total) comprised six men and three women at the end of the year. The Board of Directors (seven people in total) comprised six men and one woman at year-end.

NOTE 9-10

NOTE 9. FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
	2019	2018	2019	2018
Financial income				
External interest income	0	0	0	0
Interest income from subsidiaries	–	–	1	4
Dividends from external companies	0	1	–	–
Group contributions received/paid, net	–	–	96	49
Total	0	1	97	53
Financial expenses				
Interest expenses	-21	-20	-21	-20
Total	-21	-20	-21	-20

NOTE 10. INCOME TAXES

	Group		Parent Company	
	2019	2018	2019	2018
Current tax	-21	-1	-21	–
Deferred tax	-32	-54	0	-2
Total	-53	-55	-21	-2

Difference between reported tax expense and tax expense based on the applicable tax rate

	Group		Parent Company	
	2019	2018	2019	2018
Income for the year before tax	247	276	96	6
Tax at applicable tax rate	-53	-61	-21	-1
Tax effect of non-deductible items	-1	-1	0	-1
Tax effect of non-taxable items	1	1	0	0
Effect of changes in tax rate 2019-2021	0	6	0	0
Reported tax expense	-53	-55	-21	-2

Tax rate

The applicable tax rate for 2019 was 21.4 per cent (22.0). In accordance with a decision by the Swedish Parliament in June 2018, the tax rate will be lowered to 21.4 per cent for 2019-2020 and to 20.6 per cent as of 2021. Rottneros has revalued its deferred tax assets and liabilities using the new tax rates. The effect of revaluation is included in the reported tax expense for 2018.

Temporary differences

Temporary differences exist where the carrying amount of assets or liabilities differs from its tax base. Temporary differences relating to the following items have resulted in deferred tax assets (+) and deferred tax liabilities (-):

Group	Tax loss carry-forwards	Derivative instruments	Excess depreciation	Non-current liabilities	Total
As of 1 January 2018	–	-5	-40	3	-42
Recognised in income statement	–	0	-51	-3	-54
Recognised in other comprehensive income	–	-23	–	–	-23
As of 31 December 2018	–	-28	-91	0	-119
Recognised in income statement	–	0	-33	0	-33
Recognised in other comprehensive income	–	17	–	–	17
As of 31 December 2019	–	-11	-124	0	-135

The following table presents a summary of deferred tax assets and deferred tax liabilities. There are no current deferred tax assets or liabilities.

	Group		Parent Company	
	2019	2018	2019	2018
Deferred tax assets, non-current	0	0	0	0
Deferred tax liabilities, long-term	-135	-119	–	–
Total	-135	-119	0	0

Deferred tax assets and tax liabilities are offset where there is a legal right to offset the tax assets and liabilities in question and when the deferred tax relates to the same tax authority. The following amounts resulted from such offset and have been recognised in the balance sheet:

	Group		Parent Company	
	2019	2018	2019	2018
Deferred tax assets	–	–	0	0
Deferred tax liabilities	-135	-119	–	–
Total	-135	-119	0	0

NOTE 11

NOTE 11. INTANGIBLE ASSETS

Group	2019					2018				
	Soft-ware	Trade-marks	Licences	Assets under development	Total	Soft-ware	Trade-marks	Licences	Assets under development	Total
Opening cost	59	25	2	6	90	57	25	2	6	90
Acquisitions for the year	2	–	–	–	2	2	–	–	–	2
Items transferred during the year	–	–	–	–	–	–	–	–	–	–
Closing accumulated cost	61	25	2	6	92	59	25	2	6	92
Opening depreciation/ amortisation and impairment losses	-42	-25	-2	-6	-75	-37	-25	-2	-6	-70
Depreciation for the year	-5	–	–	–	-5	-5	–	–	–	-5
Closing accumulated depreciation/ amortisation and impairment losses	-47	-25	-2	-6	-80	-42	-25	-2	-6	-75
Closing residual value according to plan	13	–	–	–	13	17	–	–	–	17

Parent Company	2019			2018		
	Software	Assets under development	Total	Software	Assets under development	Total
Opening cost	32	6	38	32	6	38
Acquisitions for the year	–	–	–	–	–	–
Items transferred during the year	–	–	–	–	–	–
Closing accumulated cost	32	6	38	32	6	38
Opening depreciation/amortisation and impairment losses	-18	-6	-24	-15	-6	-21
Depreciation for the year	-4	–	-4	-3	–	-3
Closing accumulated depreciation/ amortisation and impairment losses	-22	-6	-28	-18	-6	-24
Closing residual value according to plan	10	–	10	14	–	14

NOTE 12

NOTE 12. PROPERTY PLANT AND EQUIPMENT

							2019
Group	Land	Land improvements	Buildings	Machinery	Equipment	Const. in progress/adv.	Total
Opening cost	3	57	176	2,136	79	142	2,593
Effekt av IFRS Leasing			16				
Adjusted opening cost	3	57	192	2,136	79	142	2,609
Acquisitions for the year	–	40	14	53	4		111
Sales/disposals	–	–	–	-5	-4	–	-9
Items transferred during the year	–	–	30	73	4	-108	–
Closing accumulated cost	3	97	236	2,257	83	34	2,710
Opening depreciation	–	-17	-71	-1,269	-44	–	-1,401
Sales/disposals	–	–	–	4	2	–	6
Depreciation for the year	–	-4	-12	-77	-9	–	-102
Closing accumulated depreciation	–	-21	-83	-1,342	-51	–	-1,497
Opening impairment losses	–	–	–	-6	-9	0	-15
Closing accumulated impairment losses, net	–	–	–	-6	-9	0	-15
CLOSING RESIDUAL VALUE ACCORDING TO PLAN	3	76	153	909	23	34	1,198

							2018
Group	Land	Land improvements	Buildings	Machinery	Equipment	Const. in progress/adv.	Total
Opening cost	3	41	137	1,861	63	244	2,350
Acquisitions for the year	–	–	1	133	4	116	254
Sales/disposals	–	–	–	-10	–	–	-10
Items transferred during the year	–	16	38	152	12	-218	–
Closing accumulated cost	3	57	176	2,136	79	142	2,593
Opening depreciation	–	-15	-62	-1,201	-39	–	-1,317
Sales/disposals	–	–	–	10	–	–	10
Depreciation for the year	–	-2	-9	-78	-5	–	-94
Closing accumulated depreciation	–	-17	-71	-1,269	-44	–	-1,401
Opening impairment losses	–	–	–	-6	-9	2	-13
Closing accumulated impairment losses, net	–	–	–	-6	-9	2	-13
CLOSING RESIDUAL VALUE ACCORDING TO PLAN	3	40	105	861	26	144	1,179

NOTE 13–16

NOTE 13. OTHER FINANCIAL ASSETS

	Group		Parent Company	
	2019	2018	2019	2018
Participating interests in Group companies	–	–	276	276
Shareholding in Söderhamns Stuveri & Hamn AB (16%) ¹	8	8	–	–
Other long-term receivables	41	17	162	17
Closing residual value according to plan	49	25	438	293

1) The Group's 16 per cent stake in Söderhamns Stuveri & Hamn AB is classified in financial assets available for sale, and is therefore measured at fair value. See also Note 7.

Participating interests in Group companies are specified below for the parent company.

Parent company holdings	Corp. ID no.	Reg. office	No. of participating interests	Votes/share of equity %	Book value, parent company	
					2019	2018
Vallviks Bruk AB	556445-8163	Söderhamn	415,000	100	101	101
Rottneros Bruk AB	556014-4502	Sunne	2,100,000	100	89	89
Rottneros Packaging AB	556307-5356	Stockholm	10,000	100	1	1
Utansjö Bruk AB	556012-7994	Härnösand	500,000	100	79	79
SIA Rottneros Baltic	319 171	Latvia	100	100	6	6
Total					276	276

	Parent Company	
	2019	2018
Change in the value of participating interests in Group companies	2019	2018
Opening cost	821	821
Closing accumulated cost	821	821
Opening impairment losses	-545	-545
Closing accumulated impairment losses, net	-545	-545
Closing book value	276	276

NOTE 14. PLEDGED ASSETS

	Group		Parent Company	
	2019	2018	2019	2018
Floating charges				
Pledged to Danske Bank	285	285	50	50
Held by the company	225	225	225	225
Shares in subsidiaries				
Pledged to Danske Bank	–	–	–	–
Deeds of trust				
Pledged to Danske Bank	–	–	–	–
Held by the company	382	382	–	–
Total	892	892	275	275

On 31 December 2019, a part of the Group's and the parent company's mortgages were pledged to Danske Bank as security for the Group's bank overdraft facilities of SEK 182m and for the Group's liabilities relating to currency and electricity price derivative contracts where Danske Bank is the counterparty.

On 31 December 2019, a part of the Group's and the parent company's mortgages were pledged to Danske Bank as security for the Group's bank overdraft facilities of SEK 182m and for the Group's liabilities relating to currency and electricity price derivative contracts where Danske Bank is the counterparty.

NOTE 16–19

NOTE 15. INVENTORIES

	Group	
	2019	2018
Raw materials and consumables	63	71
Spare parts, etc.	72	73
Pulp, valued at production cost	240	245
Total	375	389

NOTE 16. ACCOUNTS RECEIVABLE

	Group		Parent Company	
	2019	2018	2019	2018
Accounts receivable, gross	267	334	–	–
Provision for doubtful accounts receivable	–	–	–	–
Accounts receivable, net	267	334	–	–

Changes in the provision for doubtful accounts receivable are as follows:

	Group		Parent Company	
	2019	2018	2019	2018
Opening balance	–	–	–	–
Receivables written off over the year as uncollectable	–	–	–	–
Closing balance	–	–	–	–

The book values of accounts receivable are the same as the fair values and correspond to nominal amounts. No receivables have been provided as collateral for liabilities or contingent liabilities.

Accounts receivable amounting to SEK 49 (14) million were due as of 31 December 2019, although there was not deemed to be any impairment requirement. These refer to a number of independent customers that have previously not had any difficulties in meeting their payment obligations. These receivables are also covered by credit insurance, which recovers most of any bad debt losses. The ageing of these accounts receivable is as follows:

	Group		Parent Company	
	2019	2018	2019	2018
Accounts receivable that are not due	218	320	–	–
Less than 30 days from due date	46	13	–	–
2 to 3 months from due date	2	1	–	–
3 to 9 months from due date	1	–	–	–
Total	267	334	–	–

Carrying amounts, by currency, for accounts receivable are as follows:

	Group		Parent Company	
	2019	2018	2019	2018
USD	129	176	–	–
EUR	64	102	–	–
SEK	74	56	–	–
Other currencies	0	0	–	–
Total	267	334	–	–

NOTE 17. OTHER CURRENT RECEIVABLES

	Group		Parent Company	
	2019	2018	2019	2018
Receivables from subsidiaries	–	–	533	955
Other receivables	32	55	0	0
Prepaid expenses and accrued income:				
Prepaid insurance premiums	1	2	0	0
Other prepaid expenses	5	11	0	0
Accrued income	2	5	0	0
Total prepaid expenses and accrued income	7	18	0	0
Total	39	73	533	955

NOTE 18. CASH AND CASH EQUIVALENTS

	Group		Parent Company	
	2019	2018	2019	2018
Cash and bank balances	376	238	362	218

None of the cash and cash equivalents were blocked or pledged at the end of the year.

NOTE 19. SHAREHOLDERS' EQUITY

Share capital and number of shares

Group and parent company	Number of shares ¹	Share capital
As of 31 December 2019	152,571,925	153
As of 31 December 2018	152,571,925	153

1) Excluding the parent company's holding of treasury shares

Average number of shares outstanding, 2019	152,571,925
Average number of shares outstanding, 2018	152,571,925

All shares are of the class "ordinary shares" and have a quota value of SEK 1 per share. All shares are fully paid up. The parent company's holding of treasury shares amounts to 821,965 (821,965) ordinary shares, with a total nominal value of SEK 822,000.

Share-related incentive programmes

There were no share-related share programmes for the Group on 31 December 2019 and 2018.

Dividend for financial year 2018

The Annual General Meeting on 2 May 2019 approved an ordinary dividend of SEK 0.40 per share and an extra dividend of SEK 0.30 per share to shareholders for the 2018 financial year. The total dividend of SEK 106,800,348 was paid on 9 May 2019. On 4 November an Extraordinary General Meeting resolved to pay an extra dividend of SEK 0.70 per share. The total dividend of SEK 106,800,348 was paid on 11 November 2019.

NOTE 19–20

Proposed appropriation of profits

The Board of Directors will propose to the Annual General Meeting that an ordinary dividend of SEK 0.40 per share be paid to shareholders for the 2019 financial year.

Proposed appropriation of profits:

Retained earnings	111,423,749
Net profit for the year	75,031,832
Total SEK	186,455,581

The Board of Directors Proposes:

To be distributed to shareholders ^{1,2}	61,028,770
To be carried forward	125,426,811
Total SEK	186,455,581

1) After adjustment for repurchased shares in treasury.

2) Ordinary dividend SEK 0.40 per share.

The Board has considered the company's financial position, cash flows and future prospects in its proposed dividend. A detailed account regarding the Board's proposed dividend is available on the Company's website, www.rottneros.com.

Management of capital risk

Rottneros' objective in respect of capital structure is to ensure that the Group is able to continue its operation so that it can continue to generate returns for its shareholders while creating benefits for other stakeholders, and to maintain an optimal capital structure as a means of keeping the cost of capital down.

The Group may take on new debt, change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce its debts in order to maintain or adjust its capital structure.

In the same way as other companies in the industry, the Group estimates its capital on the basis of its debt/equity ratio. This key ratio is defined as interest-bearing net debt/cash divided by shareholders' equity. The Group's debt/equity ratio was 3 (11) per cent as of 31 December 2019.

Hedging reserve in consolidated shareholders' equity

	2019	Group 2018
Opening balance	106	18
Cash flow hedging:		
Changes in value	-77	111
Income tax effect on changes in value	17	-23
Closing balance	46	106

NOTE 20. INTEREST-BEARING LIABILITIES

	2019	Group 2018	Parent Company 2019	2018
Bond	396	395	396	395
Leasing liability	15			
Due for payment:				
Within one year	2	–	–	–
Later than one year but within five years	402	395	395	395
Later than five years	7	–	–	–

Changes in interest-bearing liabilities

	2019	Group 2018	Parent Company 2019	2018
Opening balance	395	394	395	394
Changes included in cash flow from financing activities				
Bond issue	–	–	–	–
Long-term loans taken out from banks	–	–	–	–
Amortisation of long-term loans taken out from banks	–	–	–	–
Change in credit facilities	–	–	–	–
Total changes included in cash flow from financing activities	–	–	–	–
Other changes				
Leasing liability	15	–	–	–
Direct costs charged to expense over the loan period	1	1	1	1
Total other changes	16	1	1	1
Closing balance	411	395	396	395

Bond 2017

In August 2017, Rottneros AB issued an unsecured bond of SEK 400m with a maturity of 5 years. 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 600m, which allows for an additional bond issue of SEK 200m. The bond is listed on Nasdaq Stockholm.

Direct costs in connection with the issue amounted to approximately SEK 7m and are reported as interest expense over the bond period.

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 per cent, and a maximum dividend of 50 per cent 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 the balance sheet day, based on the most recent transaction for the bond on Nasdaq Stockholm.

NOTE 21–24

Credit facilities

The Group had used none of its credit facilities on 31 December 2019 and 2018. The Group had unutilised bank overdraft facilities of SEK 182m (182) on 31 December 2019.

The Parent Company had used none of its bank overdraft facilities on 31 December 2019 and 2018. The Parent Company had unutilised bank overdraft facilities of SEK 90m (90) on 31 December 2019.

Bank overdraft facilities are available denominated in the currencies SEK, USD and EUR. Interest rate on balance sheet date was as follows:

Per cent	2019			2018		
	SEK	USD	EUR	SEK	USD	EUR
Bank overdraft facilities	1.12	2.87	0.78	1.10	3.76	0.80

NOTE 21. ACCOUNTS PAYABLE

Carrying amounts, by currency, for accounts payable are as follows:

	Group		Parent Company	
	2019	2018	2019	2018
SEK	171	150	3	2
EUR	29	22	–	–
USD	2	2	–	–
Total	202	174	3	2

The book values of accounts payable are the same as the fair values and correspond to nominal amounts.

NOTE 22. OTHER NON-INTEREST-BEARING LIABILITIES

Carrying amounts, by currency, for accounts payable are as follows:

	Group		Parent Company	
	2019	2018	2019	2018
Liabilities to subsidiaries	–	–	100	127
Tax liabilities	10	–	19	–
Other liabilities	27	35	0	0
Accrued expenses and deferred income				
Holiday pay liability	26	26	3	2
Social security contributions	15	12	2	1
Payroll liability	10	8	–	–
Raw material cost and input goods	95	74	–	–
Other accrued expenses	21	68	–	17
Other deferred income	–	4	–	–
Total accrued expenses and deferred income	167	192	5	20
Total	204	227	124	147

NOTE 23. CONTINGENT LIABILITIES

The parent company and the Group have contingent liabilities relating to guarantees amounting to SEK 5 (5) million.

NOTE 24. EVENTS AFTER THE END OF THE PERIOD AND OTHER DISCLOSURES

As of 1 January 2020 Rottneros AB acquired all shares in Nykvist Skogs AB. The acquisition is intended to strengthen the supply of raw materials in the Group. Nykvist Skogs works as a comprehensive and independent forest operator in Värmland, primarily in timber trade, forest management, harvesting, forest stewardship and consultancy services.

The company provides the local pulp and sawmill industry with raw material and had sales of about SEK 90 million during the 2018/19 financial year.

See the "Opportunities and Risk" section on pages 61–67 for disclosures about risks faced by the company.

Statement From the Board

Consolidated accounts have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The Annual Report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the parent company's financial position and results of operations. The Directors' Report for the Group and parent company gives a true and fair summary of the development of the Group's and parent company's operations, financial position and results of operations and describes significant risks and uncertainties faced by the parent company and companies included in the Group.

Stockholm 17 March 2020
Rottneros AB (publ), corporate id no. 556013-5872

Per Lundeen
Chairman of the Board

Marie S. Arwidson
Board Member

Ulf Carlson
Board Member

Roger Mattsson
Board Member

Dan Karlsson
Board Member
Employee Representative

Conny Mossberg
Board Member

Mika Palmu
Board Member
Employee Representative

Lennart Eberleh
President and CEO

Our audit report was submitted on 17 March 2020
KPMG AB

Jan Malm
Authorised Public Accountant
Lead Auditor

Sven Cristea
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of Rottneros AB (publ), corp. id 556013-5782

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Rottneros AB (publ) for the year 2019, except for the corporate governance statement on pages 68–74 and the sustainability report on pages 40–55. The annual accounts and consolidated accounts of the company are included on pages 56–100 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 68–74 and sustainability report on pages 40–55. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

REVENUE RECOGNITION

See disclosure 1 and accounting principles on pages 84–88 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Net turnover for 201 amounted to SEK 2 396 million for the Group. Turnover for sales of products are recognised in the income statement when material risks and benefits connected to the products ownership have been transferred to the buyer, which is usually in connection with delivery.

Turnover includes revenue from sales of products and invoiced freights, returns, discounts and pulp price hedging, which are presented excluding value added tax. Conditions for freight regarding the sales transactions can vary between regions/countries/products, where as the ownership can be transferred before the actual delivery of products has taken place. Revenue is recognised at the specific time when ownership is transferred to the client. Invoicing is performed in connection with the delivery. Revenue is recognised to the fair value of what is received or will be received for sold products in the Group's operating activities.

Response in the audit

In our audit we have evaluated the design and implementation of controls used by the company regarding revenue recognition of products sold.

Furthermore, we have reviewed a sample of contracts in order to analyse relevant key areas in the contracts and evaluate the suitability of the applied accounting rules. We have reviewed a sample of sales transactions before and after year end in order to evaluate if correct conditions have been applied according to the contracts and that risks and benefits have been transferred to the customers.

Through samples, we have also reviewed that revenue is in line with the information in the ERP-system. In addition, we have also verified the safety in the IT-system and that controls exists between the sub-ledger and the general ledger and the ERP-system. This in order for revenue to be accounted for in the correct period of time when ownership have been transferred.

AUDIT REPORT

VALUATION OF FINISHED GOODS

See disclosure 15 and accounting principles on page 97 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

As described in note 15 of the annual report, the inventory of finished goods is recorded at 240 MSEK in the consolidated financial statements as of 31 December 2019. The inventory is measured at the lower of cost and net realisable value. The accounting of the finished goods at cost is based on production cost less any obsolescence. The valuation at production cost is made by using calculation models where direct and indirect production related costs are allocated to products. An incorrect accounting would affect the valuation of inventory and the recorded cost for goods sold during the year. When establishing if the net realisable value is lower than cost Rottneros needs to assess the price level for which they will be able to sell the inventory for. Based on this we have assessed the valuation of finished goods to be a key audit matter.

Response in the audit

In our audit we have evaluated if the inventory accounting model used by the company is in accordance with applicable accounting rules. We have furthermore reviewed the company's calculation models and evaluated the plausibility for used prices, consumption rates and assumptions made when allocating indirect production costs. We have also evaluated Rottneros assessment regarding the net realisable value for the finished goods by comparison to current market prices. We have reviewed disclosures in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4–39 and 104–111. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

AUDIT REPORT

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Rottneros AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss. We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 68-74 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 40-55, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion. A statutory sustainability report has been prepared.

KPMG AB, Box 11908, 404 39 , Göteborg, was appointed auditor of Rottneros AB (publ) by the general meeting of the shareholders on 2 May 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2018.

Stockholm, 17 March 2020
KPMG AB

Jan Malm
Authorised Public Accountant
Lead auditor

Sven Cristea
Authorised Public Accountant

Board of Directors



PER LUNDEEN

Chair of the Board of Directors since 2016, Chair of the Remuneration Committee and member of the Audit Committee. Not independent of the company and its management, nor of Arctic Paper S.A.

Born: 1955

Present board assignments:

Chair of the Board of Arctic Paper S.A., Nilsbyn Invest AB and Strand Packaging AB. Board member of Fiskeby Board AB and Packbridge AB.

Earlier positions: President and CEO for Rottneros, President and CEO for Å&R Packaging Group and Å&R Carton AB, Business Area Manager at Åkerlund & Rausing Group.

Education: M.Sc. (Engineering)

Shareholding: 250,000 shares



ULF CARLSSON

Board member since 2016. Member of the Remuneration Committee and the Audit Committee. Independent of both the company and its management and of the company's largest shareholders.

Born: 1950

Present board assignments:

Vice Chair of Troedssonstiftelsen. Member of IVA, the Royal Swedish Academy of Engineering Sciences. Earlier positions: Research Director at Svenska Cellulosa Aktiebolaget SCA.

Education: M.Sc. (Chemical Engineering)

Shareholding: 1,070 shares



CONNY MOSSBERG

Board member since 2019. Member of the Audit Committee. Independent of the company and its management, but not independent of Arctic Paper S.A.

Born: 1966

CEO for Munkedal Skog AB

Earlier positions: Vice President/

President for Moelven Skog AB

and President for Are Skog AB.

Education: Forest Technician

Shareholding: 0



DAN KARLSSON

Employee representative since 2016.

Born: 1967

Operator, Rottneros Bruk AB

Present board assignments:

Chair of Pappers local 89.

Shareholding: 0



MIKA PALMU

Employee representative since 2016.

Born: 1975

Production coordinator, Vallviks Bruk AB.

Present board assignments:

Chair of Unionen local 23

Shareholding: 0



MARIE S. ARWIDSON

Board member since 2015, Chair of the Board's Audit Committee. Independent of both the company and its management and of the company's largest shareholders.

Born: 1951

Present board assignments:

Member of IVA, the Royal Swedish Academy of Engineering Sciences.

Earlier positions: CEO for the Swedish Forest Industries Federation, CEO for CEPI, Brussels (Confederation of European Paper Industries).

Education: M.Sc.

(Business and Economics)

Shareholding: 0



ROGER MATTSOON

Board member since 2016. Member of the Audit Committee. Independent of the company and its management, but not independent of Arctic Paper S.A.

Born: 1973

CFO for Nemus Holding AB

Present board assignments:

Chair of Nemus Holding AB and Munkedal Skog AB, Board member of Arctic Paper S.A.

Earlier positions: Group Controller at Arctic Paper S.A., CFO at Talent

Plastics Group

Education: M.Sc.

(Business and Economics)

Shareholding: 0



GUN-MARIE NILSSON

Employee representative since 2013.

Born: 1960

Accounting Administrator, Rottneros Bruk AB.

Present board assignments:

Chair of Unionen Rottneros Bruk, Chair of Rottneros

Vinstandelsstiftelse (Rottneros' profit sharing trust).

Shareholding: 35,000 shares



JÖRGEN WASBERG

Employee representative since 2019.

Born: 1975

Operator, Vallviks Bruk AB

Present board assignments:

Chair of Pappers local 106.

Shareholding: 0

AUDITORS KPMG AB

Auditor in charge:

Jan Malm (1960)

Authorised Public Accountant

Senior Executives



LENNART EBERLEH
President and CEO since 2016.
Born: 1969
Education: M.Sc. Engineering
Employed since 2016
Present board assignments:
Board member of Swedish Forest Industries Federation
Shareholding: 82,000 shares



IDA MÖRTSELL
Director HR & Safety
Born: 1984
Employed since 2014
Shareholding: 10,200 shares



PETER SÄVELIN
Mill Director Vallvik Mill
Born: 1963
Education: M.Sc. Chemical Engineering
Employed since 2020
Shareholding: 0



INGEMAR ELIASSON
Purchasing Director
Born: 1956
Education: M.Sc. Forestry
Employed since 1987
Shareholding: 32,000 shares



MONICA PASANEN
Chief Financial Officer
Born: 1963
Education: M.Sc. Business and Economics, MBA
Employed since 2017
Shareholding: 25,000 shares



OLA THOMASSON
Mill Director Rottneros Mill
Born: 1969
Education: Mechanical Engineering
Employed since 2020
Shareholding: 0



NILS HAURI
Chief Innovation Officer.
Factory Director, Rottneros Packaging
Born: 1981
Education: M.Sc. Chemical Engineering
Employed since 2007
Shareholding: 8,000 shares



KASPER SKUTHÅLLA
Sales and Business Development Director
Born: 1978
Education: M.Sc. Business and Economics
Employed since 2017
Shareholding: 30,000 shares

The Rottneros Share

The Rottneros share is listed on Nasdaq Stockholm. Rottneros had a market value of approximately SEK 1,750m (1,300) and its share price was 11,40 SEK (8.24) as of 31 December 2019.

The Rottneros share has been listed on Nasdaq Stockholm since November 1987. Rottneros was included in the Small Cap segment under 2019 and in the Mid Cap segment from 2020, and is classified as a company in the Materials sector. Rottneros had a market value of approximately SEK 1,750m (1,300) at the end of 2019 and the company had 13,801 (10,649) shareholders. Foreign shareholdings in Rottneros amounted to 63.8 (65.1) per cent of the capital. Rottneros' share price was SEK 11,40 (8.24) as of 31 December 2019, a positive development of 38 per cent.

The Stockholm Stock Exchange, Nasdaq Stockholm, had a positive development of approximately 11,40 (negative 8) per cent (OMXSPI index) in 2019. The Rottneros share peaked at SEK 14.44 (12.50) on May 2, while the lowest price of SEK 8.20 (6.88) was listed on 2 January. The average price during the year was SEK 11.33 (10.34).

THE SHARE'S TURNOVER

A total of 72 (76) million shares were traded in 2019 at a value of SEK 819m (790). This represents a turnover velocity for share of 47 (50) per cent for the year. An average of 390 (263) trades in Rottneros shares were executed every day.

SHARE CAPITAL AND HOLDINGS OF TREASURY SHARES

The share capital at the end of the year was SEK 153.4m (153.4) divided between 153,393,890 (153,393,890) shares. All shares carry equal voting rights and equal rights to the company's capital and profit. Trends in the number of shares are illustrated in a table on the following page.

The company's holding of treasury shares remained the same as the previous year (821,965 shares), corresponding to 0.54 per cent of the number of shares outstanding.

DIVIDEND

For the 2018 fiscal year, a dividend of SEK 0.45 per share was paid in ordinary dividend and SEK 0.30 per share in extra dividend in May and an additional SEK 0.70 per share in November, in accordance with decisions made at the Extraordinary General Meeting on 4 November, 2019. The Board's dividend proposal for the 2020 Annual General Meeting is an unchanged ordinary dividend of SEK 0.40 per share, corresponding to 31 per cent of the net profit for 2019.

DIVIDEND POLICY

Rottneros shall pay out 30–50 per cent of net income, in accordance with the current covenants.

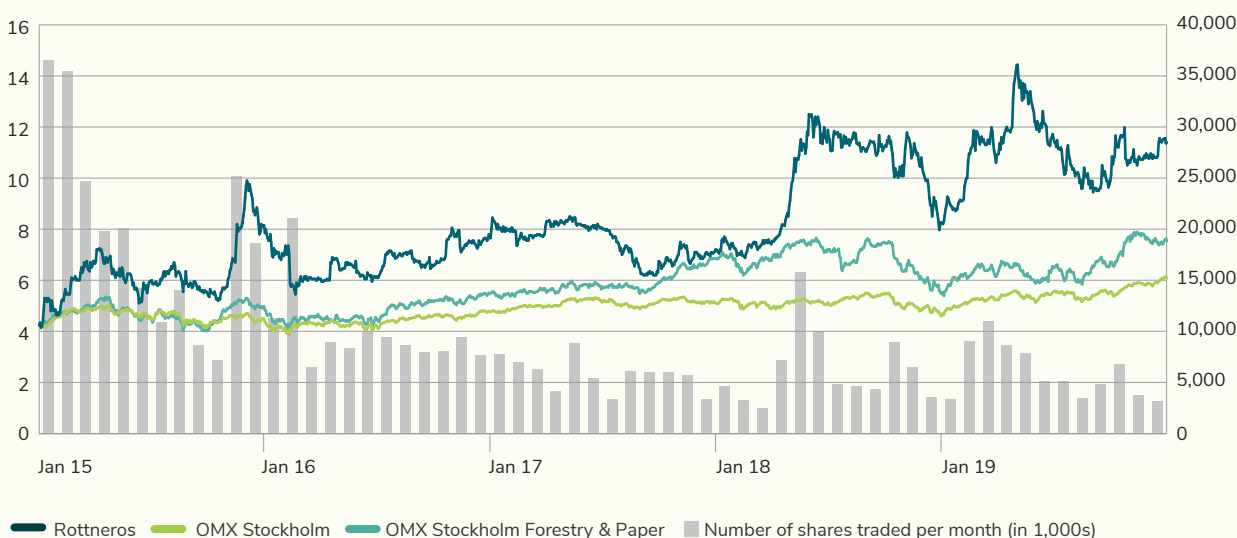
SHARES HELD BY THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

The own holdings of the Board of Directors and senior executives and those of related parties amounted to a total of 473,270 (337,070) shares in Rottneros AB as of 31 December 2019. No subscription warrants were issued as of 31 December 2019.

INFORMATION FOR SHAREHOLDERS

Rottneros provides information for shareholders and the public through several channels. Information published in the form of annual reports, quarterly reports and press releases is regularly posted on www.rottneros.com. Presentation materials from presentations of quarterly reports for journalists and analysts are also available to download. The home page is the main channel for the Annual Report, for which reason the report is not sent to shareholders unless specifically requested.

SHARE PERFORMANCE AND TURNOVER 2015 – 2020



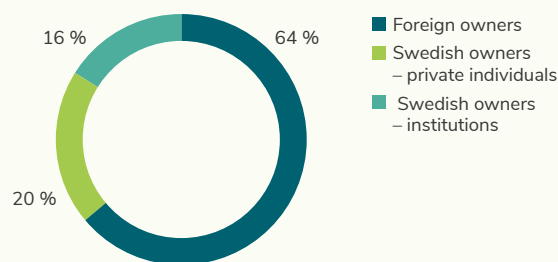
OWNERSHIP STRUCTURE AS OF 31 DECEMBER 2019

Shareholders	Number of shares (= votes)	Per cent of capital
Arctic Paper S.A.	78,230,883	51,0
PROAD AB	10,464,411	6,8
Försäkringsaktiebolaget Avanza Pension	4,141,437	2,7
UBS Switzerland AG, W8IMY	3,604,142	2,3
CBNY-DFA-INT SML CAP V	1,632,776	1,1
BNY Mellon NA (Former Mellon), W9	1,358,736	0,9
Caceis Bank, Switzerland Branch, W8IMY	1,300,000	0,8
State Street Bank and Trust Co, W9	1,274,950	0,8
BNY Mellon SA/NV (Former BNY), W8IMY	1,087,817	0,7
Borell, Joakim	1,015,586	0,7
Total for 10 largest owners – by size of holding	104,110,738	67,9
Other shareholders	48,461,187	31,6
Rottneros AB (treasure shares)	821,965	0,5
TOTAL	153,393,890	100,0

SHAREHOLDER SPREAD AS OF 31 DECEMBER 2019

Shareholders	Number of shares	Per cent of capital
1 – 500	7,768	0,8
501 – 1,000	1,966	1,0
1,001 – 5,000	2,768	4,5
5,001 – 10,000	642	3,3
10,001 – 15,000	182	1,5
15,001 – 20,000	116	1,4
20,001 –	358	87,5
Total	13,801	100,0

DISTRIBUTION OF OWNERSHIP BY CATEGORY

SHARE DATA¹

	2019	2018	2017	2016	2015
Shares, opening ²	152,572	152,572	152,572	152,572	152,572
Shares, closing ²	152,572	152,572	152,572	152,572	152,572
Average number of shares ²	152,572	152,572	152,572	152,572	152,572
Holdings of treasury shares ²	822	822	822	822	822
Earnings per share	1.27	1.45	0.75	0.84	1.46
Cash flow after investments/share ³	2.30	-0.21	-0.10	-0.60	1.52
Equity per share	9.05	9.57	7.91	7.54	6.93
Dividend per share ⁴					
Ordinary dividend	0.40	0.40	0.30	0.30	0.30
Extra dividend	–	1.00	0.07	0.10	0.20
Total	0.40	1.40	0.37	0.40	0.50
Dividend/equity per share	4.4	14.6	4.7	5.3	7.2
Share price at end of period	11.40	8.24	7.15	8.05	8.15
Market price/equity/share times	1.3	0.9	0.9	1.1	1.2
P/E ratio	9.0	5.7	9.5	9.6	5.6

¹ None of the key ratios are affected by any dilution effect.² The number of shares is in thousands, excluding Rottneros' treasury shares.³ Cash flow from operating activities less investments in non-current assets, divided by the number of shares.⁴ Proposed dividend for 2019.

Multi-year Overview

GROUP PERFORMANCE I SUMMARY

INCOME STATEMENT, SEK M	2019	2018	2017	2016	2015
Net turnover	2,376	2,260	1,912	1,730	1,795
EBITDA	374	394	247	221	321
Depreciation/amortisation and impairment losses	-106	-99	-91	-51	-58
EBIT (Operating profit/loss)	268	295	156	170	263
Financial items (net financial items)	-21	-19	-9	-7	-4
Profit/loss after financial items	247	276	147	163	259
Tax on profit/loss for the year	-53	-55	-35	-35	-36
Net income	194	221	114	128	223
STATEMENT OF CASH FLOWS, SEK M					
Cash flow from operating activities	462	223	222	187	335
Investments in non-current assets	-109	-256	-237	-278	-103
Cash flow after investments	353	-33	-15	-91	232
Sale of non-current assets	0	0	0	0	0
Cash used in/provided by financing activities	-214	-56	325	-62	-152
Net cash flow	138	-88	310	-153	80
BALANCE SHEET ITEMS, SEK M					
Non-current assets	1,280	1,290	1,078	905	706
Inventories	375	389	279	278	267
Current receivables	342	484	324	290	244
Cash and cash equivalents	376	238	326	16	169
Net debt (+) / net cash (-)	35	157	68	-2	-169
Shareholders' equity	1,380	1,460	1,207	1,151	1,058
Long-term interest-bearing liabilities	411	395	394	-	-
Long-term non-interest-bearing liabilities	176	137	52	14	18
Current interest-bearing liabilities	-	-	-	14	-
Current non-interest-bearing liabilities	406	409	354	310	310
Capital employed	1,415	1,617	1,275	1,149	889
Total shareholders' equity and liabilities	2,373	2,401	2,007	1,489	1,386
KEY RATIOS					
EBITDA margin, %	15.7	17.4	12.9	12.8	17.9
EBIT margin, %	11.3	13.1	8.2	9.8	14.7
Profit margin, %	10.4	12.2	7.7	9.4	14.4
Return on equity, %	13.7	16.6	9.7	11.6	21.9
Return on capital employed, %	17.7	20.4	12.9	16.7	29.1
Equity/assets ratio, %	58	61	60	77	76
Debt/equity ratio, %	3	11	6	0	-16
OTHER					
Average no. of employees	303	303	301	282	264
Pulp production, 1,000 tonnes	406.0	393.6	401.2	374.1	373.3
Pulp deliveries, 1,000 tonnes	408.3	382.5	395.9	374.1	372.2
List price of NBSK pulp, USD per tonne ¹	984	1 167	882	802	857
SEK/USD ²	9.46	8.69	8.54	8.56	8.44
List price of NBSK pulp, SEK per tonne	9,304	10,144	7,530	6,867	7,228

¹ Source: Market listing once a week. Annual average based on weekly quotations.

² Source: The Riksbank's yearly average.

Quarterly Data, Group

	2019				2018				2017			
INCOME STATEMENT, SEK M	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net turnover	546	617	582	630	580	567	576	537	496	472	472	472
EBITDA	-5	81	131	167	37	136	118	101	21	66	83	77
Depreciation/amortisation and impairment losses	-25	-27	-28	-26	-27	-25	-24	-23	-28	-22	-21	-20
EBIT (Operating profit/loss)	-30	54	103	141	12	111	94	78	-7	44	62	57
Financial items (net financial items)	-7	-5	-5	-5	-5	-5	-4	-5	-5	-3	0	-1
Profit/loss after financial items	-37	49	98	136	7	106	90	73	-12	41	62	56
Tax on profit/loss for the period	8	-10	-21	-28	2	-24	-17	-16	2	-9	-13	-13
Net Per share	-29	39	77	108	9	82	73	57	-10	32	49	43
EARNINGS PER SHARE, SEK												
Other	-0.19	0.25	0.51	0.71	0.06	0.54	0.48	0.37	-0.06	0.21	0.32	0.28
PULP PRODUCTION, 1,000 TONNES												
Pulp deliveries, 1,000 tonnes	100.4	100.3	107.7	97.6	93.6	100.0	100.1	99.9	94.4	102.5	101.4	102.9
List price of NBSK pulp, SEK per tonne	103.2	110.8	95.2	99.1	94.3	92.5	97.5	98.2	100.1	95.7	98.9	101.2
Massapris listpris NBSK, SEK per tonnes	7,950	8,753	9,900	10,527	11,056	10,983	10,047	8,584	7,949	7,279	7,572	7,290

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 key ratios

CAPITAL EMPLOYED

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

CASH FLOW AFTER INVESTMENTS

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

DEBT/EQUITY RATIO

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

DIRECT YIELD

Dividend as a percentage of the closing share price at year-end.

EARNINGS PER SHARE

Net income divided by the average number of shares.

EBIT

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

EBITDA

Operating profit before depreciation/amortisation and impairment losses.

EQUITY/ASSETS RATIO

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

NET DEBT/NET CASH

Interest-bearing liabilities minus cash and cash equivalents.

P/E RATIO

Closing share price at year-end in relation to earnings per share.

PROFIT MARGIN

Profit after financial items as a percentage of net turnover.

RETURN ON CAPITAL EMPLOYED

Operating profit as a percentage of average capital employed (average of capital employed at the beginning of the year and at the end of the year).

RETURN ON EQUITY

Net income as a percentage of average shareholders' equity (average of shareholders' equity at the beginning of the year and at the end of the year).

SHAREHOLDERS' EQUITY PER SHARE

Shareholders' equity divided by number of shares.

Glossary

ANAEROBIC WATER PURIFICATION

One of Rottneros four cleaning steps of outgoing wastewater. In the anaerobic step material in the wastewater is decomposed and methane gas is produced using bacteria in an oxygen-free environment.

BEK

Bleached Eucalyptus Kraft pulp.

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).

BSKP

Bleached Softwood Kraft Pulp.

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.

COD

Chemical Oxygen Demand. Chemical method for measuring oxygen-demanding substances.

CTMP

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.

ECF

Elemental Chlorine Free. Sulphate pulp bleached using chlorine dioxide, instead of chlorine gas.

E-PULP

Pulp used in electrotechnical applications. Rottneros' product name for E-pulp is Robur Flash E-grade.

FAO

UN:s agricultural and food organisation.

FSC®

Forest Stewardship Council. Certification for sustainable forestry.

GHG SCOPE 1

Carbon dioxide emissions from fossil fuels in own manufacturing.

GHG SCOPE 2

Carbon dioxide emissions from electricity and other energy purchased for the business.

GROUNDWOOD PULP (SGP)

Mechanical pulp based on roundwood as a raw material.

HIGH-YIELD PULP

Groundwood pulp, TMP and CTMP/BCTMP.

LIGNIN

Polymer compound consisting mainly of phenylpropane units; the main binding agent for wood fibre. It comprises about 1/3 of the wood.

LONG-FIBRE PULP

Pulp where the raw material is softwood, which has longer cellulose fibre than hardwood.

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.

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.

NBSK

Northern Bleached Softwood Kraft: bleached longfibre sulphate pulp.

NORD POOL

Nordic electricity exchange started in 1996 by Sweden and Norway. Member countries are now also Denmark, Finland and Estonia.

OPACITY

Degree of opaqueness.

PEFC™

Programme for the Endorsement of Forest Certification. Certification for sustainable forestry.

PFAS

Collection names for fluorinated substances.

PIX

Pulp price index.

POROSITY

Air permeability, analysis method for determining the permeability for gas or liquid.

PULPACKTION

One of EU's innovation projects.

SHIVE CONTENT

Proportion of unseparated fibres found in the pulp.

SHORT-FIBRE PULP

Pulp where the raw material is hardwood, which has shorter cellulose fibre than softwood.

SIA ROTTNEROS BALTIC

Rottneros wood procurement company in Latvia.

SULPHATE

Method for producing chemical pulp.

SULPHITE

Like sulphate, but using a different cooking technique, different chemicals and with a different chemical recovery.

TCF

Totally chlorine-free bleached sulphate pulp.

TMP

Thermo-Mechanical Pulp: mechanical pulp produced using a technique in which the chips are preheated with steam, but without chemicals.

UKP

Unbleached Kraft Pulp, unbleached sulphate pulp.

Annual General Meeting

The Annual General Meeting (AGM) will be held on Tuesday 28 April 2020 in Söderhamn.

REGISTRATION AND NOTIFICATION:

Shareholders who wish to participate in the proceedings of the AGM must:

- be registered as shareholders in the register of shareholders maintained by Euroclear Sweden AB on Tuesday, 22 April 2020, and
- give notice of attendance to the AGM no later than Tuesday, 22 April 2020. The notification can be made to Rottneros AB, c/o Vinge KB, Box 11025, SE-40421 Göteborg, Sweden, or via e-mail to rottneros@vinge.se. Please include in the notification your name and personal identity number or company name and corporate identity number, as well as address, phone number, and the number of assistants accompanying the shareholder to the AGM.

PROXY

Shareholders represented by proxy must issue a power of attorney for their proxy. To facilitate registration for the AGM, the power of attorney, in original, and any authorisation documents shall be presented on request at the AGM, if not sent in advance.

NOMINEE-REGISTERED SHARES

Shareholders who have their shares registered with a trustee, i.e. stored with a custody account, must register the shares in their own name in the share register kept by Euroclear Sweden AB, to attend the meeting.

Such registration must be executed no later than Tuesday, April 22, 2020 and should be requested in good time before this day with the trustee managing the shares.

For information on how personal data is processed, reference is made to the Privacy Policy which is available on the Euroclear website.

GROUP OFFICE

ROTTNEROS AB (PUBL)
826 79 Vallvik
Sweden
Ph: +46 (0)270-622 00
info@rottneros.com
www.rottneros.com

SUBSIDIARIES

VALLVIKS BRUK AB
826 79 Vallvik
Sweden
Ph: +46 (0)270-620 00

ROTTNEROS BRUK AB
686 94 Rottneros
Sweden
Ph: +46 (0)565-176 00

ROTTNEROS PACKAGING AB
Rönna väg 5
686 31 Sunne
Sweden
Ph: +46 (0)565-176 00

SIA ROTTNEROS BALTIC
Rūpniecības iela 25
LV-3601 Ventspils
Latvia
Ph: +371 362 92 73

NYKVIST SKOGS AB
Skolvägen 2
686 98 Gräsmark
Sweden
Ph: +46 (0)565-409 30