

Rottneros

Year-end Report January to December 2012

	Quarter			Interim period	
	IV 2012	III 2012	IV 2011	Full year 2012	Full year 2011
Net turnover, SEK m	329	359	337	1,437	1,513
Income after net financial items, SEK m ¹	0	-26	-44	6	28
<i>including items affecting comparability</i>	0	-26	-44	6	-120
Earnings per share after net financial items, SEK ¹	0.00	-0.17	0.29	0.03	0.18
<i>including items affecting comparability</i>	0.00	-0.17	0.29	0.03	-0.79
Income after tax, SEK m ¹	-10	-26	-48	-13	4
<i>including items affecting comparability</i>	-10	-26	-48	-13	-144
Earnings per share after tax, SEK ¹	-0.07	-0.17	-0.32	-0.09	0.02
<i>including items affecting comparability</i>	-0.07	-0.17	-0.32	-0.09	-0.95
Cash flow before investments per share, SEK	-0.05	0.09	-0.15	0.27	0.23
Cash flow per share, SEK	0.08	0.00	-0.69	0.03	-0.74
	31-12-2012	30-09-2012	31-12-2011		
Shareholders' equity per share, SEK	6.51	6.58	6.65		
Equity/assets ratio, %	77	76	75		

¹ Excluding total write-downs and one-off costs of SEK 148 million in the third quarter 2011.

- Income after net financial items amounted to SEK 6 (-120) million for the full year 2012. The result for the previous year included total write-down and one-off costs of SEK -148 million.
- Income after net financial items amounted to SEK 0 million for the fourth quarter of 2012 compared with a loss of SEK -44 million for the same quarter of the previous year. Cash flow from operating activities amounted to SEK -8 (-22) million for the fourth quarter of 2012 and SEK 41 (35) million for the full year 2012.
- The Board proposes a dividend of SEK 0.10 (0.10) per share for the financial year 2012.
- Arctic Paper S.A. made a public takeover bid for all of the Rottneros shares in November; this offer has been extended to 4 February 2013 owing to poor support. Arctic Paper's shareholding amounted to 39.4% of the total number of shares at the turn of the year.

A decision was made to continue production of groundwood pulp at Rottneros Mill.



• Bark comes from the barking drum at Rottneros Mill

CEO's statement

The operating surplus (referred to internationally as 'EBITDA') amounted to SEK 61 million for the full year 2012. The corresponding figure for the previous year was SEK 97 million. The result after net financial items (EBT) was once more in the black at 'zero' for the fourth quarter of the year and SEK 6 million for the full year. This is not a great result, although we are pleased to have been able to produce a profit in a year that was tough for many pulp manufacturers. Those of us based in Sweden not only had to struggle with an increasingly weak global economy but were also subject to a very strong Swedish currency during the autumn.

Despite things not running smoothly throughout the world, the consumption of pulp rose by approximately three per cent, slightly more for softwood and slightly less for hardwood. The demand outlook for 2013 appears as though it will remain more or less the same. Prices, which increased during the first half of 2012, peaked at just over USD 850 per tonne to fall by around USD 100 per tonne during the summer and autumn and subsequently rise again to just over USD 800 per tonne by the end of the year. Global stocks fell during the autumn, particularly for softwood pulp, so that we are entering 2013 with some positive market momentum. Total global manufacturing capacity for softwood pulp will fall rather than rise in 2013 as several pulp mills are being built or converted for other grades. Together with the increase in demand, capacity utilisation is likely to increase, and price trends should therefore continue to rise.

Focusing specifically on Rottneros, we have during the year, successfully continued our move towards more sales within customer segments having specific requirements, where our raw materials and process equipment can prove their worth. This will reduce our exposure to the constrained and less specialised printing paper market. This applies to both mechanical and chemical pulp and is a development that we will continue in 2013. Our sales for different filter applications continue to increase slowly but surely. Deliveries to board manufacturers with an express requirement for bulk are steadily growing. The market for our customers within electrical applications has been tough, with a temporary reduction in infrastructure investments and consequently lower deliveries, which meant that our sales fell despite retaining market shares. On the cost side, both our variable and fixed costs have fallen. It was primarily the cost of timber that fell during the autumn, and then remained stable during the winter. All-in-all, comparing 2011 with 2012, variable costs per tonne reduced by almost ten per cent. The corresponding figure for fixed costs per tonne for Rottneros Mill is over ten per cent despite falling production, and slightly less than ten per cent for Vallvik Mill thanks to our annual production record of almost 209,000 tonne, of which we are proud. Rottneros Mill produced a small positive operating surplus for 2012 despite the ongoing programme of staff cuts. The cash flow after investments amounted to SEK 17 million. Vallvik Mill's operating surplus is SEK 55 million and has exceeded SEK 350 million for the past three years. This surplus is being reinvested in the mill. We do not intend to provide this kind of mill-specific result on an ongoing basis, but consider it was justified to do so on this occasion as in the course of last year certain information appeared in the media that conveyed erroneous perceptions.

Arctic Paper SA announced in early November 2012 an offer to all of the Rottneros shareholders to exchange their shares in Rottneros AB for shares in Arctic Paper. The intention was to subsequently merge the companies. A large number of shareholders declined the offer, for which reason a merger of the companies did not take place. A merger of the companies – with one management team and one income statement/balance sheet – could have realised substantial synergies. Rottneros is now continuing as an independent company, though with a different shareholder structure, where the shareholding within the sphere of influence of the main owner company increased from 20% to 40% while virtually all of the bank shareholdings have been relinquished. As we are two independent companies, only transactions for the benefit of both parties and all shareholders will be concluded, that is to say as is the situation is at present and as it has been for many years. We will continue to develop our ongoing business and further improve our supplier and customer relationships. Our doors are open to the discussion promised by Arctic Paper SA in respect of synergies, even without a merger. Any way of improving Rottneros is welcome.

In conclusion, I would like to express my appreciation for the significant shareholder support expressed both by telephone calls and by email in recent months.

Ole Terland
CEO and President

THE PULP MARKET

Markets and products

There was an increase in demand for paper pulp during the fourth quarter of 2012 and a reduction in the stock of finished goods. This enabled pulp producers to increase prices, which for bleached sulphate pulp had fallen from USD 834 per tonne in early 2012 to USD 765 per tonne by the end of September. These price increases resulted in PIX prices of USD 810 per tonne by the end of the year; i.e., a price rise of USD 45 per tonne during the fourth quarter. However, PIX prices have fallen by USD 24 compared with the beginning of the year.

At the beginning of 2012, the PIX price for bleached long-fibre sulphate pulp was approximately USD 180 per tonne higher than for short-fibre sulphate pulp, and at the end of the fourth quarter this variance had reduced to approximately USD 30 per tonne, which is a historically small difference.

Statistics for bleached chemical market pulp for the total global market showed that deliveries for January to November 2012 amounted to 38.5 (37.4) million tonnes, which was 2.9% higher than the same period in 2011. For the period January to November 2012, 92% (90%) of the global supply capacity for bleached chemical pulp was utilised. Production capacity utilisation for the same period has been estimated at 92% (92%). Global producer stocks of bleached chemical pulp amounted to approximately 3.7 (4.2) million tonnes at the end of November.

Long-fibre chemical pulp (NBSK) (manufactured at Vallvik)

The market for bleached long-fibre chemical pulp is well balanced with a decrease in stock over the year of approximately 450,000 tonnes to the end of November. Producer stock levels of long-fibre chemical pulp are lower than normal and correspond to 25 days' production.

Deliveries of bleached long-fibre chemical pulp increased during January to November 2012 and were just over 4.1% higher than the same period in 2011. Delivery capacity utilisation for the period January to November 2012 amounted to 94% (91%) and production capacity utilisation was approximately 92% (94%).

Producers of bleached long-fibre chemical pulp (NBSK) increased their selling price to USD 840 per tonne from and including 1 January 2013 for deliveries to Europe.

Mechanical pulp and CTMP (manufactured at Rottneros)

The price of CTMP amounted to approximately USD 570-590 per tonne in the Western European market at the beginning of the year. At the end of the fourth quarter, the price was USD 10 to 20 per tonne higher or slightly more depending on market and quality. Deliveries rose by three per cent during January to November 2012 compared with the same period of 2011. Deliveries amounted to 2.53 million tonnes during January to November 2012. Delivery capacity utilisation was 96% (96%) for the period January to November 2012 and production capacity utilisation was 96% (96%).

Rottneros' selling price for all CTMP grades increased by EUR 20 per tonne from and including 1 January 2013 owing to improved market prospects, lower stock levels and good market growth.



PRODUCTION AND DELIVERIES

The Group's pulp mills at Rottneros and Vallvik have a combined annual production capacity of almost 400,000 tonnes. Production amounted to 330,400 (324,100) tonnes in 2012. Production at Vallvik Mill was 9,200 tonnes higher compared with the same period of 2011 and is the highest annual production achieved. This improvement to production is primarily referable to productivity-enhancing investments made during the year. Vallvik Mill produced well over 20,000 tonnes in June, thereby achieving the highest ever monthly production figure for the mill. Rottneros Mill's production of CTMP increased by 4,400 tonnes compared with the full year 2011. Production of groundwood pulp at the mill reduced as a consequence of market-related production restrictions.

Deliveries amounted to 331,400 (311,400) tonnes for 2012. This difference compared to the previous year can be explained by an increase in demand, primarily during the second half of 2012.

PRODUCTION (TONNES)				
	Oct-Dec 2012	Oct-Dec 2011	Full year 2012	Full year 2011
Sulphate pulp	52,700	38,600	208,800	199,600
Groundwood pulp	14,400	14,600	51,800	59,100
CTMP	19,100	17,200	69,800	65,400
TOTAL	86,200	70,400	330,400	324,100

DELIVERIES (TONNES)				
	Oct-Dec 2012	Oct-Dec 2011	Full year 2012	Full year 2011
Sulphate pulp	43,800	43,300	206,500	191,500
Groundwood pulp	13,300	12,000	522,000	55,900
CTMP	22,200	17,400	72,700	64,000
TOTAL	79,300	72,700	331,400	311 400,000

Maintenance shutdowns and seasonal variations

A holiday shutdown took place at Rottneros Mill in July and August, which was combined with minor annual maintenance work. The annual maintenance shutdown at Vallvik Mill was mainly held during the third quarter of 2012, whereas in 2011 it had taken place in the fourth quarter. Loss of production and maintenance costs amounted to approximately SEK 25 million.

Costs relating to maintenance shutdowns are recognised in the period during which the shutdown takes place. Otherwise, the Rottneros Group is not affected by seasonal variations to any appreciable extent.

SIGNIFICANT EVENTS

Rottneros Mill

As previously communicated, the Board of Directors of Rottneros had made a decision in May 2012 to immediately commence negotiations concerning the termination of continuous groundwood pulp production at Rottneros Mill owing to the rapid decline in the printing paper consumption in Europe. However, thanks to ongoing production technology work, we have recently been able to launch a unique groundwood pulp for board manufacturers, which means that we have been able to secure major supply contracts and consequently we will not close production in March 2013 as previously notified.

Public takeover bid from Arctic Paper

Arctic Paper S.A. made a public takeover bid for all of the Rottneros shares on 7 November 2012. This bid was recommended by the Board of Directors of Rottneros in light of the synergies and reduction in the sensitivity to the business cycle that a merger would involve. It was a precondition for these effects to be achieved that the level of support gained by the bid was such that a merger could be brought about; i.e. that so many shareholders accepted the offer that support exceeded 90% of the total number of all

shares. This recommendation was also supported by a 'fairness opinion'. Following this the Board of Rottneros were advised in writing by some major owners that they did not intend to accept the bid. The holdings of these shareholders exceeded 10% of the total number of shares in the company, which would mean that a merger, and thereby most of the synergies, could not be realised. This information was new to the Board of Rottneros and they consequently published it in the form of supplementary information on 26 November. This information was provided in accordance with stock exchange requirements and as a basis for each individual shareholder to adopt a position on Arctic Paper's bid. Arctic Paper decided to pursue and extend the bid, despite the low level of support for it. At the end of the year, Arctic Paper had achieved a shareholding of 39.4%. The bid has subsequently been extended once again, up to and including 4 February 2013.

There have been changes to the ownership structure as a consequence of this. In addition to the former largest shareholder Nemus Holding (which is closely related to Arctic Paper), Danske Bank and DnB, also accepted the bid and have consequently relinquished their interests in Rottneros. A large number of owners with small holdings have also accepted the cash offer and sold their shares. The number of shareholders reduced by 7,470 in December. Please refer to the table listing the company's ten largest shareholders on page 7 for a description of Rottneros' current ownership structure. Rottneros' costs associated with the transaction amounted to SEK 5 million in 2012.

INVOICING AND RESULTS

Full year 2012 compared with full year 2011

DEVIATION ANALYSIS		
	Full year 2012	Full year 2011
NBSK PIX	814	960
SEK/USD	6.78	6.5
NBSK SEK	5,518	6,229
OPERATING INCOME	6	-117
Price		-205
Currency		50
Volume		-16
Variable costs		98
Total write-downs and one-off costs		148
Other		48
TOTAL		123

Group net turnover amounted to SEK 1,437 (1,513) million for the full year 2012. The average price of long-fibre sulphate pulp (NBSK) in USD fell by 15% (from USD 960 to USD 814), while the average price of NBSK pulp converted into SEK fell from SEK 6,229 to SEK 5,518 per tonne, a reduction of 11%.

The average price of electricity on the Nord Pool electricity exchange amounted to SEK 0.28 per kWh for the full year 2012, compared with SEK 0.43 per kWh for the same period of the previous year.

- Group operating income amounted to SEK 6 (-117) million for the full year 2012. The previous year incurred SEK -148 million as a consequence of write-downs and one-off costs during the third quarter of 2011. Hedging activities realised for the full year 2012 amounted to SEK -2 (0) million.
- Group income after net financial items amounted to SEK 6 (-120) million and includes net financial items of SEK 0 (-3) million. Net financial items include financial exchange gains of SEK 2 (-1) million.
- Loss after tax amounted to SEK -13 (-144) million.
- Earnings per share after tax were SEK -0.09 (-0.95).
- Cash flow per share amounted to SEK 0.03 (-0.74).

October to December 2012 compared with October to December 2011

DEVIATION ANALYSIS		
	Oct-Dec 2012	Oct-Dec 2011
NBSK PIX	792	887
SEK/USD	6.66	6.75
NBSK SEK	5,272	5,985
OPERATING INCOME	1	-43
Price		-20
Currency		-16
Volume		5
Variable costs		38
Total write-downs and one-off costs		-
Other		37
TOTAL		44

Group net turnover amounted to SEK 329 (337) million for the fourth quarter of 2012. The average price of long-fibre sulphate pulp (NBSK) in USD reduced by 11% (from USD 887 to USD 792), while the average price of NBSK pulp converted into SEK

fell from SEK 5,985 to SEK 5,272 per tonne, a reduction of 12%.

The average price of electricity on the Nord Pool electricity exchange amounted to SEK 0.32 per kWh for October to December 2012, compared with SEK 0.33 per kWh for the same period of the previous year.

- Group operating income amounted to SEK 1 (-43) million for the fourth quarter of 2012. Hedging activities realised for the fourth quarter of 2012 amounted to SEK 3 (-13) million.
- Group income after net financial items amounted to SEK 0 (-44) million and includes net financial items of SEK -1 (-1) million. Net financial items include financial exchange gains of SEK 0 (-1) million.
- Loss after tax amounted to SEK -10 (-48) million.
- Earnings per share after tax were SEK -0.07 (-0.32).
- Cash flow per share amounted to SEK -0.01 (-0.69).

October to December 2012 compared with July to September 2012

DEVIATION ANALYSIS		
	Oct-Dec 2012	Jul-Sep 2012
NBSK PIX	792	786
SEK/USD	6.66	6.75
NBSK SEK	5,272	5,308
OPERATING INCOME	1	-26
Price		3
Currency		-4
Volume		18
Variable costs		0
Other		10
TOTAL		27

Group net turnover amounted to SEK 329 million for the fourth quarter of 2012 compared with SEK 359 million for the third quarter of 2012. The average price of long-fibre sulphate pulp (NBSK) in USD increased from USD 786 to USD 792, while the average price of NBSK pulp converted into SEK fell from SEK 5,308 to 5,272 per tonne, a reduction of 1%, which was entirely due to a weakened USD.

The average price of electricity on the Nord Pool electricity exchange amounted to SEK 0.32 per kWh

for the fourth quarter of 2012, compared with SEK 0.20 per kWh for the third quarter of 2012.

- Group operating income amounted to SEK 1 million for the fourth quarter of 2012 compared with the third quarter of 2012, when the operating loss amounted to SEK -28 million. The result for the third quarter incurred approximately SEK -25 million related to the maintenance shutdown at Vallvik Mill. Furthermore, a holiday shutdown was held at Rottneros Mill during the third quarter. Hedging activities realised for the fourth quarter of 2012 amounted to SEK 3 (3) million.
- Group income after net financial items amounted to SEK 0 million for the fourth quarter of 2012 compared with SEK -26 million for the third quarter of 2012.

INVESTMENTS AND FINANCIAL POSITION

- Group investments in fixed assets amounted to SEK 51 (157) million for the full year 2012.
- The Group had liquid funds amounting to SEK 26 million at the end of December 2012, compared with SEK 21 million at the end of December 2011.
- The Group had total interest-bearing liabilities of SEK 78 million on 31 December 2012 (SEK 47 million on 31 December 2011). Interest-bearing net liabilities amounted to SEK 52 million (SEK 26 million on 31 December 2011).
- Approved but unutilised credit facilities amounted in total to SEK 78 million on 31 December 2012 and total approved credit facilities amounted to SEK 150 million.
- The equity/assets ratio was 77% on 31 December 2012, which is two percentage units higher than on 31 December 2011.
- Equity per share amounted to SEK 6.51 (SEK 6.65 on 31 December 2011).

CASH FLOW

- Cash flow from operating activities before investments amounted to SEK 41 (35) million for the full year 2012 and included cash flow of SEK -10 (-1) million from financial hedging.
- Cash flow after investing activities amounted to SEK -9 (-113) for the full year 2012.

AVERAGE NUMBER OF EMPLOYEES

The average number of employees was 275 (298) for the full year 2012. The three employees at SilviPak will leave the company in 2013.

TAX

As a consequence of the decision to lower corporation tax from 26.3% to 22%, the Group has reduced its deferred tax asset by SEK 10 million, which corresponds to the tax expense for the quarter.

Deferred tax assets amounted to SEK 50 million on 31 December 2012, which is a reduction of SEK 22 million compared with 31 December 2011. Deferred tax assets relating to future tax losses correspond to a deficit of SEK 212 million. There was also a tax loss carry-forward of SEK 174 million, for which deferred tax assets have not been recorded.

PARENT COMPANY

The parent company's loss after net financial items amounted to SEK -3 (-90) million for the full year 2012. The result for the full year 2011 incurred total write-downs of receivables of SEK -72 million. Income after net financial items includes hedging activities realised for the entire Group, which affected the result by SEK -2 (-13) million. In addition, income after net financial items for 2012 was affected by an amount of SEK 27 (16) million in respect of group contributions received and paid.

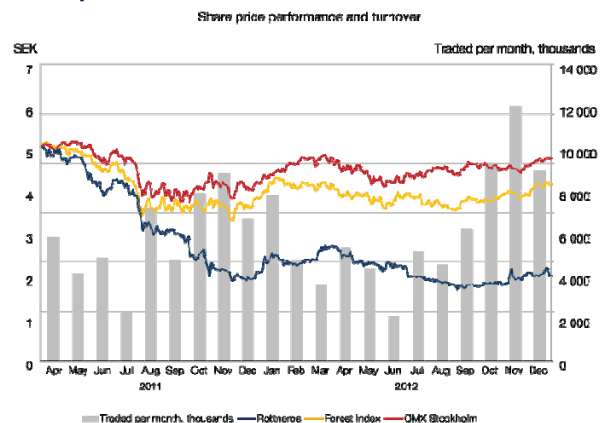
The parent company's balance sheet and income statement can be found on pages 13 and 14.

SHARE INFORMATION

NUMBER OF SHARES

	31 December 2012
Registered number of shares	153,393,890
- of which treasury shares	821,965

Share price



LARGEST SHAREHOLDERS AT 31 DECEMBER 2012

Shareholder	Number of shares (=votes)	Percentage of capital
Arctic Paper SA	60,504,490	39.4
Skagen Verkst Verdpapirfond	11,091,911	7.2
JP Morgan Bank	10,327,545	6.7
Robur Försäkring	6,258,821	4.1
Clearstream Banking S.A., W81MY	5,600,690	3.6
BBVA Ireland P.L.C	2,323,139	1.5
Försäkringsaktiebolaget, Avanza Pension	2,034,783	1.3
Åkesson, Morgan	2,005,000	1.3
Försäkrings AB Skandia	1,649,678	1.1
Nordea Life & Pensions/NLP 08800389	1,489,104	1.0
Total holdings of 10 largest shareholders	103,285,161	67.2
Rottneros AB (treasury stock from buy-back)	821,965	0.5
Other shareholders	49,286,764	32.3
TOTAL	153,393,890	100.0

Sale of treasury shares

The number of shares in Rottneros amounts to 153,393,890. Rottneros' holding of treasury shares amounts to 821,965 shares. The AGM held in 2012 authorised the Board to make decisions regarding the transfer of shares in the company for the period up until the next AGM. No such transfer has taken place so far.

Transactions with closely related parties

Rottneros sold pulp to the Arctic Paper S.A. Group (a closely related party) during the year, which amounted to SEK 106 million. This was conducted on normal market terms.

Dividends

A resolution was made at the AGM on 19 April 2012 to issue a dividend of SEK 0.10 per share, which corresponds in total to SEK 15 million. This dividend was paid out in April 2012.

RISK MANAGEMENT

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

Profit/loss after financial items

Group	2012								2011	
	IV	III	II	I,II year	IV	III	II	I	Full year	
Income after financial items	0	-26	36	-4	6	-44	-132	37	19	-120
Whereof:										
Currency hedges	2	5	-2	2	6	-4	-1	5	7	7
Pulp price hedges	7	6	2	-	15	-	-	-	-	-
Electricity hedges	-5	-8	-6	-4	-23	-9	-5	1	6	-7
Total hedges	4	3	-6	-2	-1	-13	-6	6	13	0
Gain electricity	7	5	5	5	22	3	5	6	6	20

Currency exposure, USD and EUR

Although Rottneros issues invoices in different currencies, the main underlying currency for the pulp price is predominantly USD. Around 10% of invoicing is contracted in SEK, with EUR as the invoicing currency. The underlying exposure to USD is thus very high, while the direct inflow of USD (the real flow) corresponds to approximately 45%. However, the impact of exchange rate fluctuations on indirect exposure is delayed, as the normal duration of a contract is between one and three months.

The average USD exchange rate was 4% higher for the full year 2012 compared with the same period of the previous year, amounting to an average of SEK 6.78/USD for the period compared with SEK 6.50/USD for the full year 2011. The impact on turnover of a higher average USD rate in relation to SEK for the full year 2012 amounted to SEK 50 million compared with the full year 2011.

At the end of December 2012, currencies were hedged in the form of forward contracts concluded for USD 6 million at an average rate of SEK 6.80/USD. In addition to this, currencies were hedged in the form of forward contracts concluded for EUR 12 million at an average rate of SEK 9.25/EUR for electricity purchases for 2013 to 2015.

Pulp price

The price of pulp (NBSK) is set in USD, while production costs are largely incurred in local currencies. Contracts were concluded during the first half of 2012 to hedge the pulp price at USD 890 per tonne for 2,000 tonnes per month for the period April to December 2012 together with contracts to hedge the pulp price at SEK 6,060 per tonne for 1,000 tonnes per month for the period July to December 2012. The profit realised by this hedging amounted to SEK 6 million for the fourth quarter of 2012.

Contracts have been concluded for 2013 for 2,000 tonnes per month for the period January to September at a price of SEK 5,700 per tonne.

Electricity

All physical electricity is purchased directly via the Nord Pool electricity exchange. Electricity prices are listed in EUR. The amount of electricity hedged at the end of September 2012 corresponded to the proportion of forecast consumption shown in the table. The table shows average prices in EUR/MWh, together with average prices in SEK/kWh (based on EUR forward rates as of 31 December 2012).

ELECTRICITY HEDGING AT 31 DECEMBER 2012

Year	Part hedged	EUR/MWh	SEK/kWh
2013	54%	45.4	0.40
2014	39%	46.5	0.41
2015	19%	49,0	0.43

Hedging contracts for EUR were concluded in respect of electricity costs for 2013 to 2015 amounting in total to EUR 12 million at an average rate of SEK 9.25/EUR.

The average price level for electricity on Nord Pool amounted to SEK 0.28 per kWh for the full year 2012.

See pages 32 to 36 of the Annual Report for 2011 for further information on risk.

MARKET VALUE (SEK million) DECEMBER 2012

Hedging	Hedged volume	Hedge price	Market value	Reference - spot rate 31 Dec 2012
Currency USD, forward sell	USD 6 m	6.80 SEK/USD	1	6.52 SEK/USD
Currency EUR, forward buy	EUR 12 m	9.25 SEK/EUR	-6	8.62 SEK/EUR
Pulp price	18,000 tonnes	5.700 SEK (PIX)	8	SEK 5.275 (PIX)
Electricity	262,800 MWh	SEK 0.414/kWh	-20	SEK 0.274/kWh
Total market value			-17	

MARKET VALUE (SEK million) DECEMBER 2011

Hedging	Hedged volume	Hedge price	Market value	Reference - spot rate 31 Dec 2012
Currency USD, forward sell	USD 35 m	6.82 SEK/USD	-4	6.93 SEK/USD
Currency USD, forward sell	EUR 5 m	9.08 SEK/EUR	1	8.95 SEK/EUR
Currency USD, forward buy	EUR 12 m	9.18 SEK/EUR	-1	8.95 SEK/EUR
Electricity	416,520 MWh	SEK 0.433/kWh	-26	SEK 0.30/kWh
Total market value			-30	

The table above shows the market values of all hedging contracts. The valuation refers to the liquidation value; i.e. a valuation is made in accordance with forward contracts on 31 December 2012. The reference value refers to the spot rate on 31 December and is provided as supplementary information. As a result of the application of IFRS/IAS, these market values are reflected in the balance sheet and in some cases in the income statement, but are also shown here as supplementary information.

ACCOUNTING PRINCIPLES

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

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

FORECAST FOR 2013

The company is not providing an earnings forecast for 2013.

FORTHCOMING FINANCIAL INFORMATION

18 April 2013 Interim Report January-March 2013
 18 July 2013 Interim Report January-June 2013
 22 October 2013 Interim Report January-September 2013
 24 January 2014 Year-end Report for 2013

The AGM for Rottneros AB will be held in Stockholm on Thursday, 18 April 2013.

For more information, please visit Rottneros' updated website, www.rottneros.com.

Stockholm, 24 January 2013

Ole Terland
 CEO and President

This report has not been reviewed by the company's auditors.

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Rottneros discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. This information was submitted for publication on 24 January 2013 at 08.00 CET. A Swedish and an English version of this report have been drawn up. The Swedish version shall apply in the event of differences between the two reports.

DEFINITIONS OF KEY RATIOS

Equity/assets ratio

Shareholders' equity as a percentage of the balance sheet total.

Interest-bearing net assets/liabilities

Liquid assets minus interest-bearing liabilities.

Debt/equity ratio

Interest-bearing net assets/liabilities divided by shareholders' equity.

Operating margin

Operating income after depreciation as a percentage of net turnover for the period.

Profit margin

Income after net financial items as a percentage of net turnover for the period.

Net income

Net income is the profit/loss after tax.

Earnings per share

Net income divided by the average number of shares.

Return on capital employed

Income after net financial items plus interest expense for the past twelve-month period divided by the average capital employed for the period in question.

Capital employed

Balance sheet total less non-interest-bearing operating liabilities including deferred tax liabilities.

Return on equity

Net income for the past twelve-month period as a percentage of average shareholders' equity for the period in question.

Interest coverage ratio

Income after net financial items plus interest expense, divided by interest expense.

P/E ratio

Share price at the end of the period in relation to earnings per share after tax.

Direct yield

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

Operating cash flow/share

Cash flow from operating activities and normal investments divided by the number of shares.

Cash flow before investments/share

Cash flow from operating activities divided by the number of shares.

GLOSSARY

BEK	Bleached Eucalyptus Kraft, bleached eucalyptus pulp.	Mechanical pulp	Pulp produced using a mechanical process for fibre separation and processing. Has a higher level of bulk, stiffness and opacity than chemical pulp.
Chemical pulp	Pulp produced by cooking pulpwood together with chemicals. Has higher brightness and strength than mechanical pulp.	NBSK	Northern Bleached Softwood Kraft: bleached long-fibre sulphate pulp. The leading indicator of world market prices.
CTMP	Chemi-Thermo-Mechanical Pulp. Development of TMP, where the raw material is impregnated with chemicals. Stronger than TMP.	TMP	Thermo-Mechanical Pulp: mechanical pulp produced using a technique in which the chips are preheated with steam.
ECF	Elemental Chlorine Free, sulphate pulp bleached using chlorine dioxide only.	UKP	Unbleached Kraft Pulp: unbleached sulphate pulp.
Groundwood pulp (SGP)	Mechanical pulp made from roundwood.		

CONSOLIDATED PROFIT/LOSS ACCOUNTS (SEK MILLION)

	Oct-Dec 2012	Oct-Dec 2011	Full year 2012	Full year 2011
Net turnover	329	337	1,437	1,513
Change in inventories, finished goods	28	-3	-22	60
Other income	27	16	84	90
TOTAL INCOME	384	350	1,499	1,663
Raw materials and consumables	-234	-221	-914	-1,001
Other costs	-86	-119	-341	-450
Personnel costs	-48	-50	-183	-209
Depreciation/amortisation and write-downs	-15	-3	-55	-120
TOTAL OPERATING COSTS	-383	-393	-1,493	-1,780
OPERATING INCOME	1	-43	6	-117
Financial income	0	1	5	2
Financial expenses	-1	-2	-5	-5
Net financial items	-1	-1	0	-3
INCOME AFTER NET FINANCIAL ITEMS	0	-44	6	-120
Tax on income for the year	-10	-4	-19	-24
INCOME AFTER TAX	-10	-48	-13	-144
Earnings after tax/share (SEK) ¹	-0.07	-0,32	-0,09	-0.95

¹ Profit after tax per share, after dilution, is the same as the profit after tax per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK MILLION)

	Oct-Dec 2012	Oct-Dec 2011	Full year 2012	Full year 2011
INCOME AFTER TAX	-10	-48	-13	-144
Other comprehensive income				
Cash-flow hedging, income before tax	-	-14	12	-54
Cash-flow hedging, tax effect	-1	3	-4	14
Exchange rate differences	0	0	-1	1
Reclassification adjustment ³	-	-	-	0
TOTAL OTHER COMPREHENSIVE INCOME	-1	-11	7	-39
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-11	-59	-6	-183

KEY INDICATORS THAT AFFECT TURNOVER

Pulp price NBSK, USD ¹	792	887	814	960
SEK/USD ²	6.66	6.75	6.78	6.5
Pulp price NBSK, SEK	5,272	5,985	5,519	6,229
Rottneros' deliveries, tonnes	79,300	72,700	331,400	311,400

¹ Source: PIX/Market Pulse.

² Source: Swedish central bank yearly average.

³ Cumulative amount of exchange rate differences reclassified from equity to profit or loss according to IAS 21.

CONSOLIDATED BALANCE SHEET (SEK MILLION)

	Dec 2012	Dec 2011
Intangible fixed assets	4	3
Tangible fixed assets	755	760
Financial fixed assets	50	78
Total fixed assets	809	841
Inventories	240	276
Current receivables	219	209
Liquid funds	26	21
Total current assets	485	506
TOTAL ASSETS	1,294	1,347
Shareholders' equity	993	1 014
Longterm liabilities		
Interest-bearing	-	5
Non interest-bearing	15	11
Total longterm liabilities	15	16
Current liabilities		
Interest-bearing	78	42
Non interest-bearing	208	275
Total current liabilities	286	317
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,294	1,347

CASH-FLOW ANALYSIS (SEK MILLION)

	Full year 2012	Full year 2011
Operating income	6	-117
Adjustment for non cash-flow items		
Depreciation/amortisation and write-downs	55	120
Profit/loss from disposal of fixed assets	0	-4
Write-downs of receivables	0	72
Other non cash-flow items	-6	14
	55	85
Paid financial items	1	0
Received/paid taxes	-1	-1
Cash-flow from current operations before change in working capital	55	84
Change in working capital	-14	-49
Cash-flow from current operations	41	35
Acquisition of fixed assets	-51	-157
Sale of fixed assets	1	4
Change in long-term receivables	-	5
Cash-flow from investing activities	-50	-148
New loans	35	37
Repayment of loans	-6	-28
Utbetald utdelning	-15	-30
Cash-flow from financing activities	14	-21
Cash-flow for the year	5	-134
Liquid funds at beginning of year	21	155
Cash-flow for the year	5	-134
Translation difference in liquid funds	0	0
Liquid funds at end of year	26	21

SHARE DATA¹

		2012	2011	2010	2009	2008	2007
Shares, opening ²	No.	152,572	152,572	1 525 719	180,212	180,212	180,212
Shares issued ²	No.	-	-	0	1 345 507	-	-
No. of company's own shares bought back ²	No.	-	-	-1 373 147	-	-	-
Shares closing ²	No.	152,572	152,572	152,572	1 525 719	180,212	180,212
Average number of shares ²	No.	152,572	152,572	152,572	26,884	18,021	18,021
Operating income/share ^{2,5}	SEK	0.04	-0.77	0.90	-6.18	-16.95	-19.99
Income after net financial items/share ⁵	SEK	0.04	-0.79	0.90	-2.58	-21.33	-21.30
Income after tax/share ⁵	SEK	-0.09	-0.95	0.82	-2.59	-18.35	-16.69
Operating cash flow/share ^{3,5}	SEK	0.03	-0.74	0.51	2.74	-13.34	-5.59
Equity/share ⁵	SEK	6.51	6.65	8.05	7.14	44.96	58.29
Dividend ⁵	SEK	0.10	0.10	0.20	-	-	-
Dividend/equity/share	%	1.5	1.5	2.5	-	-	-
Share price at end of period ⁵	SEK	2.00	2.11	4.37	6.90	10.50	23.10
Share price/equity/share	Times	0.3	0.3	0.5	1.0	0.2	0.4
P/E ratio/share	Times	Neg	Neg	5.3	Neg	Neg	Neg
Direct yield ⁴	%	5.0	4.7	4.6	-	-	-

¹ No key ratios were influenced by any dilution effect.

² The number of shares is stated in thousands, excluding treasury shares held by Rottneros.

³ Cash-flow after normal investments but excluding strategic investments.

⁴ Direct yield is calculated in relation to the closing listed price.

⁵ There was a reverse share split in April 2010, where ten existing shares were combined into one share. The comparison periods have been adjusted for this reverse split.

KEY RATIOS EIGHT QUARTERS

	2012				2011			
	IV	III	II	I	IV	III	II	I
Net turnover, SEK m	329	359	378	371	337	367	409	400
Return on equity after full tax, %	Neg	Neg	Neg	Neg	Neg	Neg	8.5	10.4
Return on capital employed, %	Neg	Neg	Neg	Neg	Neg	Neg	11.0	11.9
Equity/assets ratio, %	77	76	74	75	75	78	83	83
Equity/share, SEK ¹	6.51	6.58	6.71	6.64	6.65	7.03	8.00	8.13
Earnings after tax/share, SEK ¹	0.07	-0.17	0.18	-0.03	-0.32	-0.89	0.17	0.09
Cash flow before investments/share, SEK	-0.05	0.09	0.44	-0.21	-0.15	0.18	0.36	-0.16
Operating cash flow/share, SEK ¹	0.08	0.00	0.35	-0.32	-0.69	0.00	0.22	-0.27
Operating margin, %	Neg	Neg	9.7	Neg	Neg	Neg	8.8	5.2

CHANGE IN SHAREHOLDERS' EQUITY (SEK MILLION)

	Full year 2012	Full year 2011
Opening shareholders' equity	1,014	1,228
Total comprehensive income for the period	-6	-183
Dividend	-15	-31
Closing shareholders' equity	993	1,014

QUARTERLY DATA (SEK MILLION)

	2012				2011				2010			
	IV	III	II	I	IV	III	II	I	IV	III	II	I
Net turnover	329	359	378	371	337	367	409	400	402	413	462	407
Operating profit/loss before depreciation	16	-15	50	10	-40	-50	54	39	35	88	61	40
Depreciation/amortisation and write-downs	-15	-13	-14	-13	-3	-81	-18	-18	-20	-20	-13	-33
Operating income	1	-28	36	-3	-43	-131	36	21	15	68	48	7
Net financial items	-1	2	0	-1	-1	-1	1	-2	-2	-4	2	4
Income after financial items	0	-26	36	-4	-44	-132	37	19	13	64	50	11
Tax	-10	0	-9	0	-4	-4	-11	-5	-5	-8	0	0
Income after tax	-10	-26	27	-4	-48	-136	26	14	8	56	50	11
Pulp production, 1,000 tonnes	86.2	72.6	89.7	81.9	70.4	77.2	88,0	88.5	75,0	82.6	84,0	81.4
Pulp deliveries, 1,000 tonnes	79.3	85,0	82.4	84.7	72.7	74.3	81,0	83.4	80.4	75.8	86.8	87.3

PARENT COMPANY PROFIT/LOSS ACCOUNTS (SEK MILLION)

	Okt-Dec 2012	Okt-Dec 2011	Full year 2012	Full year 2011
Net turnover	2	3	6	27
Other income	8	-5	23	12
TOTAL INCOME	10	-2	29	39
Raw materials and consumables	-	-	-	-8
Other costs	-9	-16	-39	-114
Personnel costs	-6	-4	-19	-24
Depreciation	0	0	0	0
TOTAL OPERATING COSTS	-15	-20	-58	-146
OPERATING INCOME	-5	-22	-29	-107
Profit from participations in group companies	27	16	27	16
Financial income, other	-2	1	2	3
Financial expenses, other	-1	-1	-3	-2
Net financial items	24	16	26	17
INCOME AFTER NET FINANCIAL ITEMS	19	-6	-3	-90
Tax on income for the year	-4	-1	-4	-1
INCOME AFTER TAX	15	-7	-7	-91

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK MILLION)

	Okt-Dec 2012	Okt-Dec 2011	Full year 2012	Full year 2011
INCOME AFTER TAX	15	-7	-7	-91
Other comprehensive income				
TOTAL OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	15	-7	-7	-91

PARENT COMPANY BALANCE SHEET (SEK MILLION)		
	Dec 2012	Dec 2011
Intangible fixed assets	4	2
Tangible fixed assets	1	1
Financial fixed assets	295	318
Total fixed assets	300	321
Current receivables	728	780
Liquid funds	6	8
Total current assets	734	788
TOTAL ASSETS	1,034	1,109
Shareholders' equity	951	973
Current liabilities		
Interest-bearing	72	37
Non interest-bearing	11	99
Total current liabilities	83	136
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,034	1,109

SIX YEAR REVIEW						
	2012	2011	2010	2009	2008	2007
KEY INDICATORS THAT AFFECT TURNOVER						
Pulp price NBSK, USD ¹	814	960	930	657	852	794
SEK/USD ²	6.78	6.5	7.21	7.65	6.58	6.76
Pulp price NBSK, SEK	5,519	6,229	6,705	4,989	5,617	5,368
Rottneros' deliveries, tonnes	331,400	311,400	330,300	376,700	617,900	714,700

Turnover and income, SEK million

Net turnover	1,437	1,513	1,684	1,508	2,663	2,927
Income before depreciation	61	4	224	-62	-82	75
Depreciation	-55	-120	-86	-104	-224	-435
Operating income after depreciation	6	-117	138	-166	-306	-360
Net financial items	-0	-3	0	97	-79	-24
Income after net financial items	6	-120	138	-69	-385	-384
Income after tax	-13	-144	125	-69	-331	-301

Balance sheet items, SEK million

Fixed assets	809	841	867	849	1 149	1 123
Inventories	240	276	213	215	447	493
Current receivables	219	209	259	230	391	572
Liquid funds	26	21	155	111	45	121
Shareholders' equity	993	1,014	1,228	1,089	8,103	1,050
Long-term interest-bearing liabilities	0	5	10	57	692	173
Long-term non interest-bearing liabilities	15	11	0	1	14	49
Current interest-bearing liabilities	78	42	29	44	82	452
Current non interest-bearing liabilities	208	275	227	214	434	585
Balance sheet total	1,294	1,347	1,494	1,405	2,032	2,309

Financial ratios

Operating margin, %	0.4	-7.8	8.2	-11.0	-11.5	-12.3
Profit margin, %	0.4	-8.0	8.2	-4.6	-14.4	-13.1
Return on capital employed, %	Neg	Neg	11.6	Neg	Neg	Neg
Return on equity after full tax, %	Neg	Neg	10.8	Neg	Neg	Neg
Equity/assets ratio, %	77	75	82	78	40	45
Debt/equity ratio, Times	0.1	0,0	-0.1	0.1	1,0	0.6
Interest cover, Times	2.2	Neg	26.2	Neg	Neg	Neg

Other

Capital expenditure, SEK m	51	157	125	10	191	163
Average no. of employees	275	298	308	387	667	718

¹ Source: FOEX NBSK PIX² Source: Swedish central bank yearly average.

ROTTNEROS IN BRIEF

Rottneros is a supplier of customised and high quality paper pulp with its origins dating back to the 17th century.

Around 300 people are employed at Rottneros, which had a turnover of SEK 1.5 billion in 2012.

Rottneros produces market pulp; i.e. paper pulp sold on the open market in contrast to pulp that is produced at mills with integrated paper production.

The Group has an annual production capacity of just under 400,000 tonnes of pulp at its two mills in Rottneros and Vallvik.

Vallvik Mill produces two grades of long-fibre sulphate pulp: fully bleached sulphate pulp (ECF - Elemental Chlorine Free) and unbleached sulphate pulp (UKP - Unbleached Kraft Pulp).

Rottneros Mill manufactures CTMP and groundwood pulp, which are mechanical grades of pulp.

Business concept

Rottneros' business concept is to be an independent and flexible supplier of high-quality, customised pulp. Rottneros adapts its product range to meet the needs and high expectations of customers by continuously developing its products and providing a high level of supply reliability, technical support and service.

Business model

Rottneros operates in the market for market pulp and is a global supplier of bleached and unbleached long-fibre chemical pulp, together with mechanical CTMP and groundwood pulp.

Pulp is produced at two Swedish pulp mills. Vallvik Mill produces long-fibre chemical bleached sulphate pulp and long-fibre chemical unbleached pulp. Rottneros Mill manufactures mechanical CTMP pulp and groundwood pulp. The mills are independent profit centres and have their own sales organisations.

Adding value

Rottneros adds value by focusing on segments where the Group's production focus and applications have achieved, or can achieve, a strong position in the market for market pulp. Examples of this include pulp for electrical applications presenting high purity requirements, filters where air permeability is crucial, food packaging where the most important factor is its stiffness, and pulp for thin printing paper with high

requirements for opacity where Rottneros is an important supplier.

An essential part of adding value is the effective and rational management of the input goods required for pulp production. Rottneros primarily uses three input goods:

- Timber, which accounts for approximately 38 per cent of our costs.
- Electricity, which accounts for approximately eight per cent of our costs.
- Chemicals, which accounts for around seven per cent of our total costs.

In order to achieve security and stability, Rottneros is looking for long-term relationships and contracts with the suppliers of these goods.

Operative objectives and strategies

Rottneros has a number of overall objectives for its operational activities, which are intended to result in a competitive return for shareholders over a business cycle by creating value and yielding dividends. In order to achieve this objective, the Group needs to create added value for its customers as well as be an attractive employer and competitive producer.

One of our objectives is growth. Rottneros works according to two main strategies to create a favourable environment for achieving this goal.

- Rottneros is looking for development opportunities to strengthen the existing pulp operation through strategic alliances in Sweden and abroad. The Group is also planning to further increase capacity at Vallvik Mill.
- Rottneros is preparing for a possible entry into related activities, where the Group's knowledge of pulp refining is utilised and represents a precondition, and where there are clear synergy effects. One step in this development is that the Group is running projects in cooperation with industrial and financial partners aimed at leading to the production of high-refined biofuel at both mills.

Another objective is for Rottneros to gradually lay the foundation for less volatile movements in the share price over the course of a business cycle by focusing increasingly on more specialised grades of pulp.

Rottneros is a supplier of customised and high quality paper pulp with its origins dating back to the 17th century. Rottneros adapts its product range to meet the needs and high expectations of customers by continuously developing its products and providing a high level of supply reliability, technical support and service.

Rottneros has an annual total production capacity of almost 400,000 tonnes of pulp at two mills in Sweden. Increasingly intensive product development in line with the requirements of customers will result in profitability that is higher and more stable throughout the business cycle.

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