



ROTTNEROS

Supplement to Notice of Written Procedure

16 September 2019



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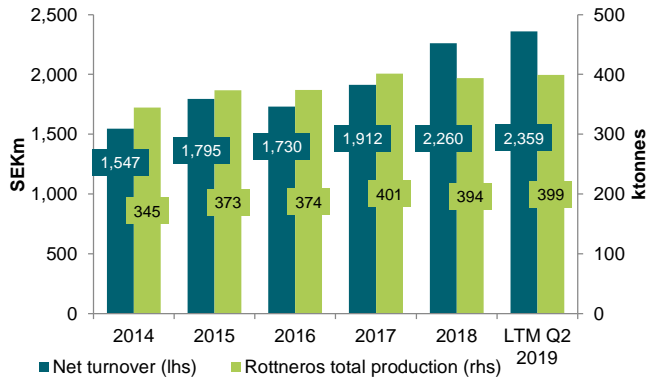
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Background and rationale

- Rottneros operational development has improved positively since its inaugural bond issue in August 2017. As a result, sales have increased and margins improved
 - Rottneros has since its inaugural bond issue in August 2017 experienced a positive operational development with increased sales under improved margins
 - The proceeds from the bond issue were mainly used toward investments within the investment programme Agenda 500
 - The investment programme Agenda 500 (with total investments in production facilities of SEK 800m) was finalized in end of 2018
 - The purpose of the investments was to increase capacity, to achieve a better product quality and improve the environmental performance
 - Rottneros has since the completion of Agenda 500 increased its capacity, achieving a new quarterly production record in Q2 2019
 - Total production in 2018 amounted to c. 400,000 tonnes and the estimated installed capacity amounts as of today to c. 440,000 tonnes
 - Between 2016 and 2018 the pulp market has been strong and Rottneros has acknowledged high pulp prices
 - Rottneros follows its strategy to focus on selected niches in the market
 - As a result, sales have increased and reached SEK 2.4bn (rolling 12 months) as of 30 June 2019
 - As a consequence of the global economic slowdown, the pulp market has decreased since autumn 2018. There are however global macro trends such as an increased population, a larger middle class and a continued urbanization which will increase demand for textiles, packaging solutions and tissues/other soft paper
 - All the above products can be produced from pulp in order to meet global demand and help sustainable development. At the same time, as Rottneros sees a continued increasing demand, capacity is not developed to the same extent going forward as historically – a fact that should lead to a continued balanced market
 - The expected investments going forward is estimated to c. SEK 100m per year, in order to continue to further fine tune the facilities and to reach a higher capacity utilization and to uphold technical status at the production facilities
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- To summarize, Rottneros has built a strong balance sheet with a low leverage and low gearing (see figures on next page) and has since the completion of Agenda 500 accumulated a strong excess cash position (SEK 337m as of 30 June 2019)
 - The current status of Rottneros production facilities in combination with continued positive forecasts for its products should imply strong continued cash flows
 - As a result of the excess cash position, Rottneros seeks to create additional shareholder value via an extra dividend payment of 0.70 SEK/share, c. SEK 107m in total
 - Hence, Rottneros seeks approval from its bondholders for such payment

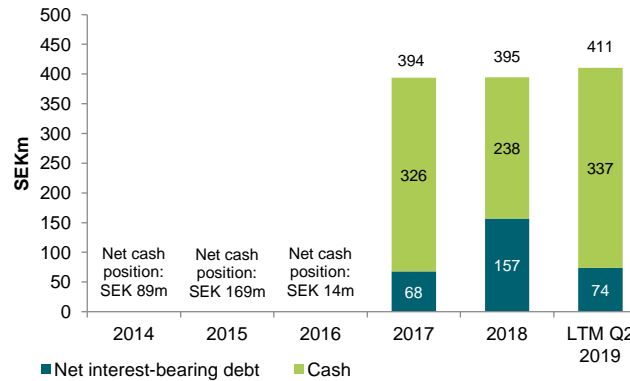
Key credit metrics

Net turnover & total production



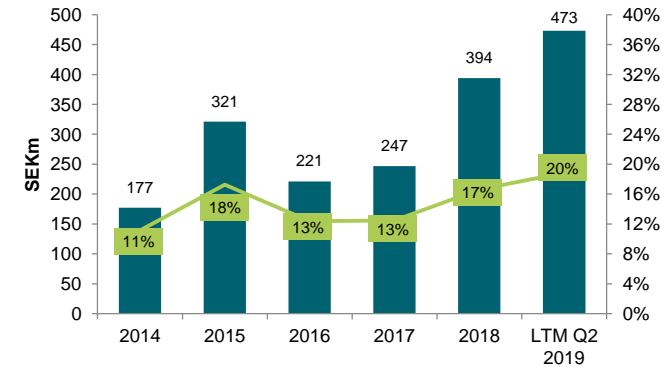
- Increased net turnover during the last years
- Stable production of c. 400,000 tonnes

Net interest-bearing debt



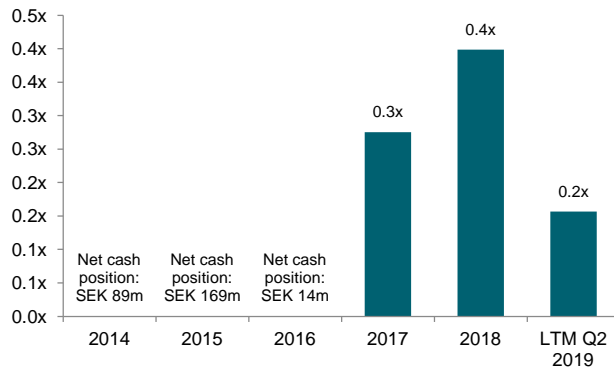
- Strong cash position of SEK 337m and low net interest-debt of SEK 74m as of 30 June 2019

EBITDA & EBITDA margin



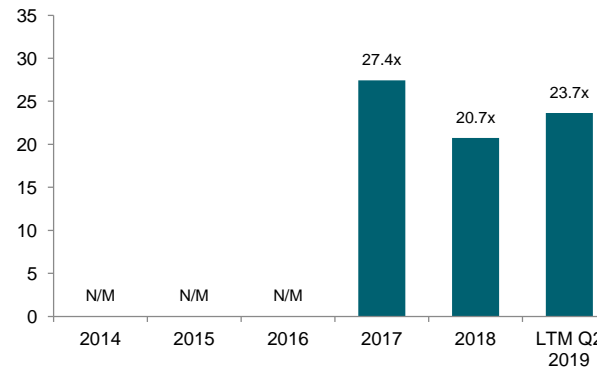
- Strong growth in annual EBITDA
- EBITDA margin nearly doubled since 2014

Net debt / EBITDA



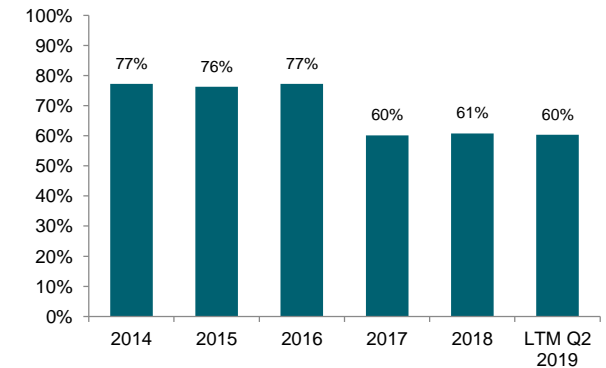
- Low interest-bearing debt to EBITDA of 0.2x and 0.4x after dividend payment of SEK 107m

EBITDA to net financial expenses



- Very strong interest coverage ratio

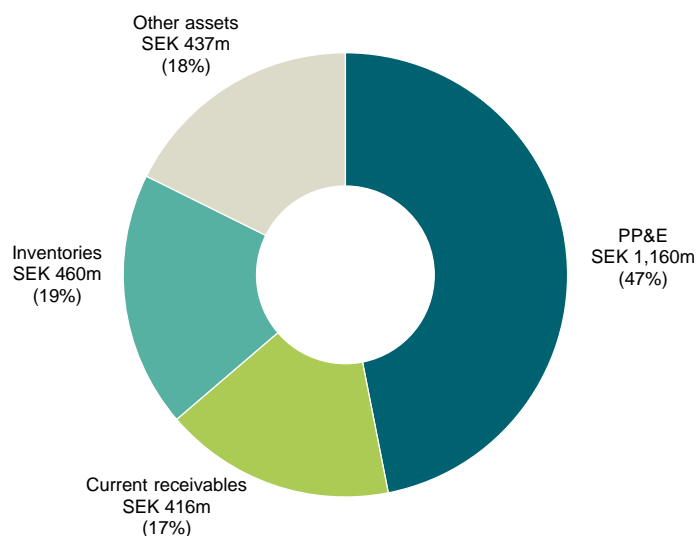
Equity ratio



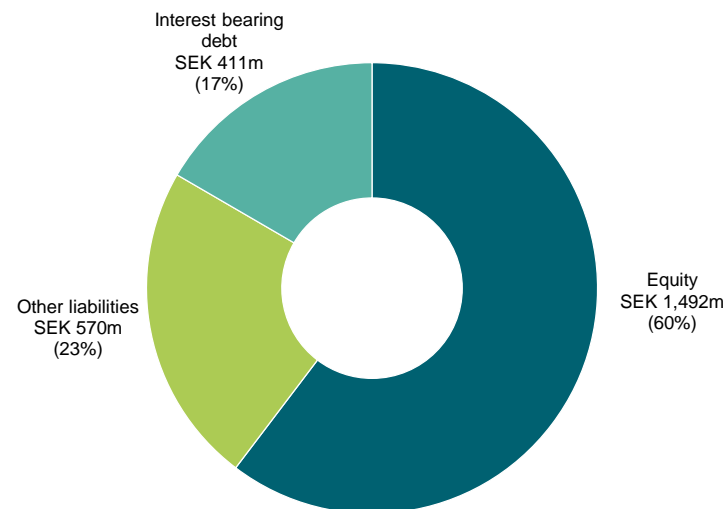
- Stable equity ratio of c. 60% and 59% after dividend payment of SEK 107m

Balance sheet overview as of 30 June 2019

Assets



Equity and liabilities



Comments on assets

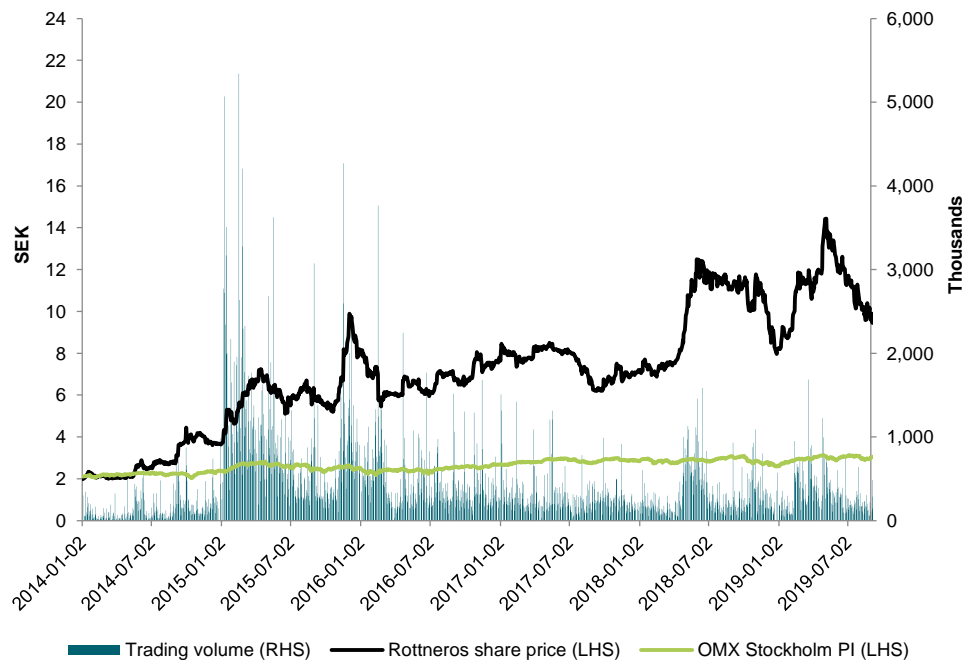
- The asset base of Rottneros comprises mainly of property, plant and equipment (92% of the non-current assets)
- Inventories amounts to SEK 460m and consists mainly of raw materials & consumables and pulp
- Cash and cash equivalents amounted to SEK 337m

Comments on equity & liabilities

- Equity of SEK 1,492m, implying an equity ratio of 60% and interest-bearing debt to equity of 0.3x
- Rottneros interest-bearing debt comprises mainly of a senior unsecured bond of SEK 400million (issued in August 2017) with maturity in September 2022. The bonds carries an interest of STIBOR 3m + 415 bps
- Other liabilities consist mainly of account payables and accrued expenses

Share price development and largest shareholders

Share price development



Share information as of 12 September 2019

- Closing share price: SEK 9.6
- Shares outstanding: 153,393,890, whereof Rottneros holds 821,965
- Market capitalization: SEK 1.47bn

Largest shareholders as of 30 June 2019

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

Important dates

- 16 September 2019 _____ Announcement of the Written Procedure
- 23 September 2019 _____ Record Date for the Noteholders to be eligible to vote
- 1 October 2019 _____ Deadline for receipt by the Agent of a valid vote from Noteholders to be eligible for Early Bird Fee
- 10 October 2019 _____ Deadline for receipt by the Agent of a valid vote from Noteholders to participate in the Written Procedure
- 10 October 2019 (at the latest) _____ Day for announcement of result of the Written Procedure
- 4 November 2019 (at the latest) _____ Extraordinary general meeting of shareholders (“EGM”)
- 5 November 2019 (the business day after EGM) _____ Record date for the Base Fee
- 12 November 2019 (at the latest) _____ Expected date for payment of Base Fee and Early Bird Fee



ROTTNEROS

PURE POSSIBILITIES