

ROTTNEROS

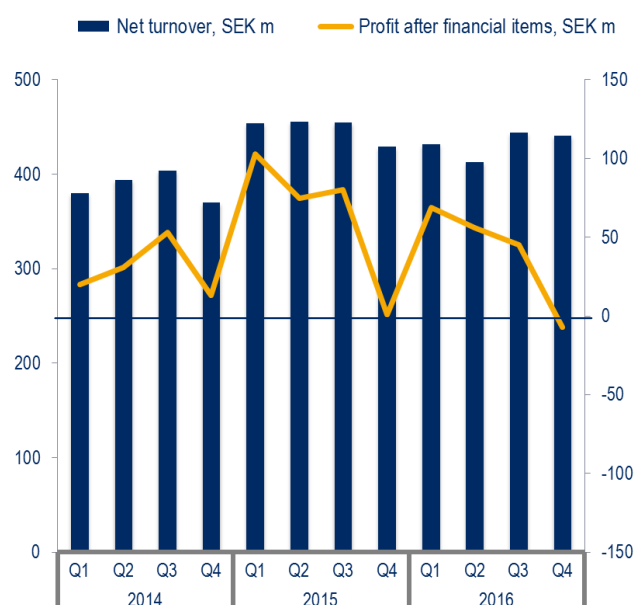
YEAR-END REPORT JANUARY–DECEMBER 2016

STRONG ANNUAL PROFIT ONCE AGAIN

The quarter and year in figures

	Oct-Dec 2016	July-Sept 2016	change	Oct-Dec 2015	change	Jan-Dec 2016	Jan-Dec 2015
Net turnover, SEK m	441	444	-3	429	12	1,730	1,795
Operating profit/loss, SEK m	-4	46	-50	3	-7	170	263
Profit/loss after financial items, SEK m	-7	45	-52	1	-8	163	259
Net income/loss, SEK m	-6	34	-40	1	-7	128	223
Earnings/loss per share, SEK	-0.04	0.23	-0.27	0.01	-0.05	0.84	1.46
Cash flow from current operations, SEK m	13	93	-80	71	-58	187	335
Return on capital employed, %	-0.4	4.1		0.3		15.2	25.5
Production, thousand tonnes	87.1	91.9	-4.8	88.5	-1.4	374.1	373.3
Deliveries, thousand tonnes	92.8	95.6	-2.8	91.3	1.5	374.1	372.2

- Profit after financial items amounted to SEK 163 million (259) for full year 2016 and earnings per share were SEK 0.84 (1.46).
- Net turnover for the fourth quarter of 2016 was SEK 441 million (429), an increase of 3%. Delivery volumes in the fourth quarter rose by 2% compared with fourth quarter 2015.
- Like last year, fourth quarter earnings were impacted by the annual maintenance shutdown at Vallvik Mill. The loss of production and the direct cost of the shutdown decreased earnings for the fourth quarter by approx. SEK 55 million. The loss after financial items for the fourth quarter was SEK 7 million (profit 1).
- The list price for NBSK pulp over the fourth quarter was 1% lower in USD, but 5% higher in SEK, compared with fourth quarter 2015. For full year 2016, however, the list price was 6% lower in USD and 5% lower in SEK than in 2015.
- Investments in the Agenda 500 development programme continue to increase capacity. Investments in 2016 totalled SEK 278 million (103).
- A new annual production record for Rottneros Mill and for the Group in the current structure.
- In the fourth quarter, a previous write-down recognised in 2011 relating to the grinding line at Rottneros Mill was reversed and certain write-downs were recorded, with a net positive effect of SEK 14 million on the quarterly earnings.
- In February 2017, the Board of Directors decided on an extended purification plant at Rottneros Mill, as part of Agenda 500. The investment of SEK 84 million is planned to be commissioned in 2018.
- The Board of Directors proposes an ordinary dividend of SEK 0.30 per share and an extra dividend of SEK 0.10 per share.



COMMENTS BY THE PRESIDENT

Strong year for earnings

I took over as President and CEO of Rottneros on 1 September and have the privilege of leading the Group on the well-worn path to achieving sustainable and profitable growth and becoming more efficient. I am pleased to note that full year 2016 was yet another strong year in terms of earnings. Because external factors such as prices and electricity costs were not as favourable as last year, we were unable to match last year's results. But with a return on capital employed of 15 per cent, we remain at the top among comparable pulp producing companies. Rottneros has a strong balance sheet and remained debt-free at year-end, which sets a good foundation for the continued development in line with our long-term plan Agenda 500.

The fourth quarter is usually a weak quarter for Rottneros because of the annual maintenance shutdown at Vallvik Mill along with the commissioning of new investments, and this year was no exception. The startup process at Vallvik was more problematic than planned, which had a negative impact on delivery volumes, especially in December. Operating loss for the quarter was SEK 4 million, to be compared with a profit of SEK 3 million in the previous year.

The pulp market is expected to continue to be stable and demand for our products is good. The published NBSK pulp price during the year has fluctuated around USD 800 per tonne, +/- USD 10. The price trend for our mechanical pulps during the latter part of the year has been positive, especially in Asia. The development of the USD exchange rate continues to be an uncertain factor.

We remain focused on our primary objective of increasing the Group's volumes by increasing capacity and productivity. The investments in our Agenda 500 long-term plan are proceeding according to plan in both mills. The first step in streamlining CTMP production at Rottneros Mill was completed during the fall and has produced positive effects. Rottneros Mill set a new annual record for production at 157 thousand tonnes. Overall, projects amounting to SEK 270 million were concluded within the Agenda 500 framework in 2016.

In the fourth quarter Rottneros signed a debt financing agreement totalling SEK 120 million that will be used for investments in the Group's two mills within the Agenda 500 investment programme.

It is important that our ambitious investment programme is carried out by an efficient organisation with shared values and a strong team spirit. The continued development of clear leadership with good communication skills, which inspires commitment and motivation and develops employee empowerment, is fundamental to my aspirations. We are therefore working intensively with both skills and leadership development so that we will be among the very best in these areas. Shared values based on a clear set of core values that are strongly embraced by our employees are crucial for delivering added value to our customers.

The earlier announced EU project PULPACKTION started on 1 October 2016, with Rottneros Packaging as the coordinator. The goal is to develop completely bio-based packaging at a competitive price, thereby contributing to more sustainable development in the packaging industry.

I would like to thank all of our employees, customers, shareholders and suppliers for an inspiring and productive collaboration since I took over on 1 September.

In conclusion, Rottneros is continuing on its journey towards becoming a sustainable company in a broad sense with respect to the environment, our employees and our financial strength. While we can clearly see the effects of what we have accomplished, much remains to be done. I look forward to an exciting year.

Lennart Eberleh

JANUARY–DECEMBER 2016

MARKETS AND PRODUCTS

Underlying demand for pulp is robust in the emerging markets, but stagnant within the OECD area. The structural decline in graphic paper continues, but has been offset by increased global fibre consumption in packaging and tissue paper.

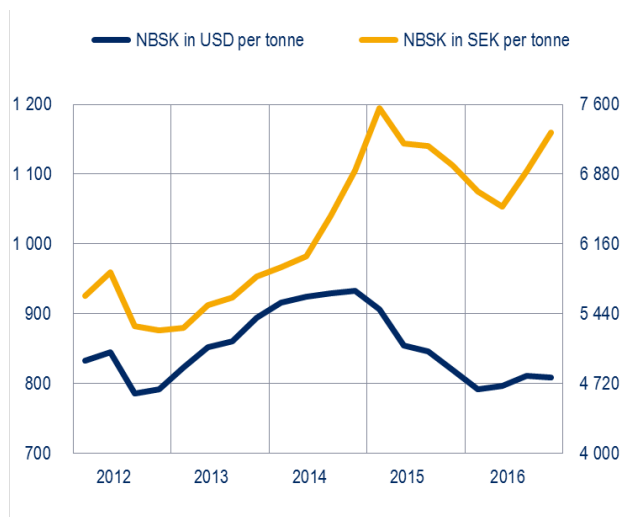
Deliveries of chemical market pulp worldwide (World-20) in 2016 increased by 3.7 per cent from 2015. China accounted for the majority of growth, while deliveries to North America and Europe declined slightly.

After the high outbound deliveries in the first half of the year, demand softened during the third quarter, but took off again in the fourth quarter with strong increases in deliveries to China and other markets in Asia.

Capacity utilisation during the year was 93 per cent for long-fibre and 91 per cent for short-fibre pulp. Producer stock levels at the end of December were on a level corresponding to 35 days of consumption. Stocks were well-balanced at year-end for both long-fibre and short-fibre.

During the fourth quarter, pulp prices were largely unchanged in Western Europe, but rising in China. The price of NBSK in Europe was around USD 810 at year-end, which is about USD 10 higher than the price level at the beginning of the year. However, the price of short-fibre pulp was under pressure during most of the year and ended December at around USD 650, more than USD 130 lower than at the beginning of the year. The price trend for BCTMP has essentially remained in line with that of short-fibre pulp.

Trend for NBSK over the past five years



PRODUCTION AND DELIVERIES

Production volumes for the fourth quarter of 2016 were 1.6 per cent lower compared with the fourth quarter of 2015, mainly because of a somewhat longer maintenance shutdown at Vallvik Mill and a more difficult startup process than the previous year. Production for full-year 2016 was somewhat higher than in 2015. In connection with this

year's maintenance shutdown, several major investments were installed at both mills under the Agenda 500 programme.

A new annual production record was set for Rottneros Mill and for the Group in the current structure.

Deliveries during the fourth quarter of 2016 were 1.6 per cent higher than in the fourth quarter of 2015. A high rate of production and inventory build-up earlier in 2016 helped the Group to optimise deliveries to customers despite the maintenance shutdowns.

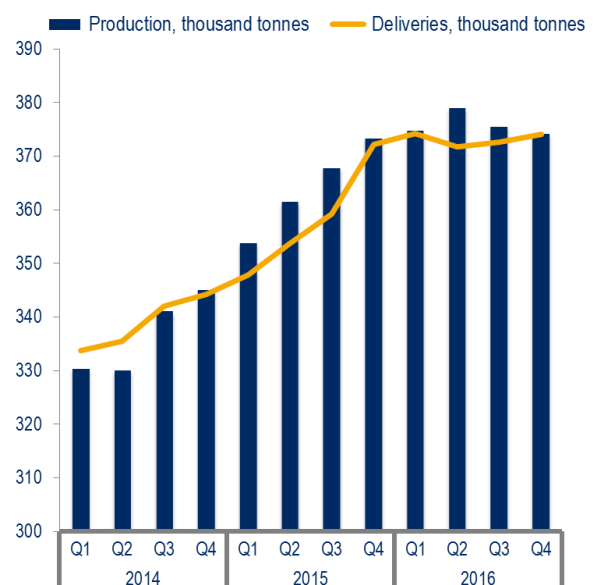
PRODUCTION (TONNES)

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Sulphate pulp	46,300	48,800	217,500	218,700
Groundwood pulp	17,500	17,300	69,000	68,900
CTMP	23,300	22,400	87,600	85,700
TOTAL	87,100	88,500	374,100	373,300

DELIVERIES (TONNES)

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Sulphate pulp	50,900	52,100	219,200	218,100
Groundwood pulp	17,600	17,400	67,300	67,300
CTMP	24,300	21,800	87,600	86,800
TOTAL	92,800	91,300	374,100	372,200

Rolling 12 months



Maintenance shutdowns and seasonal variations

A maintenance shutdown was carried out at Vallvik Mill during the fourth quarter, just like last year. Rottneros Mill had its maintenance shutdown in the third quarter of 2016, also just like last year.

Costs relating to maintenance shutdowns are recognised in the period during which the shutdown takes place, in accordance with generally accepted accounting practice. The direct cost of the maintenance shutdown at Vallvik in the fourth quarter was SEK 36 million (31). The corresponding direct cost of the maintenance shutdown at Rottneros Mill in the third quarter totalled SEK 6 million (4).

The maintenance shutdown also involves a certain loss of production, which mainly affects turnover and income for the quarter in which the shutdown takes place. In total, the loss of production and the direct cost of the shutdown at Vallvik decreased earnings for the fourth quarter by approx. SEK 55 million. The corresponding total negative impact from the shutdown at Rottneros Mill was a little over SEK 10 million. Otherwise, the Rottneros Group is not affected by seasonal variations to any appreciable extent.

New environmental permit for Vallvik Mill

In January 2016, Vallvik Mill was granted a new environmental permit and operating permit, authorising the mill to produce 255,000 tonnes of sulphate pulp. Work continues for the mill to be able to propose final conditions in mid-2017. The new permit ensures that Rottneros can continue to expand capacity in accordance with the provisions of the Group's long-term industrial plan Agenda 500.

SALES AND RESULTS

Fourth quarter 2016 compared with fourth quarter 2015

	Oct-Dec 2016	Oct-Dec 2015	change, %
NBSK PIX, USD	809	820	-1
SEK/USD	9.04	8.50	6
NBSK, SEK	7,313	6,970	5
Net turnover	441	429	3
Operating profit/loss	-4	3	<i>n/a</i>
Price and currency	10		
Delivery volume and other	2		
Total difference in turnover	12		
Raw materials and consumables	-17		
Other expenses	-7		
Other operating income	5		
Total difference in operating profit/loss	-7		

Turnover in the fourth quarter of 2016 amounted to SEK 441 million (429), an increase of 3 per cent. The average price of long-fibre sulphate pulp (NBSK) in SEK rose by 5 per cent compared with the same quarter in the previous year.

Operating loss for the fourth quarter of 2016 was SEK 7 million (profit 3). A longer maintenance shutdown and a more difficult startup process at Vallvik Mill compared with the same quarter the previous year resulted in increased variable and fixed costs. In the fourth quarter a reversal of previous write-downs of SEK 23 million and write-downs of SEK 9 million were recognised, which had a positive impact on other expenses and earnings of SEK 14 million on a net basis.

The average price of electricity on the Nord Pool electricity exchange (area SE3) over the fourth quarter of 2016 amounted to SEK 0.36 (0.21) per kWh

and had a negative impact on income for the part of consumption that was not hedged.

January–December 2016 compared with January–December 2015

	Jan-Dec 2016	Jan-Dec 2015	change, %
NBSK PIX, USD	802	857	-6
SEK/USD	8.56	8.44	1
NBSK, SEK	6,867	7,228	-5
Net turnover	1,730	1,795	-4
Operating profit	170	263	-35
Price and currency	-69		
Delivery volume and other	4		
Total difference in turnover	-65		
Raw materials and consumables	4		
Other expenses	-35		
Other operating income	3		
Total difference in operating profit	-93		

Turnover for January–December 2016 amounted to SEK 1,730 million (1,795), a decrease of 4 per cent. The average price of long-fibre sulphate pulp (NBSK) in SEK decreased by 5 per cent compared with January–December 2015.

Operating profit for January–December 2016 was SEK 170 million (263), corresponding to 9.8 (14.7) per cent of turnover. Profit was lower than in 2015 primarily due to the lower price level.

Costs were higher than in 2015 mainly because of higher maintenance costs, higher shipping costs after changes in customer mix and an increased number of employees. In the fourth quarter a reversal of previous write-downs of SEK 23 million and write-downs of SEK 9 million were recognised, which had a positive impact on other expenses and earnings of SEK 14 million on a net basis.

The average price of electricity on the Nord Pool electricity exchange (area SE3) during January–December 2016 amounted to SEK 0.28 (0.21) per kWh and had a negative impact on income for the part of consumption that was not hedged.

Other income statement items

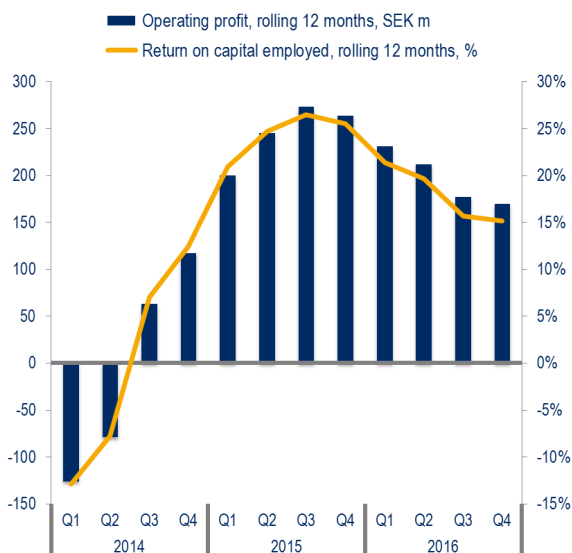
The Group's profit after net financial items amounted to SEK -7 million (1) for the fourth quarter and SEK 163 million (259) for January–December 2016.

Income taxes for January–December totalled SEK 35 million (36). Taxes recognised for January–December primarily relate to utilisation of previously capitalised loss carryforwards. The Group has now utilised all historical tax losses and therefore no deferred tax assets remain at year-end (deferred tax assets relating to tax losses per 31 December 2015 amounted to SEK 31 million).

The Group's net income amounted to SEK -6 million (1) for the fourth quarter and SEK 128 million (223) for January–December 2016. Earnings per share totalled SEK -0.04 (0.01) in the fourth quarter and SEK 0.84 (1.46) for January–December 2016.

Return on capital employed, measured over a rolling 12-month period, was 15.2 per cent (25.5). Return on equity, measured over a rolling 12-month period, was 11.6 per cent (21.9).

Operating profit and return on capital employed, rolling 12 months



INVESTMENTS AND FINANCIAL POSITION

Group investments in fixed assets amounted to SEK 278 (103) million for January–December 2016. The increase is attributable to the Group's long-term industrial plan, Agenda 500.

During the year the expansion of the CTMP line was installed at Rottneros Mill, which increases capacity for the line by 20 per cent or about 4 per cent for the entire Group. The investment is the first step of two in the planned capacity increases under Agenda 500 at Rottneros Mill. The first stage of the expansion consists of an improved wash press, a system for environmental-friendly bleaching at high concentration, and extended flash dryer capacity. A new pulp warehouse was built and commissioned.

At Vallvik Mill a new white liquor filter was installed and put into operation, which enables the mill to produce enough cooking liquor to handle the increased production under the new production permit. The mill also commissioned the pulp and liquor tower, for which construction had begun in 2015. As a result, the mill now has a much needed buffer capacity that both increases capacity and provides a more even pulp quality. Vallvik Mill also commissioned a new screening plant, which gives the mill an even cleaner pulp with higher quality outcomes.

As part of Agenda 500, the Board of Directors decided during the first quarter of 2016 that a new energy and emission-efficient biomass boiler would be installed at Rottneros Mill. The investment, totalling SEK 108 million, is expected to be commissioned around mid-2017. Following the investment, energy consumption at both mills will for all practical purposes be fossil-free.

In October 2016 the Board of Directors also decided as part of Agenda 500 that a new wash press would be installed at Vallvik Mill. This

investment of around SEK 45 million will significantly reduce the mill's COD emissions so that the production capacity can be expanded under the new environmental permit. The wash press will be installed during the maintenance shutdown in 2017.

In 2015-2016 the Board of Directors decided on total investments of SEK 510 million relating to the long-term industrial plan, Agenda 500, including SEK 370 carried out in 2015 and 2016. The remaining investments of around SEK 140 million will be carried out in 2017. The majority of these investments are already procured and contracted.

In February 2017, the Board of Directors decided on an extended purification plant at Rottneros Mill, as part of Agenda 500. This environmental investment of SEK 84 million is planned to be commissioned in 2018.

During the second quarter of 2016, a revaluation of the Group's 16% stake in Söderhamns Stuveri & Hamn AB was carried out, resulting in an upward revaluation of SEK 8 million. The revaluation is included in other operating income for January–December 2016.

During the fourth quarter, a previous impairment loss recognised in 2011 relating to the grinding line at Rottneros Mill was partially reversed. The reversal had a positive impact of SEK 23 million. During the fourth quarter impairment losses of SEK 9 million were also recognised on certain tangible and intangible assets. The net amount of SEK 14 million had a positive impact on the Group's operating profit in 2016 and is included on the line depreciation, amortisation and impairment in the income statement.

The Group's cash and cash equivalents amounted to SEK 16 million at the end of the year, compared with SEK 169 million at year-end 2015. The Group had used SEK 14 (0) million of its overdraft facilities at year-end. Net cash at year-end was SEK 2 million (169).

In December 2016 Rottneros signed a debt financing agreement totalling SEK 120 million that will be used for investments in the Group's two mills within the Agenda 500 investment programme. The loans will be repaid within five years and have a variable interest rate. The loan terms include customary covenants such as net debt in relation to EBITDA, as well as the equity ratio and certain restrictions on dividend opportunities. These approved loans had not been used at year-end. Total granted and unused credit facilities amounted to SEK 277 million (175) at year-end.

The equity/assets ratio amounted to 77 (76) per cent as of 31 December. Equity per share totalled SEK 7.54 (SEK 6.93) at year-end.

CASH FLOW

Cash flow from operating activities for January–December 2016 amounted to SEK 187 million (335). Cash flow was lower than in 2015, mainly due to the lower operating income.

The strong cash flow from current operations in 2015-2016 funded the Group's investments during 2015-2016. Cash flow after investments for 2016 was SEK -91 million (232).

In the second quarter shareholders were paid dividends totalling SEK 76 million (122). Net cash flow for 2016 was SEK -153 million (80).

EU PROJECT FOR COMPLETELY BIO-BASED PACKAGING

Rottneros is leading a new project, PULPACKTION, which will develop completely bio-based packaging. The total scope of the project is just under SEK 120 million and is financed to 74 per cent by the EU. Twelve partners within the EU are participating in the project. Rottneros, with its vast expertise in the manufacturing of special pulp and moulded fibre trays, will receive the largest portion of the budget, approximately SEK 25 million. In addition to project coordination, Rottneros will lead development areas within tray moulding and pulp development. The project began in October 2016 and runs for four years.

In its role as project coordinator Rottneros will administer the project's EU funding. Funding for the project is paid by the EU to Rottneros, which distributes the funding to other partners in the project.

Rottneros has extensive knowledge about the production of trays made of fibre. The packages Rottneros produces today are largely bio-based. The aim of the PULPACKTION innovation project is to develop packaging that is completely bio-based at a competitive price, thereby contributing to more sustainable development in the packaging industry.

SHARE INFORMATION

Largest shareholders on 31 December 2016

Shareholders	Number of shares (=votes)	Per cent of capital
Arctic Paper S.A.	78,230,883	51.0
PROAD AB	7,705,235	5.0
Försäkringsbolaget Avanza Pension	5,065,194	3.3
Nordnet Pensionsförsäkring AB	2,030,322	1.3
SSB Client Omnibus AC OM07 (15 PCT)	1,432,211	0.9
Borell, Joakim	1,037,711	0.7
SEB Investment Management	1,029,657	0.7
Andersson, Sten Oskar	867,000	0.6
Handelsbanken fonder	754,695	0.5
SSB Client Omnibus AC OM03 (0 PCT)	734,080	0.5
Total for 10 largest owners – by size of holding	98,886,988	64.5
Other shareholders	53,684,937	35.0
Rottneros AB (treasury stock from buy-back)	821,965	0.5
TOTAL	153,393,890	100.0

Number of shares and treasury shares

The number of shares in Rottneros totals 153,393,890. Rottneros' holding of treasury shares amounts to 821,965 shares. No change in treasury shares occurred during January–December 2016.

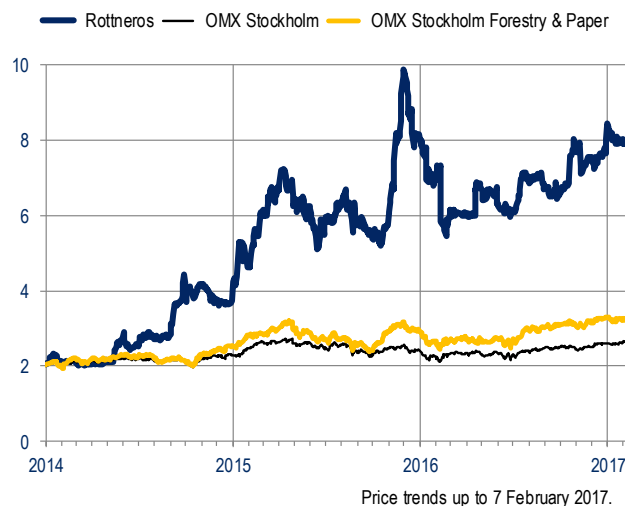
Transactions with related parties

During the year Rottneros sold pulp to the related party Arctic Paper S.A. Group, in the amount of SEK 109 million (140). Outstanding operating receivables from Arctic Paper totalled SEK 16 million (22) at year-end. Transactions were conducted on normal market conditions but with a lower level of credit insurance, primarily owing to the group relationship between Arctic Paper and Rottneros.

Change in share price over the year

At the end of the year, the price of Rottneros shares was SEK 8.05 (8.15 at the end of 2015).

Trends of prices, Rottneros share and Stockholm Stock Exchange, 2014-2016



Dividend

The Board of Directors proposes an ordinary dividend of SEK 0.30 per share and an extra dividend of SEK 0.10 per share to the annual general meeting of Rottneros' shareholders, which will be held on 16 May 2017.

CHANGES IN MANAGEMENT

In March 2016, the Board of Directors of Rottneros AB appointed Lennart Eberleh as new President and CEO of Rottneros AB. He assumed his position on 1 September 2016. He joined the Company from BillerudKorsnäs, where he served as Business Area Manager at Corrugated Solutions. He has more than 20 years' experience of a variety of management positions in the paper industry, at Stora, Billerud and BillerudKorsnäs, among other companies.

On 9 September 2016 the Board of Directors appointed Board member and previous President Per Lundeen to serve as the new Chairman of the Board until the 2017 AGM, when Rune Ingvarsson decided to step down from the post of Chairman for personal reasons.

In October 2016, the Company appointed Monica Pasanen to serve as the new CFO of the Rottneros Group. She succeeds Krister Lindgren, who has served as interim CFO since 2013. Monica most recently worked at Stora Enso, where she was responsible for Supply Chain in the Consumer Board division. She has more than 20 years of experience in a variety of management positions in both finance and marketing. She began working in the new position in January 2017.

PARENT COMPANY

Profit after financial items for the parent company amounted to SEK 138 (226) million for January–December 2016.

AVERAGE NUMBER OF EMPLOYEES

The average number of employees for January–December 2016 was 282 (264). The increase was mainly attributable to production personnel.

RISK MANAGEMENT

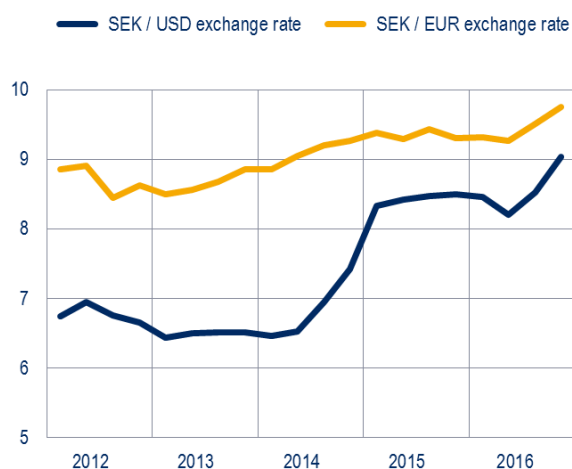
Operationally, the Company uses a number of measures and strategies – for example, focusing on niches and various specific customer segments – aimed at reducing the Group's dependence on market pulp list prices and at moderating fluctuations in profitability over a business cycle. The factors that have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

Currency exposure, USD and EUR

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

The average USD exchange rate was about 6 per cent higher in the fourth quarter than in the corresponding quarter of the previous year. For the full year the average USD exchange rate was 1 per cent higher than in 2015.

Trend of exchange rates over the past five years



Pulp price

The price of pulp (NBSK) is set in USD, while production costs are largely incurred in SEK. The Group had pulp hedging of 24,000 tonnes as of 31 December 2016, with a due date between January 2017 up to and including December 2017 at a price of SEK 7,150 per tonne. As of 31 December 2015 the Group had no pulp price hedges.

Electricity

All electricity for the mills is purchased directly via the Nord Pool electricity exchange. Electricity prices are quoted in EUR. At the end of 2016, the Group had electricity price hedging as shown in the following table. The table shows the hedged proportion of estimated total consumption and the average price in SEK/kWh.

Electricity hedges as of 31 December 2016

Year	Proportion hedged	SEK/kWh
2017	71%	0.234
2018	75%	0.226
2019	75%	0.228
2020	60%	0.221
2021	45%	0.237

The average price level for electricity on the Nord Pool exchange (area SE3) amounted to SEK 0.28 (0.21) per kWh for January–December 2016.

See pages 39-43 of the Annual Report for 2015 for further information on risks.

KEY EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

In February 2017, the Board of Directors decided on an extended purification plant at Rottneros Mill, as part of Agenda 500. This environmental investment of SEK 84 million is planned to be commissioned in 2018.

No other significant events occurred after the balance sheet date that affected the Group's financial position and results of operations.

FORTHCOMING FINANCIAL INFORMATION

16 May 2017	Interim Report January–March
16 May 2017	Annual General Meeting
28 August 2017	Interim Report April–June
13 November 2017	Interim Report July–September

The 2016 Annual Report will be published the week of 20 March 2017.

GENERAL MEETING

The Annual General Meeting will be held at 2:00 p.m. on 16 May 2017 in Söderhamn.

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

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

Vallvik on 9 February 2017

Lennart Eberleh
President and CEO

This information is information that Rottneros AB is obliged to publish under the EU Market Abuse Regulation and the Securities Market Act. This information was submitted for publication, through the agency of the contact persons set out below, on 9 February 2017 at 8:00 a.m. A Swedish and an English version of this report have been drawn up. The Swedish version shall prevail in the event of differences between the two reports.

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CONSOLIDATED STATEMENTS OF INCOME

CONSOLIDATED INCOME STATEMENT

Amounts in SEK m	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
NET TURNOVER	441	429	1,730	1,795
Change in inventories, finished goods	-21	-10	-4	10
Other operating income	12	7	57	54
	432	426	1,783	1,859
Raw materials and consumables	-217	-211	-881	-899
Other expenses	-157	-140	-458	-420
Employee benefit expenses	-57	-57	-223	-219
Depreciation/amortisation and impairment	-5	-15	-51	-58
	-436	-423	-1,613	-1,596
OPERATING PROFIT/LOSS	-4	3	170	263
Financial income	0	0	2	1
Financial expenses	-3	-2	-9	-5
Total financial items	-3	-2	-7	-4
PROFIT/LOSS AFTER FINANCIAL ITEMS	-7	1	163	259
Tax on income for the period	1	0	-35	-36
NET INCOME	-6	1	128	223
Average number of shares (thousand) ¹	152,572	152,572	152,572	152,572
Earnings per share, SEK ¹	-0.04	0.01	0.84	1.46

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
NET INCOME	-6	1	128	223
Other comprehensive income				
Items that have been or may be transferred to profit for the period				
Cash flow hedging, before tax effect	19	-7	52	-23
Cash flow hedging, tax effect	-4	2	-11	5
Translation differences	0	-1	0	0
TOTAL OTHER COMPREHENSIVE INCOME	15	-6	41	-18
COMPREHENSIVE INCOME FOR THE PERIOD ²	9	-5	169	205

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

CONSOLIDATED BALANCE SHEET, SUMMARY

Amounts in SEK m	31 Dec 2016	31 Dec 2015
Intangible assets	10	7
Property, plant and equipment	882	659
Deferred tax assets	-	38
Financial assets	13	2
Total non-current assets	905	706
Inventories	278	267
Current receivables	290	244
Cash and cash equivalents	16	169
Total current assets	584	680
TOTAL ASSETS	1,489	1,386
Shareholders' equity	1,151	1,058
Long-term liabilities		
Interest-bearing	-	-
Non-interest-bearing	14	18
Total non-current liabilities	14	18
Current liabilities		
Interest-bearing	14	-
Non-interest-bearing	310	310
Total current liabilities	324	310
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,489	1,386

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, SUMMARY

Amounts in SEK m	Share capital	Other contributed capital	Treasury shares	Other reserves		Retained earnings, incl. profit for the year	Total shareholders' equity
				Hedging reserve	Translation difference		
Opening balance, 1 January 2015	153	730	-69	-8	-8	177	975
Net income Jan-Dec						223	223
Other comprehensive income, Jan-Dec				-18	0		-18
Total comprehensive income for Jan-Dec				-18	0	223	205
Dividends to shareholders, Jan-Dec						-122	-122
Closing balance, 31 December 2015	153	730	-69	-26	-8	278	1,058
Net income Jan-Dec						128	128
Other comprehensive income, Jan-Dec				41	0		41
Total comprehensive income for Jan-Dec				41	0	128	169
Dividends to shareholders, Jan-Dec						-76	-76
Closing balance, 31 December 2016	153	730	-69	15	-8	330	1,154

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

Amounts in SEK m	Jan-Dec 2016	Jan-Dec 2015
Operating profit	170	263
Adjustment for non-cash flow items		
Depreciation/amortisation and impairment	51	58
Other items not affecting cash flow	-13	0
	208	321
Received/paid financial items	-4	-3
Received/paid taxes	0	-1
Cash flow from operating activities before changes in working capital	204	317
Change in working capital	-17	18
Cash flow from operating activities	187	335
Investments in non-current assets	-278	-103
Sale of non-current assets	0	0
Cash used in investing activities	-278	-103
Change in overdraft facilities in use	14	-
Amortisation of loan	-	-30
Dividends paid	-76	-122
Cash used in financing activities	-62	-152
Net cash flow for the period	-153	80
Cash and cash equivalents at start of period	169	89
Net cash flow for the period	-153	80
Cash and cash equivalents at end of period	16	169

PARENT COMPANY INCOME STATEMENTS

INCOME STATEMENT – PARENT COMPANY

Amounts in SEK m	Jan-Dec 2016	Jan-Dec 2015
NET TURNOVER	6	6
Other operating income	5	11
	11	17
Other expenses	-18	-10
Employee benefit expenses	-15	-13
Depreciation/amortisation and impairment	-6	0
	-39	-23
OPERATING LOSS	-28	-6
Profit from participations in Group companies	166	234
Financial expenses	0	-2
Total financial items	166	232
PROFIT AFTER FINANCIAL ITEMS	138	226
Tax on income for the period	-30	-10
NET INCOME	108	216

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Jan-Dec 2016	Jan-Dec 2015
NET INCOME	108	216
Other comprehensive income	-	-
Total other comprehensive income	-	-
COMPREHENSIVE INCOME FOR THE PERIOD	108	216

PARENT COMPANY BALANCE SHEET, SUMMARY

Amounts in SEK m	31 Dec 2016	31 Dec 2015
Intangible non-current assets	9	6
Property, plant and equipment	0	1
Financial assets	282	309
Total non-current assets	291	316
Current receivables ¹	887	655
Cash and cash equivalents	1	166
Total current assets	888	821
TOTAL ASSETS	1,179	1,137
Shareholders' equity	1,044	1,010
Long-term liabilities		
Non-interest-bearing	6	3
Total non-current liabilities	6	3
Current liabilities		
Interest-bearing	11	-
Non-interest-bearing ²	120	124
Total current liabilities	131	124
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,179	1,137

¹ Including receivables of SEK 884 million (655) from subsidiaries.

² Including liabilities of SEK 112 (110) million to subsidiaries.

SUPPLEMENTARY DISCLOSURES AND NOTES, SUMMARY

ACCOUNTING POLICIES

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

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

All amounts in this report are in SEK m, unless stated otherwise. Rounding-off differences may occur.

FINANCIAL INSTRUMENTS

FAIR VALUE FOR DERIVATIVES, 31 DECEMBER 2016

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Currency EUR, forward sell	EUR 1.0 m	Jan 2017	9.73 SEK/EUR	0
Currency USD, forward sell	USD 4.0 m	Jan 2017	8.66 SEK/USD	-2
Pulp, forward sell	24,000 tonnes	Jan-Dec 2017	7,150 SEK/tonne	7
Electricity, forward buy	953,160 MWh	2017-2021	0.229 SEK/kWh	10
Total fair value				15

FAIR VALUE FOR DERIVATIVES, 31 DECEMBER 2015

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Currency EUR, forward buy	EUR 1.6 m	Jan-Oct 2016	9.00 SEK/EUR	1
Currency USD, forward sell	USD 4.5 m	Jan-Feb 2016	8.68 SEK/USD	1
Electricity, forward buy	657,480 MWh	2016-2019	0.245 SEK/kWh	-34
Total fair value				-32

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.

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 for credit risk on the reporting date is the fair value of the derivative instruments recognised as assets in the balance sheet.

The nature of other financial assets and liabilities is in all essential respects the same as on 31 December 2015. The carrying amounts are deemed to be equal to actual values, which was also the case at the end of 2015, since the effect of discounting is not of material significance. Accounts receivables are covered by credit insurance, which reimburses most of any bad debt losses. The Company has long-term relationships with its customers and credit losses have historically been low.

GROUP PERFORMANCE IN SUMMARY

	Jan-Dec 2016	2015	2014	2013	2012	2011
Income statement, SEK M						
Net turnover	1,730	1,795	1,547	1,389	1,437	1,513
Profit/loss before depreciation/amortisation and impairment	221	321	177	-11	61	4
Depreciation/amortisation and impairment	-51	-58	-59	-142	-55	-120
Operating profit/loss	170	263	118	-154	6	-117
Financial items (net)	-7	-4	-4	-4	0	-3
Profit/loss after financial items	163	259	114	-158	6	-120
Tax on income for the period	-35	-36	19	0	-19	-24
Net income	128	223	133	-158	-13	-144
Statement of cash flow, SEK M						
Cash flow from operating activities	187	335	104	62	41	35
Investments in non-current assets	-278	-103	-59	-37	-51	-157
Cash flow after investments	-91	232	45	25	-10	-122
Sale of non-current assets	0	0	39	2	1	9
Cash used in/provided by financing activities	-62	-152	-30	-18	14	-21
Net cash flow	-153	80	54	9	5	-134
Balance sheet items (SEK m)						
Non-current assets	905	706	691	706	809	841
Inventories	278	267	255	246	240	276
Current receivables	290	244	226	175	219	209
Cash and cash equivalents	16	169	89	35	26	21
Net cash (+) / net debt (-)	2	169	59	-25	-52	-26
Shareholders' equity	1,151	1,058	975	825	993	1,014
Long-term interest-bearing liabilities	-	-	30	0	0	5
Long-term non-interest-bearing liabilities	14	18	9	13	15	11
Current interest-bearing liabilities	14	-	0	60	78	42
Current non-interest-bearing liabilities	310	310	247	264	208	275
Capital employed	1,165	1,058	1,005	884	1,071	1,061
Total shareholders' equity and liabilities	1,489	1,386	1,261	1,161	1,294	1,347
Key ratios						
Operating margin, %	9.8	14.7	7.6	-11.1	0.4	-7.8
Profit margin, %	9.4	14.4	7.3	-11.4	0.4	-8.0
Return on equity, %	11.6	21.9	13.6	Neg.	Neg.	Neg.
Return on capital employed, %	15.2	25.5	12.4	Neg.	0.1	Neg.
Equity/assets ratio, %	77	76	77	71	77	75
Debt/equity ratio, %	0	-16	-6	3	5	3
Interest cover, times	21	53	29	Neg.	2	Neg.
Other						
Average no. of employees	282	264	251	256	275	298
Pulp production, 1,000 tonnes	374.1	373.3	345.0	333.4	330.4	324.1
Pulp deliveries, 1,000 tonnes	374.1	372.2	344.2	332.1	331.4	311.4
List price of NBSK pulp, USD per tonne ¹	802	857	925	857	814	960
SEK/USD ²	8.56	8.44	6.86	6.51	6.78	6.50
List price of NBSK pulp, SEK per tonne	6,867	7,228	6,345	5,582	5,519	6,229

¹ Source: PIX quotation once a week. Average for each period.

² Source: Riksbanken's daily listings. Average for each period.

QUARTERLY DATA, GROUP

	2016				2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income statement, SEK M												
Net turnover	441	444	413	432	429	455	456	454	370	404	394	380
Profit/loss before depreciation/amortisation and impairment losses	1	61	73	86	18	95	90	118	28	67	45	35
Depreciation/amortisation and impairment losses	-5	-15	-16	-15	-15	-14	-14	-14	-15	-14	-14	-14
Operating profit/loss	-4	46	57	71	3	81	76	104	12	53	31	21
Financial items (net)	-3	-1	-1	-2	-2	-1	-1	-1	1	-1	0	-1
Profit/loss after financial items	-7	45	56	69	1	80	75	103	13	52	31	20
Tax on income for the period	1	-11	-10	-15	0	-18	6	-23	41	-11	-7	-4
Net income	-6	34	46	54	1	62	81	80	55	41	24	16
Per share												
Earnings per share, SEK	-0.04	0.23	0.30	0.35	0.01	0.41	0.53	0.52	0.36	0.26	0.16	0.10
Other												
Pulp production, 1,000 tonnes	87.1	91.9	100.0	95.1	88.5	95.3	95.8	93.7	82.9	89.0	88.1	85.0
Pulp deliveries, 1,000 tonnes	92.8	95.6	92.8	92.9	91.3	94.7	95.3	90.9	78.3	89.2	89.5	87.2
List price of NBSK pulp, SEK per tonne	7,313	6,912	6,541	6,699	6,970	7,173	7,199	7,560	6,916	6,452	6,035	5,919

SHARE DATA ¹

		Jan-Dec 2016	2015	2014	2013	2012	2011
Shares, opening ²	Number	152,572	152,572	152,572	152,572	152,572	152,572
Shares, closing ²	Number	152,572	152,572	152,572	152,572	152,572	152,572
Average number of shares ²	Number	152,572	152,572	152,572	152,572	152,572	152,572
Buy-back of treasury shares ²	Number	822	822	822	822	822	822
Earnings per share	SEK	0.84	1.46	0.87	-1.04	-0.09	-0.95
Cash flow after investments/share ³	SEK	-0.60	1.52	0.29	0.16	-0.07	-0.80
Equity per share	SEK	7.54	6.93	6.39	5.41	6.51	6.65
Dividend ⁴							
Ordinary dividend	SEK	0.30	0.30	0.20	-	-	0.10
Extra dividend	SEK	0.10	0.20	0.60	-	-	-
Total	SEK	0.40	0.50	0.80	-	-	0.10
Dividend/equity per share	%	5.3	7.2	12.5	-	-	1.5
Share price at end of period	SEK	8.05	8.15	3.74	1.99	2.00	2.11
Market price/equity/share	times	1.1	1.2	0.6	0.4	0.3	0.3
P/E ratio per share	times	9.6	5.6	4.3	Neg.	Neg.	Neg.
Direct yield ⁵	%	5.0	6.1	21.4	-	-	4.7

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, divided by the number of shares.

⁴ Proposed dividend for 2016.

⁵ The calculation of dividend yield is based on the share price at end of period.

ALTERNATIVE KEY RATIOS

Alternative ratios are financial measures that are not defined in IFRS and are presented outside the financial statements. Rottneros uses the alternative ratios Cash flow after investments, Net cash/debt, Capital employed, Return on capital employed, Return on equity, Equity/assets ratio, Debt/equity ratio and Interest coverage 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 alternative indicators P/E ratio and Direct yield, which the Company believes are relevant for investors and other readers. Alternative key ratios 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

Operating margin

Profit/loss as a percentage of net turnover.

Profit margin

Profit/loss after financial items as a percentage of net turnover.

Earnings per share

Net profit/loss divided by the average number of shares.

Shareholders' equity per share

Shareholders' equity divided by number of shares

Cash flow after investments

Cash flow from operating activities less investments.

Net cash/debt

Cash and cash equivalents less interest-bearing liabilities.

Capital employed

Shareholders' equity plus interest-bearing liabilities.

Return on capital employed

Profit/loss after financial items, plus financial expenses, divided by average capital employed for the period.

Return on equity

Net income as a percentage of average shareholders' equity for the period.

Equity/assets ratio

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

Debt/equity ratio

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

Interest coverage ratio

Profit/loss after financial items, plus financial expenses, divided by financial expenses.

P/E ratio

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

Direct yield

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

GLOSSARY

Market pulp	Pulp sold on the market and transported to the customer. Market pulp accounts for about one third of pulp production worldwide. The remaining two thirds are produced at integrated paper and board mills, or used internally within a group.	Long-fibre pulp	Pulp where the raw material is softwood, which has longer cellulose fibre than hardwood.
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).	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.
BEK	Bleached Eucalyptus Kraft 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 mechanical pulp is impregnated with chemicals. Stronger than TMP. The term is used in Europe for both bleached and unbleached pulp.	PIX	Price index published by FOEX.
ECF	Elemental Chlorine Free. Sulphate pulp bleached using chlorine dioxide, not chlorine.	Groundwood pulp (SGP)	Mechanical pulp based on roundwood as a raw material.
High-yield pulp	Groundwood pulp, TMP and CTMP/BCTMP	TMP	Thermo-Mechanical Pulp: mechanical pulp produced using a technique in which the chips are preheated with steam, but without chemicals.
Chemical pulp	Paper pulp produced by boiling raw timber with chemicals. The pulp can be bleached to a higher brightness and a higher strength than mechanical pulp. Chemical pulp is usually sulphate pulp, but can also be sulphite pulp.	UKP	Unbleached Kraft Pulp, unbleached sulphate pulp.
Short-fibre pulp	Pulp where the raw material is hardwood, which has shorter cellulose fibre than softwood.		

ROTTNEROS IN SUMMARY

Rottneros produces customised pulp for the open market.

ROTTNEROS

Rottneros had just over 280 employees and a turnover of approximately SEK 1.7 billion in 2016. The Group produced 374,100 tonnes of pulp in total.

ROTTNEROS IN FIGURES

SEK m	2016	2015	2014	2013	2012
Net turnover	1,730	1,795	1,547	1,389	1,438
Income after net financial items	163	259	114	-158	6
Investments in fixed assets	278	103	59	37	51
Average number of employees	282	264	251	256	275
Production per employee (Ktonnes)	1.3	1.4	1.4	1.3	1.2
Ratios, %					
Equity/assets ratio	77	76	77	71	77
Return on capital employed	15.2	25.5	12.4	Neg	0.1
Return on equity	11.6	21.9	13.6	Neg	Neg
Operating margin	9.8	14.7	7.6	-11.1	0.4
SEK/share					
Share price 31 Dec	8.05	8.15	3.74	1.99	2.00
Equity per share	7.54	6.93	6.39	5.41	6.51
Earnings per share	0.84	1.46	0.87	-1.04	-0.09
Cash flow after investments/share	-0.60	1.52	0.29	0.16	-0.07
Dividend ¹				-	-
Ordinary dividend	0.30	0.30	0.20	-	-
Extra dividend	0.10	0.20	0.60	-	-
Total	0.40	0.50	0.80	-	-

¹ For 2016 proposed dividend

THE GROUP'S PRODUCTS, DELIVERY VOLUME DISTRIBUTION



38% Bleached sulphate pulp
21% Unbleached sulphate pulp
23% CTMP
19% Groundwood pulp

GEOGRAPHICAL DISTRIBUTION OF TURNOVER



20% Germany
21% Italy
21% Sweden
13% U.S.A.
4% Other Nordic countries
18% Rest of Europe
4% Rest of world

THE WAY FORWARD

In order to achieve sustainable profitability Rottneros will offer products and services of the highest quality. Production at the mills is another key parameter in generating profitability. In February 2015, the Board decided on a strategic action plan to strengthen and develop Rottneros long term, Agenda 500. The focus on selected niches will continue under the plan. A planned capacity expansion will eliminate bottlenecks at the mills over the next few years.

OBJECTIVE

THE GROUP WILL ACHIEVE SUSTAINABLE PROFITABILITY OVER A BUSINESS CYCLE.

This will be accomplished through a **FOCUS ON SELECTED NICHES** where Rottneros has the capacity to achieve competitive advantages and become the market leader. Sales will be concentrated to those market segments where the Group is able to offer customers clear added value through high-quality and customised products.

→ INCREASED PRODUCTIVITY

Productivity is vital for sustainable profitability. The objective is to increase long-term productivity by continually developing our processes and carrying out well-planned and effective preventive maintenance work.

→ INCREASED PRODUCTION VOLUME

The company will increase pulp production volume by improving accessibility and expanding capacity.

→ IMPROVED SAFETY

Good order will prevail at Rottneros. Our objective is to have no sick days on account of work-related incidents.

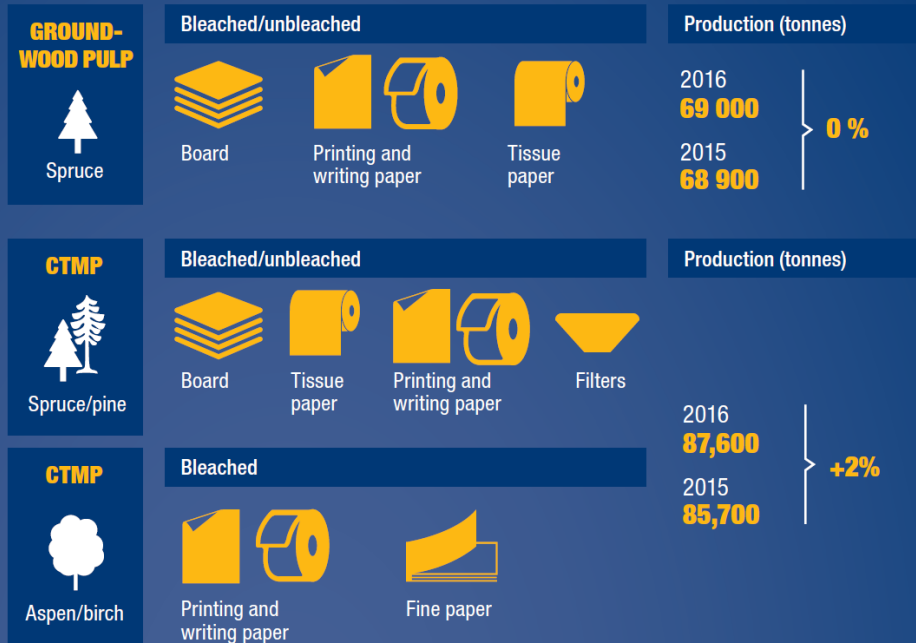
→ SKILLS DEVELOPMENT

We will develop our skills and competence with the objective of having a workforce that is committed and safety-conscious.

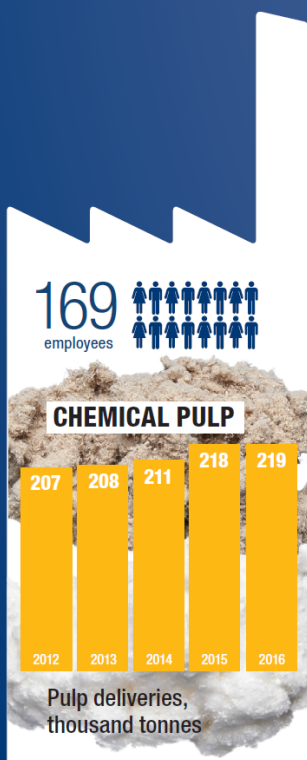
→ THE LEADER IN SERVICE

Customers should perceive Rottneros as the leader in service. We will provide know-how on how the Group's products can be used to improve customers' end products within our chosen segments.

ROTTNEROS' MILL



VALLVIK'S MILL





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