

ROTTNEROS INTERIM REPORT

Q1 January–March 2017

NET TURNOVER
INCREASED
9 PER CENT

PRODUCTION
VOLUME
INCREASED
8 PER CENT

INVESTMENTS
WITHIN AGENDA
500 FRAMEWORK
PROGRESSING
ACCORDING TO PLAN

**YOUR PULP
COMPANY**



Customised pulp for
the pulp market, with
a focus on growth in
selected niches

RECORD QUARTER FOR PRODUCTION AND DELIVERIES

- **Production volume** in the first quarter rose by 8% compared with first quarter 2016. Rottneros Mill and the Group in its current structure both set a new quarterly production record.
- **Delivery volume** in the first quarter rose by 9% compared with first quarter 2016 and by 9% compared with fourth quarter 2016.
- **Investments** in the Agenda 500 development programme are progressing according to plan, in terms of both cost and increased capacity.
- **Rottneros Packaging** received its first order, thereby starting commercial production of fibre trays.
- **Net turnover** for the first quarter rose by 9% to SEK 472 million (432).
- **Profit after net financial items** for the first quarter was negatively impacted by some unplanned expenses and amounted to SEK 56 million (69).
- **Cash flow from operating activities** for the first quarter rose to SEK 38 million (29).
- **The list price for NBSK pulp** over the first quarter was 3% higher in USD and 9% higher in SEK, compared with first quarter 2016. Compared with fourth quarter 2016, the price level in SEK was at the same level.

The quarter in figures

	Jan-Mar 2017	Jan-Mar 2016	change, %	Rolling 12 months	Jan-Dec 2016
Net turnover, SEK m	472	432	9	1,770	1,730
Operating profit, SEK m	57	71	-20	156	170
Profit after financial items, SEK m	56	69	-19	150	163
Net income, SEK m	43	54	-20	117	128
Earnings per share, SEK	0.28	0.35	-20	0.77	0.84
Cash flow from operating activities, SEK m	38	29	31	196	187
Return on capital employed, %	4.9	7.7		14.7	16.7
Production, thousand tonnes	102.9	95.1	8	381.9	374.1
Deliveries, thousand tonnes	101.2	92.9	9	382.4	374.1



COMMENTS BY THE PRESIDENT: RECORD QUARTER FOR BOTH PRODUCTION AND DELIVERIES

The first quarter of 2017 was characterised by strong production and high deliveries. The Group as a whole, as well as Rottneros Mill, set production records for a single quarter. The Group increased production by 8 per cent compared with the first quarter of 2016, despite some disruptions in production at Vallvik Mill. We are clearly moving in the right direction, though more remains to be done to increase availability and production in the future.

Operating profit was held back by some unplanned costs of about SEK 10 million and compared with the first quarter last year, operating profit decreased by SEK 14 million to SEK 57 million. We also encountered some headwinds because our average price denominated in Swedish kronor was only marginally higher than in the first quarter last year because of a less favourable product and customer mix.

While we were pleased at the success of the first quarter, the beginning of the second quarter was affected by an unplanned shutdown at Vallvik Mill. Even though it is frustrating with damages that are caused by factors outside our direct control, the handling of the issue demonstrated the structured and systematic way of working that we have introduced in the mill. The production loss is estimated at 4,500 ton, or 7.5 per cent of the Vallvik Mill quarterly production.

Favourable market trend

Overall, our market is stable and the outlook is promising with a solid balance between supply and demand for the second quarter. New price increases have been announced as of 1 May.

Rottneros Packaging, our relatively new development area, is proceeding according to plan with a positive trend. We received the first order in March. This is an important milestone, and means that we are now starting industrial production. As a result we can now improve the process and quality control.

Focus on increased expertise and sustainability

We continue to have a strong focus on enhancing employee skills, with encouragement from clear and engaging leadership. This long-term initiative will bear fruit over time. Continuous skills development is a crucial piece of the puzzle for us to achieve the highest availability of the mills possible and thereby continue to increase production.

Regarding the environment, we are in the process of integrating sustainability to a greater extent in our production facilities. We see clear benefits from our environment-related investments through reduced emissions and an increasing proportion of self-generated electricity. At Rottneros Mill we will deploy the new biomass boiler this summer, replacing an old oil-fired boiler. Following this investment, energy consumption at both mills will for all practical purposes be fossil-free. The Board has also decided to invest in increased purification at Rottneros Mill.



With the stable market and high volumes in the first quarter, and despite the unplanned shutdown at Vallvik Mill after the end of the quarter, the Group continued the positive trend and we look forward to a year of continuous development in our niches and areas of focus.

Lennart Eberleh

MARKETS AND PRODUCTS

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

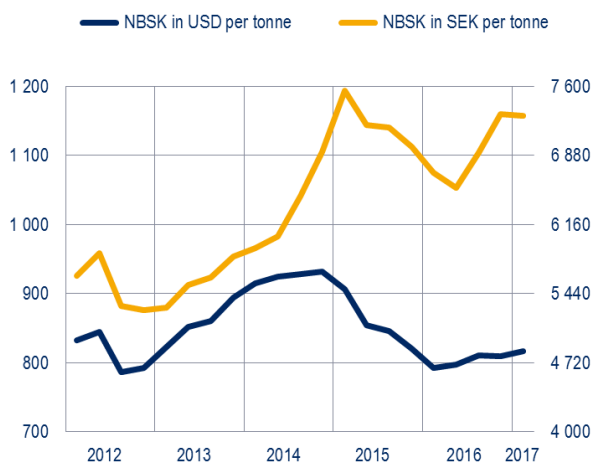
The market for market pulp during the first quarter of 2017 was characterised by high outbound deliveries, mainly to China and the rest of Asia, where demand was stimulated by inventory build-up among buyers and by expectations of higher prices.

Deliveries of chemical market pulp worldwide (World-20) in first quarter 2017 totalled 12.5 million tonnes, up 6 per cent from first quarter 2016. Capacity utilisation during the period was 93 per cent. Producer stock levels at the end of March were on a level corresponding to 33 days of consumption. Stocks were well-balanced for long-fibre pulp, but somewhat on the high side for short-fibre.

The price of NBSK has risen since 1 January by about USD 30 to USD 840 at the end of April. Further price increases have been announced for the second quarter. The price of short-fibre pulp has risen by almost USD 100 since 1 January to about USD 750 at the end of April. The gap in prices between long and short-fibre therefore narrowed again and now stands at near the average for the past ten years. 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

First quarter 2017 production volumes were 8 per cent higher than in first quarter 2016. Rottneros Mill and the Group in its current structure both set a new quarterly production record. Production of CTMP was 19 per cent higher compared with first quarter 2016, after commissioning of the first step in the CTMP expansion under Agenda 500.

Deliveries in first quarter 2017 were 9 per cent higher than in first quarter 2016 and 9 per cent higher compared with fourth quarter 2016. Rottneros' market is generally stable with a good balance between supply and demand.

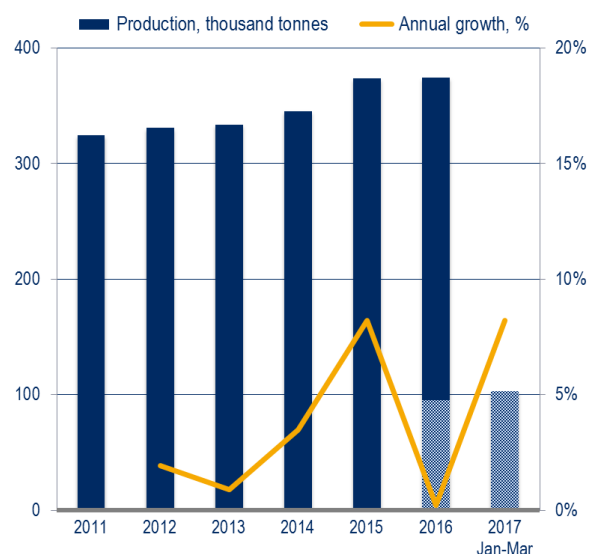
PRODUCTION (TONNES)

	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Sulphate pulp	59,100	55,700	217,500
Groundwood pulp	18,200	17,800	69,000
CTMP	25,600	21,600	87,600
TOTAL	102,900	95,100	374,100

DELIVERIES (TONNES)

	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Sulphate pulp	58,300	54,800	219,200
Groundwood pulp	19,600	18,300	67,300
CTMP	23,300	19,800	87,600
TOTAL	101,200	92,900	374,100

Annual volumes and annual growth





Maintenance shutdowns and seasonal variations

In 2017, the annual maintenance shutdown at Rottneros Mill is planned for the third quarter and at Vallvik Mill for the fourth quarter, both as last year.

The direct costs relating to maintenance shutdowns are recognised in the period during which the shutdown takes place, in accordance with generally accepted accounting practice. The maintenance shutdown also involves a certain loss of production, which affects turnover and income for the quarter in which the shutdown takes place.

	Planned maintenance shutdown date		Estimated cost of shutdown (SEK million)
	2017	2016	
Rottneros Mill	Q3	Q3	10
Vallvik Mill	Q4	Q4	55

Estimated cost of shutdown includes both direct costs and the effect of loss of production, and it represents an assessment of the impact of a typical annual maintenance shutdown on earnings in relation to a quarter without a maintenance shutdown.

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

SALES AND RESULTS

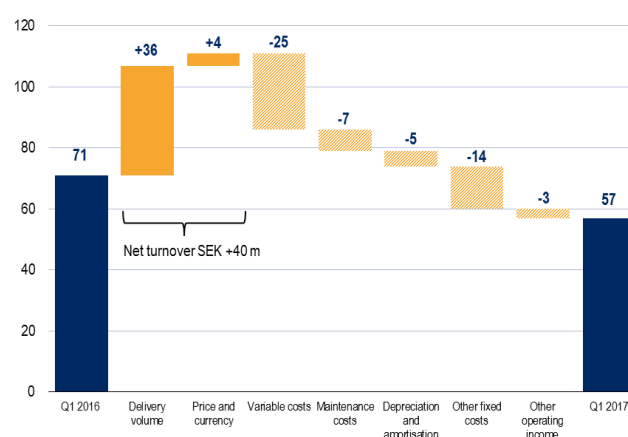
Turnover in the first quarter of 2017 amounted to SEK 472 million (432), an increase of 9 per cent. Turnover increased mainly because of a 9 per cent increase in delivery volume compared with first quarter 2016. Despite a 9 per cent increase in the list price of NBSK denominated in SEK, the average price for Rottneros' deliveries increased only marginally due to changes in the product and customer mix compared with first quarter 2016.

Operating profit for first quarter 2017 was SEK 57 million (71), corresponding to 12.1 (16.4) per cent of turnover. During the first quarter certain initiatives were carried out at Vallvik Mill to raise capacity utilisation and to further improve product quality. Among other things, measures were taken to handle the insufficient quality of incoming raw material. As a result, the mill was able to ensure a high capacity usage and reach very high quality effectiveness. These measures entailed higher variable and fixed costs and a lower operating profit than during the first quarter last year. Corrective measures have been taken to improve the quality of the raw material.

First quarter 2017 compared with first quarter 2016

	Jan-Mar 2017	Jan-Mar 2016
NBSK PIX, USD	817	792
SEK/USD	8.92	8.46
NBSK, SEK	7,290	6,699
Net turnover, SEK m	472	432
Operating profit, SEK m	57	71

Differences in operating profit Q1 2017 compared with Q1 2016 (SEK m)



Variable costs increased mainly because of higher delivery volume during first quarter 2017 compared with first quarter 2016, and also because of availability and quality initiatives at Vallvik Mill. Maintenance costs increased partly according to plan under Agenda 500 and partly because of further measures associated with production disruptions at Vallvik Mill.

Depreciation rose in pace with major investments that were commissioned towards the end of 2016. Other fixed costs increased in part because of an increase in the number of employees to keep pace with capacity expansion and skills enhancement, and partly because of certain initiatives relating to capacity usage and quality at Vallvik Mill.

The average price of electricity on the Nord Pool electricity exchange (area SE3) amounted to SEK 0.30 (0.22) per kWh for first quarter 2017, which is 36 per cent higher than during first quarter 2016. The higher price of electricity had a negative impact on profit of about SEK 1 million for the portion of electricity consumption that had not been hedged.

Other income statement items

The Group's profit after net financial items amounted to SEK 56 million (69) for first quarter 2017.

Income taxes for the first quarter totalled SEK 13 million (15). Rottneros plans to take advantage of its excess depreciation in 2017, which means that the Group is reporting a deferred tax expense instead of tax paid.

Net income totalled SEK 43 million (54) and earnings per share SEK 0.28 (0.35) for first quarter 2017.

Return on capital employed, measured over a rolling 12-month period, was 14.7 per cent (24.4). Return on equity, over a rolling 12-month period, was 10.3 per cent (18.2).



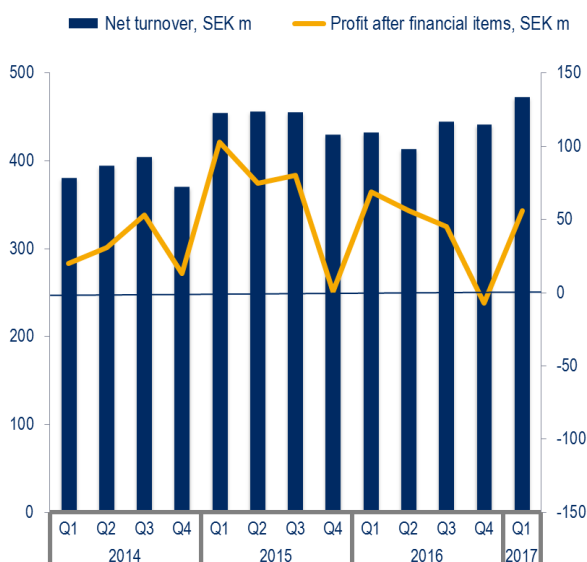
In February 2017 the Board of Directors decided to expand the purification plant at Rottneros Mill, within the scope of Agenda 500. The environmental investment of SEK 84 million is planned to be commissioned in 2018.

In 2015-2017 the Board of Directors has decided on total investments of SEK 620 million relating to the long-term industrial plan, Agenda 500. Approximately SEK 410 million of these investments were carried out in 2015-2016 and first quarter 2017. The remaining investments of around SEK 210 million will be carried out in 2017-2018. About half of these investments are already procured and contracted.

The Group's cash and cash equivalents amounted to SEK 17 million at the end of the first quarter, compared with SEK 16 million at year-end 2016.

The Group had interest-bearing liabilities of SEK 19 million at the end of the first quarter, compared with SEK 14 million at year-end 2016. The Group's interest-bearing net liabilities at the end of the first quarter totalled SEK 2 million, compared with net cash of SEK 2 million at the end of 2016. Total granted and unused credit facilities amounted to SEK 275 million at the end of the first quarter.

The equity/assets ratio amounted to 77 (78) per cent as of 31 March 2017. Equity per share totalled SEK 7.68 (SEK 7.25) at the end of the first quarter.



INVESTMENTS AND FINANCIAL POSITION

Group investments in non-current assets amounted to SEK 42 million (39) in the first quarter of 2017. The investments primarily relate to equipment to increase capacity and efficiency under Agenda 500, the long-term strategic action plan to strengthen and develop Rottneros.

CASH FLOW

Cash flow from operating activities for first quarter 2017 amounted to SEK 38 million (29). Despite the lower operating profit, cash flow was higher than in first quarter 2016 mainly because of a minor increase in working capital than during the comparative period.

The strong cash flow from operating activities largely funded the Group's investments during first quarter 2017 as well. Cash flow after investments for the quarter was SEK -4 million (-10).

The Group borrowed a long-term loan of SEK 20 million during the first quarter. The loan is included in the loan financing agreements for a total of SEK 120 million that were signed at the end of 2016.

Net cash flow for first quarter 2017 was SEK 1 million (-10).

ROTTNEROS PACKAGING

As an important milestone for Rottneros Packaging, the Group's new development area, the first order was received in March. This means that Rottneros Packaging is starting industrial production. The process and product quality will thereby be developed.

Through the EU project PULPACKTION, Rottneros also plans to develop packaging that is completely bio-based at a competitive price, thereby contributing to more sustainable development in the packaging industry. The project began in October 2016 and runs for four years.



AVERAGE NUMBER OF EMPLOYEES

The average number of employees in the first quarter of 2017 was 289 (266). The increase was mainly attributable to capacity expansion and skills enhancement.

PARENT COMPANY

Loss after financial items for the parent company amounted to SEK -6 (-3) million for first quarter 2017.

CHANGES IN MANAGEMENT

Monica Pasanen took over as Chief Financial Officer for the Rottneros Group in January 2017. She succeeds Krister Lindgren, who has served as interim CFO since 2013. Monica most recently worked at Stora Enso, where she was Supply Chain Director in the Consumer Board division. She has more

than 20 years of experience in a variety of management positions in both finance and marketing.

Kasper Skuthälla took over as Managing Director of Rottneros Packaging AB in January 2017. Kasper most recently worked at FreeForm Packaging AB, an associated company to BillerudKorsnäs, where he was the managing director and co-founder of the business. He has more than 10 years of experience in a variety of management positions in both business development and marketing.

SHARE INFORMATION

Largest shareholders on 31 March 2017

Shareholders	Number of shares (=votes)	Per cent of capital
Arctic Paper S.A.	78,230,883	51.0
PROAD AB	8,190,000	5.3
Försäkringsbolaget Avanza Pension	4,105,169	2.7
Försäkrings AB Skandia	1,555,053	1.0
SSB Client Omnibus AC OM07 (15 PCT)	1,510,433	1.0
Nordnet Pensionsförsäkring AB	1,429,975	0.9
SEB Investment Management	1,169,784	0.8
Prior & Nilsson Fond- och Kapitalförvaltning AB	1,108,667	0.7
Borell, Joakim	1,104,889	0.7
Nordnet Livsförsäkring AS	1,083,411	0.7
Total for 10 largest owners – by size of holding	99,488,264	64.9
Other shareholders	53,083,661	34.6
Rottneros AB (treasury stock from buy-back)	821,965	0.5
TOTAL	153,393,890	100.0

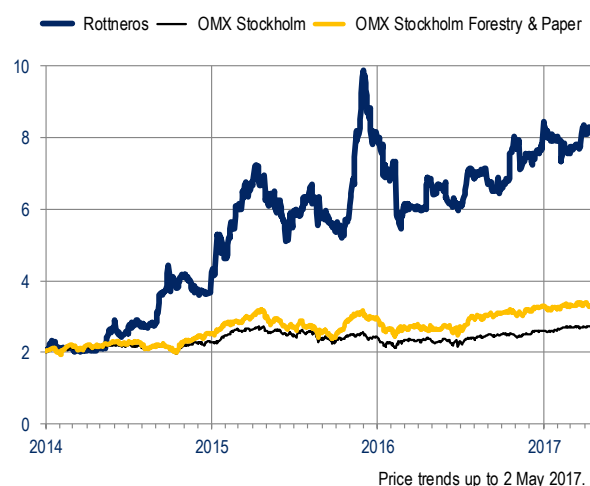
Number of shares and treasury shares

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 the first quarter of 2017.

Trend of share price over the first half-year

At the end of the first quarter of 2017, the price of Rottneros shares was SEK 8.35 (8.05 at the end of 2016).

Trends of prices, Rottneros share and Stockholm Stock Exchange, 2014-2017



Transactions with related parties

During the first quarter of 2017 Rottneros sold pulp to the related party Arctic Paper S.A. Group, in the amount of SEK 35 million (29). Outstanding operating receivables from Arctic Paper totalled SEK 23 million (19) at the end of the first quarter. 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.

RISK MANAGEMENT

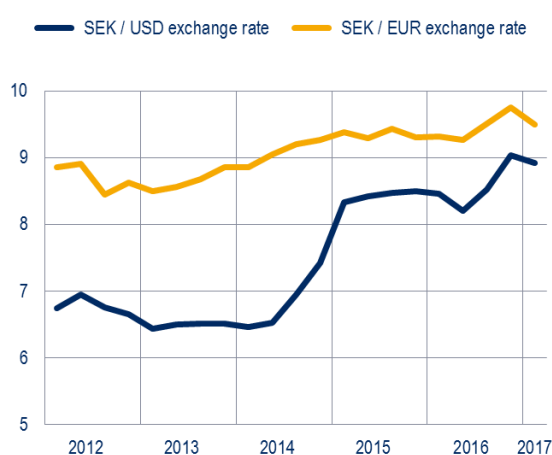
Operationally, the Company uses a number of measures and strategies – for example, focusing on niches and various specific customer segments – aimed at reducing the Group’s dependence on market pulp list prices and at moderating fluctuations in profitability over a business cycle. The factors that have 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) for the first quarter of 2017 represented approximately 45 per cent of the inflow, and in EUR approximately 40 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 5 per cent higher in first quarter 2017 than in first quarter 2016.

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 18,000 tonnes as of 31 March, with a due date between April 2017 up to and including December 2017 at a price of SEK 7,150 per tonne. As of 31 March 2016 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 first quarter 2017 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 hedging, 31 March 2017

Year	Proportion hedged	SEK/kWh
2017 Apr-Dec	88%	0.235
2018	85%	0.226
2019	71%	0.227
2020	57%	0.221
2021	42%	0.237



The average price level for electricity on Nord Pool (area SE3) amounted to SEK 0.30 (0.22) per kWh for first quarter 2017.

See pages 39-43 of the Annual Report for 2016 for further information on risks.

EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

In April 2017 production at Vallvik Mill was affected by an unplanned shutdown because of a leak in the recovery boiler. The production stoppage entails an estimated production loss of about 4,500 tonnes in second quarter 2017, corresponding to about 7.5 per cent of Vallvik Mill's planned production for the quarter and about 4.5 per cent of the Group's total planned production for the quarter.

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

FORTHCOMING FINANCIAL INFORMATION

28 August 2017 Interim Report April–June
 13 November 2017 Interim Report July–September

GENERAL MEETING

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

For more information, please visit www.rottneros.com.

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

Vallvik, 16 May 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 person set out below, on 16 May 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.

For further information, please contact:

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CONSOLIDATED STATEMENTS OF INCOME

CONSOLIDATED INCOME STATEMENT

Amounts in SEK m	Jan-Mar 2017	Jan-Mar 2016	Rolling 12 months	Full-year 2016
NET TURNOVER	472	432	1,770	1,730
Change in inventories, finished goods	12	8	0	-4
Other operating income	13	16	54	57
	497	456	1,824	1,783
Raw materials and consumables	-247	-220	-908	-881
Other expenses	-113	-96	-475	-458
Employee benefit expenses	-60	-54	-229	-223
Depreciation/amortisation and impairment losses	-20	-15	-56	-51
	-440	-385	-1,668	-1,613
OPERATING PROFIT	57	71	156	170
Financial income	0	0	2	2
Financial expenses	-1	-2	-8	-9
Total financial items	-1	-2	-6	-7
PROFIT AFTER FINANCIAL ITEMS	56	69	150	163
Tax on income for the period	-13	-15	-33	-35
NET INCOME	43	54	117	128
Average number of shares (thousand) ¹	152,572	152,572	152,572	152,572
Earnings per share, SEK ¹	0.28	0.35	0.77	0.84

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Jan-Mar 2017	Jan-Mar 2016	Rolling 12 months	Full-year 2016
NET INCOME	43	54	117	128
Other comprehensive income				
Items that have been or may be transferred to profit or loss for the period				
Cash-flow hedging, before tax effect	-30	-7	29	52
Cash-flow hedging, tax effect	7	2	-6	-11
Translation differences	0	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME	-23	-5	23	41
COMPREHENSIVE INCOME FOR THE PERIOD ²	20	49	140	169

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

CONSOLIDATED BALANCE SHEET, SUMMARY

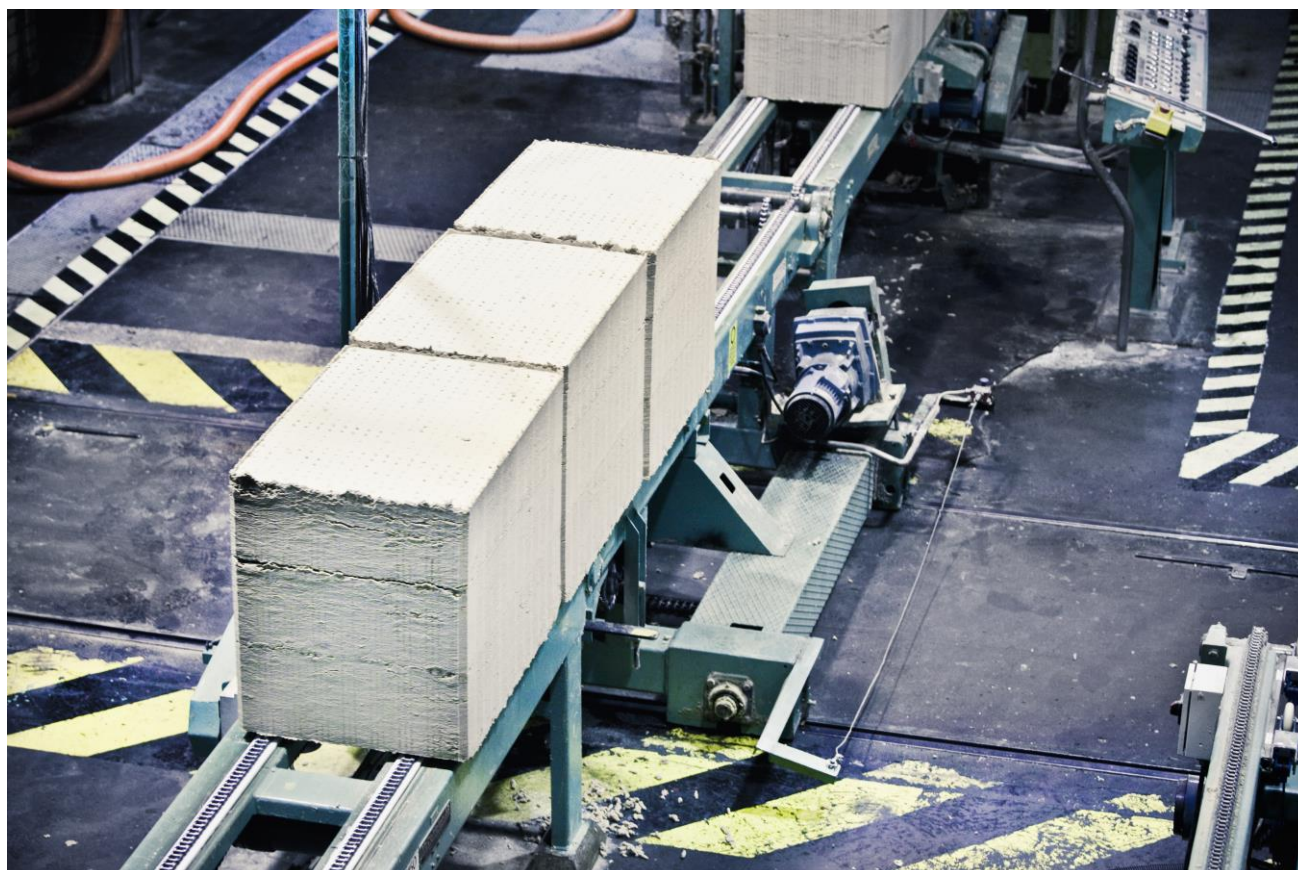
Amounts in SEK m	31 March 2017	31 March 2016	31 Dec 2016
Intangible assets	11	12	10
Property, plant and equipment	903	678	882
Deferred tax assets	-	24	-
Financial assets	13	3	13
Total non-current assets	927	717	905
Inventories	283	276	278
Current receivables	285	263	290
Cash and cash equivalents	17	159	16
Total current assets	585	698	584
TOTAL ASSETS	1,512	1,415	1,489
Shareholders' equity	1,171	1,107	1,151
Non-current liabilities			
Interest-bearing	19	-	-
Non-interest-bearing	31	29	14
Total non-current liabilities	50	29	14
Current liabilities			
Interest-bearing	-	-	14
Non-interest-bearing	291	279	310
Total current liabilities	291	279	324
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,512	1,415	1,489

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, SUMMARY

Amounts in SEK m	Share capital	Other injected capital	Treasury shares	Other reserves		Retained earnings, incl. profit for the year	Total shareholders' equity
				Hedging reserve	Translation difference		
Opening balance, 1 January 2016	153	730	-69	-26	-8	278	1,058
Net income Jan-Mar						54	54
Other comprehensive income, Jan-Mar				-5	0		-5
Total comprehensive income, Jan-Mar				-5	0	54	49
Closing balance, 31 March 2016	153	730	-69	-31	-8	332	1,107
Net income Apr-Dec						74	74
Other comprehensive income, Apr-Dec				46	0		46
Total comprehensive income, Apr-Dec				46	0	74	120
Dividends to shareholders, Apr-Dec						-76	-76
Closing balance, 31 December 2016	153	730	-69	15	-8	330	1,151
Net income Jan-Mar						43	43
Other comprehensive income, Jan-Mar				-23	0		-23
Total comprehensive income, Jan-Mar				-23	0	43	20
Closing balance, 31 March 2017	153	730	-69	-8	-8	373	1,171

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

Amounts in SEK m	Jan-Mar 2017	Jan-Mar 2016	Rolling 12 months	Full-year 2016
Operating profit	57	71	156	170
Adjustment for non-cash flow items				
Depreciation/amortisation and impairment losses	20	15	56	51
Other items not affecting cash flow	0	0	-13	-13
	77	86	199	208
Received/paid financial items	-1	-2	-3	-4
Received/paid taxes	0	0	0	0
Cash flow from operating activities before change in working capital	76	84	196	204
Change in working capital	-38	-55	0	-17
Cash flow from operating activities	38	29	196	187
Investments in non-current assets	-42	-39	-281	-278
Cash used in investing activities	-42	-39	-281	-278
Borrowings of long-term loans	20	-	20	-
Amortisation of long-term loans	-1	-	-1	-
Change in used bank overdraft facilities	-14	-	-	14
Dividends paid	-	-	-76	-76
Cash provided by/used in financing activities	5	0	-57	-62
Net cash flow for the period	1	-10	-142	-153
Cash and cash equivalents at start of period	16	169	159	169
Net cash flow for the period	1	-10	-142	-153
Cash and cash equivalents at end of period	17	159	17	16



PARENT COMPANY STATEMENTS OF INCOME

PARENT COMPANY INCOME STATEMENT

Amounts in SEK m	Jan-Mar 2017	Jan-Mar 2016	Full-year 2016
NET TURNOVER	1	1	6
Other operating income	2	2	5
	3	3	11
Other expenses	-4	-3	-18
Employee benefit expenses	-5	-3	-15
Depreciation/amortisation and impairment losses	0	0	-6
	-9	-6	-39
OPERATING LOSS	-6	-3	-28
Profit from participations in Group companies	0	0	166
Total financial items	0	0	166
LOSS/PROFIT AFTER FINANCIAL ITEMS	-6	-3	138
Tax on income for the period	1	1	-30
NET INCOME	-5	-2	108

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Jan-Mar 2017	Jan-Mar 2016	Full-year 2016
NET INCOME	-5	-2	108
Other comprehensive income	-	-	-
Total other comprehensive income	-	-	-
COMPREHENSIVE INCOME FOR THE PERIOD	-5	-2	108

PARENT COMPANY BALANCE SHEET, SUMMARY

Amounts in SEK m	31 March 2017	31 March 2016	31 Dec 2016
Intangible assets	10	8	9
Property, plant and equipment	0	1	0
Financial assets	282	309	282
Total non-current assets	292	318	291
Current receivables ¹	871	677	887
Cash and cash equivalents	5	147	1
Total current assets	876	824	888
TOTAL ASSETS	1,168	1,142	1,179
Shareholders' equity	1,036	1,007	1,042
Long-term liabilities			
Non-interest-bearing	6	3	6
Total non-current liabilities	6	3	6
Current liabilities			
Interest-bearing	-	-	11
Non-interest-bearing ²	126	132	120
Total current liabilities	126	132	131
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,168	1,142	1,179

¹ Including receivables of SEK 870 million (677) from subsidiaries.

² Including liabilities of SEK 120 (120) 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 MARCH 2017

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Currency EUR, forward sell	EUR 1.5 m	Apr 2017	9.56 SEK/EUR	0
Currency USD, forward sell	USD 3.5 m	April-May 2017	8.92 SEK/USD	0
Pulp, forward sell	18,000 tonnes	Apr-Dec 2017	7,150 SEK/tonne	-2
Electricity, forward buy	986,910 MWh	2017-2021	0.229 SEK/kWh	-10
Total fair value				-12

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	8
Electricity, forward buy	953,160 MWh	2017-2021	0.229 SEK/kWh	10
Total fair value				16

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

The full fair value of a derivative instrument that constitutes a hedging instrument is classified as a non-current asset or non-current liability if the remaining maturity of the hedged item exceeds twelve months, and as a current asset or current liability if the remaining maturity of the hedged item is less than twelve months. The ineffective portion, which is recognised in the income statement, was SEK 0 (0) million in respect of cash flow hedges during the reporting period. The maximum exposure for credit risk on the reporting date is the fair value of the derivative instruments recognised as assets in the balance sheet.

The nature of other financial assets and liabilities is in all essential respects the same as on 31 December 2016. The carrying amounts are deemed to be equal to actual values, which was also the case at the end of 2016, 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-Mar 2017	Jan-Mar 2016	Rolling 12 months	Full- year 2016	2015	2014	2013	2012
Income statement, SEK M								
Net turnover	472	432	1,770	1,730	1,795	1,547	1,389	1,437
Profit/loss before depreciation/amortisation and impairment losses	77	86	212	221	321	177	-11	61
Depreciation/amortisation and impairment losses	-20	-15	-56	-51	-58	-59	-142	-55
Operating profit/loss	57	71	156	170	263	118	-154	6
Financial items (net financial items)	-1	-2	-6	-7	-4	-4	-4	0
Profit/loss after financial items	56	69	150	163	259	114	-158	6
Net income	43	54	117	128	223	133	-158	-13
Statement of cash flow, SEK m								
Cash flow from operating activities	38	29	196	187	335	104	62	41
Investments in non-current assets	-42	-39	-281	-278	-278	-59	-37	-51
Cash flow after investments	-4	-10	-85	-91	57	45	25	-10
Sale of non-current assets	0	0	0	0	0	39	2	1
Cash provided by/used in financing activities	5	0	-57	-62	-152	-30	-18	14
Net cash flow	1	-10	-142	-153	80	54	9	5
Balance sheet items (SEK m)								
Non-current assets	927	717	927	905	706	691	706	809
Inventories	283	276	283	278	267	255	246	240
Current receivables	285	263	285	290	244	226	175	219
Cash and cash equivalents	17	159	17	16	169	89	35	26
Net cash (+) / net debt (-)	-2	159	17	2	169	59	-25	-52
Shareholders' equity	1,171	1,107	1,171	1,151	1,058	975	825	993
Long-term interest-bearing liabilities	19	-	19	-	-	30	0	0
Long-term non-interest-bearing liabilities	31	29	31	14	18	9	13	15
Current interest-bearing liabilities	-	-	-	14	-	0	60	78
Current non-interest-bearing liabilities	291	279	291	310	310	247	264	208
Capital employed	1,173	948	1,173	1,149	889	916	849	1,045
Total shareholders' equity and liabilities	1,512	1,415	1,512	1,489	1,386	1,261	1,161	1,294
Key ratios								
Operating margin, %	12.1	16.4	8.8	9.8	14.7	7.6	-11.1	0.4
Return on equity, %	3.7	5.0	10.3	11.6	21.9	13.6	Neg.	Neg.
Return on capital employed, %	4.9	7.7	14.7	16.7	29.1	13.4	Neg.	0.6
Equity/assets ratio, %	77	78	77	77	76	77	71	77
Debt/equity ratio, %	0	-14	-1	0	-16	-6	3	5
Other								
Average no. of employees	289	266	284	282	264	251	256	275
Pulp production, 1,000 tonnes	102.9	95.1	381.9	374.1	373.3	345.0	333.4	330.4
Pulp deliveries, 1,000 tonnes	101.2	92.9	382.4	374.1	372.2	344.2	332.1	331.4
List price of NBSK pulp, USD per tonne ¹	817	792	808	802	857	925	857	814
SEK/USD ²	8.92	8.46	8.67	8.56	8.44	6.86	6.51	6.78
List price of NBSK pulp, SEK per tonne	7,290	6,699	7,012	6,867	7,228	6,345	5,582	5,519

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

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

QUARTERLY DATA, GROUP

	2017	2016				2015			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income statement, SEK m									
Net turnover	472	441	444	413	432	429	455	456	454
Profit before depreciation/amortisation and impairment losses	77	1	61	73	86	18	95	90	118
Depreciation/amortisation and impairment losses	-20	-5	-15	-16	-15	-15	-14	-14	-14
Operating profit/loss	57	-4	46	57	71	3	81	76	104
Financial items (net financial items)	-1	-3	-1	-1	-2	-2	-1	-1	-1
Profit/loss after financial items	56	-7	45	56	69	1	80	75	103
Tax on income for the period	-13	1	-11	-10	-15	0	-18	6	-23
Net income	43	-6	34	46	54	1	62	81	80
Per share									
Earnings per share, SEK	0.28	-0.04	0.23	0.30	0.35	0.01	0.41	0.53	0.52
Other									
Pulp production, 1,000 tonnes	102.9	87.1	91.9	100.0	95.1	88.5	95.3	95.8	93.7
Pulp deliveries, 1,000 tonnes	101.2	92.8	95.6	92.8	92.9	91.3	94.7	95.3	90.9
List price of NBSK pulp, SEK per tonne	7,290	7,313	6,912	6,541	6,699	6,970	7,173	7,199	7,560

SHARE DATA ¹

		Jan-Mar	Jan-Mar	Rolling 12	Full-year	2015	2014	2013	2012
		2017	2016	months	2016				
Shares, opening ²	Number	152,572	152,572	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	152,572	152,572
Average number of shares ²	Number	152,572	152,572	152,572	152,572	152,572	152,572	152,572	152,572
Treasury shares ²	Number	822	822	822	822	822	822	822	822
Earnings per share	SEK	0.28	0.35	0.77	0.84	1.46	0.87	-1.04	-0.09
Cash flow after investments/share ³	SEK	-0.03	-0.07	-0.56	-0.60	1.52	0.29	0.16	-0.07
Equity per share	SEK	7.68	7.25	7.68	7.54	6.93	6.39	5.41	6.51
Dividend ⁴									
Ordinary dividend ⁴	SEK	-	-	0.30	0.30	0.30	0.20	-	-
Extra dividend ⁴	SEK	-	-	0.10	0.10	0.20	0.60	-	-
Total ⁴	SEK	-	-	0.40	0.40	0.50	0.80	-	-
Dividend/equity per share	%	-	-	5.2	5.3	7.2	12.5	-	-
Share price at end of period	SEK	8.35	6.05	8.35	8.05	8.15	3.74	1.99	2.00
Market price/equity per share	times	1.1	0.8	1.1	1.1	1.2	0.6	0.4	0.3
P/E ratio per share	times	7.5	4.3	10.8	9.6	5.6	4.3	Neg.	Neg.
Direct yield ⁵	%	-	-	4.8	5.0	6.1	21.4	-	-

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

Operating 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 income 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 in non-current assets.

Net cash/debt

Cash and cash equivalents less interest-bearing liabilities.

Capital employed

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

Return on capital employed

Operating profit/loss divided by average capital employed for the period (average of opening and closing capital employed).

Return on equity

Net income as a percentage of average shareholders' equity for the period (average of opening and closing shareholders' equity).

Equity/assets ratio

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

Debt/equity ratio

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

P/E ratio

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

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.		

APPLICATION AREAS OF ROTTNEROS' PRODUCTS



Electrical insulating material



Filters



Food trays and protective packaging



Fine paper



Board



Kraft paper



Tissue paper

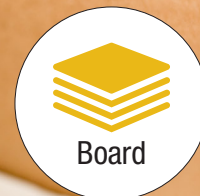


Printing and writing paper

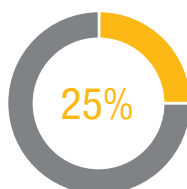


Board and packaging

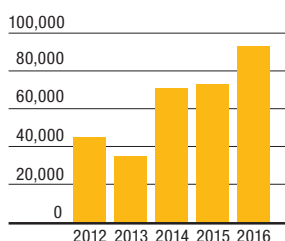
**CUSTOMISED
PULP FOR
OPTIMAL
PACKAGING**



PROPORTION OF ROTTNEROS' TOTAL DELIVERIES



ROTTNEROS' DELIVERIES OF PULP FOR BOARD, TONNES



Pulp to meet future demands on board and packaging

Pulp for board is considered to be a segment with long-term market growth and thus constitutes one of the areas Rottneros is focusing on. At Rottneros Mill, pulp for board accounted for over 50 per cent of total production and demand continues to grow. A global market with packaged goods sent all over the world and growing e-commerce are some of the growth factors. The growing middle class around the world and urbanisation are other causes.

Our specialists optimise your end products

Rottneros manufactures several types of pulp suitable for board production. For example, Bulk Booster is a mechanical pulp that makes it possible to produce a thicker, and thus stiffer, board using the same amount of raw material. The Robur Flash Kraft sulphate pulp is also an excellent choice to increase strength and thus convertibility. Rottneros' employees have extensive knowledge of the customers' end products and often work closely with the customers to achieve pulp that is optimised for their particular product. One example is at Rottneros Mill, where the customer's laboratory staff has been in place, working side by side with Rottneros' own experts to analyse the pulp in trial runs.



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