

ROTTNEROS INTERIM REPORT

Q3 January–September 2017

CONTINUED RISING
PRODUCTION TREND

FINANCING OF
AGENDA 500
COMPLETED

INVESTMENTS
FOLLOW PLAN
AND IMPROVE
SUSTAINABILITY

ROTTNEROS MILL
FOSSIL FREE



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

YOUR PULP COMPANY

INCREASE IN PRODUCTION ACCORDING TO PLAN, RECORD QUARTER AT VALLVIK

- **Production volume** in the third quarter rose by 12% to 102.5 thousand tonnes (91.9). Vallvik Mill set a new quarterly production record. Rottneros Mill underwent its annual maintenance shutdown in September.
- **Investments** in the Agenda 500 development programme are progressing according to plan, in terms of both costs and increased capacity. The new biofuel boiler makes Rottneros Mill's energy consumption essentially fossil-free.
- **Financing** of the Agenda 500 programme has been secured with a 5-year bond issue of SEK 400 million. This contributes to optimising the Group's capital structure.
- **Rottneros and RenFuel** are beginning collaboration in the use of the residual product, lignin, from Vallvik Mill in the manufacture of Lignol®, a raw material for renewable petrol and diesel.
- **Net turnover** in the third quarter increased by 6% to SEK 472 million (444). Turnover in the January–September period rose by 10% to SEK 1,416 million (1,289).
- **Profit after financial items** in the third quarter totalled SEK 41 million (45) and in the January–September period amounted to SEK 159 million (170). Earnings per share in January–September were SEK 0.81 (0.88).
- **Cash flow from operating activities** in the third quarter totalled SEK 57 million (93).
- **The list price for NBSK pulp** during the third quarter was 10% higher in USD and 5% higher in SEK, compared with the third quarter of 2016. However, compared with the second quarter of 2017, the price in SEK was 4% lower.

The quarter and first nine months in figures

	Jul-Sept 2017	Jul-Sept 2016	change, %	Jan-Sept 2017	Jan-Sept 2016	change, %	Rolling 12 months	Jan-Dec 2016
Net turnover, SEK m	472	444	6	1,416	1,289	10	1,857	1,730
Operating profit, SEK m	44	46	-4	163	174	-6	159	170
Profit after financial items, SEK m	41	45	-9	159	170	-6	152	163
Net profit, SEK m	32	34	-6	124	134	-7	118	128
Earnings per share, SEK	0.21	0.23	-9	0.81	0.88	-8	0.77	0.84
Cash flow from operating activities, SEK m	57	93	-39	148	174	-15	161	187
Return on capital employed (rolling 12 months), %							13.6	16.7
Production, thousand tonnes	102.5	91.9	12	306.8	287.0	7	393.9	374.1
Deliveries, thousand tonnes	95.7	95.6	0	295.8	281.3	5	388.6	374.1



COMMENTS BY THE CEO: RECORD QUARTER AT VALLVIK

Our focus on profitable and sustainable growth continues to result in a clear trend towards increased production. Vallvik Mill reported a new production record during the third quarter. This proves that our strategic investment in the Agenda 500 programme is increasing the capacity in accordance with plans. Operating profit for the quarter decreased by SEK 2 million to SEK 44 million and was held back by certain unplanned events. The cost development is not satisfactory. We have increased our focus on the costs in order to return to a normal level. We are doing this in the same goal-oriented manner that has led us to the higher production volumes.

The Group's production rose by 12 per cent to 102,500 tonnes, which represents yet another quarter in which production exceeded 100,000 tonnes. This was all achieved despite the annual maintenance shutdown at Rottneros Mill, which proves that we are gradually moving towards higher production volumes. Potential is there to further increase availability at our mills in the future.

However, we are not satisfied with cost development. In the future, we will focus on achieving cost-efficiency in a structured and goal-oriented manner. In this way, we will take the next step towards increasing profitability alongside the expanded volume which we have been intensively working on over the last 15 months.

The strong market is creating good conditions for profitability, despite the weaker USD

The market continues to be positive with a good balance between supply and demand. Our outlook for the fourth quarter is thus optimistic. The weakening of the dollar against the krona over the summer has, to some extent, been reversed in the past few months, and has also been counteracted by an increasing USD pulp price. Taken as a whole, the external conditions for achieving both profitability and growth for the Group are good.

Sustainability lies at the heart of our operations

Sustainability is a key element when we continue to develop Rottneros. A number of important activities were closely linked to this during the quarter. The investment in the fully bio-based, solid-fuel boiler at Rottneros Mill has successfully been brought into operation. The new boiler replaces an old oil-based boiler. The mill's energy consumption is now essentially fossil-free and more efficient, decreasing the mill's variable costs by SEK 25 million annually.

The agreement with RenFuel, which we signed in September, means that we will start delivering lignin from Vallvik Mill. Lignin shipment will start up during the course of next year and will be used in RenFuel's lignin oil, which in turn can be refined into renewable petrol and diesel. This will undoubtedly be an exciting market in the future.

Rottneros Mill carried out its annual maintenance shutdown in September, while Vallvik performed its shutdown at the beginning of the fourth quarter. Both went according to plan,

with costs in line with expectations, i.e. SEK 10 million and SEK 55 million, respectively. A new wash press was installed as part of the shutdown at Vallvik Mill, which ensures not only higher production capacity but also a reduction in emissions in order to comply with new, stricter environmental requirements.



Financing of Agenda 500 secured

In August, we concluded the financing of our strategic action plan, Agenda 500, through a bond issue of SEK 400 million within a framework of SEK 600 million. This ensures full financing of our expansion investments over the next four years. We will therefore meet our goal of achieving production volume of at least 470 thousand tonnes by the end of 2021. We are also creating a more optimal balance sheet through increased borrowing. This will allow us to raise the potential return on shareholders' equity, while simultaneously keeping the balance sheet at a solid, strong level.

Looking ahead, conditions will remain positive for delivering on our goals. We have excellent opportunities to bring about sustainability, profitable growth through expanded production volumes, and increased efficiency at our facilities. Our focus is on constantly optimising the factors that we can influence while taking advantage of the opportunities the outside world provides us with.

Lennart Eberleh

MARKETS AND PRODUCTS

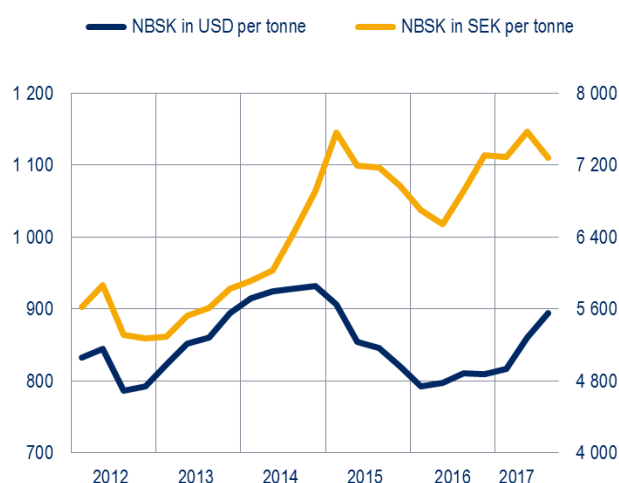
Underlying demand for pulp is robust in emerging markets, but stagnant or somewhat on the decline in mature economies. The structural decline in graphic paper continues, but has been more than offset by increased global fibre consumption in packaging and tissue paper.

Deliveries of chemical market pulp worldwide (World-20) during January–September totalled 37 million tonnes, up 3.6 per cent from 2016. Demand from China and the rest of Asia is very strong, but the North American market has also shown good growth this year. Deliveries to Europe, however, are at around 1 per cent below the level seen in the previous year. Industrial capacity utilisation for the January–September period was 92 per cent. Producer stocks at the end of September were at a level corresponding to 36 days of consumption. Stocks were well-balanced and on the low side for long-fibre pulp, but rather on the high side and on the increase for short-fibre.

The price of NBSK pulp was stable over the summer months, but rose by approximately 15 dollars in September to USD 906. Compared with the start of the year, the price has climbed by approximately 100 dollars, but as the dollar has continued to weaken, the cost to European purchasers, expressed in Euros, remains unchanged since year end. The price of short-fibre pulp increased in the year to September by more than 230 dollars to USD 890. The price upswing for chemical market pulp continued in October, with the gap between long and short-fibre prices now almost entirely eliminated. The price trend for BCTMP has essentially remained in line with that of short-fibre pulp.



NBSK price trend over the past five years



PRODUCTION AND DELIVERIES

Production volumes in the third quarter of 2017 were 12 per cent up on the third quarter of 2016. Vallvik Mill set a new quarterly production record. Production of CTMP at Rottneros Mill was 25 per cent higher than in the third quarter of 2016.

The Group's deliveries to customers in the third quarter of 2017 were, however, at the same level as in the corresponding quarter of 2016 due to the build-up in stocks at Vallvik Mill prior to the maintenance shutdown. Rottneros' market is strong with a good balance between supply and demand.

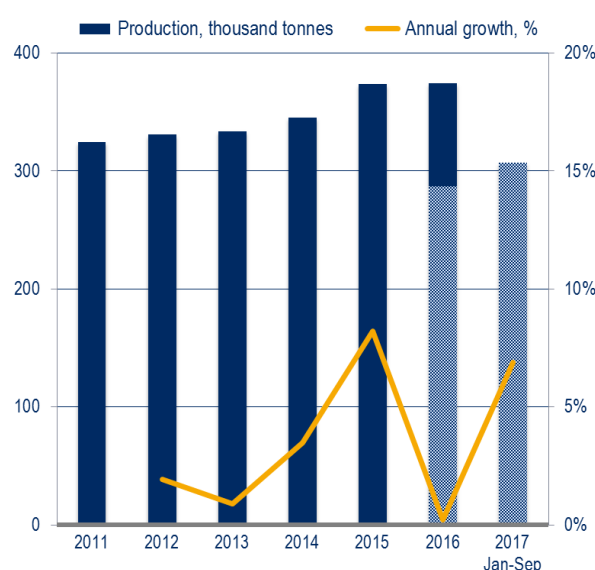
PRODUCTION (TONNES)

	Jul-Sept 2017	Jul-Sept 2016	Jan-Sept 2017	Jan-Sept 2016	Jan-Dec 2016
Sulphate pulp	62,900	56,300	178,800	171,200	217,500
Groundwood pulp	15,100	16,000	51,900	51,500	69,000
CTMP	24,500	19,600	76,100	64,300	87,600
TOTAL	102,500	91,900	306,800	287,000	374,100

DELIVERIES (TONNES)

	Jul-Sept 2017	Jul-Sept 2016	Jan-Sept 2017	Jan-Sept 2016	Jan-Dec 2016
Sulphate pulp	53,500	58,400	170,600	168,300	219,200
Groundwood pulp	16,000	14,600	52,200	49,700	67,300
CTMP	26,200	22,600	73,000	63,300	87,600
TOTAL	95,700	95,600	295,800	281,300	374,100

Annual volumes and annual growth





SALES AND RESULTS – THIRD QUARTER

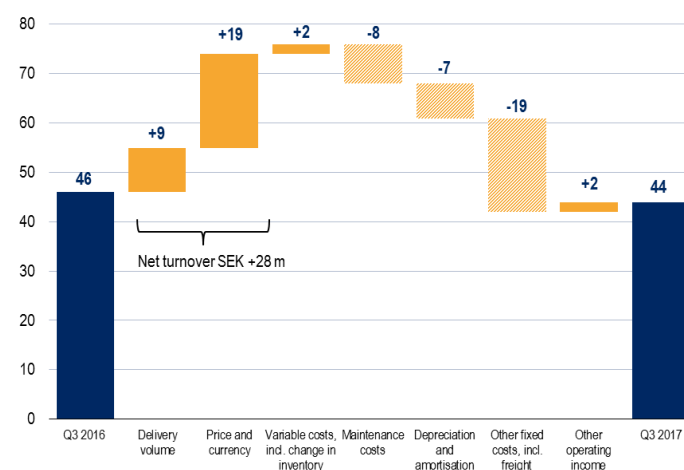
Turnover during the third quarter of 2017 amounted to SEK 472 million (444), an increase of 6 per cent. The NBSK list price in SEK rose 5 per cent compared with the third quarter of 2016.

Operating profit for the third quarter of 2017 was SEK 44 million (46), which corresponds to 9.3 (10.4) per cent of turnover. In the third quarter, investments continued at Vallvik Mill with the goal of ensuring good capacity usage. These measures resulted in higher fixed costs. The results for the quarter were also affected by an electricity engine failure on the groundwood line at Rottneros Mill, resulting in a somewhat lower production rate and certain unplanned costs.

Third quarter of 2017 compared with third quarter of 2016

	Jul-Sept 2017	Jul-Sept 2016	change, %
NBSK, USD	895	811	10
SEK/USD	8.14	8.52	-4
NBSK, SEK	7,279	6,912	5
Net turnover	472	444	6
Operating profit	44	46	-4

Difference in operating profit for Q3 2017 compared with Q3 2016 (SEK m)



Maintenance shutdowns and seasonal variations

Similarly to last year, a maintenance shutdown was carried out at Rottneros Mill in the third quarter. The annual maintenance shutdown at Vallvik Mill was performed at the start of the fourth quarter, as in the previous year.

The direct costs of a maintenance shutdown are reported for 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, affecting turnover and income for the quarter in which the shutdown takes place.

	Time of maintenance shutdown		Estimated cost of shutdown (SEK m)
	2017	2016	
Rottneros Mill	Q3	Q3	10
Vallvik Mill	Q4	Q4	55

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

In other respects, the Rottneros Group is not affected by seasonal variations to any appreciable extent.

Variable costs were at the same level as during the third quarter of 2016. Maintenance costs increased partly according to plan under Agenda 500 and partly due to initiatives associated with availability and quality at Vallvik Mill.

Depreciation rose based on the investments that came into operation at the end of 2016 and during 2017. Other fixed costs increased due to a rise in the number of employees to keep pace with capacity expansion and skills enhancement, due to certain initiatives relating to availability and quality at Vallvik Mill, and due to the electricity engine failure at Rottneros Mill.

Other operating income during the third quarter of 2017 was at the same level as in the corresponding period of 2016.

The average price of electricity on the Nord Pool electricity exchange (area SE3) amounted to SEK 0.32 (0.28) per kWh for the third quarter of 2017, 14 per cent up on the third quarter of 2016. Thanks to high hedging levels, the price increase only had a marginal impact on quarterly results.



SALES AND RESULTS – JANUARY–SEPTEMBER

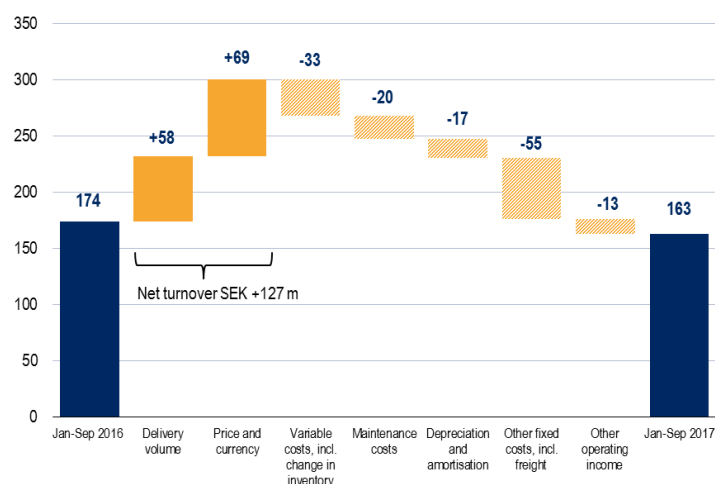
Turnover in January–September 2017 amounted to SEK 1,416 million (1,289), an increase of 10 per cent. Delivery volume rose 5 per cent compared with January–September 2016. The NBSK list price in SEK rose 10 per cent compared with January–September 2016. For Rottneros' deliveries, however, the price increase was somewhat lower due to changes in the product mix compared with January–September of last year.

Operating profit for January–September 2017 was SEK 163 million (174), corresponding to 11.5 (13.5) per cent of turnover. During January–September, some initiatives were implemented at Vallvik Mill to ensure capacity utilisation and to address the poor quality of incoming raw materials. The Company is focusing more on the cost-efficiency, in order to return to a normal level.

January–September 2017 compared with January–September 2016

	Jan-Sept 2017	Jan-Sept 2016	change, %
NBSK, USD	857	800	7
SEK/USD	8.61	8.40	3
NBSK, SEK	7,384	6,718	10
Net turnover, SEK m	1,416	1,289	10
Operating profit, SEK m	163	174	-6

Difference in operating profit for January–September 2017 compared to January–September 2016 (SEK m)



Variable costs rose during January–September 2017 compared with January–September 2016, primarily due to a higher delivery volume. Maintenance costs increased partly according to plan under Agenda 500 and partly due to further measures associated with production disruptions at both mills.

Depreciation rose based on the major investments that became operational at the end of 2016 and during 2017. Other fixed costs increased in part due to an increase in the number of employees to keep pace with capacity expansion and skills enhancement, and partly because of the unplanned shutdown in April, as well as initiatives relating to availability and quality at Vallvik Mill.

Other operating income during January–September 2017 was lower than in January–September 2016, primarily due to currency rate losses on operating capital this year, rather than the rate gains seen last year.

The average price of electricity on the Nord Pool electricity exchange (area SE3) amounted to SEK 0.30 (25) per kWh for January–September 2017, 20 per cent higher up on January–September 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.

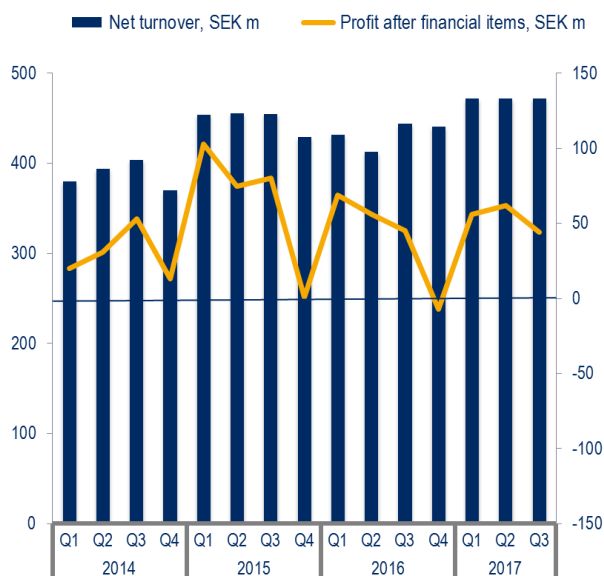
Other income statement items

The Group's profit after net financial items amounted to SEK 159 million (170) for January–September 2017.

Income tax for January–September was SEK 35 (36) million. Rottneros plans to take advantage of its excess depreciation in 2017, which means that the Group will report a deferred tax expense instead of tax paid.

Net income totalled SEK 124 (134) million and earnings per share were SEK 0.81 (0.88) SEK in the January–September 2017 period.

Return on capital employed, measured over a rolling 12-month period, was 13.6 per cent (18.1). Return on equity, over a rolling 12-month period, was 10.0 per cent (11.9).



INVESTMENTS AND FINANCIAL POSITION

Group investments in non-current assets amounted to SEK 149 (182) million for January–September 2017. The investments primarily relate to equipment for increasing capacity and efficiency under Agenda 500, the long-term strategic action plan to strengthen and develop Rottneros.

The new energy-efficient, low emission bio-fuel boiler at Rottneros Mill was commissioned as part of the maintenance shutdown in September. The energy from the boiler is used to dry the paper pulp. The new boiler replaces the old, oil-based boiler which had been used previously. Following the investment, energy consumption at both mills is, for all practical purposes, fossil fuel-free.

A new wash press was installed as part of the shutdown at Vallvik Mill, which ensures not only higher production capacity but also a reduction in emissions in order to comply with new, stricter environmental requirements.

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 put into operation in 2018.

During the period 2015-2017, the Board of Directors decided on total investments of about SEK 620 million within the scope of Agenda 500. Approximately SEK 510 million of these investments were carried out in 2015-2016 and January–September 2017. The remaining investments of around SEK 110 million will be implemented in 2017-2018. Over half of these investments are already procured and contracted.



Image: Rottneros Mill's new bio-fuel boiler during construction

In order to conclude financing of the Agenda 500 strategic plan and to increase the effectiveness of the Group's capital structure in the long term, Rottneros AB made a non-secured bond issue of SEK 400 million in August with a maturity of 5 years to primarily Nordic institutional investors. The bonds have a floating interest rate of STIBOR 3m + 4.15 per cent and mature in September 2022. The bonds have a framework of SEK 600 million and are listed on Nasdaq Stockholm. The bond terms contain standard covenants in the form of net debt to EBITDA of a maximum of 3.5, minimum equity/assets ratio of 50%, and a maximum dividend of 50% of the previous year's net income. These covenants were fulfilled on the balance sheet date.

The Group's cash and cash equivalents amounted to SEK 340 million at the end of the third quarter, compared with SEK 16 million at the end of 2016. Interest-bearing liabilities were SEK 394 million at the end of the third quarter, compared with SEK 14 million at the end of 2016. Net debt at the end of the third quarter totalled SEK 54 million, compared with net cash of SEK 2 million at the end of 2016. Total granted and unused credit facilities amounted to SEK 182 million at the end of the third quarter.

The equity/assets ratio amounted to 60 (75) per cent as of 30 September 2017. Equity per share totalled SEK 8.04 (SEK 7.49) at the end of the third quarter.

CASH FLOW

Cash flow from operating activities for the period January–September 2017 amounted to SEK 148 (174) million. The continued strong cash flow from operating activities even funded the Group's investments during January–September 2017. Cash flow after investments for January–September 2017 was SEK -1 (-8) million.

Shareholders were paid a dividend of SEK 61 (76) million in the second quarter.

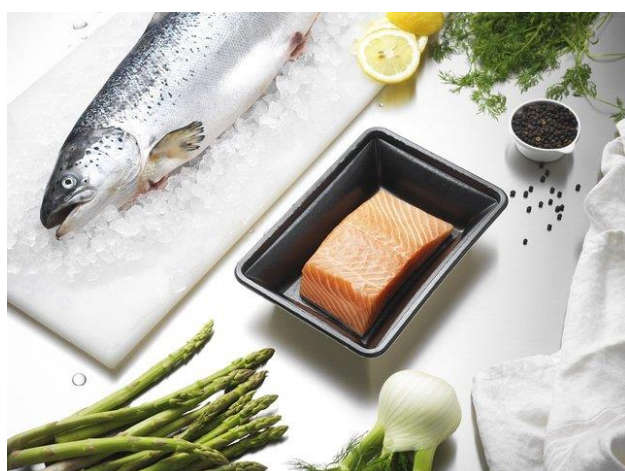
The Group made a bond issue of SEK 400 million in August and repaid other long-term loans of SEK 80 million, which had been taken out during the first half of the year.

Net cash flow for January–September 2017 was SEK +324 (-84) million.

ROTTNEROS PACKAGING

Rottneros Packaging, the Group's new development area for environmentally-friendly fibre trays, has started industrial production and customer deliveries. The manufacturing process and product quality will thus be developed. Construction of an entirely new production line will also begin in Sunne, with the start of production scheduled for around mid-year 2018.

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



COOPERATION IN RENEWABLE FUEL

Rottneros and RenFuel entered into an agreement in September to supply the residual product lignin for the manufacture of Lignol®, RenFuel's patented lignin oil, which can be refined into renewable petrol and diesel. During 2018, Rottneros will start minor deliveries of lignin from Vallvik Mill for RenFuel's testing and pilot plant in Bäckhammar, Värmland county.

AVERAGE NUMBER OF EMPLOYEES

The average number of employees for the period January–September 2017 was 295 (276). The increase was mainly attributable to capacity expansion and skills enhancement.

PARENT COMPANY

The loss after financial items of the parent company amounted to SEK -20 (-14) million for January–September 2017.

CHANGES IN MANAGEMENT

Michael Berggren was appointed head of Vallvik Mill in September 2017. Michael most recently worked at Ahlstrom-Munksjö where he was production manager at Aspa Mill. He is a member of Rottneros group management.

In October, Rottneros announced that Olle Dahlin, CEO of Rottneros Bruk AB and member of the group management, will be leaving his position by 30 November 2017. The recruitment of his replacement has started, while Group CEO Lennart Eberleh is currently the acting CEO of Rottneros Bruk AB.

SHARE INFORMATION

Largest shareholders on 30 September 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
Försäkringsaktieförbundet Avanza Pension	3,650,514	2.4
Clearstream Banking S.A., W8IMY	1,668,169	1.1
Försäkrings Skandia AB	1,553,780	1.0
Nordnet Pensionsförsäkring AB	1,520,711	1.0
Borell, Joakim	1,438,110	0.9
S3 / IICS Clients	1,413,538	0.9
SSB Client Omnibus AC OM07 (15 PCT)	1,399,550	0.9
SEB Investment Management	1,169,784	0.8
Total for 10 largest owners – by size of holding	100,235,039	65.3
Other shareholders	52,336,886	34.1
Rottneros AB (treasury shares from buy-back)	821,965	0.5
TOTAL	153,393,890	100.0

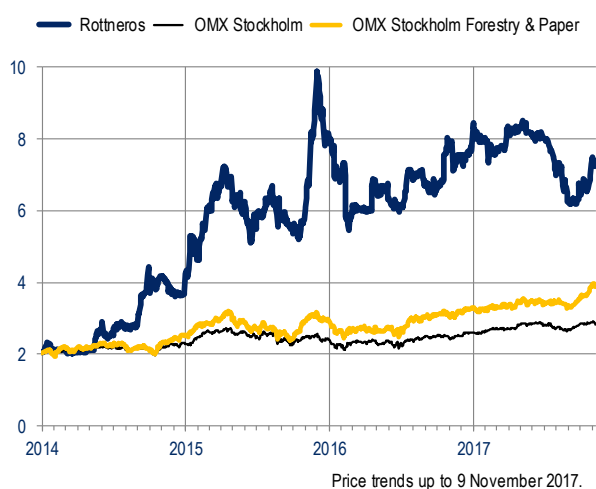
Number of shares and treasury shares

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–September 2017.

Share price trend during January–September

At the end of the third quarter of 2017, the share price was SEK 6.65 (6.60 at the end of the third quarter of 2016 and 8.05 at the end of 2016).

Price trends, Rottneros share and Stockholm Stock Exchange, 2014-2017



Transactions with related parties

During January–September 2017, Rottneros sold pulp to the related party Arctic Paper S.A. Group, to the amount of SEK 108 (83) million. Outstanding operating receivables from Arctic Paper totalled SEK 23 (18) million at the end of the third quarter. The transactions were made under market conditions.

RISK MANAGEMENT

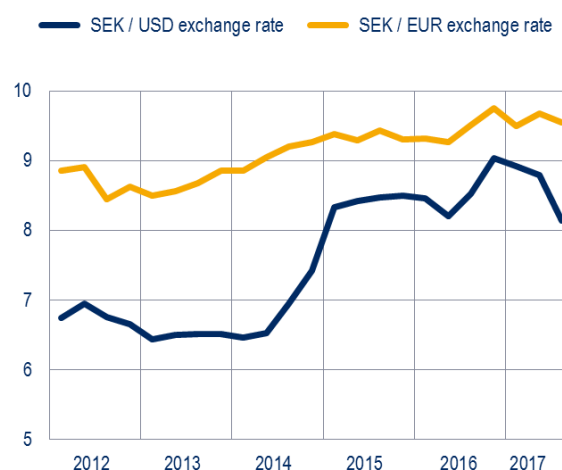
Operationally, the Company uses a number of measures and strategies – for example, focusing on niches and various specific customer segments – aimed at reducing the Group's dependence on market pulp list prices and at moderating fluctuations in profitability over a business cycle. The factors that have 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 various currencies, the underlying currency for the pulp price is predominantly USD. The underlying exposure to USD is thus high. The direct inflow of USD (real flow) for January–September 2017 represented approximately 45 per cent of inflow, with approximately 40 per cent in EUR. 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 3 per cent higher in January–September 2017 than in January–September 2016.

Exchange rate trends 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 6,000 tonnes as of 31 September 2017, with a due date between October 2017 up to and including December 2017 at a price of SEK 7,150 per tonne. As of 30 September 2016, the Group had no pulp price hedges.

Electricity

All external electricity for the mills, about 300 GWh annually, is purchased directly via the Nord Pool electricity exchange. Electricity prices are quoted in EUR. At the end of the third quarter of 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 price hedging, 30 September 2017

Year	Proportion hedged	SEK/kWh
2017 Oct-Dec	87%	0.240
2018	85%	0.226
2019	85%	0.225
2020	85%	0.218
2021	42%	0.237

The high hedging ratio protects Rottneros' future electricity cost against major fluctuations. The average price level for electricity on the Nord Pool exchange (area SE3) was SEK 0.30 (0.25) per kWh for the period January–September 2017.

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

SUBSEQUENT EVENTS

There were no significant events after the balance sheet date that affected the Group's financial position and results of operations.

NOMINATION COMMITTEE BEFORE THE 2018 ANNUAL GENERAL MEETING

Based on the decision of the 2017 annual general meeting (AGM), the nomination committee will consist of the Chairman of the Board, who may not be the Chairman of the Committee, as well as two further members, one of whom must be appointed by the Company's largest shareholder together with one appointed by any of the Company's four largest shareholders. Neither of these latter two members may also be a member of the board.

Olle Grundberg, Arctic Paper S.A., has been appointed as Chairman of the Committee, and the other members appointed are Stefan Sundh, PROAD AB, and Per Lundeen, Chairman of the Board of Rotneros AB.

According to the instruction laid down by the AGM, the nomination committee is obliged to prepare and issue to the AGM a proposal for the selection of a Chairman and other Members of the Board of Directors; directors' fees divided between the chairman, other members, and remuneration for advisory work; selection and remuneration of an auditor; selection of a Chairman for the AGM, as well as criteria for how the new nomination committee will be appointed.

Shareholders who wish to submit comments or present proposals to the nomination committee can do so via e-mail to: valberedning@rotneros.com or by letter to Rotneros AB, Valberedningen, PO Box 144, SE-826 23 Söderhamn.

In order to be considered, any such comments or proposals must be received by the nomination committee in good time before the AGM and latest by 21 March 2018.

The Annual General Meeting will be held on Wednesday, 16 May 2018 in Sunne.

UPCOMING FINANCIAL INFORMATION

8 February 2018	Year-End Bulletin, January–December
24 April 2018	Interim Report, January–March
16 May 2018	Annual General Meeting
9 August 2018	Interim Report, April–June
24 October 2018	Interim Report, July–September

Otherwise, please refer to the Rotneros website, www.rotneros.com.

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

Vallvik, 13 November 2017

Lennart Eberleh
President and CEO

This information is information that Rotneros AB is obliged to publish under the EU Market Abuse Regulation and the Securities Market Act. The information was submitted via the contact person below for publication on 13 November 2017 at 8 a.m. CET. Swedish and English versions 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:

Lennart Eberleh, President and CEO, Rotneros AB, +46 270 622 65

Rotneros AB (publ)
Corp. ID no. 556013-5872
PO Box 144, SE-826 23 Söderhamn
tel. +46 (0)270-622 00, fax: +46 (0)270-692 10
www.rotneros.com



CONSOLIDATED STATEMENTS OF INCOME

CONSOLIDATED INCOME STATEMENT

Amounts in SEK m	July-Sept 2017	July-Sept 2016	Jan-Sept 2017	Jan-Sept 2016	Rolling 12 months	Full-year 2016
NET TURNOVER	472	444	1,416	1,289	1,857	1,730
Change in inventories, finished goods	23	-12	47	17	26	-4
Other operating income	7	5	32	45	44	57
Total income from operations	502	437	1,495	1,351	1,927	1,783
Raw materials and consumables	-250	-217	-727	-664	-944	-881
Other expenses	-121	-105	-348	-301	-505	-458
Employee benefit expenses	-65	-54	-194	-166	-251	-223
Depreciation/amortisation and impairment losses	-22	-15	-63	-46	-68	-51
Total operating expenses	-458	-391	-1,332	-1,177	-1,768	-1,613
OPERATING PROFIT	44	46	163	174	159	170
Financial income	0	1	1	2	1	2
Financial expenses	-3	-2	-5	-6	-8	-9
Total financial items	-3	-1	-4	-4	-7	-7
PROFIT AFTER FINANCIAL ITEMS	41	45	159	170	152	163
Tax on profit for the period	-9	-11	-35	-36	-34	-35
NET INCOME	32	34	124	134	118	128
Average number of shares (thousand) ¹	152,572	152,572	152,572	152,572	152,572	152,572
Earnings per share (SEK) ¹	0.21	0.23	0.81	0.88	0.77	0.84

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	July-Sept 2017	July-Sept 2016	Jan-Sept 2017	Jan-Sept 2016	Rolling 12 months	Full-year 2016
NET INCOME	32	34	124	134	118	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	31	24	15	33	34	52
Cash flow hedging, tax effect	-7	-5	-3	-7	-7	-11
Translation differences	0	0	0	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME	24	19	12	26	27	41
COMPREHENSIVE INCOME FOR THE PERIOD ²	56	53	136	160	145	169

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

SUMMARY CONSOLIDATED BALANCE SHEET

Amounts in SEK m	30 Sept 2017	30 Sept 2016	31 Dec 2016
Intangible assets	16	13	10
Property, plant and equipment	962	789	882
Financial assets	37	12	13
Total non-current assets	1,015	814	905
Inv entories	315	299	278
Current receiv ables	358	320	290
Cash and cash equivalents	340	85	16
Total current assets	1,013	704	584
TOTAL ASSETS	2,028	1,518	1,489
Shareholders' equity	1,226	1,142	1,151
Long-term liabilities			
Interest-bearing liabilities	394	-	-
Deferred tax liabilities	47	5	8
Other non-interest-bearing liabilities	9	10	6
Total long-term liabilities	450	15	14
Current liabilities			
Interest-bearing liabilities	-	-	14
Non-interest-bearing liabilities	352	361	310
Total current liabilities	352	361	324
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,028	1,518	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-Sept						134	134
Other comprehensive income, Jan-Sept				26	0		26
Total comprehensive income, Jan-Sept				26	0	134	160
Dividends to shareholders, Jan-Sept						-76	-76
Closing balance, 30 September 2016	153	730	-69	0	-8	336	1,142
Net income Oct-Dec						-6	-6
Other comprehensive income, Oct-Dec				15	0		15
Total comprehensive income, Oct-Dec				15	0	-6	9
Closing balance, 31 December 2016	153	730	-69	15	-8	330	1,151
Net income Jan-Sept						124	124
Other comprehensive income, Jan-Sept				12	0		12
Total comprehensive income, Jan-Sept				12	0	124	136
Dividends to shareholders, Jan-Sept						-61	-61
Closing balance, 30 September 2017	153	730	-69	27	-8	393	1,226

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK m	Jan-Sept 2017	Jan-Sept 2016	Rolling 12 months	Full-year 2016
Operating profit	163	174	159	170
Adjustment for non-cash flow items				
Depreciation/amortisation and impairment losses	63	46	68	51
Other items not affecting cash flow	0	-13	0	-13
Operating profit adjusted for non-cash items	226	207	227	208
Received/paid financial items	-8	-2	-10	-4
Received/paid taxes	0	0	0	0
Cash flow from operating activities before working capital changes	218	205	217	204
Change in working capital	-70	-31	-56	-17
Cash flow from operating activities	148	174	161	187
Investments in non-current assets	-149	-182	-245	-278
Cash used in investing activities	-149	-182	-245	-278
Long-term loans	480	-	480	-
Amortisation of long-term loans	-80	-	-80	-
Change in used bank overdraft facilities	-14	-	-	14
Dividends paid	-61	-76	-61	-76
Cash provided by/used in financing activities	325	-76	339	-62
Net cash flow for the period	324	-84	255	-153
Cash and cash equivalents at start of period	16	169	85	169
Net cash flow for the period	324	-84	255	-153
Cash and cash equivalents at end of period	340	85	340	16



PARENT COMPANY INCOME STATEMENTS

PARENT COMPANY INCOME STATEMENT

Amounts in SEK m	Jan-Sept 2017	Jan-Sept 2016	Full-year 2016
NET TURNOVER	4	4	6
Other operating income	8	4	5
Total income from operations	12	8	11
Other expenses	-12	-10	-18
Employee benefit expenses	-18	-11	-15
Depreciation/amortisation and impairment losses	0	0	-6
Total operating expenses	-30	-21	-39
OPERATING LOSS	-18	-13	-28
Profit from participations in Group companies	0	0	166
Financial expenses	-2	-1	0
Total financial items	-2	-1	166
LOSS/PROFIT AFTER FINANCIAL ITEMS	-20	-14	138
Tax on loss/profit for the period	4	3	-30
NET INCOME	-16	-11	108

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Jan-Sept 2017	Jan-Sept 2016	Full-year 2016
NET INCOME	-16	-11	108
Other comprehensive income	-	-	-
Total other comprehensive income	-	-	-
COMPREHENSIVE INCOME FOR THE PERIOD	-16	-11	108

PARENT COMPANY BALANCE SHEET, SUMMARY

Amounts in SEK m	30 Sept 2017	30 Sept 2016	31 Dec 2016
Intangible assets	14	12	9
Financial assets	285	311	282
Total non-current assets	299	323	291
Current receivables ¹	859	663	887
Cash and cash equivalents	328	59	1
Total current assets	1,187	722	888
TOTAL ASSETS	1,486	1,045	1,179
Shareholders' equity	961	920	1,042
Long-term liabilities			
Interest-bearing	394	-	-
Non-interest-bearing	8	4	6
Total long-term liabilities	402	4	6
Current liabilities			
Interest-bearing	-	-	11
Non-interest-bearing ²	123	121	120
Total current liabilities	123	121	131
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,486	1,045	1,179

¹ Including receivables of SEK 859 (663) million from subsidiaries.

² Including liabilities of SEK 113 (113) 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.

Unless otherwise stated, amounts in this report are in SEK million. Rounding-off differences may occur.

FINANCIAL INSTRUMENTS

FAIR VALUE FOR DERIVATIVES, 30 SEPTEMBER 2017

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Currency EUR, forward sell	EUR 2.1 million	Oct-Nov 2017	9.53 SEK/EUR	0
Currency USD, forward sell	USD 6.5 million	Oct-Nov 2017	7.97 SEK/USD	-1
Pulp, forward sell	6,000 tonnes	Oct-Dec 2017	7,150 SEK/tonne	-1
Electricity, forward buy	1,053,000 MWh	2017-2021	0.226 SEK/kWh	34
Total fair value				32

FAIR VALUE FOR DERIVATIVES, 31 DECEMBER 2016

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Currency EUR, forward sell	EUR 1.0 million	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 that is reported in the income statement amounted to SEK 0 (0) million with respect to 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 reported as assets in the balance sheet.

In August 2017, Rotneros AB issued non-secured bonds of MSEK 400 with a maturity of five years. The bonds have a floating interest rate of STIBOR 3m + 4.15 per cent and mature in September 2022. Direct costs in connection with the issue amounted to approximately SEK 7 million, and will be reported as interest costs over the bond period. The bonds have a framework of SEK 600 million and are listed on Nasdaq Stockholm. The bond terms contain standard covenants in the form of net debt to EBITDA of a maximum of 3.5, minimum equity/assets ratio of 50%, and a maximum dividend of 50% of the previous year's net income. These covenants were fulfilled on the balance sheet date. The bonds' fair value is deemed to equal the nominal value on the balance sheet date.

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 fair values, which was also the case at the end of 2016, since the effect of discounting is not of material significance. Accounts receivable 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-Sept 2017	Jan-Sept 2016	Rolling 12 months	Full-year 2016	2015	2014	2013	2012
Income statement, SEK m								
Net turnover	1,416	1,289	1,857	1,730	1,795	1,547	1,389	1,437
Profit/loss before depreciation/amortisation and impairment losses	226	220	227	221	321	177	-11	61
Depreciation/amortisation and impairment losses	-63	-46	-68	-51	-58	-59	-142	-55
Operating profit/loss	163	174	159	170	263	118	-154	6
Financial items (net financial items)	-4	-4	-7	-7	-4	-4	-4	0
Profit/loss after financial items	159	170	152	163	259	114	-158	6
Net income	124	134	118	128	223	133	-158	-13
Statement of cash flow, SEK m								
Cash flow from operating activities	148	174	161	187	335	104	62	41
Investments in non-current assets	-149	-182	-245	-278	-278	-59	-37	-51
Cash flow after investments	-1	-8	-84	-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	325	-76	339	-62	-152	-30	-18	14
Net cash flow	324	-84	255	-153	80	54	9	5
Balance sheet items (SEK m)								
Non-current assets	1,015	814	1,015	905	706	691	706	809
Inventories	315	299	315	278	267	255	246	240
Current receivables	358	320	358	290	244	226	175	219
Cash and cash equivalents	340	85	340	16	169	89	35	26
Net debt (+) / net cash (-)	54	-85	54	-2	-169	-59	25	52
Shareholders' equity	1,226	1,142	1,226	1,151	1,058	975	825	993
Long-term interest-bearing liabilities	394	-	394	-	-	30	0	0
Long-term non-interest-bearing liabilities	56	15	56	14	18	9	13	15
Current interest-bearing liabilities	-	-	-	14	-	0	60	78
Current non-interest-bearing liabilities	352	361	352	310	310	247	264	208
Capital employed	1,280	1,057	1,280	1,149	889	916	849	1,045
Total shareholders' equity and liabilities	2,028	1,518	2,028	1,489	1,386	1,261	1,161	1,294
Key ratios								
Operating margin, %	11.5	13.5	8.6	9.8	14.7	7.6	-11.1	0.4
Return on shareholders' equity (rolling 12 months), %	10.0	11.9	10.0	11.6	21.9	13.6	Neg.	Neg.
Return on capital employed (rolling 12 months), %	13.6	18.1	13.6	16.7	29.1	13.4	Neg.	0.6
Equity/assets ratio, %	60	75	60	77	76	77	71	77
Debt/equity ratio, %	4	-7	4	0	-16	-6	3	5
Other								
Average no. of employees	295	276	289	282	264	251	256	275
Pulp production, 1,000 tonnes	306.8	287.0	393.9	374.1	373.3	345.0	333.4	330.4
Pulp deliveries, 1,000 tonnes	295.8	281.3	388.6	374.1	372.2	344.2	332.1	331.4
List price of NBSK pulp, USD per tonne ¹	857	800	845	802	857	925	857	814
SEK/USD ²	8.61	8.40	8.73	8.56	8.44	6.86	6.51	6.78
List price of NBSK pulp, SEK per tonne	7,384	6,718	7,375	6,867	7,228	6,345	5,582	5,519

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

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

QUARTERLY DATA, GROUP

	2017			2016				2015			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income statement, SEK m											
Net turnover	472	472	472	441	444	413	432	429	455	456	454
Profit before depreciation/amortisation and impairment losses	66	83	77	1	61	73	86	18	95	90	118
Depreciation/amortisation and impairment losses	-22	-21	-20	-5	-15	-16	-15	-15	-14	-14	-14
Operating profit/loss	44	62	57	-4	46	57	71	3	81	76	104
Financial items (net financial items)	-3	0	-1	-3	-1	-1	-2	-2	-1	-1	-1
Profit/loss after financial items	41	62	56	-7	45	56	69	1	80	75	103
Tax on profit/loss for the period	-9	-13	-13	1	-11	-10	-15	0	-18	6	-23
Net income	32	49	43	-6	34	46	54	1	62	81	80
Per share											
Earnings per share, SEK	0.21	0.32	0.28	-0.04	0.23	0.30	0.35	0.01	0.41	0.53	0.52
Other											
Pulp production, 1,000 tonnes	102.5	101.4	102.9	87.1	91.9	100.0	95.1	88.5	95.3	95.8	93.7
Pulp deliveries, 1,000 tonnes	95.7	98.9	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	7,279	7,572	7,290	7,313	6,912	6,541	6,699	6,970	7,173	7,199	7,560

SHARE DATA ¹

		Jan-Sept	Jan-Sept	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	0.81	0.88	0.77	0.84	1.46	0.87	-1.04	-0.09	
Cash flow after investments/share ³	SEK	-0.01	-0.05	-0.56	-0.60	1.52	0.29	0.16	-0.07	
Equity per share	SEK	8.04	7.49	8.04	7.54	6.93	6.39	5.41	6.51	
Dividend										
Ordinary dividend	SEK	-	-	0.30	0.30	0.30	0.20	-	-	
Extra dividend	SEK	-	-	0.10	0.10	0.20	0.60	-	-	
Total	SEK	-	-	0.40	0.40	0.50	0.80	-	-	
Dividend/equity per share	%	-	-	5.0	5.3	7.2	12.5	-	-	
Share price at end of period	SEK	6.65	6.60	6.65	8.05	8.15	3.74	1.99	2.00	
Market price/equity per share	times	0.8	0.9	0.8	1.1	1.2	0.6	0.4	0.3	
P/E ratio per share	times	8.6	7.5	8.6	9.6	5.6	4.3	Neg.	Neg.	
Dividend yield ⁴	%	-	-	6.0	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 and excluding Rotneros' treasury shares.

³ Cash flow from operating activities less investments, divided by the number of shares.

⁴ The calculation of dividend yield is based on the share price at the end of the period.

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures (APM) are financial measures that are not defined in IFRS and are presented outside the financial statements. Rottneros uses the following APMs: Cash flow after investments, Net debt/net cash, Capital employed, Return on capital employed, Return on equity, Equity/assets ratio and Debt/equity ratio. The Company believes that these key ratios are useful for readers of the financial statements as a complement to other key performance indicators to assess the Rottneros Group's financial position and profitability. Rottneros also uses the key indicators P/E ratio and Direct yield, which the Company believes are relevant for investors and other readers. APMs can be defined in different ways by other companies and therefore may not be comparable with similar measures used by other companies.

DEFINITIONS OF KEY RATIOS

Operating margin

Operating profit/loss as a percentage of net turnover.

Profit margin

Profit 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 debt/net cash

Interest-bearing liabilities minus cash and cash equivalents.

Capital employed

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

Return on capital employed (rolling 12 months)

Operating profit for the past 12 months, as a percentage of average capital employed (average of capital employed at the beginning of the period and at the end of the period).

Return on shareholders' equity (rolling 12 months)

Net income for the past 12 months, as a percentage of average shareholders' equity (average of shareholders' equity at the beginning of the period and at the end of 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.

P/E ratio

Share price at the end of the period in relation to earnings per share (rolling 12 months).

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.	Short-fibre pulp	Pulp where the raw material is hardwood, which has shorter cellulose fibre than softwood.
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).	Long-fibre pulp	Pulp where the raw material is softwood, which has longer cellulose fibre than hardwood.
BEK	Bleached Eucalyptus Kraft pulp.	Mechanical pulp	Pulp produced using a mechanical process for fibre separation and processing. Has a higher level of bulk, stiffness and opacity than chemical pulp. Groundwood pulp, TMP and CTMP/BCTMP are types of mechanical pulp.
CTMP	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.	NBSK	Northern Bleached Softwood Kraft: bleached long-fibre sulphate pulp. The leading indicator of world market prices.
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.

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



Tissue paper

ABSORPTION AND FEEL THAT KEEPS

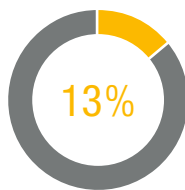
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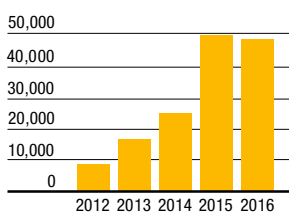
Tissue paper

Photo: by Wirth

PROPORTION OF ROTTNEROS' TOTAL DELIVERIES



ROTTNEROS' DELIVERIES OF PULP FOR TISSUE PAPER, TONNES



Growing demand for necessary product

Tissue paper is the name of the grade of paper used to manufacture paper napkins, paper towels and toilet paper. The market for these products is not only large, but also relatively insensitive to economic fluctuations. For example, the higher standard of living in much of Asia is resulting in steadily growing demand.

Products that help customers tailor their paper

Both Rottneros Mill and Vallvik Mill manufacture grades of pulp that are used for production of tissue paper. Groundwood pulp, CTMP (Chemi-Thermo-Mechanical Pulp) and long-fibre sulphate pulp can all be used to manufacture tissue paper. By mixing our pulp types, we can help customers tailor a tissue paper that suits their needs.

High demands for end product properties

The requirements for tissue paper are often numerous and stringent. Properties that must be considered include bulk, absorption, how the paper feels, how well it holds together when wet, appearance and brightness. Our technical specialists consult with customers about the types of pulp to be mixed in order to produce the right properties. One of the Group's most recent innovations in the area is Absorption Express which, as the name suggests, offers superior absorption capacity, as well as high bulk.



Rottneros AB (publ)
Box 144, SE-826 23 Söderhamn, Sweden
Visiting address: Vallviks Bruk, SE-820 21 Vallvik, Sweden
Telephone +46 270-620 00
Telefax +46 270-692 10
info@rottneros.com
www.rottneros.com