

ROTTNEROS YEAR-END REPORT

Q4 January–December 2018



DOUBLED EBIT

ROTTNEROS
PACKAGING IN
NEW PREMISES

RISING PULP
WOOD COSTS



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

YOUR PULP COMPANY

STRONG QUARTER ENDS A RECORD YEAR

- **Net turnover** for the fourth quarter of 2018 rose by 17% to SEK 580m (496). For the whole of 2018, net turnover rose by 18% to SEK 2,260m (1,912). As of 2018, revenues from by-products and the result from pulp price hedging are also included in net turnover. See p. 15 for details.
- **EBIT** for the fourth quarter of 2018 increased to SEK 12m (-7). Earnings during the fourth quarter were affected by the annual maintenance shutdown at Vallvik Mill, as was also the case in the previous year. The loss of production and the direct cost of the shutdown decreased earnings for the fourth quarter by approx. SEK 67m (55). For the full year, EBIT amounted to SEK 295m (156), which is a record result in the Group's current structure.
- **Profit after financial items** for the fourth quarter increased to SEK 7m (-12) and for the full year to SEK 276m (147). Earnings per share for the fourth quarter rose to SEK 0.06 (-0.06) and for the full year to SEK 1.45 (0.75).
- **NBSK list price** during the fourth quarter of 2018 was 39% higher in SEK compared with the fourth quarter of 2017. For the full year, the list price in SEK was 35% higher compared to 2017.
- **Rising pulp wood costs** had a negative effect of some SEK 50m and pulp price hedges a negative effect of SEK 40m on the fourth quarter results, compared with the fourth quarter of 2017. For the full year 2018, pulp wood costs were some SEK 160m higher than for 2017, while pulp price hedging had a negative impact of SEK 122m and electricity price hedging a positive impact of SEK 47m.
- **Focus on increased profitability.** Fixed costs for 2018 were SEK 23m lower compared to 2017, equal to a decrease of 4%.
- **Production volume** for the fourth quarter was stable at 93.6 (94.4) thousand tonnes, despite a somewhat longer maintenance shutdown in Vallvik Mill than earlier.
- **Dividend policy and long-term goals** for Rottneros have been decided by the Board in connection with the strategy work. According to the revised dividend policy, Rottneros shall pay out 30–50% of net income, in accordance with the current covenants.
- **After a strong year, the Board proposes** to increase the ordinary dividend to SEK 0.40 per share (0.30) and to pay an extra dividend of SEK 0.30 per share (0.07), corresponding to 48 % of net income for 2018.

The quarter and year in figures

	Oct-Dec 2018	Oct-Dec 2017	change, %	Jan-Dec 2018	Jan-Dec 2017	change, %
Net turnover, SEK m ¹	580	496	17	2,260	1,912	18
EBITDA, SEK m	39	21	86	394	247	60
EBIT, SEK m	12	-7		295	156	89
Profit/loss after financial items, SEK m	7	-12		276	147	88
Net income/loss, SEK m	9	-10		221	114	94
Earnings per share, SEK	0.06	-0.06		1.45	0.75	93
Cash flow from operating activities, SEK m	43	74	-42	223	222	0
Return on capital employed (rolling 12 months), %				20.4	12.9	
Production, thousand tonnes	93.6	94.4	-1	393.6	401.2	-2
Deliveries, thousand tonnes	94.3	100.1	-6	382.5	395.9	-3

¹ As of 2018, revenues from by-products and the result from pulp price hedging are also included in net turnover. See page 15 for details.

COMMENTS BY THE CEO: SOLID IMPROVEMENT IN OPERATING PROFIT

Rottneros summarises a strong 2018. The Group continues to deliver good profitability at the same time as the upgrade of our two pulp mills was completed within the investment program Agenda 500. Operating profit (EBIT) for the full year has almost doubled compared to 2017 and amounts to SEK 295m (156).

Clear performance improvement

Strong demand for the Group's products, a high general market price and a favourable USD exchange rate are the main reasons for the year's results. The pulp price peaked at USD 1,230 / ton and started to fall slightly towards the end of the period.

For the full year 2018, sales increased by 18 per cent and amounted to SEK 2,260m (1,912). EBIT improved strongly despite increased raw material costs.

Earnings per share show an increase of 93 per cent from last year, which is the basis for the Board's proposal to increase the dividend by SEK 0.33 to SEK 0.70 per share.

Also the fourth quarter developed positively, and sales rose by 17 per cent compared with the same quarter in 2017. This increase, as for the full year, was largely driven by high pulp prices and favourable exchange rates. The raw material situation normalised, and we ended the year with slightly higher inventories than usual to be able to manage possible future disturbances.

However, the fourth quarter is always weaker in terms of earnings due to the annual maintenance shutdown at Vallvik Mill.

The investments in our facilities have led to an increased maximum production capacity and the focus is now on achieving even higher capacity utilisation.

Market

The forest industry has historically been characterised by strong cyclical variations in demand and prices are set on a global level. We are now at the end of a long cyclical upturn where the slowdown is significant, and prices are beginning to fall. However, there are underlying structural trends of sustainability and increased use of renewable materials that support the demand for our products in the future. Nor have any new capacity increases been announced in the pulp industry in the coming years.

Production

Investments over the past four years have totalled close to SEK 900m and the majority relates to upgrades of our mills in Vallvik and Rottneros. The year's total production of 393,600 tonnes is slightly below previous year's volume. Rottneros Mill set a new annual record, whereas Vallvik Mill was affected by some unplanned interruptions at the beginning of the year. In addition, the annual maintenance shutdown was longer than usual, according to plan.

One goal we set for 2018 was increased profitability through significant improvements in our way of working and those processes that we can influence. Looking back, I note that, despite a turbulent year with many challenges due to not at least unfavourable weather, we have succeeded very well with the task. By taking small steps every day towards a more efficient Rottneros, I see that in 2018 we built a significantly stronger company.



Organisation

In order to support our core business, we started to work on developing and improving critical internal functions in the Group. Safety, competence enhancement and cooperation with schools to educate future employees are examples of areas where we have focused. We changed our sales organisation in the autumn of 2018 and now use our own sales organisation in Germany; our largest market after the Nordic region. Cooperation with agents and trading houses remains important for sales in the rest of Europe and the world.

Going forward

The core business continues its structured and systematic work with continuous improvements in all aspects. Rottneros Packaging has moved into new premises and we see a clear market potential for trays based on renewable raw material. The Lignol project continues and is an important example of how the forest industry can contribute to the fossil-free society.

The results for 2018 are in many ways proof of good teamwork. I feel privileged to lead Rottneros with all competent colleagues who handle change and challenges in a constructive and professional manner. I want to thank all my colleagues who have contributed during the year. I also want to thank our shareholders, customers, suppliers and lenders.

Lennart Eberleh, President and CEO

MARKETS AND PRODUCTS

The underlying demand for pulp is good in emerging markets and stable in the mature economies. The structural decline in graphic paper continues but has been offset by increased global fibre consumption in packaging and tissue paper.

Deliveries of chemical market pulp worldwide during 2018 are estimated to have been some 62 million tonnes, virtually an unchanged level compared with 2017. Demand decreased slightly for NBSK but was stronger for eucalyptus pulp and unbleached sulphate pulp.

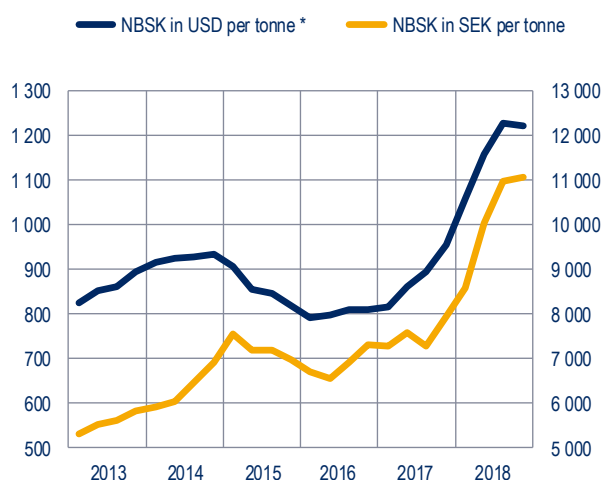
Demand during the year was good in Europe but stagnated or declining in other parts of the world. Industrial capacity utilisation during the year was 88 (92) per cent.

Producer stocks increased during the latter half-year and were at the end of the year equal to 43 (35) days of consumption, broken down to 38 (28) days for long-fibre pulp and 47 (41) days for short-fibre pulp.

The NBSK gross price increased during the first half-year and was stable during the latter half-year. It peaked at USD 1,230 in the fourth quarter and was USD 1,200 at year-end. During January 2019, the price level has gradually decreased to USD 1,170. The price trend for high-yield pulp has essentially been in line with the market, although at a lower level than NBSK.



NBSK quarterly gross prices, 2013–2018



* Average quarterly gross prices for softwood sulphate pulp deliveries in Europe.

PRODUCTION AND DELIVERIES

Production volume in the fourth quarter of 2018 was stable at 93.6 (94.4) thousand tonnes, despite a longer maintenance shutdown in Vallvik Mill than during normal years. For the whole of 2018, the production of 393.6 (400.1) thousand tonnes was slightly below the previous year's volume, due to some major interruptions in Vallvik Mill at the beginning of the year and the planned longer maintenance shutdown. Rottneros Mill set a new annual production record.

The Group's customer deliveries during the fourth quarter of 2018 were 6 per cent lower than in the same period of 2017, mainly due to high delivery volumes at the end of 2017 and production problems at certain large customers. In the short term, Rottneros' market is weaker but in the longer term there is a good balance between supply and demand.

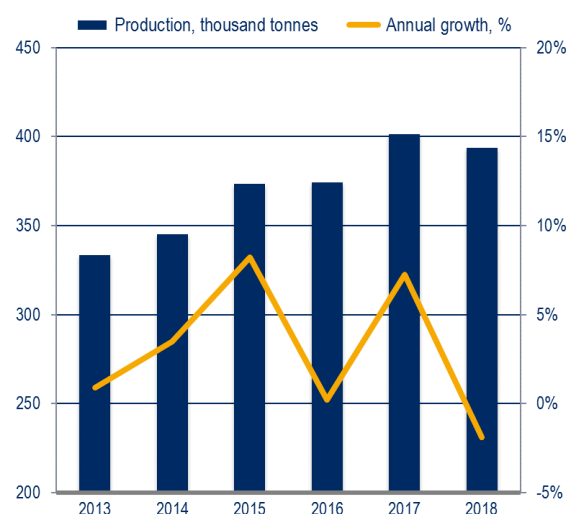
PRODUCTION, TONNES

	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Sulphate pulp	47,000	49,800	219,600	228,600
Groundwood pulp	19,700	19,400	72,000	71,300
CTMP	26,900	25,200	102,000	101,300
TOTAL	93,600	94,400	393,600	401,200

DELIVERIES, TONNES

	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Sulphate pulp	55,200	54,500	211,900	225,100
Groundwood pulp	15,300	20,000	68,900	72,200
CTMP	23,800	25,600	101,700	98,600
TOTAL	94,300	100,100	382,500	395,900

Annual volumes and annual growth





SALES AND RESULTS – FOURTH QUARTER

Turnover in the fourth quarter of 2018 rose to SEK 580m (496), an increase of 17 per cent. Turnover increased mainly thanks to a higher price level for Rottneros' deliveries. The NBSK list price denominated in SEK rose 39 per cent compared with the fourth quarter of 2017. Delivery volume in tonnes decreased by 6 per cent compared with the fourth quarter of 2017. Turnover for the quarter also includes sales of wood raw material of SEK 16m (7). Additionally, revenues of SEK 11m from by-products and the loss of SEK -44m from pulp price hedging are included in net turnover for the quarter. See also page 15.

EBIT for the fourth quarter of 2018 increased to SEK 12m (-7). Results for the quarter were affected positively by the higher price level for Rottneros' products and negatively by the maintenance shutdown in Vallvik Mill, higher pulp wood costs as well as by pulp price hedges.

Fourth quarter 2018 compared with fourth quarter 2017

	Oct-Dec 2018	Oct-Dec 2017	change, %
NBSK, USD	1,223	956	28
SEK/USD	9.04	8.32	9
NBSK, SEK	11,056	7,949	39
Net turnover, SEK m	580	496	17
EBIT, SEK m	12	-7	

Maintenance shutdowns and seasonal variations

Similarly to last year, a maintenance shutdown was carried out at Vallvik Mill in the fourth quarter.

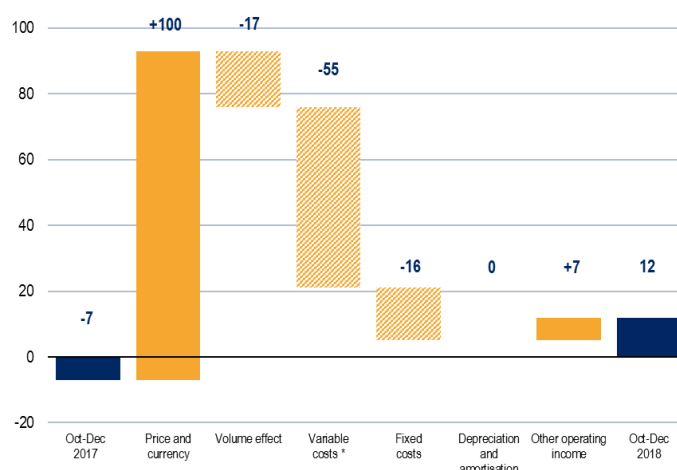
In accordance with generally accepted accounting practices, the direct costs relating to maintenance shutdowns are recognised in the period during which the shutdown takes place. The maintenance shutdown also involves a certain loss of production, affecting results for the quarter in which the shutdown takes place.

	Maintenance shutdown date		Estimated cost of shutdown 2018 (SEK m)
	2018	2019	
Rottneros Mill	Q3	Q3	15
Vallvik Mill	Q4	Q4	67

The estimated cost of shutdown includes both direct costs and the indirect effect from the 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. In October 2018, more extensive maintenance on the recovery boiler in Vallvik Mill led to a longer shutdown than in a normal year. Therefore, the indirect effect was also larger.

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

Differences in EBIT Q4 2018 compared with Q4 2017 (SEK m)



Variable costs* for the quarter increased due to higher pulp wood prices which, together with higher import volumes, had an effect of some SEK 50m compared to the fourth quarter of 2017, and due to higher costs for fuel and electricity as well as higher sales and delivery costs.

* Variable costs are excluding costs that are related to higher or lower production and delivery volumes. Instead, such costs are included in the "volume effect", together with the volume increase/decrease in net turnover.

The average price of electricity on the Nord Pool electricity exchange (area SE3) amounted to SEK 0.50 (0.30) per kWh for the fourth quarter of 2018, which is 67 per cent higher than during the fourth quarter of 2017. Thanks to hedges at a lower price level than in 2017, the cost of electricity after price hedges was only SEK 5m higher than in fourth quarter of 2017. Income from electricity price hedges was SEK 18m (4) in the fourth quarter of 2018. See also page 9 for price hedges related to future periods.

Fixed costs for the quarter increased due to higher planned maintenance costs, slightly higher personnel expenses, and certain measures to ensure capacity utilisation in the production process.

Other operating income during the quarter increased compared with the fourth quarter of 2017, primarily thanks to income of SEK 16m from the sales of emission allowances.

SALES AND RESULTS – JANUARY-DECEMBER

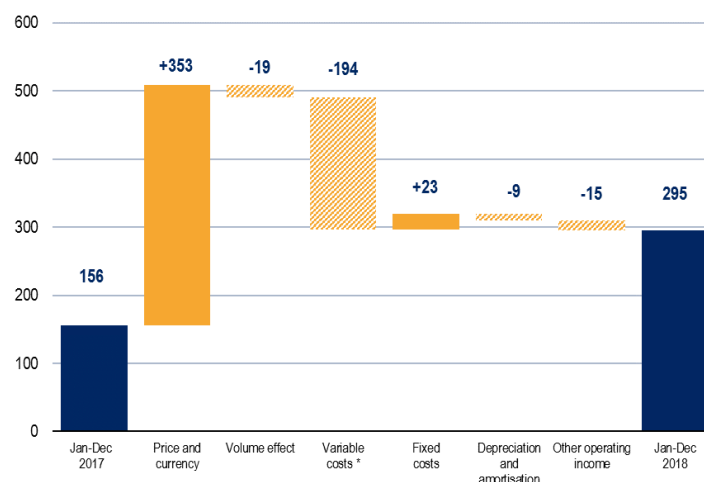
Turnover for 2018 amounted to SEK 2,260m (1,912), an increase of 18 per cent. Turnover increased mainly thanks to a higher price level for Rottneros' deliveries. The NBSK list price denominated in SEK rose 35 per cent compared with 2017. Delivery volume in tonnes decreased by 3 per cent compared with 2017. Turnover for 2018 also includes sales of wood raw material of SEK 84m (8). Additionally, revenues of SEK 40m from by-products and the loss of SEK -131m from pulp price hedging are included in net turnover for the year. See also page 15.

EBIT for 2018 rose by 89 per cent to SEK 295m (156), corresponding to 13.1 (8.2) per cent of turnover. Profit was affected positively by the higher price level for Rottneros' products and negatively by the higher pulp wood costs as well as by pulp price hedges. Fixed costs for 2018 were SEK 23m lower than for 2017.

January-December 2018 compared with January-December 2017

	Jan-Dec 2018	Jan-Dec 2017	change, %
NBSK, USD	1,167	882	32
SEK/USD	8.69	8.54	2
NBSK, SEK	10,144	7,530	35
Net turnover, SEK m	2,260	1,912	18
EBIT, SEK m	295	156	89

Differences in EBIT for January-December 2018 compared with January-December 2017 (SEK m)



*Variable costs** for 2018 increased mainly due to higher pulp wood prices which, together with higher import volumes, had an effect of some SEK 160m compared with 2017. Variable costs were also impacted by higher sales and delivery costs and by higher usage of fuel and electricity in connection with production disruptions in Vallvik Mill during the year. In Rottneros Mill, the new biofuel boiler has resulted in more efficient energy supply and lower energy costs compared to 2017.

* *Variable costs* are excluding costs that are related to higher or lower production and delivery volumes. Instead, such costs are included in the "volume effect", together with the volume increase/decrease in net turnover.

The average price of electricity on the Nord Pool electricity exchange (area SE3) amounted to SEK 0.46 (0.30) per kWh for 2018, which is 53 per cent higher than in 2017. Thanks to hedges at a lower price level than in 2017, the cost of electricity after price hedges was only SEK 4m higher than in 2017, despite a 5 per cent higher consumption during the year. Income from electricity price hedges was SEK 59m (12) in 2018. See also page 9 for price hedges related to future periods.

Fixed costs for 2018 decreased by SEK 23m, or 4 per cent, compared to 2017, thanks to ongoing efficiency measures.

Other operating income for 2018 was lower than in 2017, primarily due to revenue from by-products that is included in net turnover as of 2018. See also page 15.

Other income statement items

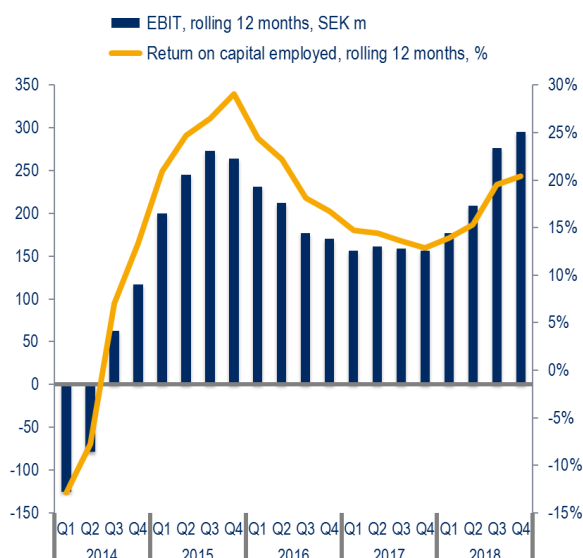
Net financial expenses increased to SEK 19m (9) for 2018, due to the bond of SEK 400m that Rottneros issued in August 2017.

Profit after financial items for the Group increased by 88 per cent to SEK 276m (147) for 2018.

The income tax expense for 2018 was SEK 55m (33) and the effective tax rate was 20 (22) per cent.

Net income totalled SEK 221m (114) and earnings per share were SEK 1.45 (0.45) for 2018.

Return on capital employed rose to 20.4 (12.9) per cent.
Return on equity was 16.6 (9.7) per cent.



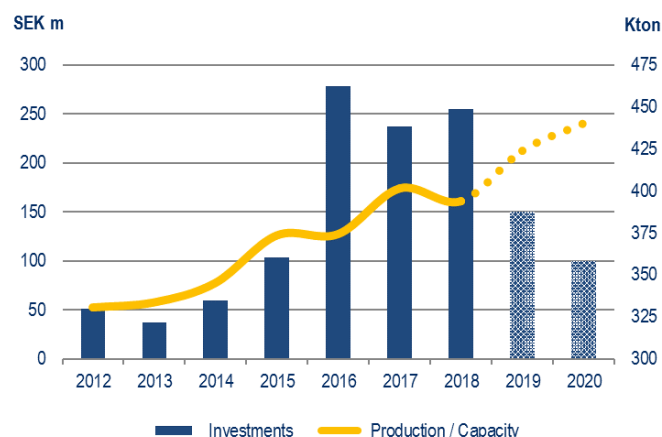
INVESTMENTS

Investments in fixed assets in 2018 amounted to SEK 255m (237). The investments relate both to equipment to increase capacity and efficiency, and to environmental investments. The largest investments that were commissioned in 2018 were a weak gas system (some SEK 70m) and a new security system for the recovery boiler (some SEK 40m) in Vallvik Mill, as well as the extended biological treatment of process water (some SEK 85m) and the additional capacity increase on the CTMP line (some SEK 45m) in Rottneros Mill, increasing the mill's capacity by 18,000 tonnes per year, with full effect from 2020.

During 2018, the Group has completed Agenda 500, the long-term strategic action plan to strengthen and develop Rottneros. The annual capacity after the investments is estimated to be about 440 thousand tonnes. To be fully able to benefit from the increased production capacity, the focus is now on investments that increase capacity utilisation on the pulp production lines. Together with environmental and other investments, the program has amounted to some SEK 870m over four years and has enabled an upgrade of the pulp mills in Vallvik and Rottneros, as well as a new factory in industrial scale for Rottneros Packaging.

The annual level of investments is expected to be reduced to some SEK 150m in 2019 and to some SEK 50-100m per year thereafter. In addition to replacement investments, the focus will be on eliminating bottlenecks and increasing efficiency.

Rottneros' investments and capacity expansion



FINANCIAL POSITION

In order to complete financing of the Agenda 500 strategic plan and to optimise the Group's capital structure in the long term, Rottneros AB issued an unsecured bond of SEK 400 million in August 2017 with a maturity of 5 years to primarily Nordic institutional investors. The bond bears variable interest of STIBOR 3m + 4.15 per cent and must be repaid in September 2022. The bond has a framework amount of SEK 600 million, which allows for an additional bond issue of SEK 200 million. The bond is listed on Nasdaq Stockholm. The bond terms contain following standard covenants:

	Covenant	Outcome 2018	
Net debt to EBITDA ratio	Under 3.5	0.4	✓
Equity/assets ratio	Over 50%	61%	✓
Dividend / net income	Max 50%	48%	✓

The covenants were fulfilled on the balance sheet day.

The Group's cash and cash equivalents amounted to SEK 238m at year-end, compared with SEK 326 million at year-end 2017. Interest-bearing liabilities amounted to SEK 395m at the end of 2018. Net debt totalled SEK 157m at year-end, compared with SEK 68m at the end of 2017. Total granted and unused credit facilities amounted to SEK 182 million at the end of 2018.

The equity/assets ratio amounted to 61 (60) per cent as of 31 December 2018. Equity per share totalled SEK 9.57 (7.91) at the end of the year.

CASH FLOWS

Cash flow from operating activities for 2018 amounted to SEK 223m (222). Cash flow was higher thanks to higher EBIT but was held back by an increase in working capital due to higher wood and pulp prices. Cash flow after investments in non-current assets for 2018 was SEK -32m (-15).

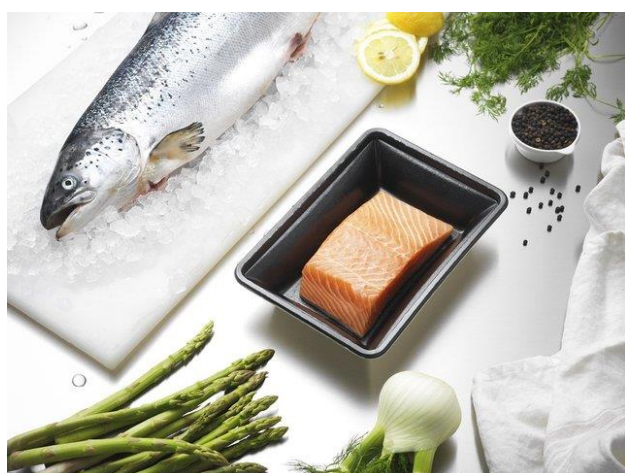
Shareholders were paid a dividend of SEK 56m (61) in the second quarter.

Net cash flow for the year was SEK -88m (310).

ROTTNEROS PACKAGING

Rottneros Packaging, the Group's development area for eco-friendly fibre trays, moved into new production facilities in the autumn of 2018. Rottneros continues the construction of production lines to gradually start commercial production in 2019.

Through the EU project PULPACKTION, Rottneros is also developing fully bio-based packaging trays at a competitive price, thereby contributing to more sustainable development in the packaging industry. The project began in 2016 and will continue until 2020.



COOPERATION ON RENEWABLE FUEL

In September 2017, Rottneros and RenFuel agreed on deliveries of the residual product lignin for the production of Lignol®, RenFuel's patented lignin oil that can be refined into renewable petrol and diesel. Test deliveries of lignin from Vallvik Mill for RenFuel's testing and pilot plant in Bäckhammar, Värmland county, were started during the first half-year.

In May 2018, Rottneros, RenFuel and Preem announced that the companies are assessing the construction of the world's first lignol plant for biofuels at Vallvik Mill. The plant would produce an annual volume of at least 30,000 tonnes of lignin and, as a result, some 100,000 tonnes of Lignol®. The project aims to have the plant in operation in 2021.

By including bio-based raw material in the refineries, the oil companies can fulfill the statutory reduction obligation that entered into force on 1 July 2018. In addition to contributing to the transport sector's shift from fossil fuel to biofuel, the extraction of lignin would also give an opportunity to increase pulp production in Vallvik Mill.

PARENT COMPANY

The profit for the parent company after financial items for 2018 amounted to SEK 6m (loss of 11).

NUMBER OF EMPLOYEES

The average number of employees in 2018 was 303 (301).

DIVIDEND POLICY AND LONG-TERM GOALS

As part of its strategy review, the Board of Rottneros AB has also revised the Company's dividend policy and has set certain long-term financial and sustainability goals for the Group.

According to the revised dividend policy, Rottneros shall pay out 30–50% of net income, in accordance with the current covenants (see covenants on page 7, "Financial position").

In addition to the revised dividend policy, the Board has decided on the following long-term financial goals for Rottneros:

Financial goal	Target	Outcome 2018
Average growth of produced pulp tonnes	3%	3% on average during past 3 years
Share of alternative revenue sources in net turnover	At least 10% in 2023	5.5%
Equity/assets ratio	Over 50%	61%

The Board has also decided on the following long-term sustainability goals for Rottneros:

Sustainability goal	Target	Outcome 2018
Accidents leading to sick leave	Zero target	6
Share of female employees	At least 30% in 2025	18%
Share of employees that have completed a training in Rottneros' revised Code of Conduct	100%	Training starts in 2019

SHARE INFORMATION

Largest shareholders on 31 December 2018

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
Försäkringsaktiebolaget Avanza Pension	4,697,042	3.1
UBS Switzerland AG, W81MY	2,533,460	1.7
Lind Value ApS	1,950,000	1.3
State Street Bank and Trust Co, W9	1,905,602	1.2
Bolinder, Staffan	1,800,000	1.2
SEB Investment Management	1,562,464	1.0
BNY Mellon NA (Former Mellon), W9	1,467,914	1.0
Borell, Joakim	1,311,294	0.9
Total for 10 largest owners – by size of holding	103,648,659	67.6
Other shareholders	48,923,266	31.9
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 holds 821,965 treasury shares. No change in treasury shares has occurred in 2018.

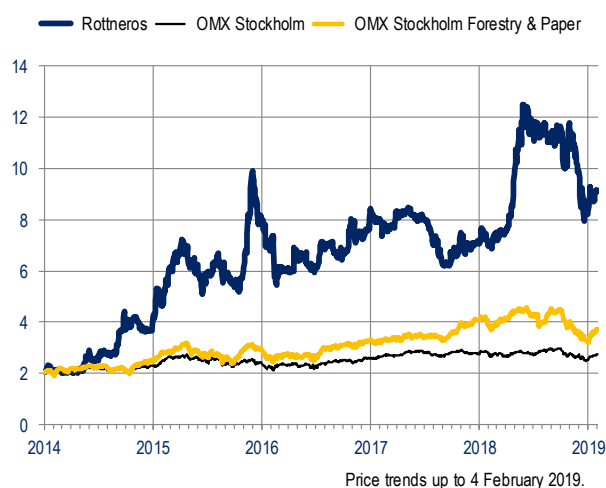
Share price trend in 2018

On 31 December 2018, the price of Rottneros shares was SEK 8.24 (7.15 at the end of 2017). The average price in 2018 was SEK 10.34 (7.53).

Dividend

The Board proposes an ordinary dividend of SEK 0.40 per share and an extra dividend of SEK 0.30 per share to the Annual General Meeting of Rottneros' shareholders, which will be held on 2 May 2019 in Sunne. The dividend corresponds to 48 % of net income for 2018, in accordance with the current covenants.

Price trend for Rottneros shares and Stockholm Stock Exchange



Transactions with related parties

During 2018, Rottneros sold pulp to the related party Arctic Paper S.A. Group in the amount of SEK 107m (150). Outstanding operating receivables from Arctic Paper totalled SEK 23m (24) at quarter-end. The transactions took place at market conditions.

RISK MANAGEMENT

Operationally, the Company uses several 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, wood and electricity.

Currency exposure, USD and EUR

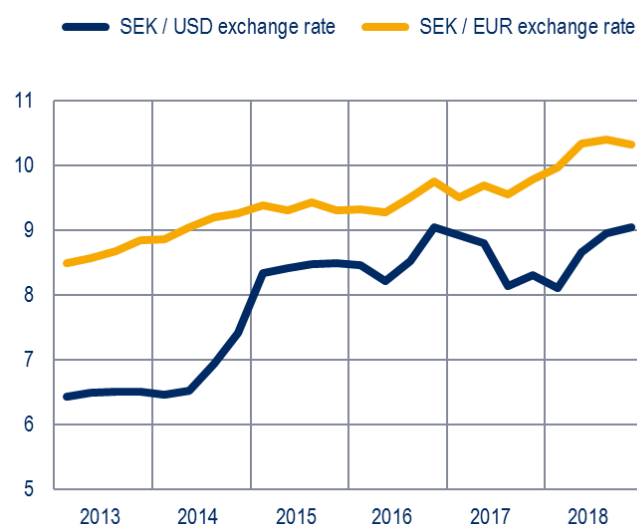
Although Rottneros issues invoices in different currencies, the underlying currency for the pulp price is predominantly USD. The underlying exposure to USD is thus high. The direct inflow of USD (the real flow) represents approximately 50 per cent of the inflow, and of EUR approximately 40 per cent. However,

the impact of exchange rate fluctuations on indirect exposure is delayed, as the normal term of a customer contract is between one and three months.

The average USD rate in 2018 was 2 per cent higher than in 2017.

On 31 December 2018, Rottneros had unrealised currency hedges related to January-February 2019 with a fair value of SEK 0m.

Exchange rate trends, 2013-2018



Pulp price

The price of pulp (NBSK) is set in USD, while production costs are largely incurred in SEK. On 31 December 2018, the Group had pulp price hedges of 12,000 tonnes with due dates between January and December 2019, at an average price of SEK 9,800 per tonne. The fair value of these unrealised price hedges totalled SEK -8m on 31 December 2018.

Electricity

All external electricity for the mills, approximately 300 GWh annually, is purchased directly via the Nord Pool electricity exchange. Electricity prices are quoted in EUR. At the end of 2018, the Group had price hedges as shown in the following table. The table shows the hedged proportion of estimated total consumption and the average hedged price in SEK/kWh.

Electricity price hedges as of 31 December 2018

Year	Proportion hedged	SEK/kWh
2019	85%	0.225
2020	85%	0.218
2021	55%	0.240

The fair value of these unrealised price hedges has increased during 2018 and amounted to SEK 141m on 31 December 2018, compared to SEK 31m on 31 December 2017.

The high level of hedging protects Rottneros' future electricity costs against severe price fluctuations. The average price level

for electricity on the Nord Pool exchange (area SE3) was SEK 0.46 (0.30) per kWh in 2018.

See pages 38-42 of the Annual Report for 2017 for further information on risks.

AGM 2019

Rottneros' Annual General Meeting (AGM) will be held on Thursday, 2 May 2019, in Sunne.

Shareholders who wish to have a subject considered at the AGM must submit such a proposal to the Chairman of the Board by email to info@rottneros.com by 14 March 2019, in order for the proposal to be included in the notice convening the meeting.

SUBSEQUENT EVENTS

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

Vallvik, 7 February 2019

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. The information was submitted via the contact person below for publication on 7 February 2019 at 8 a.m. CET. This report has been drawn up in both a Swedish and an English version. The Swedish version shall prevail in the event of differences between the two reports.

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CONSOLIDATED STATEMENTS OF INCOME

CONSOLIDATED INCOME STATEMENT

Amounts in SEK m	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
NET TURNOVER ¹	580	496	2,260	1,912
Change in inventories, finished goods	-1	-25	78	22
Other operating income ¹	22	15	34	47
Operating income, total	601	486	2,372	1,981
Raw materials and consumables	-308	-238	-1,211	-965
Other external expenses	-179	-155	-505	-503
Employee benefit expenses	-75	-72	-262	-266
EBITDA (operating profit before depreciation, amortisation and impairment)	39	21	394	247
Depreciation/amortisation and impairment	-27	-28	-99	-91
EBIT (operating profit)	12	-7	295	156
Financial income	0	1	1	2
Financial expenses	-5	-6	-20	-11
Total financial items	-5	-5	-19	-9
PROFIT AFTER FINANCIAL ITEMS	7	-12	276	147
Tax on profit/loss for the period	2	2	-55	-33
NET INCOME	9	-10	221	114
Average number of shares (thousand) ²	152,572	152,572	152,572	152,572
Earnings per share (SEK) ²	0.06	-0.06	1.45	0.75

¹ As of 2018, net turnover also includes the revenues from by-products and the result from pulp price hedging. Earlier, they were included in "other operating income". See page 15.

² No share-based programmes exist that result in dilution.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
NET INCOME	9	-10	221	114
Other comprehensive income				
Items that have been or may be transferred to profit or loss for the period				
Changes in fair value of cash flow hedges	57	-10	111	5
Income tax effect on changes in fair value	-12	1	-23	-2
Translation differences	-1	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME	44	-9	88	3
COMPREHENSIVE INCOME FOR THE PERIOD ³	53	-19	309	117

³ The entire comprehensive income is attributable to the parent company's shareholders.

CONSOLIDATED BALANCE SHEET, SUMMARY

Amounts in SEK m	31 Dec 2018	31 Dec 2017
Intangible non-current assets	17	19
Property, plant and equipment	1,179	1,020
Financial assets	94	39
Total non-current assets	1,290	1,078
Inventories	389	279
Current receivables	484	324
Cash and cash equivalents	238	326
Total current assets	1,111	929
TOTAL ASSETS	2,401	2,007
Shareholders' equity	1,460	1,207
Long-term liabilities		
Interest-bearing liabilities	395	394
Deferred tax liabilities	119	42
Other non-interest-bearing liabilities	18	10
Total long-term liabilities	532	446
Current liabilities		
Non-interest-bearing liabilities	409	354
Total current liabilities	409	354
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,401	2,007

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, SUMMARY

Amounts in SEK m	Share capital	Other contributed capital	Treasury shares	Other reserves		Retained earnings, incl. profit for the year	Total shareholders' equity
				Hedging reserve	Translation difference		
Opening balance, 1 January 2017	153	730	-69	15	-8	330	1,151
Net income, Jan-Dec						114	114
Other comprehensive income, Jan-Dec				3	0		3
Total comprehensive income for Jan-Dec				3	0	114	117
Dividends to shareholders, Jan-Dec						-61	-61
Closing balance, 31 December 2017	153	730	-69	18	-8	383	1,207
Net income, Jan-Dec						221	221
Other comprehensive income, Jan-Dec				88	0		88
Total comprehensive income for Jan-Dec				88	0	221	309
Dividends to shareholders, Jan-Dec						-56	-56
Closing balance, 31 December 2018	153	730	-69	106	-8	548	1,460

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK m	Jan-Dec 2018	Jan-Dec 2017
EBIT	295	156
Adjustment for non-cash flow items		
Depreciation/amortisation and impairment	99	91
EBIT adjusted for non-cash flow affecting items	394	247
Received/paid financial items	-18	-16
Cash flow from operating activities before changes in working capital	376	231
Change in working capital	-153	-9
Cash flow from operating activities	223	222
Investments in non-current assets	-255	-237
Cash used in investing activities	-255	-237
Borrowings of long-term loans	-	480
Amortisation of long-term loans	-	-80
Change in used bank overdraft facilities	-	-14
Dividends paid	-56	-61
Cash provided by/used in financing activities	-56	325
Net cash flow for the period	-88	310
Cash and cash equivalents at start of period	326	16
Net cash flow for the period	-88	310
Cash and cash equivalents at end of period	238	326

CHANGES IN INTEREST-BEARING LIABILITIES

Amounts in SEK m	Jan-Dec 2018	Jan-Dec 2017
Interest-bearing liabilities in the balance sheet at the start of the period	394	14
Changes included in the cash flow from financing activities:		
Long-term loans taken out from banks	-	80
Bond issue	-	400
Amortisation of long-term loans from banks	-	-80
Change in used bank overdraft facilities	-	-14
Total	-	386
Other changes:		
Direct costs in connection with the bond issue that are charged to expense over the loan period and included in the cash flow from operating activities	-	-7
Direct costs charged to expense	1	1
Interest-bearing liabilities in the balance sheet at the end of the period	395	394

PARENT COMPANY STATEMENTS OF INCOME

PARENT COMPANY INCOME STATEMENT

Amounts in SEK m	Jan-Dec 2018	Jan-Dec 2017
NET TURNOVER	6	6
Other operating income	9	10
Operating income, total	15	16
Other expenses	-17	-18
Employee benefit expenses	-22	-31
EBITDA (operating loss before depreciation, amortisation and impairment)	-24	-33
Depreciation/amortisation and impairment	-3	0
EBIT (operating loss)	-27	-33
Profit from participations in Group companies	49	28
Financial income	4	1
Financial expenses	-20	-7
Total financial items	33	22
PROFIT/LOSS AFTER FINANCIAL ITEMS	6	-11
Tax on profit/loss for the period	-2	2
NET INCOME	4	-9

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Jan-Dec 2018	Jan-Dec 2017
NET INCOME	4	-9
Other comprehensive income	-	-
Total other comprehensive income	-	-
COMPREHENSIVE INCOME FOR THE PERIOD	4	-9

PARENT COMPANY BALANCE SHEET, SUMMARY

Amounts in SEK m	31 Dec 2018	31 Dec 2017
Intangible non-current assets	14	17
Financial assets	293	286
Total non-current assets	307	303
Current receivables ¹	966	889
Cash and cash equivalents	218	311
Total current assets	1,184	1,200
TOTAL ASSETS	1,491	1,503
Shareholders' equity	918	970
Long-term liabilities		
Interest-bearing	395	394
Non-interest-bearing	18	10
Total long-term liabilities	413	404
Current liabilities		
Non-interest-bearing ²	160	129
Total current liabilities	160	129
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,491	1,503

¹ Including receivables of SEK 966m (889) from subsidiaries.

² Including liabilities of SEK 138m (109) 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, except for the definition of net turnover which has been revised as follows:

As of 2018, net turnover also includes the revenue from sales of by-products and the results from pulp price hedging. Earlier, these items were included in "other operating income". In accordance with the new definition, Rottneros' net turnover for 2018 consists of the following:

Amounts in SEK m	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Full year 2018
Sales of pulp	596	574	569	527	2,266
Results from pulp price hedging	-44	-44	-29	-14	-131
Sales of by-products	11	10	9	10	40
Sales of pulp wood	16	27	27	14	84
Sales of fibre trays	1	0	0	0	1
Net turnover, total	580	567	576	537	2,260

Net turnover for comparative years has not been restated since the effect is not deemed to be material. "Other operating income" for 2017 included a result of SEK -9m from pulp price hedging and revenues of SEK 36m from the sale of by-products.

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

IFRS 9, Financial Instruments

IFRS 9 Financial Instruments entered into force on 1 January 2018 and replaces IAS 39 Financial Instruments: Recognition and Measurement. Various parts of the new standard have been revised, with one part relating to the recognition and measurement of financial assets and financial liabilities. The new standard does not have any significant impact on the Group.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 entered into force on 1 January 2018. The standard replaces all previously issued standards and interpretations addressing income. IFRS 15 contains a comprehensive revenue recognition model for all contracts with customers. The new standard does not have any significant impact on the Group.

Rottneros derives its revenue mainly from sales of a standard product (paper pulp) to its customers. For each sales transaction there is only one performance obligation: delivery of the product in accordance with the terms of the sale. Revenue is recognised at a specific point in time when control of the product is transferred to the customer. Sales price or a price list is included in the customer contract. Credit terms used in the customer contracts are customary in the pulp market.

IFRS 16, Leases

IFRS 16 will enter into force on 1 January 2019 and will replace IAS 17 Leases. Under the new standard, the majority of leased assets will be reported in the balance sheet. According to an evaluation that management has completed, the new standard will not have any significant impact on the Group.

FINANCIAL INSTRUMENTS

FAIR VALUE FOR DERIVATIVES, 31 DECEMBER 2018

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Currency EUR, forward sell	EUR 2.5m	Jan-Feb 2019	10.30 SEK/EUR	0
Currency USD, forward sell	USD 11.0m	Jan-Feb 2019	9.01 SEK/USD	0
Pulp, forward sell	12,000 tonnes	Jan-Dec 2019	9,800 SEK/tonne	-8
Electricity, forward buy	701,520 MWh	2019-2021	0.226 SEK/kWh	141
Total fair value				133

FAIR VALUE FOR DERIVATIVES, 31 DECEMBER 2017

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Currency EUR, forward sell	EUR 2.0m	Jan 2018	9.88 SEK/EUR	0
Currency USD, forward sell	USD 9.8m	Jan-Feb 2018	8.36 SEK/USD	1
Pulp, forward sell	42,000 tonnes	Jan-Dec 2018	7,293 SEK/tonne	-8
Electricity, forward buy	950,520 MWh	2018-2021	0.225 SEK/kWh	31
Total fair value				24

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 recognised as assets in the balance sheet.

In August 2017, Rottneros AB issued an unsecured bond of SEK 400 million with a term of 5 years. The loan bears variable interest of STIBOR 3m + 4.15 per cent and must be repaid 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 bond, which has a framework amount of SEK 600 million, is 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 day. The fair value of the bond was assessed to be SEK 410 million on balance sheet day.

The nature of other financial assets and liabilities is in all essential respects the same as on 31 December 2017. The carrying amounts are deemed to be equal to fair values, which was also the case at the end of 2017, 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-Dec 2018	Full year 2017	2016	2015	2014	2013
Income statement (SEK m)						
Net turnover	2,260	1,912	1,730	1,795	1,547	1,389
EBITDA	394	247	221	321	177	-11
Depreciation/amortisation and impairment	-99	-91	-51	-58	-59	-142
EBIT	295	156	170	263	118	-154
Financial items (net financial items)	-19	-9	-7	-4	-4	-4
Profit/loss after financial items	276	147	163	259	114	-158
Net income	221	114	128	223	133	-158
Cash flow statement (SEK m)						
Cash flow from operating activities	223	222	187	335	104	62
Investments in non-current assets	-255	-237	-278	-103	-59	-37
Cash flow after investments	-32	-15	-91	232	45	25
Cash used in/provided by financing activities	-56	325	-62	-152	-30	-18
Net cash flow	-88	310	-153	80	54	9
Balance sheet items (SEK m)						
Non-current assets	1,290	1,078	905	706	691	706
Inventories	389	279	278	267	255	246
Current receivables	484	324	290	244	226	175
Cash and cash equivalents	238	326	16	169	89	35
Net debt (+) / net cash (-)	157	68	-2	-169	-59	25
Shareholders' equity	1,460	1,207	1,151	1,058	975	825
Long-term interest-bearing liabilities	395	394	-	-	30	0
Long-term non-interest-bearing liabilities	137	52	14	18	9	13
Current interest-bearing liabilities	-	-	14	-	0	60
Current non-interest-bearing liabilities	409	354	310	310	247	264
Capital employed	1,617	1,275	1,149	889	916	849
Total shareholders' equity and liabilities	2,401	2,007	1,489	1,386	1,261	1,161
Key ratios						
EBITDA margin, %	17.4	12.9	12.8	17.9	11.4	-0.8
EBIT margin, %	13.1	8.2	9.8	14.7	7.6	-11.1
Return on shareholders' equity (rolling 12 months), %	16.6	9.7	11.6	21.9	13.6	Neg.
Return on capital employed (rolling 12 months), %	20.4	12.9	16.7	29.1	13.4	Neg.
Equity/assets ratio, %	61	60	77	76	77	71
Debt/equity ratio, %	11	6	0	-16	-6	3
Other						
Average no. of employees	303	301	282	264	251	256
Pulp production, 1,000 tonnes	393.6	401.2	374.1	373.3	345.0	333.4
Pulp deliveries, 1,000 tonnes	382.5	395.9	374.1	372.2	344.2	332.1
List price of NBSK pulp, USD per tonne ¹	1,167	882	802	857	925	857
SEK/USD ²	8.69	8.54	8.56	8.44	6.86	6.51
List price of NBSK pulp, SEK per tonne	10,144	7,530	6,867	7,228	6,345	5,582

¹ Source: Market listing of gross prices once a week. Average for each period.

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

QUARTERLY DATA, GROUP

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income statement (SEK m)								
Net turnover ¹	580	567	576	537	496	472	472	472
EBITDA	39	136	118	101	21	66	83	77
Depreciation/amortisation and impairment	-27	-25	-24	-23	-28	-22	-21	-20
EBIT	12	111	94	78	-7	44	62	57
Financial items (net financial items)	-5	-5	-4	-5	-5	-3	0	-1
Profit/loss after financial items	7	106	90	73	-12	41	62	56
Tax on profit/loss for the period	2	-24	-17	-16	2	-9	-13	-13
Net income	9	82	73	57	-10	32	49	43
Per share								
Earnings per share, SEK	0.06	0.54	0.48	0.37	-0.06	0.21	0.32	0.28
Other								
Pulp production, 1,000 tonnes	93.6	100.0	100.1	99.9	94.4	102.5	101.4	102.9
Pulp deliveries, 1,000 tonnes	94.3	92.5	97.5	98.2	100.1	95.7	98.9	101.2
List price of NBSK pulp, SEK per tonne	11,056	10,983	10,047	8,584	7,949	7,279	7,572	7,290

¹ As of 2018, net turnover also includes revenue from by-products and the results from pulp price hedging. Earlier, these items were included in "other operating income". See page 15.

SHARE DATA ¹

		Jan-Dec 2018	Full year 2017	2016	2015	2014	2013
Shares outstanding, opening ²	Number	152,572	152,572	152,572	152,572	152,572	152,572
Shares outstanding, closing ²	Number	152,572	152,572	152,572	152,572	152,572	152,572
Average number of shares outstanding ²	Number	152,572	152,572	152,572	152,572	152,572	152,572
Treasury shares ²	Number	822	822	822	822	822	822
Earnings per share	SEK	1.45	0.75	0.84	1.46	0.87	-1.04
Cash flow after investments/share ³	SEK	-0.21	-0.10	-0.60	1.52	0.29	0.16
Equity per share	SEK	9.57	7.91	7.54	6.93	6.39	5.41
Dividend ⁴							
Ordinary dividend	SEK	0.40	0.30	0.30	0.30	0.20	-
Extra dividend	SEK	0.30	0.07	0.10	0.20	0.60	-
Total	SEK	0.70	0.37	0.40	0.50	0.80	-
Dividend/equity per share	%	7.3	4.7	5.3	7.2	12.5	-
Share price at end of period	SEK	8.24	7.15	8.05	8.15	3.74	1.99
Market price/equity/share	times	0.9	0.9	1.1	1.2	0.6	0.4
P/E ratio per share	times	5.7	9.5	9.6	5.6	4.3	Neg.
Direct yield ⁵	%	8.5	5.2	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 Rottneros' treasury shares.

³ Cash flow from operating activities less investments in non-current assets, divided by the average number of shares outstanding.

⁴ Proposed dividend for 2018.

⁵ Direct yield is calculated in proportion to the share price at end of 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 IFRS KEY RATIOS AND APM

EBITDA

Earnings before depreciation/amortisation and impairment, financial items and income taxes (operating profit before depreciation, amortisation and impairment).

EBIT

Earnings before financial items and income taxes (operating profit).

EBIT margin

EBIT 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 outstanding.

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)

EBIT 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	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.	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.



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Sturmane



In 2018 the company traded 316,000 m³ of wood and woodchips, of which 60 percent was supplied internally and 40 percent was sold externally.

VITAL BUSINESS WITH THE BALTICS

SIA Rottneros Baltic. That is the name of the Group's subsidiary in Latvia. The business involves procuring and transporting pulp wood and chips, mainly to Vallvik but also to some extent to Rottneros Mill. In addition, external sales are also made to other customers.

The company, acquired by Rottneros in 1998, is part of the Group's purchasing organisation, where procurement of raw materials for the Group's pulp mills is of key importance.

SIA Rottneros Baltic has operations in Riga and Ventspils and has three employees who purchase timber and woodchips from various logging companies and sawmills around Latvia. These suppliers primarily purchase logging rights from private forest owners.

Forestry in Latvia and the view of sustainable forestry is largely similar to that in Sweden. Traceability and certification systems are standard. There is also the opportunity to purchase from suppliers in adjacent countries via a well-established network of contacts. This is what happened in summer and autumn 2018, for example, when the availability of raw material in Sweden was limited because of the extensive drought and subsequent forest fires. On that occasion, volumes were also acquired from Poland.

Rottneros has supply agreements with Sveaskog and Mellanskog, which have logging operations and supply pulp wood from Swedish forests. Both availability and market price change over time, and for the Rottneros Group, having its own trading company in the Baltics means greater flexibility. The Group also imports a certain volume from Norway to Rottneros Mill.

SIA Rottneros Baltic played a significant role in 2018 in ensuring the Group's production.

During an ordinary year for the Rottneros Group, the proportion of fibre raw material acquired via imports from the Baltics is around 10 percent. In 2018 the proportion was 17 percent, which meant that the cost of raw material rose, but the fact that the Group was able to maintain full production and deliveries to customers was very valuable.

Another key task for the company is to plan and manage part of the Group's sea transport needs. Raw materials from Latvia are shipped via the ports in Ventspils and Riga to ports in Sweden, and deliveries of pulp from Vallvik to various export markets are made in an equivalent manner. Rail and sea transport complement each other in the Group's logistics solution.



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