

# ROTTNEROS INTERIM REPORT

Q1 January–March 2019

**NEW QUARTERLY  
RECORD:  
EBIT SEK 141M**

**STRONG  
CASH FLOW**

**ROTTNEROS PACKAGING  
STARTED COMMERCIAL  
PRODUCTION IN NEW FACILITIES**



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

## YOUR PULP COMPANY

# ANOTHER RECORD-STRONG QUARTER

- **Net turnover** for the first quarter of 2019 increased by 17% to SEK 630m (537).
- **EBIT** (operating profit) for the first quarter of 2019 rose by 81% to SEK 141m (78), which is a record for a single quarter in the Group's current structure.
- **Profit after financial items** for the first quarter of 2019 increased to SEK 136m (73). Earnings per share for the first quarter of 2019 rose to SEK 0.71 (0.37).
- **Strong cash flow** thanks to the strong results. Cash flow from operating activities increased to SEK 147m (14) for the first quarter of 2019.
- **NBSK list price** during the first quarter of 2019 was 23% higher in SEK, compared with the first quarter of 2018. However, compared with the fourth quarter of 2018, the list price in SEK was 5% lower.
- **Production volume** for the first quarter of 2019 was 97.6 (99.9) thousand tonnes pulp. A few unplanned stops in the production held back the growth. Customer deliveries during the first quarter increased to 99.1 (98.2) thousand tonnes.
- **Rottneros Packaging** started commercial production of fibre trays in the new facilities in Sunne.

## The quarter in figures

	Jan-Mar 2019	Jan-Mar 2018	change, %	Rolling 12 months	Full year 2018
Net turnover, SEK m	630	537	17	2,353	2,260
EBITDA, SEK m	167	101	65	460	394
EBIT (operating profit), SEK m	141	78	81	358	295
Profit after financial items, SEK m	136	73	86	339	276
Net income, SEK m	108	57	89	272	221
Earnings per share, SEK	0.71	0.37	92	1.79	1.45
Cash flow from operating activities, SEK m	147	14	950	356	223
Return on capital employed (rolling 12 months), %	24.3	13.9		24.3	20.4
Production, thousand tonnes	97.6	99.9	-2	391.3	393.6
Deliveries, thousand tonnes	99.1	98.2	1	383.4	385.5



## COMMENTS BY THE CEO: NEW RECORD-STRONG QUARTER FOR ROTTNEROS

**Rottneros can again show a record-strong quarter. Operating profit (EBIT) after the first three months of the year amounted to SEK 141m (73). At the same time, production has started in our initiative for the future, Rottneros Packaging.**

### **Good results and continued strong finances**

Sales prices are still high as a weak Swedish krona helps to balance the price pressure in the market. A very strong result and good cash flow further strengthen our balance sheet and improve our resilience to any uncertainty in the global economy.

Still, we can never stop striving for higher efficiency in all parts of the organisation. This is a work that is constantly ongoing and can never stop. It is assuring to know that Rottneros' employees embrace this thinking and understand the value of all of us working as efficiently as possible.

As we are dependent on raw material costs and the market's willingness to pay for our products, only one tool really remains that we can directly influence: our own efficiency.

### **Focus on managing disruptions**

Despite the good results, it has not been a first quarter completely free from concerns. Shortcomings in the quality of the wood raw material caused disturbances in production, especially at Vallvik Mill.

The winter months can be difficult from a raw material point of view, especially after a summer with extreme drought and forest fires. However, it is an area that we forcefully address on two fronts to minimize in the long run.

Firstly, we work with our raw material suppliers to ensure quality. Secondly, we are continuously upgrading our own facilities to reduce sensitivity to any deficiencies in the raw material. It is an ongoing modernisation that is within the scope of our planned annual investments.

As a whole, the wood supply is good and winter disturbances have only marginally affected production volumes. The cost of raw material has in line with high demand throughout the Swedish forest industry risen in 2018, but price increases have come to an end which is favourable for our business.

We have also had some equipment-related disturbances that have held back the positive development in production. The disturbances also resulted in higher maintenance costs.

It is frustrating that we have not been able to increase production when we see the capacity the plants have when everything runs as it should.

A good and safe working environment as well as increased competence are areas that create the conditions for higher capacity utilisation. Our focus on these areas contribute to deliberate cost increases.

### **Stable demand with price pressure**

Demand and price levels for our products remain good even though prices have fallen since the top listing at year-end. This is how we can summarize the market right now.

We have a certain increase in stocks compared to the first quarter of 2018, but this is less of a concern as the stock level has been in line with that of the fourth quarter of 2018.

We can also see a stabilisation in Asia after a long period of decline. We are cautiously optimistic that the stabilisation will be followed by increasing demand in Asia, which is positive for price development in Europe and North America.



### **Full speed ahead for the future**

Rottneros Packaging has moved into new functional premises in Sunne and has started manufacturing moulded fibre trays for commercial use.

In parallel with the construction of the factory, the organisation has been strengthened and is now staffed for production in three shifts as well as continued development of the business.

The investment in Rottneros Packaging is fully in line with our ambition to satisfy the market demand for products that are smart for the environment and the climate.

I want to thank all my colleagues who have contributed to this extraordinary quarter. 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 the first two months of 2019 totalled some 9.5 million tonnes, a decrease by 1.2 per cent compared with the corresponding period in 2018. Demand increased by some 5 per cent for NBSK and some 7 per cent for unbleached sulphate pulp but decreased by some 3 per cent for eucalyptus pulp.

Demand during the first two months of the year was good in North America but stagnated or declining in other parts of the world. Industrial capacity utilisation during January-February 2019 was 84 (86) per cent.

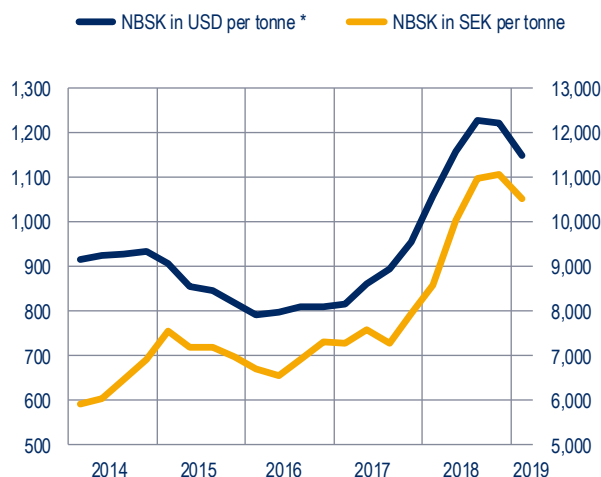
Producer stocks for long-fibre pulp decreased during the first two months of the year and were at the end of February equal to 35 days of consumption, compared to 38 days at the end of 2018. Stocks for short-fibre pulp have increased from 56 days at year-end to 58 days at the end of February. (Statistical source: PPPC Chemical Market Pulp Global 100)

The NBSK gross price has gradually decreased during the first quarter of 2019 from USD 1,200 at year-end to USD 1,100 at quarter-end. During April 2019, the price level has continued downwards to about USD 1,070.

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, 2014–2019



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

## PRODUCTION AND DELIVERIES

Production volume in the first quarter of 2019 was 97.6 (99.9) thousand tonnes. Growth was held back by a few disturbances in production.

The Group's customer deliveries during the first quarter of 2019 were 1 per cent higher than in the first quarter of 2018. Demand for Rottneros' products is good. In the longer term, it is estimated that there is a good balance between supply and demand, as well.

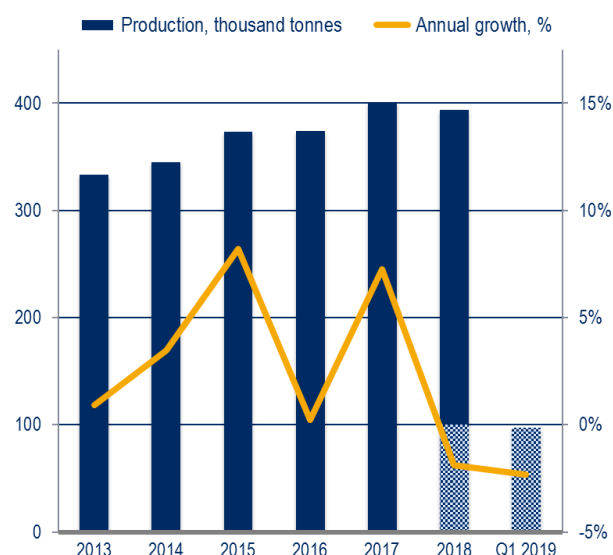
### PRODUCTION, TONNES

	Jan-Mar 2019	Jan-Mar 2018	Rolling 12 months	Full year 2018
Sulphate pulp	53,000	54,300	218,300	219,600
Groundwood pulp	19,300	18,500	72,800	72,000
CTMP	25,300	27,100	100,200	102,000
<b>TOTAL</b>	<b>97,600</b>	<b>99,900</b>	<b>391,300</b>	<b>393,600</b>

### DELIVERIES, TONNES

	Jan-Mar 2019	Jan-Mar 2018	Rolling 12 months	Full year 2018
Sulphate pulp	51,500	55,400	208,000	211,900
Groundwood pulp	20,500	17,000	72,400	68,900
CTMP	27,100	25,800	103,000	101,700
<b>TOTAL</b>	<b>99,100</b>	<b>98,200</b>	<b>383,400</b>	<b>382,500</b>

### Annual volumes and annual growth





## SALES AND RESULTS – FIRST QUARTER

Turnover in the first quarter of 2019 rose to SEK 630m (537), an increase of 17 per cent. Turnover was mainly affected by a higher price level for Rottneros' deliveries, but also by the product mix. The NBSK list price denominated in SEK rose 23 per cent compared with the first quarter of 2018. Delivery volume in tonnes increased by 1 per cent compared with the first quarter of 2018. The result from pulp price hedging that is included in net turnover for the first quarter of 2019 was SEK -2m (-14). See also page 14.

EBIT for the first quarter of 2019 increased by 81 per cent to SEK 141m (78). Results for the quarter were affected positively by the higher price level for Rottneros' products and negatively by the higher costs for raw material and maintenance.

### First quarter 2019 compared with first quarter 2018

	Jan-Mar 2019	Jan-Mar 2018	change, %
NBSK, USD	1,148	1,059	8
SEK/USD	9.17	8.11	13
NBSK, SEK	10,527	8,584	23
<b>Net turnover, SEK m</b>	<b>630</b>	<b>537</b>	<b>17</b>
<b>EBIT, SEK m</b>	<b>141</b>	<b>78</b>	<b>81</b>

### Maintenance shutdowns and seasonal variations

In 2019, the annual maintenance shutdown at Rottneros Mill is planned for the third quarter and at Vallvik Mill for the fourth quarter, both as last year.

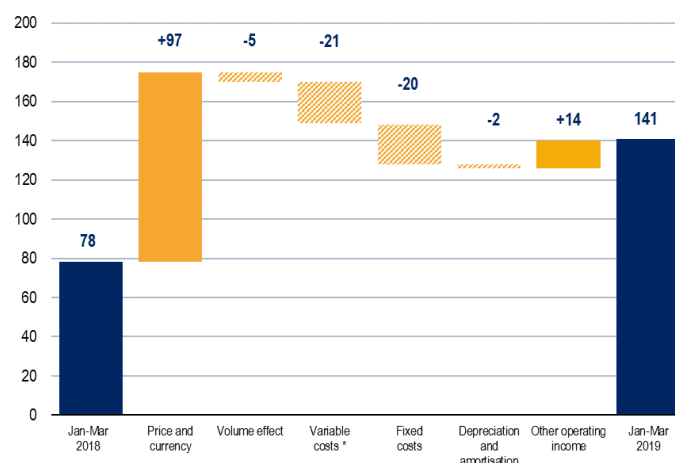
In accordance with generally accepted accounting practices, the direct costs relating to maintenance shutdowns are recognised in the period during which the shutdown takes place. The maintenance shutdown also involves a certain loss of production, affecting results for the quarter in which the shutdown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

	Planned maintenance shutdown date		Estimated cost of shutdown 2019 (SEKm)
	2019	2018	
Rottneros Mill	Q3	Q3	10
Vallvik Mill	Q4	Q4	70

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. The annual maintenance shutdown at Rottneros Mill in 2019 is planned to be shorter than normally. Thanks to a smaller loss of production, the indirect effect is also expected to be smaller than normally.

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

### Differences in EBIT Q1 2019 compared with Q1 2018 (SEK m)



Variable costs\* for the quarter increased mainly due to higher costs for raw materials.

\* 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 0.48 (0.39) per kWh for the first quarter of 2019, which is 23 per cent higher than during the first quarter of 2018. Thanks to price hedges and a somewhat lower consumption, the cost of electricity after price hedges remained, however, at the same level as in first quarter of 2018. Income from electricity price hedges was SEK 17m (10) in the first quarter of 2019. See also page 8 for price hedges related to future periods.

*Fixed costs* for the quarter increased mainly due to higher maintenance costs, as well as certain measures to manage disturbances in the production. A revaluation of spare parts inventories has also impacted negatively. Additionally, with the full-scale operations for Rottneros Packaging, the fixed costs are increasing compared to 2018.

*Other operating income* during the quarter increased compared with the first quarter of 2018, primarily thanks to income of SEK 14m from the sales of emission allowances.

#### Other income statement items

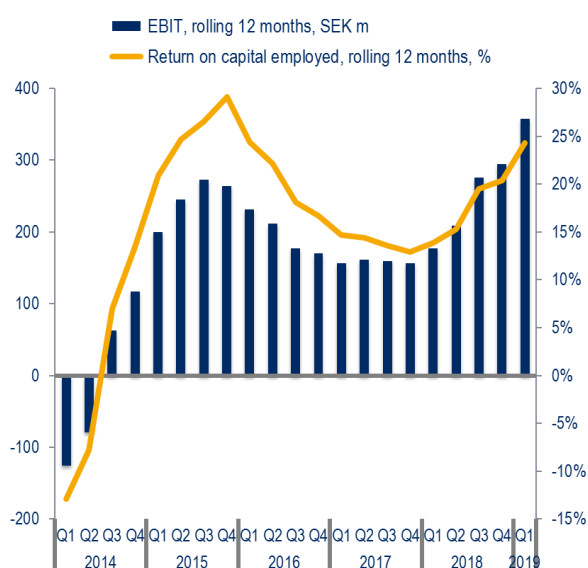
Net financial expenses were SEK 5m (5) for the first quarter of 2019.

Profit after financial items for the Group increased by 86 per cent to SEK 136m (73) for the first quarter of 2019.

The income tax expense for the first quarter of 2019 was SEK 28m (16) and the effective tax rate was 21 (22) per cent.

Net income rose to SEK 108m (57) and earnings per share to SEK 0.71 (0.37) for the first quarter of 2019.

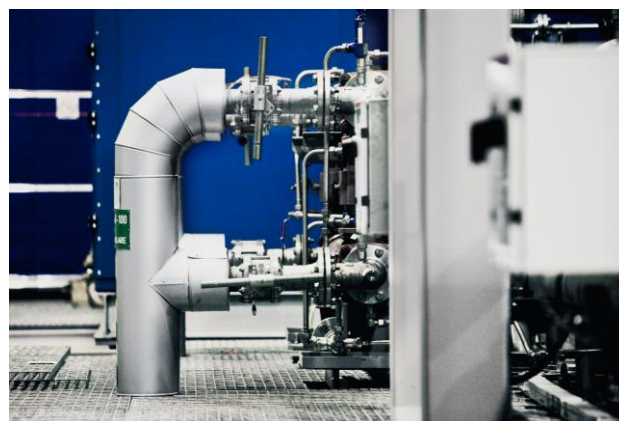
Return on capital employed, measured over a rolling 12-month period, rose to 24.3 (13.9) per cent. Return on equity, over a rolling 12-month period, was 19.5 (10.5) per cent.



## INVESTMENTS

The Group's investments in fixed assets during the first quarter of 2019 amounted to SEK 22m (37).

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



## FINANCIAL POSITION

Rottneros AB has an unsecured bond of SEK 400 million, issued in August 2017 to primarily Nordic institutional investors. The bond bears variable interest of STIBOR 3m + 4.15 per cent and shall 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 Q1 2019	
Net debt to EBITDA ratio	Under 3.5	0.1	✓
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 364m at the end of the first quarter of 2019, compared with SEK 238 million at year-end 2018. Interest-bearing liabilities, consisting of the bond and an interest-bearing lease liability, amounted to SEK 410m on 31 March 2019. Net debt totalled SEK 46m at the end of the first quarter of 2019, compared with SEK 157m at year-end 2018. Total granted and unused credit facilities amounted to SEK 182 million at the end of the first quarter of 2019.

The equity/assets ratio amounted to 61 (60) per cent on 31 March 2019. Equity per share totalled SEK 9.92 (8.33) at the end of the quarter.

## CASH FLOWS

Cash flow from operating activities for the first quarter of 2019 amounted to SEK 147m (14). Cash flow was higher thanks to higher EBIT. Working capital increased during the first quarter of 2019 due to higher raw material prices, but not as much as in the first quarter of 2018. Cash flow after investments in non-current assets for the first quarter 2019 was SEK 125m (-23).

Net cash flow for the first quarter of 2019 was SEK 126m (-46).

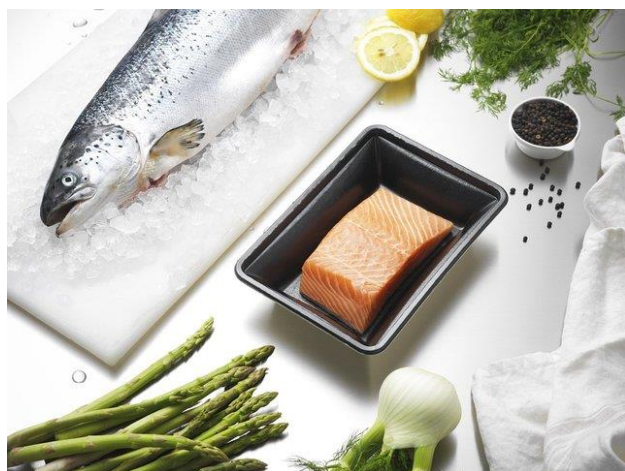
## ROTTNEROS PACKAGING

Rottneros Packaging, the Group's development area for eco-friendly fibre trays, started commercial production of moulded fibre trays in the new factory premises in Sunne during the first quarter of 2019. First customer deliveries of fibre trays manufactured in the new factory were made in the beginning of April 2019.

The investments in the new factory amount to some SEK 30m as of now, mainly consisting of a tailor-made system for preparing pulp and three machines for the manufacture of trays. An additional machine was purchased at the end of March and will be put into operation by the end of 2019.

After commissioning and trimming, the capacity in the factory will amount to 50-80 million trays per year, depending on the size of trays produced. The trays are primarily intended for food and as a replacement for disposable plastic articles, but also for packaging of electronic products and other components. The products can be manufactured with and without barrier, are made of renewable Swedish forest raw material, and are completely free of PFAS (perfluorinated alkylated substances). The products are recyclable as paper packaging.

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

Rottneros is assessing, together with Preem and RenFuel, a 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®, RenFuel's patented lignin oil. 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.



## SHARE INFORMATION

### Largest shareholders on 31 March 2019

Shareholders	Number of shares (=votes)	Per cent of capital
Arctic Paper S.A.	78,230,883	51.0
PROAD AB	8,782,123	5.7
Försäkringsaktiebolaget Avanza Pension	4,660,999	3.0
UBS Switzerland AG, W8IMY	2,991,460	2.0
State Street Bank and Trust Co, W9	1,916,935	1.2
Nordnet Pensionsförsäkring AB	1,322,117	0.9
Borell, Joakim	1,311,294	0.9
CBNY-DFA-INT SML CAP V	1,278,087	0.8
BNY Mellon NA (Former Mellon), W9	1,135,752	0.7
Credit Agricole (Suisse) SA, W8IMY without P.R.	1,100,000	0.7
<b>Total for 10 largest owners – by size of holding</b>	<b>102,729,650</b>	<b>67.0</b>
Other shareholders	49,842,275	32.5
Rottneros AB (treasury shares from buy-back)	821,965	0.5
<b>TOTAL</b>	<b>153,393,890</b>	<b>100.0</b>

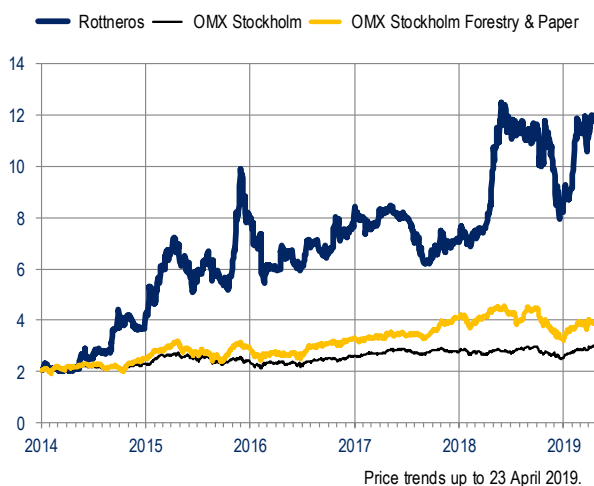
### Number of shares and treasury shares

The number of shares in Rottneros totals 153,393,890. Rottneros holds 821,965 treasury shares. No change in treasury shares has occurred in the first quarter of 2019.

### Share price trend in the first quarter of 2019

At the end of the first quarter of 2019, the price of Rottneros shares was SEK 10.96 (8.24 at year-end 2018). The average price during the first quarter was SEK 10.90 (7.32).

### Price trend for Rottneros shares and Stockholm Stock Exchange



### Transactions with related parties

During the first quarter of 2019, Rottneros sold pulp to the related party Arctic Paper S.A. Group in the amount of SEK 32m (25). Outstanding operating receivables from Arctic Paper totalled SEK 30m (18) at quarter-end. The transactions took place at market conditions.

## PARENT COMPANY

The loss for the parent company after financial items for the first quarter of 2019 amounted to SEK -2m (-12).

## NUMBER OF EMPLOYEES

The average number of employees during the first quarter of 2019 was 310 (305).

## CHANGES IN MANAGEMENT

Michael Berggren, the Mill Director for Vallvik Mill, has decided in the beginning of April 2019 to take up a position outside Rottneros and will therefore leave his position. Michael has six months' notice and will remain in full capacity during this period. The recruitment of a new Mill Director for Vallvik Mill has been started.

## 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.

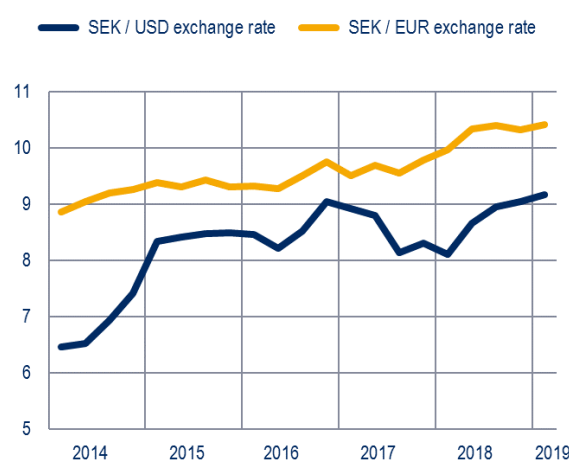
### Currency exposure, USD and EUR

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 the first quarter of 2019 was 13 per cent higher than in the first quarter of 2018.

On 31 March 2019, Rottneros had unrealised currency hedges related to April-May 2019 with a fair value of SEK 0m.

### Exchange rate trends, 2014-2019



### Pulp price

The price of pulp (NBSK) is set in USD, while production costs are largely incurred in SEK. On 31 March 2019, the Group had pulp price hedges of 9,000 tonnes with due dates between April and December 2019, at an average price of SEK 9,800 per tonne. The fair value of these unrealised price hedges totalled SEK -6m on 31 March 2018.

### Electricity

All external electricity for the mills, approximately 300 GWh annually, is purchased directly via the Nord Pool electricity exchange. At the end of March 2019, 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 March 2018

Year	Proportion hedged	SEK/kWh
2019 Apr-Dec	81%	0.225
2020	82%	0.218
2021	68%	0.259
2022	27%	0.339

The fair value of these unrealised price hedges amounted to SEK 70m on 31 March 2019.



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

See pages 40-44 of the Annual Report for 2018 for further information on risks.

## AGM 2019

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

## SUBSEQUENT EVENTS

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

## FORTHCOMING FINANCIAL INFORMATION

2 May 2019	Annual General Meeting in Sunne
25 July 2019	Interim Report, April-June
22 October 2019	Interim Report, July-September

For further information, please visit the Rottneros website, [www.rottneros.com](http://www.rottneros.com).

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

Vallvik, 24 April 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 24 April 2019 at 8.00 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.

### For further information, please contact:

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# CONSOLIDATED STATEMENTS OF INCOME

## CONSOLIDATED INCOME STATEMENT

Amounts in SEK m	Jan-Mar 2019	Jan-Mar 2018	Rolling 12 months	Full year 2018
<b>NET TURNOVER</b>	630	537	2,353	2,260
Change in inventories, finished goods	2	10	70	78
Other operating income	21	8	47	34
<b>Operating income, total</b>	<b>653</b>	<b>555</b>	<b>2,470</b>	<b>2,372</b>
Raw materials and consumables	-300	-288	-1,223	-1,211
Other external expenses	-119	-101	-523	-505
Employee benefit expenses	-67	-65	-264	-262
<b>EBITDA (operating profit before depreciation, amortisation and impairment)</b>	<b>167</b>	<b>101</b>	<b>460</b>	<b>394</b>
Depreciation/amortisation and impairment	-26	-23	-102	-99
<b>EBIT (operating profit)</b>	<b>141</b>	<b>78</b>	<b>358</b>	<b>295</b>
Financial income	0	0	1	1
Financial expenses	-5	-5	-20	-20
<b>Total financial items</b>	<b>-5</b>	<b>-5</b>	<b>-19</b>	<b>-19</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>136</b>	<b>73</b>	<b>339</b>	<b>276</b>
Tax on profit for the period	-28	-16	-67	-55
<b>NET INCOME</b>	<b>108</b>	<b>57</b>	<b>272</b>	<b>221</b>
Average number of shares (thousand) <sup>2</sup>	152,572	152,572	152,572	152,572
<b>Earnings per share (SEK) <sup>1</sup></b>	<b>0.71</b>	<b>0.37</b>	<b>1.79</b>	<b>1.45</b>

<sup>1</sup> No share-based programmes exist that result in dilution.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Jan-Mar 2019	Jan-Mar 2018	Rolling 12 months	Full year 2018
<b>NET INCOME</b>	<b>108</b>	<b>57</b>	<b>272</b>	<b>221</b>
<b>Other comprehensive income</b>				
<b>Items that have been or may be transferred to profit or loss for the period</b>				
Changes in fair value of cash flow hedges	-69	7	35	111
Income tax effect on changes in fair value	15	-1	-7	-23
Translation differences	0	1	-1	0
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-54</b>	<b>7</b>	<b>27</b>	<b>88</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD <sup>2</sup></b>	<b>54</b>	<b>64</b>	<b>299</b>	<b>309</b>

<sup>2</sup> The entire comprehensive income is attributable to the parent company's shareholders.

## CONSOLIDATED BALANCE SHEET, SUMMARY

Amounts in SEK m	31 Mar 2019	31 Mar 2018	31 Dec 2018
Intangible non-current assets	17	18	17
Property, plant and equipment	1,174	1,035	1,179
Leased assets	15	-	-
Financial assets	67	46	94
<b>Total non-current assets</b>	<b>1,273</b>	<b>1,099</b>	<b>1,290</b>
Inventories	415	296	389
Current receivables	418	426	484
Cash and cash equivalents	364	280	238
<b>Total current assets</b>	<b>1,197</b>	<b>1,002</b>	<b>1,111</b>
<b>TOTAL ASSETS</b>	<b>2,470</b>	<b>2,101</b>	<b>2,401</b>
<b>Shareholders' equity</b>	<b>1,514</b>	<b>1,271</b>	<b>1,460</b>
Long-term liabilities			
Bond	395	394	395
Interest-bearing lease liability	15	-	-
Deferred tax liabilities	134	60	119
Other non-interest-bearing liabilities	18	12	18
<b>Total long-term liabilities</b>	<b>562</b>	<b>466</b>	<b>532</b>
Current liabilities			
Non-interest-bearing liabilities	394	364	409
<b>Total current liabilities</b>	<b>394</b>	<b>364</b>	<b>409</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>2,470</b>	<b>2,101</b>	<b>2,401</b>

## 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		
<b>Opening balance, 1 January 2018</b>	153	730	-69	18	-8	383	1,207
Net income Jan-Mar						57	57
Other comprehensive income, Jan-Mar				6	1		7
Total comprehensive income for Jan-Mar				6	1	57	64
<b>Closing balance, 31 March 2018</b>	153	730	-69	24	-7	440	1,271
Net income Apr-Dec						164	164
Other comprehensive income, Apr-Dec				82	-1		81
Total comprehensive income for Apr-Dec				82	-1	164	245
Dividends to shareholders, Apr-Dec						-56	-56
<b>Closing balance, 31 December 2018</b>	153	730	-69	106	-8	548	1,460
Net income Jan-Mar						108	108
Other comprehensive income, Jan-Mar				-54	0		-54
Total comprehensive income for Jan-Mar				-54	0	108	54
<b>Closing balance, 31 March 2019</b>	153	730	-69	52	-8	656	1,514

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK m	Jan-Mar 2019	Jan-Mar 2018	Rolling 12 months	Full year 2018
EBIT	141	78	358	295
Adjustment for non-cash flow items				
Depreciation/amortisation and impairment	26	23	102	99
<b>EBIT adjusted for non-cash flow affecting items</b>	<b>167</b>	<b>101</b>	<b>460</b>	<b>394</b>
Received/paid financial items	-5	-5	-18	-18
<b>Cash flow from operating activities before changes in working capital</b>	<b>162</b>	<b>96</b>	<b>442</b>	<b>376</b>
Change in working capital	-15	-82	-86	-153
<b>Cash flow from operating activities</b>	<b>147</b>	<b>14</b>	<b>356</b>	<b>223</b>
Investments in non-current assets	-22	-37	-240	-255
Proceeds from the sale of non-current assets	1	0	1	0
Change in current loans receivable	-	-23	23	-
<b>Cash used in investing activities</b>	<b>-21</b>	<b>-60</b>	<b>-216</b>	<b>-255</b>
Dividends paid	-	-	-56	-56
<b>Cash used in financing activities</b>	<b>0</b>	<b>0</b>	<b>-56</b>	<b>-56</b>
<b>Net cash flow for the period</b>	<b>126</b>	<b>-46</b>	<b>84</b>	<b>-88</b>
Cash and cash equivalents at start of period	238	326	280	326
Net cash flow for the period	126	-46	84	-88
Cash and cash equivalents at end of period	364	280	364	238

### CHANGES IN INTEREST-BEARING LIABILITIES

Amounts in SEK m	Jan-Mar 2019	Jan-Mar 2018	Rolling 12 months	Full year 2018
<b>Interest-bearing liabilities in the balance sheet at the start of the period</b>	<b>395</b>	<b>394</b>	<b>394</b>	<b>394</b>
Changes included in the cash flow from financing activities:	-	-	-	-
Other changes:				
Recognition of an interest-bearing lease liability in accordance with IFRS 16	15	-	15	-
Direct costs in connection with the bond issue that are charged to expense over the loan period	0	0	1	1
<b>Interest-bearing liabilities in the balance sheet at the end of the period</b>	<b>410</b>	<b>394</b>	<b>410</b>	<b>395</b>



## PARENT COMPANY STATEMENTS OF INCOME

### PARENT COMPANY INCOME STATEMENT

Amounts in SEK m	Jan-Mar 2019	Jan-Mar 2018	Full year 2018
<b>NET TURNOVER</b>	2	1	6
Other operating income	4	3	9
<b>Operating income, total</b>	6	4	15
Other expenses	-4	-4	-17
Employee benefit expenses	-8	-7	-22
<b>EBITDA (operating loss before depreciation, amortisation and impairment)</b>	-6	-7	-24
Depreciation/amortisation and impairment	-1	-1	-3
<b>EBIT (operating loss)</b>	-7	-8	-27
Profit from participations in Group companies	0	0	49
Financial income	0	0	4
Financial expenses	-5	-4	-20
Gains and losses from hedging activities	10	-	-
<b>Total financial items</b>	5	-4	33
<b>LOSS/PROFIT AFTER FINANCIAL ITEMS</b>	-2	-12	6
Tax on loss/profit for the period	0	3	-2
<b>NET INCOME</b>	-2	-9	4

### PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Jan-Mar 2019	Jan-Mar 2018	Full year 2018
<b>NET INCOME</b>	-2	-9	4
Other comprehensive income	-	-	-
<b>Total other comprehensive income</b>	-	-	-
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	-2	-9	4

## PARENT COMPANY BALANCE SHEET, SUMMARY

Belopp i MSEK	31 mar 2019	31 mar 2018	31 dec 2018
Intangible non-current assets	13	16	14
Equipment	1	1	0
Financial assets	293	285	293
<b>Total non-current assets</b>	307	302	307
Current receivables <sup>1</sup>	816	934	966
Cash and cash equivalents	347	265	218
<b>Total current assets</b>	1,163	1,199	1,184
<b>TOTAL ASSETS</b>	1,470	1,501	1,491
<b>Shareholders' equity</b>	915	961	918
Long-term liabilities			
Interest-bearing	395	394	395
Non-interest-bearing	18	12	18
<b>Total long-term liabilities</b>	413	406	413
Current liabilities			
Non-interest-bearing <sup>2</sup>	142	134	160
<b>Total current liabilities</b>	142	134	160
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	1,470	1,501	1,491

<sup>1</sup> Including receivables of SEK 816m (907) from subsidiaries.

<sup>2</sup> Including liabilities of SEK 132m (116) 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 lease contracts, which are accounted for in accordance with IFRS 16 as of 1 January 2019.

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

#### Net turnover

The clear majority of Rottneros' revenues is derived from the sales of pulp. Control is passed at a point in time, which coincides with the actual delivery of the goods. Revenue is recognised at fair value of the consideration received or receivable. Net turnover in the income statement consists of revenues from the sale of goods and invoiced freight, net of returns, discounts, pulp price hedges and VAT.

Rottneros' net turnover consists of the following:

Amounts in SEK m	Jan-Mar 2019	Jan-Mar 2018	Rolling 12 months	Full year 2018
Sales of pulp	610	527	2,349	2,266
Results from pulp price hedging	-2	-14	-119	-131
Sales of by-products	13	10	43	40
Sales of pulp wood	9	14	79	84
Sales of fibre trays	0	0	1	1
<b>NET TURNOVER, TOTAL</b>	<b>630</b>	<b>537</b>	<b>2,353</b>	<b>2,260</b>

#### IFRS 16, Leases

IFRS 16 entered into force on 1 January 2019 and replaces IAS 17, Leasing. IFRS 16 entails the reporting of substantially all lease contracts in the balance sheet. Rottneros has chosen to apply the modified retroactive transition method for IFRS 16, meaning that the value of all identified contracts on 1 January 2019 have affected the value of recognised assets and liabilities with equal amounts. IFRS 16 has a very limited effect on Rottneros' financial statements since the number of lease contracts of any mentionable value is limited. On 31 March 2019, the total carrying value of leased assets in the balance sheet was SEK 15m.



## FINANCIAL INSTRUMENTS

### FAIR VALUE FOR DERIVATIVES, 31 MARCH 2019

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Currency EUR, forward sell	EUR 2.5m	Apr-May 2019	10.59 SEK/EUR	0
Currency USD, forward sell	USD 10.0m	Apr-May 2019	9.30 SEK/USD	0
Pulp, forward sell	9,000 tonnes	Apr-Dec 2019	9,800 SEK/tonne	-6
Electricity, forward buy	768,120 MWh	2019-2022	0.245 SEK/kWh	70
<b>Total fair value</b>				<b>64</b>

### 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
<b>Total fair value</b>				<b>133</b>

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.

Rottneros AB has an unsecured bond of SEK 400 million, issued in August 2017. The loan bears variable interest of STIBOR 3m + 4.15 per cent and shall be repaid in September 2022. Direct costs in connection with the issue amounted to approximately SEK 7 million and are 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 411 million on balance sheet day.

The nature of other financial assets and liabilities is in all essential respects the same as on 31 December 2018. The carrying amounts are deemed to be equal to fair values, which was also the case at the end of 2018, 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-Mar 2019	Jan-Mar 2018	Rolling 12 months	Full year 2018	2017	2016	2015	2014
<b>Income statement (SEK m)</b>								
Net turnover	630	537	2,353	2,260	1,912	1,730	1,795	1,547
EBITDA	167	101	460	394	247	221	321	177
Depreciation/amortisation and impairment	-26	-23	-102	-99	-91	-51	-58	-59
EBIT	141	78	358	295	156	170	263	118
Financial items (net financial items)	-5	-5	-19	-19	-9	-7	-4	-4
Profit after financial items	136	73	339	276	147	163	259	114
Net income	108	57	272	221	114	128	223	133
<b>Cash flow statement (SEK m)</b>								
Cash flow from operating activities	147	14	356	223	222	187	335	104
Investments in non-current assets	-22	-37	-240	-255	-237	-278	-103	-59
Cash flow after investments	125	-23	116	-32	-15	-91	232	45
Cash used in/provided by financing activities	0	0	-56	-56	325	-62	-152	-30
Net cash flow	126	-46	84	-88	310	-153	80	54
<b>Balance sheet items (SEK m)</b>								
Non-current assets	1,273	1,099	1,273	1,290	1,078	905	706	691
Inventories	415	296	415	389	279	278	267	255
Current receivables	418	426	418	484	324	290	244	226
Cash and cash equivalents	364	280	364	238	326	16	169	89
Net debt (+) / net cash (-)	46	114	46	157	68	-2	-169	-59
Shareholders' equity	1,514	1,271	1,514	1,460	1,207	1,151	1,058	975
Long-term interest-bearing liabilities	410	394	410	395	394	-	-	30
Long-term non-interest-bearing liabilities	152	72	152	137	52	14	18	9
Current interest-bearing liabilities	-	-	-	-	-	14	-	0
Current non-interest-bearing liabilities	394	364	394	409	354	310	310	247
Capital employed	1,560	1,385	1,560	1,617	1,275	1,149	889	916
Total shareholders' equity and liabilities	2,470	2,101	2,470	2,401	2,007	1,489	1,386	1,261
<b>Key ratios</b>								
EBITDA margin, %	26.5	18.8	19.5	17.4	12.9	12.8	17.9	11.4
EBIT margin, %	22.4	14.5	15.2	13.1	8.2	9.8	14.7	7.6
Return on shareholders' equity (rolling 12 months), %	19.5	10.5	19.5	16.6	9.7	11.6	21.9	13.6
Return on capital employed (rolling 12 months), %	24.3	13.9	24.3	20.4	12.9	16.7	29.1	13.4
Equity/assets ratio, %	61	60	61	61	60	77	76	77
Debt/equity ratio, %	3	9	3	11	6	0	-16	-6
<b>Other</b>								
Average no. of employees	310	305	305	303	301	282	264	251
Pulp production, 1,000 tonnes	97.6	99.9	391.3	393.6	393.6	374.1	373.3	345.0
Pulp deliveries, 1,000 tonnes	99.1	98.2	383.4	382.5	382.5	374.1	372.2	344.2
List price of NBSK pulp, USD per tonne <sup>1</sup>	1,148	1,059	1,089	1,167	882	802	857	925
SEK/USD <sup>2</sup>	9.17	8.11	8.96	8.69	8.54	8.56	8.44	6.86
List price of NBSK pulp, SEK per tonne	10,527	8,584	10,562	10,144	7,530	6,867	7,228	6,345

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

<sup>2</sup> Source: Riksbanken's daily quotations. Average for each period.



## QUARTERLY DATA, GROUP

	2019		2018			2017			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Income statement (SEK m)</b>									
Net turnover	630	580	567	576	537	496	472	472	472
EBITDA	167	39	136	118	101	21	66	83	77
Depreciation/amortisation and impairment	-26	-27	-25	-24	-23	-28	-22	-21	-20
EBIT	141	12	111	94	78	-7	44	62	57
Financial items (net financial items)	-5	-5	-5	-4	-5	-5	-3	0	-1
Profit/loss after financial items	136	7	106	90	73	-12	41	62	56
Tax on profit/loss for the period	-28	2	-24	-17	-16	2	-9	-13	-13
Net income	108	9	82	73	57	-10	32	49	43
<b>Per share</b>									
Earnings per share, SEK	0.71	0.06	0.54	0.48	0.37	-0.06	0.21	0.32	0.28
<b>Other</b>									
Pulp production, 1,000 tonnes	97.6	93.6	100.0	100.1	99.9	94.4	102.5	101.4	102.9
Pulp deliveries, 1,000 tonnes	99.1	94.3	92.5	97.5	98.2	100.1	95.7	98.9	101.2
List price of NBSK pulp, SEK per tonne	10,527	11,056	10,983	10,047	8,584	7,949	7,279	7,572	7,290

## SHARE DATA <sup>1</sup>

		Jan-Mar	Jan-Mar	Rolling 12	Full year	2017	2016	2015	2014
		2019	2018	months	2018				
Shares outstanding, opening <sup>2</sup>	Number	152,572	152,572	152,572	152,572	152,572	152,572	152,572	152,572
Shares outstanding, closing <sup>2</sup>	Number	152,572	152,572	152,572	152,572	152,572	152,572	152,572	152,572
Average number of shares outstanding <sup>2</sup>	Number	152,572	152,572	152,572	152,572	152,572	152,572	152,572	152,572
Treasury shares <sup>2</sup>	Number	822	822	822	822	822	822	822	822
Earnings per share	SEK	0.71	0.37	1.79	1.45	0.75	0.84	1.46	0.87
Cash flow after investments/share <sup>3</sup>	SEK	0.82	-0.15	0.76	-0.21	-0.10	-0.60	1.52	0.29
Equity per share	SEK	9.92	8.33	9.92	9.57	7.91	7.54	6.93	6.39
<b>Dividend <sup>4</sup></b>									
Ordinary dividend	SEK	-	-	0.40	0.40	0.30	0.30	0.30	0.20
Extra dividend	SEK	-	-	0.30	0.30	0.07	0.10	0.20	0.60
Total	SEK	-	-	0.70	0.70	0.37	0.40	0.50	0.80
Dividend/equity per share	%	-	-	7.1	7.3	4.7	5.3	7.2	12.5
Share price at end of period	SEK	10.96	7.52	10.96	8.24	7.15	8.05	8.15	3.74
Market price/equity/share	times	1.1	0.9	1.1	0.9	0.9	1.1	1.2	0.6
P/E ratio per share	times	6.1	9.0	6.1	5.7	9.5	9.6	5.6	4.3
Direct yield <sup>5</sup>	%	-	-	6.4	8.5	5.2	5.0	6.1	21.4

<sup>1</sup> None of the key ratios are affected by any dilution effect.

<sup>2</sup> The number of shares is in thousands and excluding Rottneros' treasury shares.

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

<sup>4</sup> Proposed dividend for 2018.

<sup>5</sup> 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. 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.



# ROTTNEROS PACKAGING

## – Solutions for future food packaging



### **Development and investments give results**

Today's Rottneros Packaging originates from PULPACKTION, a Horizon 2020 project that is led by Rottneros and which also includes ten other European companies and research institutes. This project creates the conditions for a continued development of the product, process and technology that have existed within the company for more than ten years. The result of the project and Rottneros' own investments is that we now – 2.5 years later – have a new factory located in Sunne, which is being ramped up and where we are investing in additional capacity.

During these 2.5 years, the plastic issue and environmental awareness have emerged much stronger than they were at the planning stage. There is a great interest on the market in our products.

### **What makes our products so unique?**

The clear majority of fibre bowls, trays and plates that we encounter in restaurants, catering or food trucks are made from residues of sugar cane and imported from China. We manufacture our packaging with raw material from the Swedish forest, which guarantees a safe product, full traceability as well as a sustainable forestry. In addition, we do not use any harmful chemicals such as PFAS in our products. If necessary, we can laminate our products with a thin barrier film which enables packaging of food with a long shelf life. Our products are renewable and can be recycled as paper packaging.

### **What does the future look like?**

In the near future, the focus is on expanding our product range and getting efficiency in production and customer deliveries.



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