

Q3
2019



INTERIM REPORT
JAN-SEP 2019

Strong deliveries in a weakening market

EBIT decreases
to 54 MSEK

Strong cash flow

The Board proposes
an extra dividend



ROTTNEROS

PURE POSSIBILITIES

Rottneros interim report January-September 2019

Strong deliveries in a weakening market

Q3 2019 COMPARED TO (Q3 2018)

- **NET TURNOVER** for the third quarter 2019 increased by 9 % to 618 (567) MSEK. The delivery volume is higher, while sales prices have fallen. The pulp price hedges, which are included in turnover, gave a positive result in the quarter.
- **PROFIT AFTER FINANCIAL ITEMS** for the third quarter decreased by 54 % to 49 (106) MSEK. Earnings per share for the quarter decreased by 54 % to SEK 0,25 (0,54).
- **NBSK LIST PRICE** continued its downward trend during the quarter. Compared with third quarter 2018 the price in USD was 26 % lower in USD and 20 % lower in i SEK.
- **THE PRODUCTION VOLUME** for the quarter was 100,3 (100,0) thousand tons. The sales volume was 110,8 (92,5) thousand tons, which is a new quarterly record.
- **THE AVAILABILITY OF PULP WOOD** has been good, while the cost for raw materials and other variable costs have been higher than in 2018.
- **CASH FLOW** during the year has been strong. Net debt as of September 2019 was 17 MSEK .
- **THE BOARD PROPOSES AN EXTRA DIVIDEND** of 0,70 SEK/share. An extra general meeting will be held on 4 November 2019.

THE QUARTER AND FIRST HALF-YEAR IN FIGURES

	Jul-Sep 2019	Jul-Sep 2018	change, %	Jan-Sep 2019	Jan-Sep 2018	change, %	Rolling 12 month	Jan-Dec 2018
Net turnover, MSEK	617	567	9	1 829	1 680	9	2 409	2 260
EBITDA, MSEK	81	136	-40	379	355	7	418	394
EBIT, MSEK	54	111	-51	298	283	5	310	295
Profit after financial items, MSEK	49	106	-54	283	269	5	290	276
Net income, MSEK	38	82	-54	223	212	5	232	221
Earnings per share, SEK	0,25	0,54	-54	1,46	1,39	5	1,52	1,45
Cash flow from operating activities, MSEK	89	97	-8	328	153	114	398	223
Return on capital employed (rolling 12 months), %				20,0	19,5		20,0	20,4
Production, thousand tons	100,3	100,0	0	305,6	300,0	2	399,2	393,6
Deliveries, thousand tons	110,8	92,5	20	305,1	288,2	6	399,4	385,5



Lennart Eberleh
President and CEO

Comments from the CEO

During the third quarter, the Group was characterized by a stable production and high delivery rates compared with the corresponding quarter last year. Lower pulp prices and continued high wood costs meant that EBIT earnings fell just over 50 percent to 54 MSEK. Cash flow was still good, which combined with a solid balance sheet means that there is room for an extra dividend. The focus on continuous improvements in both production and sustainability continues.

Production was stable compared to Q3 last year and amounted to 100 thousand tons. During the quarter, the volume was affected by the annual maintenance shutdown at Rottneros Mill, which went according to plan. In Vallvik, the production pace slowed somewhat towards the end of September, ahead of the planned maintenance shutdown during October. Overall, the mills' production followed our long-term ambition to gradually increase availability. The EBIT for the quarter, 54 MSEK, meant that the EBIT margin fell to 8,8 percent from last year's 19,6. The quarter's results were mainly impacted by the lower pulp prices and continued high prices for wood and other input goods. At the same time, exchange rates and good delivery volumes were positive factors. Sales volume increased 20 percent to almost 111 thousand tons, which is a new quarterly record. The supply of pulp wood remains good, and the balance between local wood supply and imports is at a favorable and long-term sustainable level.

During the quarter, we began preparations for an extra dividend of 0,70 SEK per share, according to the Board's proposal. Final decision will be made at an Extra General Meeting on November 4.

KEY RECRUITMENTS IN PLACE

We completed two key recruitments during the quarter through the employment of Ola Thomasson as Mill Director for Rottneros Mill and Peter Sävelin as Mill Director for Vallvik Mill. I am very pleased to welcome both Ola and Peter to the group management. Their solid experience as leaders and successful careers in the pulp and paper industry are key for taking our mills to the next level.

PRICE PRESSURE REMAINED BUT SIGNS OF THE MARKET BOTTOMING OUT

Pulp prices continued to be squeezed in the third quarter by the short-term deteriorating market balance. The gross price for NBSK fell from approximately USD 1 000 at the beginning of the quarter to just over USD 800 by mid October.

This is the result of a lower consumption growth due to the slowdown in the world economy, and China that has been affected by increased trade barriers. At the same time, the supply in the market has increased through high capacity utilization in the pulp industry worldwide and new production volumes from several Nordic players during the year. However, a slightly improved stock balance and some announcements about price increases in Asia indicate that the trend is leveling out. The long-term trend of an annual consumption increase of 1-2 percent is expected to continue. It is also positive that there is no new capacity coming on stream in the next few years.

ROTTNEROS PACKAGING'S NEW MACHINE UP AND RUNNING BY YEAR END

Our efforts in Rottneros Packaging follow plan. The new machine is ready to be delivered and will start up at the end of the fourth quarter. Demand for climate-smart packaging products and fiber trays continues to be high and is growing rapidly.

In September, a tragic death of a truck driver occurred whilst picking up goods from Vallvik Mill. Although the cause is yet not clear, the incident underscores the importance of always putting safety first in our workplaces. Our thoughts go to the deceased's relatives, friends and colleagues.

In conclusion, it is clear that we have established a new level of availability and production volumes in the mills. This creates continued growth opportunities, not least in our selected niches. Our focus is to constantly optimize the factors that we can influence ourselves regardless of external factors. With a strong spirit in the organization and solid finances, we are well prepared for both challenges and opportunities. Once again, I would like to extend a warm thanks to our organization, customers and suppliers.

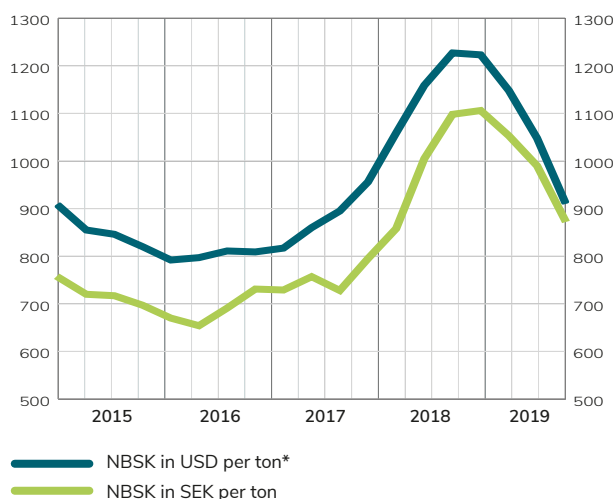
The pulp market

The demand for market pulp has not kept pace with the relatively high production which has led to continued high inventories and lower sales prices. The world market for sulphate market pulp has fallen 0,6 percent by August 2019 compared to the same period 2018. While demand for bleached short fiber pulp decreased by 3,4 percent it has increased by 3,8 percent for bleached long fiber pulp. In Europe, demand has fallen in line with the declining production of paper. According to CEPI, the production of graphical paper in Europe fell by 9 percent, while production of paper board and corrugated medium has remained unchanged. At the same time production of market pulp in Europe has increased by 10 percent, in line with the increased capacity. Sales of European market pulp has expanded to other markets where demand has increased, especially to China and rest of Asia (+4 percent) and North America (+2 percent).

Pulp stocks rose sharply at the end of 2018. They have dropped slightly during Q3 2019 but remain high. It is mainly BEK from South America that has driven the stock increase. The high stock levels resulting from the imbalance between supply and demand have affected pulp prices during the whole year. NBSK Europe was 851 USD/ton at the end of September, down from 1 000 USD/ton at the end of June.

At the beginning of October, there have been some price increase announcements for NBSK in Asia and the US. Although the outcome of these are uncertain, this indicates that prices should level out at today's low levels.

NBSK QUARTERLY GROSS PRICES OVER THE PAST FIVE YEARS



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

Sales and results, third quarter

Sales in the third quarter of 2019 amounted to 617 (567) MSEK, an increase of 9 percent. Sales were positively affected by higher delivery volumes and better outcomes on pulp price hedges and negatively by lower sales prices than the corresponding quarter of 2018. NBSK list price in SEK decreased by 20 percent compared to the third quarter of 2018. Delivery volumes increased by 20 percent compared to the third quarter 2018, while production volumes remained unchanged.

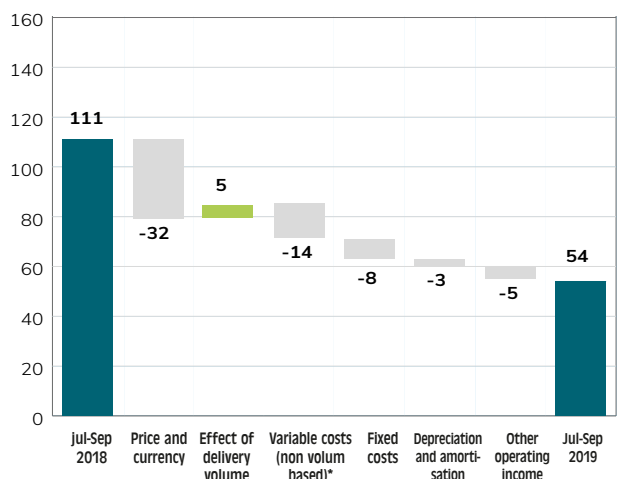
Variable costs (not volume dependent) during the quarter increased by 14 MSEK, partly due to higher wood costs and other variable costs. Fixed costs for the quarter increased mainly due to increased manning, maintenance measures and higher planned depreciation.

The average electricity price on the Nord Pool electricity exchange (area SE3) during the third quarter of 2019 was 0,38 (0,54) SEK per kWh, which was 30 percent lower than in the third quarter of 2018. Electricity price hedges had a positive impact of 10 MSEK for the quarter.

EBIT for the third quarter of 2019 was 54 (111) MSEK, corresponding to 8,8 (19,6) percent of sales. The quarter's result was mainly affected by lower pulp prices and continued high prices for pulp wood and other inputs. The weak SEK contributed positively, as did good delivery volumes.

Third quarter 2019 compared with second quarter 2018	Jul-Sep 2019	Jul-Sep 2018	change %
NBSK, USD	913	1 227	-26
SEK/USD	9,59	8,95	7
NBSK, SEK	8 753	10 983	-20
Net turnover, MSEK	617	567	9
EBIT, MSEK	54	111	-51

DIFFERENCES IN EBIT Q3 2019 COMPARED WITH Q3 2018 (MSEK)



* 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.

Sales and results, January-September

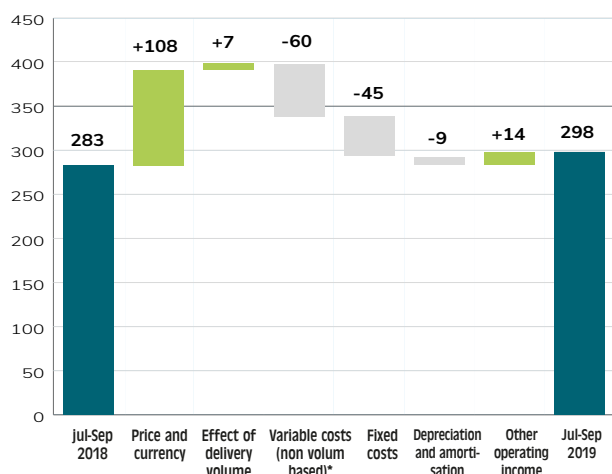
Sales January-September 2019 amounted to 1 829 (1 680) MSEK, an increase of 9 percent. Sales increased due to a higher price level for Rottneros deliveries, increased delivery volumes and better outcome on the pulp price hedges. At the same time, the market price for NBSK in SEK fell by 1 percent compared to January-September 2018. Delivery volumes increased by 6 percent and production volume by 2 percent compared with January-September 2018.

The average electricity price on the Nord Pool electricity exchange (area SE3) during the period amounted to 0,40 (0,44) SEK per kWh, which was 9 percent lower than January-September 2018. The outcome for the electricity price hedges was 37 (42) MSEK.

Variable costs January-September increased mainly due to higher pulp wood costs compared to the same period in 2018. Fixed costs increased mainly as a result of higher maintenance costs, higher planned depreciation and a revaluation of spare parts inventories. As Rottneros Packaging is in full operation, fixed costs are increasing compared to 2018.

January-September 2019 compared with January-September 2018	Jan-Sep 2019	Jan-Sep 2018	change %
NBSK, USD	1 036	1 148	-10
SEK/USD	9,40	8,58	10
NBSK, SEK	9 745	9 850	-1
Net turnover, MSEK	1 829	1 680	9
EBIT, MSEK	298	283	5

DIFFERENCES IN EBIT JANUARY-SEPTEMBER 2019 COMPARED WITH JANUARY-SEPTEMBER 2018 (MSEK)



* 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

Other operating income was primarily affected by income from sales of emission allowances, SEK 14 MSEK.

EBIT for January-September 2019 was 298 (283) MSEK, an increase of 5 percent, and corresponding to 16,3 (16,8) percent of sales. The result for the period was positively affected by a higher delivery and production volumes, as well as better outcomes on the pulp price hedges. The result was negatively impacted by higher raw material costs and increased fixed costs.

OTHER INCOME STATEMENT ITEMS

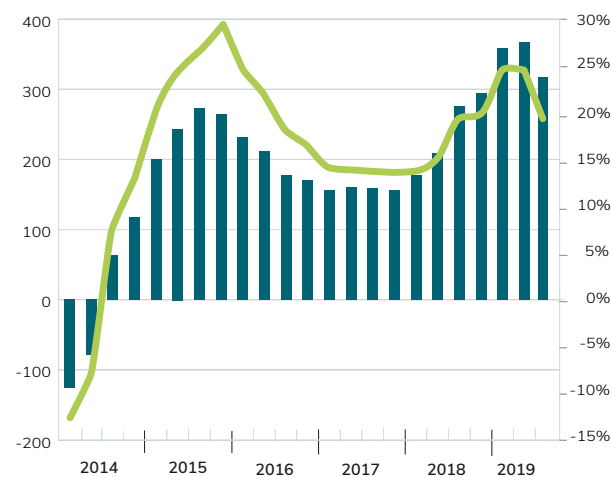
Net financial expenses were 15 (14) MSEK for January-September 2019, and are related to the bond of 400 MSEK that Rottneros issued in August 2017.

Profit after financial items for the Group increased by 5 percent to 283 (269) MSEK for January-September 2019.

The income tax expense for January-September 2019 was 60 (57) MSEK. Rottneros plans to take advantage of higher tax depreciation in 2019, which means that the Group is reporting a deferred tax expense instead of tax paid.

Net income totalled 223 (212) MSEK and earnings per share 1,46 (1,39) for January-September 2019. Return on capital employed, measured over a rolling 12-month period, was 20,0 percent (19,5). Return on equity, measured over a rolling 12-month period, was 15,7 (15,3) percent.

EBIT, ROLLING 12 MONTH



EBIT, rolling 12 months, MSEK

Return on capital employed, rolling 12 months, %

Production and deliveries

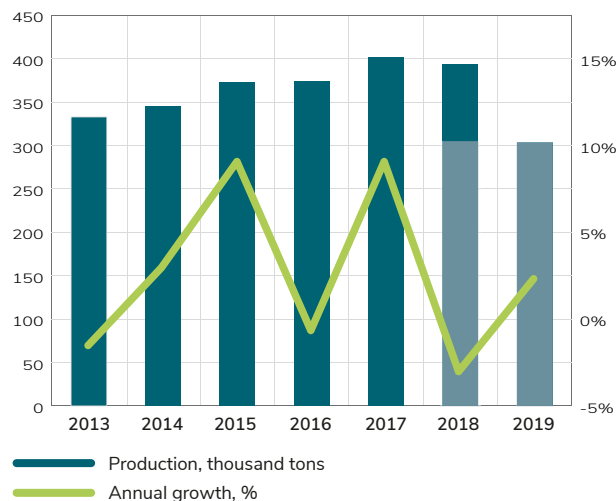
Production volumes in the third quarter of 2019 were 100 300 tons or 1 percent higher compared with the same quarter previous year. Production was 7 400 tons lower compared to the second quarter 2019, mainly due to the annual maintenance stops. Rottneros Mill had its shutdown in the third quarter while Vallvik Mill started its shutdown at the end of September.

The Group's customer deliveries during the third quarter of 2019 were 20 percent higher than in the same period the previous year. The quarter has been characterised by declining prices while demand has increased slightly.

PRODUCTION, TONS	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 month	Jan-Dec 2018
	Sulphate pulp	60 300	62 100	174 600	172 600	221 600
Ground-wood pulp	15 800	15 300	53 200	52 300	72 900	72 000
CTMP	24 200	22 600	77 800	75 100	104 700	102 000
TOTAL	100 300	100 000	305 600	300 000	399 200	393 600

DELIVERIES, TONS	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 month	Jan-Dec 2018
	Sulphate pulp	67 700	48 300	171 100	156 700	226 300
Ground-wood pulp	17 500	17 200	58 200	53 600	73 500	68 900
CTMP	25 600	27 000	75 800	77 900	99 600	101 700
TOTAL	110 800	92 500	305 100	288 200	399 400	382 500

ANNUAL VOLUMES AND ANNUAL GROWTH



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 shut-downs are recognised in the period during which the shutdown takes place. The maintenance shutdown also involves a certain loss of production, affecting turnover and income for the quarter in which the shutdown takes place.

	Planned maintenance shutdown date		Estimated cost of shutdown
	2019	2018	2019 (MSEK)
Rottneros Mill	Q3	Q3	10
Vallviks 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. For Rottneros Mill consideration has been given to a somewhat shorter stop than a normal year.

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

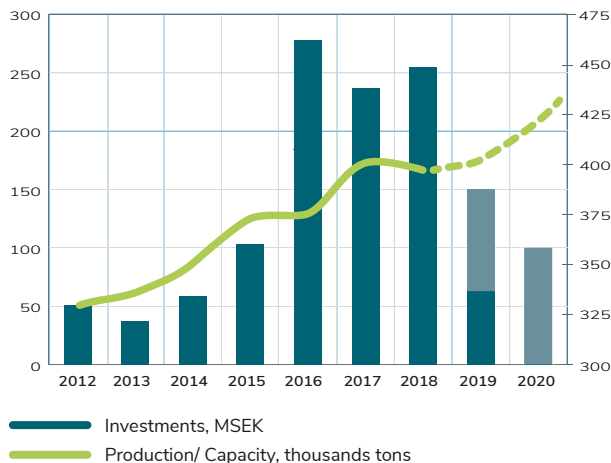
Investments

The Group's investments in fixed assets during January-September 2019 amounted to 65 (166) MSEK and relate to reinvestments to maintain the technical standard achieved through the last years' major investments.

The level of investments is expected to be some 150 MSEK in 2019 and some 100 MSEK per year thereafter.

In addition to replacement investments, the focus will be on eliminating bottlenecks and increasing efficiency.

ROTTNEROS INVESTMENTS AND CAPACITY EXPANSION



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. Production started ramping up during the third quarter.

The investments in the new factory amount to some 30 MSEK, 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. Acceptance tests were made at the supplier during the third quarter. It will be commissioned at the end of 2019 after being shipped to Sweden and reassembled in Rottneros Packaging's factory.

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 also plans to develop fully bio-based packaging trays at a competitive price, thereby contributing to more sustainable development in the packaging industry. The project began in October 2016 and will run for four years.

Cash flow

Cash flow from operating activities for January-September 2019 amounted to 328 (153) MSEK thanks to good profitability. Cash flow after investments in non-current assets for the period was 263 (-13) MSEK.

Net cash flow for January-September 2019 was 156 (-69) MSEK.

Parent Company

The loss for the parent company after financial items for January-September 2019 amounted to -4 (-28) MSEK. Electricity and pulp price hedges had a positive impact on the result.

Changes in management

During the third quarter, the company has announced that Ola Thomasson will take over as Mill Director for Rottneros Mill and Peter Sävelin as Mill Director for Vallvik Mill, both starting 1 January 2020.

Financial position

Rottneros AB has an unsecured bond of 400 MSEK, issued in August 2017 to primarily Nordic institutional investors. The bond bears variable interest of STIBOR 3m + 4,15 percent and shall be repaid in September 2022. The bond has a framework amount of 600 MSEK, which allows for an additional bond issue of 200 MSEK. The bond is listed on Nasdaq Stockholm. The bond terms contain following standard covenants:

	Covenant	Outcome Q2 2019
Net debt to EBITDA ratio	Under 3,5	0,0
Equity/assets	Over 50 %	61%
Dividend / net income	Max 50 %	48 %

The Group's cash and cash equivalents amounted to 394 MSEK at the end of the third quarter, compared with 238 MSEK at year-end 2018. Interest bearing liabilities amounted to 411 MSEK at the end of the third quarter. Net debt at the end of the third quarter totalled 17 MSEK, compared with 157 MSEK at the end of 2018. In addition granted and unused credit facilities amounted to 182 MSEK at the end of the third quarter of 2019.

The equity/assets ratio amounted to 61 (60) percent as of 30 September 2019. Equity per share totalled 10,09 (9,22) SEK at the end of the third quarter.

During the third quarter, Rottneros's Board of Directors proposed an additional dividend of 0,70 SEK per share, which exceeds the bond's covenant for distribution of last year's net income. A written procedure for obtaining the bondholders' approval was initiated on 16 September 2019. On 1 October 2019, a sufficient quorum was reached and on 4 October 2019 Rottneros AB called for an Extra General Meeting to be held on 4 November 2019.

Average number of employees

The average number of employees during January-September 2019 was 313 (306). The increase was mainly attributable to the start-up of Rottneros Packaging and skills enhancement.

Risk management

Operationally, the Company uses a number of measures and strategies – for example, focusing on niches and various specific customer segments – aimed at reducing the Group's dependency 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

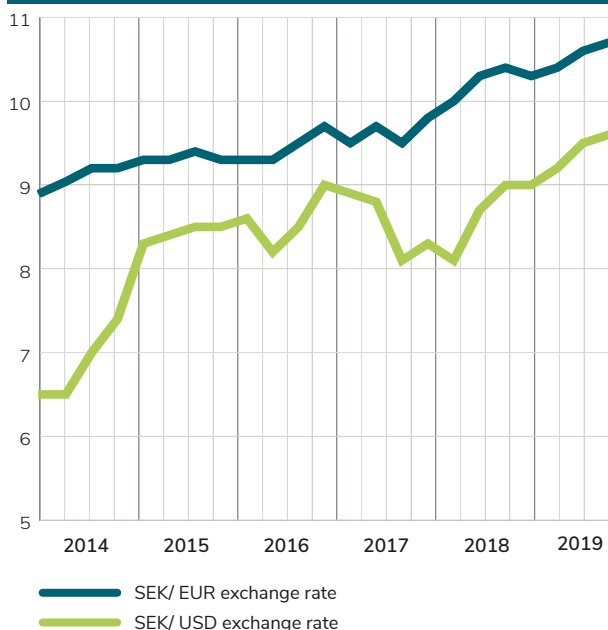
Although Rottneros issues invoices in different currencies, the underlying currency for the pulp price is predominantly USD. The underlying exposure to USD is thus high. The direct inflow of USD (the real flow) represents approximately 45 percent of the inflow, and of EUR approximately 40 percent. However, 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 during January-September 2019 was 10 percent higher than during the same period 2018.

PULP PRICE

The price of pulp (NBSK) is set in USD, while production costs are largely incurred in SEK. The Group had pulp hedges of 13 500 tons as of 30 September 2019, with due dates between October 2019 up to and including September 2020 at an average price of 9 094 SEK per ton. The fair value of these unrealised price hedges totalled 8 on 30 September 2019.

EXCHANGE RATE TREND OVER THE PAST FIVE YEARS



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 the third quarter of 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 price in SEK/kWh.

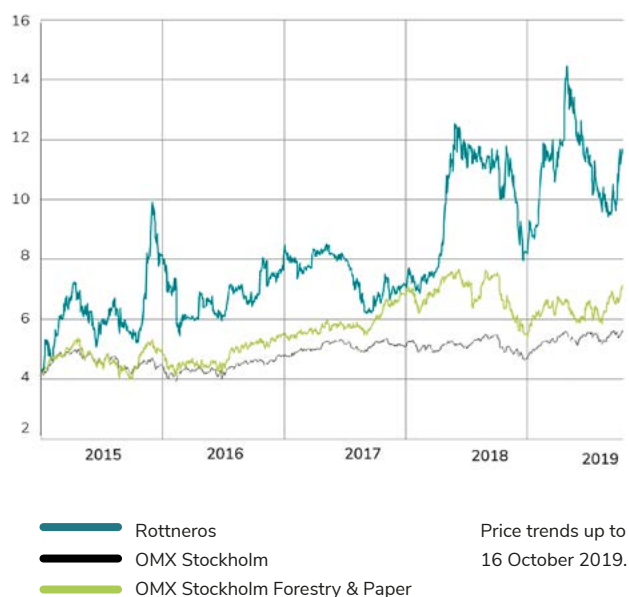
Electricity price hedges as of 30 September 2019:

Year	Proportion hedged	SEK/kWh
2019 Oct-Dec	77%	0,225
2020	81%	0,218
2021	69%	0,261
2022	27%	0,345

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 0,40 (0,44) SEK per kWh for January-September 2019.

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

PRICE TREND FOR ROTTNEROS SHARES AND STOCKHOLM STOCK EXCHANGE, 2015-2019



Price trends up to 16 October 2019.

Share information

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 during January-September 2019.

SHARE PRICE TREND DURING JAN-SEP

On 30 September 2019, the price of Rottneros shares was 10,12 SEK (8,24 at the end of 2018). The average price during January-September was SEK 10,28 (10,33).

TRANSACTIONS WITH RELATED PARTIES

During January-September 2019, Rottneros sold pulp to the related party Arctic Paper S.A. Group in the amount of 103 (78) MSEK. Outstanding operating receivables from Arctic Paper totalled 47 (25) MSEK at quarter-end. The transactions took place at market conditions.

LARGEST SHAREHOLDERS ON 30 SEP 2019

Shareholders	Number of shares (=votes)	Per cent of capital
Arctic Paper S.A.	78 230 883	51,0
PROAD AB	9 930 133	6,5
Försäkringsaktiebolaget Avanza Pension	4 352 716	2,8
UBS Switzerland AG, W8IMY	3 427 700	2,2
CBNY-DFA-INT SML CAP V	1 622 204	1,1
BNY MELLON NA (FORMER MELLON), W9	1 524 600	1,0
State Street Bank and Trust Co, W9	1 317 963	0,9
Credit Agricole (Suisse) SA, W8IMY without P.R.	1 200 000	0,8
Borell, Joakim	1 196 773	0,8
SEB Investment Management	1 147 928	0,7
TOTAL for 10 largest owners – by size of holding	103 950 900	67,8
Other shareholders	48 621 025	31,7
Rottneros AB (treasury shares from buy-back)	821 965	0,5
TOTAL	153 393 890	100,0

Subsequent events

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

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 22 okt 2019, kl 08.00 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.

Vallvik, 22 October 2019

Lennart Eberleh

President and CEO, Rottneros AB, +46 270 622 65

Nomination Committee before the AGM 2020

Rottneros' Annual General Meeting (AGM) will be held on Tuesday, 28 April 2020, in Söderhamn. Based on the decision of the AGM 2019, the nomination committee shall consist of the Chair of the Board, who may not be the Chair of the Committee, as well as two further members, one of whom must be appointed by the Company's largest shareholder together with one appointed by any of the Company's four largest shareholders. Neither of these two members may also be a member of the board.

Julia Onstad, appointed by Arctic Paper S.A., has been appointed as Chairwoman of the Committee, and the other members are Stefan Sundh, appointed by PROAD AB, and Per Lundeen, Chairman of the Board of Rottneros AB. According to the instruction laid down by the AGM, the Nomination Committee shall prepare and present to the AGM proposals for election of the Chairperson and other Members of the Board of Directors; Board fees divided between the chairperson, other members, and remuneration for committee work; election and remuneration of the auditor; election of a Chairperson for the AGM; and, where applicable, changes in the guidelines for Nomination Committee.

Shareholders who wish to submit comments or proposals to the Nomination Committee can do this by e-mail to rottneros@vinge.se or by letter to Rottneros AB, to: Nomination Committee, Rottneros AB (publ), c/o Advokatfirman Vinge KB, Box 11025, S-404 21 Gothenburg, Sweden.

Such comments or proposals must be received by the Nomination Committee latest by 15 January 2020.

Forthcoming dates

4 November 2019	Extra General Meeting in Karlstad
6 February 2020	Year-End Bulletin 2019
24 April 2020	Interim Report, January-March
28 April 2020	Annual General Meeting in Söderhamn
23 July 2020	Interim Report, April-June
22 October 2020	Interim Report, July-September

For further information, please visit the Rottneros website, rottneros.com. This report has not been reviewed by the Company's auditor.

CONSOLIDATED INCOME STATEMENT

AMOUNTS IN MSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 month	Full year 2018
Net turnover	617	567	1 829	1 680	2 409	2 260
Change in inventories, finished goods	-53	48	7	79	6	78
Other operating income	13	2	33	12	55	34
OPERATING INCOME, TOTAL	577	617	1 869	1 771	2 470	2 372
Raw materials and consumables	-305	-311	-927	-903	-1 235	-1 211
Other external expenses	-129	-113	-361	-326	-540	-505
Employee benefit expenses	-62	-57	-202	-187	-277	-262
EBITDA (operating profit before depreciation, amortisation and impairment)	81	136	379	355	418	394
Depreciation/amortisation and impairment	-27	-25	-81	-72	-108	-99
EBIT (operating profit)	54	111	298	283	310	295
Financial income	0	0	0	1	0	1
Financial expenses	-5	-5	-15	-15	-20	-20
TOTAL FINANCIAL ITEMS	-5	-5	-15	-14	-20	-19
PROFIT AFTER FINANCIAL ITEMS	49	106	283	269	290	276
Tax on profit/loss for the period	-11	-24	-60	-57	-58	-55
NET INCOME	38	82	223	212	232	221
Average number of shares (thousand) ¹	152 572	152 572	152 572	152 572	152 572	152 572
EARNINGS PER SHARE (SEK) ¹	0,25	0,54	1,46	1,39	1,52	1,45

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN MSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 month	Full year 2018
NET INCOME	38	82	223	212	232	221
Items that have been or may be transferred to profit or loss for the period						
Changes in fair value of cash flow hedges	11	-1	-47	54	10	111
Income tax effect on changes in fair value	-1	1	11	-11	-1	-23
Translation differences	0	0	0	1	-1	0
TOTAL OTHER COMPREHENSIVE INCOME	10	0	-36	44	8	88
COMPREHENSIVE INCOME FOR THE PERIOD ²	48	82	187	256	240	309

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

CONSOLIDATED BALANCE SHEET, SUMMARY

AMOUNTS IN MSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018
Intangible non-current assets	14	16	17
Property, plant and equipment	1 165	1 117	1 179
Activated leases	15	-	-
Financial assets	60	84	94
TOTAL NON-CURRENT ASSETS	1 254	1 217	1 290
Inventories	404	385	389
Current receivables	467	496	484
Cash and cash equivalents	394	257	238
TOTAL CURRENT ASSETS	1 265	1 138	1 111
TOTAL ASSETS	2 519	2 355	2 401
SHAREHOLDERS' EQUITY	1 540	1 407	1 460
Bond	396	395	395
Interest-bearing lease liability	15	-	-
Deferred tax liabilities	169	110	119
Other non-interest-bearing liabilities	19	17	18
TOTAL LONG-TERM LIABILITIES	599	522	532
Non-interest-bearing liabilities	379	426	409
TOTAL CURRENT LIABILITIES	380	426	409
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2 519	2 355	2 401

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, SUMMARY

AMOUNTS IN MSEK	Share capital	Other contributed capital	Treasury shares	Other reserves		Retained earnings, incl. profit for the year	Total
				Hedging reserve	Translation difference		
Opening balance, 1 January 2019	153	730	-69	106	-8	548	1 460
Net income Jan-Jun						185	185
Other comprehensive income, Jan-Jun				-45	0		-45
Total comprehensive income for Jan-Jun				-45	0	185	140
Dividends to shareholders, Jan-Jun						-107	-107
Closing balance, 30 June 2019	153	730	-69	61	-8	626	1 493
Net income Jul-Sep						38	38
Other comprehensive income, Jul-Sep				9	0		9
Total comprehensive income for Jul-Sep				9	0	38	47
Dividends to shareholders, Jul-Sep						0	0
Closing balance, 30 sept 2019	153	730	-69	70	-8	664	1 540

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

AMOUNTS IN MSEK	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 month	Full year 2018
EBIT	298	283	310	295
Depreciation/amortisation and impairment	81	72	109	99
EBIT adjusted for non-cash flow affecting items	379	355	419	394
Received/paid financial items	-13	-12	-19	-18
Cash flow from operating activities before changes in working capital	366	343	400	376
Change in working capital	-38	-190	-2	-153
Cash flow from operating activities	328	153	398	223
Investeringar i anläggningstillgångar	-65	-166	-154	-255
Försäljning av anläggningstillgångar	0	0	0	0
Förändring av kostfristiga lånefordringar	0	0	0	0
Kassaflöde från investeringsverksamheten	-65	-166	-154	-255
Utbetald utdelning	-107	-56	-56	-56
Kassaflöde från finansieringsverksamheten	-107	-56	-56	-56
PERIODENS NETTOKASSAFLÖDE	156	-69	188	-88
Likvida medel vid periodens början	238	326	257	326
PERIODENS NETTOKASSAFLÖDE	156	-69	137	-88
Likvida medel vid periodens slut	394	257	394	238

FÖRÄNDRINGAR I RÄNTEBÄRANDE SKULDER

AMOUNTS IN MSEK	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 month	Full year 2018
Räntebärande skulder i balansräkningen vid periodens början	395	394	394	394
Förändringar som ingår i kassaflöde från finansieringsverksamheten	-	-	-	-
Uppbokning av räntebärande leasingsskuld i enlighet med IFRS 16	15	-	15	-
Periodisering av direkta kostnader i samband med emissionen av obligationslån som periodiseras över lånetiden.	1	1	1	1
Räntebärande skulder i balansräkningen vid periodens slut	411	395	410	395

PARENT COMPANY INCOME STATEMENT

AMOUNTS IN MSEK	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Net turnover	5	5	6
Other operating income	9	7	9
OPERATING INCOME, TOTAL	14	12	15
Results from hedging activities	33	-	-
Other expenses	-12	-12	-17
Employee benefit expenses	-22	-13	-22
EBITDA (operating loss before depreciation, amortisation and impairment)	13	-13	-24
Depreciation/amortisation and impairment	-3	-3	-3
EBIT (operating loss)	10	-16	-27
Profit from participations in Group companies	0	0	49
Financial income	0	0	4
Financial expenses	-14	-12	-20
Results from hedging activities	0	-	-
TOTAL FINANCIAL ITEMS	-14	-12	33
LOSS/ PROFIT AFTER FINANCIAL ITEMS	-4	-28	6
Tax on loss/ profit for the period	0	6	-2
NET INCOME	-4	-22	4

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN MSEK	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
NET INCOME	-4	-22	4
Other comprehensive income	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME	-	-	-
COMPREHENSIVE INCOME FOR THE PERIOD	-4	-22	4

PARENT COMPANY BALANCE SHEET, SUMMARY

AMOUNTS IN MSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018
Intangible non-current assets	11	14	14
Equipment	1	1	0
Financial assets	293	290	293
TOTAL NON-CURRENT ASSETS	305	305	307
Current receivables ¹	567	900	955
Cash and cash equivalents	493	243	218
TOTAL CURRENT ASSETS	1 060	1 143	1 173
TOTAL ASSETS	1 365	1 448	1 480
SHAREHOLDERS' EQUITY	807	892	918
Long-term liabilities – Interest-bearing	396	395	395
Long-term liabilities – Non-interest-bearing	38	17	18
TOTAL LONG-TERM LIABILITIES	434	412	413
Non-interest-bearing	124	144	149
TOTAL CURRENT LIABILITIES	124	144	149
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1 365	1 448	1 480

¹ Including receivables of 665 (839) MSEK from 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 MSEK. 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.

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 30 September 2019, the total carrying value of leased assets in the balance sheet was 15 MSEK.

ROTTNEROS' NET TURNOVER CONSISTS OF THE FOLLOWING:

Amounts in SEK m	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 month	Full year 2018
Sales of pulp	1 773	1 680	2 359	2 266
Results from pulp price hedging	1	-86	-44	-131
Sales of by-products and other	39	18	62	41
Sales of pulp wood	16	68	32	84
NET TURNOVER, TOTAL	1 829	1 680	2 409	2 260

FINANCIAL INSTRUMENTS

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 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 400 MSEK with a term of 5 year. The loan bears variable interest of STIBOR 3m + 4,15 percent and must be repaid in September 2022. Direct costs in connection with the issue amounted to approximately 7 MSEK and will be reported as interest costs over the bond period.

The bond, which has a framework amount of 600 MSEK, 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 411 MSEK 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.

FAIR VALUE FOR DERIVATIVES, 30 SEPTEMBER 2019

Hedging	Hedged volume	Maturity	Hedging level	Fair value (MSEK)
Pulp, forward sell	13 500 tons	2010-2020	9 094 SEK/ton	8
Electricity, forward buy	647 400 MWh	2019-2022	0,251 SEK/kWh	77
Total fair value				84

FAIR VALUE FOR DERIVATIVES, 31 DECEMBER 2018

Hedging	Hedged volume	Maturity	Hedging level	Fair value (MSEK)
Currency EUR, forward sell	2,5 MEUR	Jan-feb 2019	10,30 SEK/EUR	0
Currency USD, forward sell	11,0 MUSD	Jan-feb 2019	9,01 SEK/USD	0
Pulp, forward sell	12 000 tons	Jan-dec 2019	9 800 SEK/ton	-8
Electricity, forward buy	701 520 MWh	2019-2021	0,226 SEK/kWh	141
Total fair value				133

GROUP PERFORMANCE IN SUMMARY

	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 month	Helår 2018	2017	2016	2015	2014
Income statement MSEK								
Net turnover	1 829	1 680	2 409	2 260	1 912	1 730	1 795	1 547
EBITDA	379	355	418	394	247	221	321	177
Depreciation/amortisation and impairment	-81	-72	-108	-99	-91	-51	-58	-59
EBIT	298	283	310	295	156	170	263	118
Financial items (net financial items)	-15	-14	-20	-19	-9	-7	-4	-4
Profit/loss after financial items	283	269	290	276	147	163	259	114
Net income	-60	-57	-58	-35	-35	-35	-36	19
Nettoresultat	223	212	232	221	114	128	223	133
Cash flow statement, MSEK								
Cash flow from operating activities	328	153	398	223	222	187	335	104
Investments in non-current assets	-65	-166	-154	-255	-237	-278	-103	-59
Cash flow after investments	263	-13	244	-32	-15	-91	232	45
Sales of fixed assets	0	0	0	0	0	0	0	39
Cash used in/provided by financing activities	-107	-56	-56	-56	325	-62	-152	-30
Net cash flow	156	-69	188	-88	310	-153	80	54
Balance sheet items, MSEK								
Non-current assets	1 254	1 217	1 254	1 290	1 078	905	706	691
Inventories	404	385	404	389	279	278	267	255
Current receivables	467	496	467	484	324	290	244	226
Cash and cash equivalents	394	257	394	238	326	16	169	89
Net debt (+) / net cash (-)	17	138	17	157	68	-2	-169	-59
Equity	1 540	1 407	1 540	1 460	1 207	1 151	1 058	975
Long-term interest-bearing liabilities	411	395	411	395	394	-	-	30
Long-term non-interest-bearing liabilities	188	127	188	137	52	14	18	9
Current interest-bearing liabilities	-	-	-	-	-	14	-	0
Current non-interest-bearing liabilities	379	426	379	409	354	310	310	247
Capital employed	1 558	1 545	1 558	1 617	1 275	1 149	889	916
Total equity and liabilities	2 519	2 355	2 519	2 401	2 007	1 489	1 386	1 261
Key ratios								
EBITDA margin, %	20,7	21,1	17,4	17,4	12,9	12,8	17,9	11,4
EBIT margin, %	16,3	16,8	12,9	13,1	8,2	9,8	14,7	7,6
Return on shareholders' equity (rolling 12 months), %	15,5	16,0	12,0	12,2	7,7	9,4	14,4	7,3
Return on capital employed (rolling 12 months), %	15,7	15,3	15,7	16,6	9,7	11,6	21,9	13,6
Equity/assets ratio, %	20,0	19,5	20,0	20,4	12,9	16,7	29,1	13,4
Debt/equity ratio, %	61	60	61	61	60	77	76	77
Skuldsättningsgrad, %	1	10	1	11	6	0	-16	-6
Räntetäckningsgrad, ggr				21	21	21	53	29
Other								
Average no. of employees	313	306	308	303	301	282	264	251
Pulp production, 1,000 tons	305,6	300,0	399,2	393,6	401,2	374,1	373,3	345,0
Pulp deliveries, 1,000 tons	305,1	288,2	399,4	382,5	395,5	374,1	372,2	344,2
List price of NBSK pulp, USD per ton ¹	1 036	1 148	1 055	1 167	882	802	857	925
SEK/USD ²	9,40	8,58	9,51	8,69	8,54	8,56	8,44	6,86
List price of NBSK pulp, SEK per ton	9 745	9 850	10 039	10 144	7 530	6 867	7 228	6 345

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

	2019			2018				2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income statement, MSEK											
Net turnover	617	582	630	580	567	576	537	496	472	472	472
EBITDA	81	131	167	39	136	118	101	21	66	83	77
Depreciation/amortisation and impairment	-27	-28	-26	-27	-25	-24	-23	-28	-22	-21	-20
EBIT	54	103	141	12	111	94	78	-7	44	62	57
Financial items (net financial items)	-5	-5	-5	-5	-5	-4	-5	-5	-3	0	-1
Profit/loss after financial items	49	98	136	7	106	90	73	-12	41	62	56
Tax on profit/loss for the period	-10	-21	-28	2	-24	-17	-16	2	-9	-13	-13
Net income	39	77	108	9	82	73	57	-10	32	49	43
Per share											
Earnings per share SEK	0,25	0,51	0,71	0,06	0,54	0,48	0,37	-0,06	0,21	0,32	0,28
Other											
Pulp, production 1,000 tons	100,3	107,7	97,6	93,6	100,0	100,1	99,9	94,4	102,5	101,4	102,9
Pulp, deliveries 1,000 tons	110,8	95,2	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 ton	8 753	9 900	10 527	11 056	10 983	10 047	8 584	7 949	7 279	7 572	7 290

SHARE DATA ¹

		Jan-Sep 2019	Jan-Sep 2018	Rolling 12 month	Full year 2018	2017	2016	2015	2014
Shares outstanding, opening ²	Number	152 572	152 572	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	152 572	152 572
Average number of shares outstanding ²	Number	152 572	152 572	152 572	152 572	152 572	152 572	152 572	152 572
Treasury shares ²	Number	822	822	822	822	822	822	822	822
Earnings per share	SEK	1,46	1,39	1,52	1,45	0,75	0,84	1,46	0,87
Cash flow after investments/share ³	SEK	1,73	0,09	1,43	-0,21	-0,10	-0,60	1,52	0,29
Equity per share	SEK	10,09	9,22	10,09	9,57	7,91	7,54	6,93	6,39
Dividend									
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	%	-	-	7,6	7,3	4,7	5,3	7,2	12,5
Share price at end of period	SEK	11,24	10,12	11,24	8,24	7,15	8,05	8,15	3,74
Market price/equity/share	times	1,2	1,0	1,2	0,9	0,9	1,1	1,2	0,6
P/E ratio per share	times	7,7	7,3	7,4	5,7	9,5	9,6	5,6	4,3
Direct yield ⁴	%	-	-	6,2	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 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 ratio 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.

CAPITAL EMPLOYED

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

NET DEBT/NET CASH

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.
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).
BEK	Bleached Eucalyptus Kraft 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.
ECF	Elemental Chlorine Free. Sulphate pulp bleached using chlorine dioxide, not chlorine.
High-yield pulp	Groundwood pulp, TMP and CTMP/BCTMP.
Chemical pulp	Pulp produced by boiling wood raw material 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.
Short-fibre pulp	Pulp where the raw material is hardwood, which has shorter cellulose fibre than softwood.
Long-fibre pulp	Pulp where the raw material is softwood, which has longer cellulose fibre than hardwood.
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.
NBSK	Northern Bleached Softwood Kraft: bleached long-fibre sulphate pulp. The leading indicator of world market prices.
Groundwood pulp (SGP)	Mechanical pulp based on roundwood as a raw material.
TMP	Thermo-Mechanical Pulp: mechanical pulp produced using a technique in which the chips are preheated with steam, but without chemicals.
UKP	Unbleached Kraft Pulp, unbleached sulphate pulp.

Every care has been taken to ensure the accuracy of the information in this report, but Rottneros cannot accept any liability for any possible loss or damage as a consequence of using information in this report. The report was originally written in Swedish and translated into English.



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