

Q4
2019



YEAR-END REPORT
JAN-DEC 2019

Declining prices affected the result, production continues to grow

EBIT 2019
268 MSEK

The Board proposes
0,40 + 0,20 SEK dividend

Stable production and continued
good deliveries in a weak market



ROTTNEROS

PURE POSSIBILITIES

Declining prices affected the result, production continues to grow

Q4 2019 COMPARED WITH (Q4 2018)

- **THE NBSK PULP MARKET PRICE** continued to decline during the fourth quarter of 2019 and was 33% lower in USD and 28% lower in SEK compared to fourth quarter 2018.
- **NET TURNOVER** decreased by 6 % to 547 (580) MSEK. The negative price trend was offset by higher delivery volumes 103,2 (94,3) thousand tons.
- **THE ANNUAL MAINTENANCE SHUTDOWN** at Vallvik Mill was held in October and has a negative effect on fixed costs and production volume compared to a normal quarter.
- **PROFIT AFTER FINANCIAL ITEMS** for the fourth quarter was -36 (7) MSEK. Earnings per share for the quarter was -0,19 (0,06) SEK.
- **THE PRODUCTION VOLUME** for the quarter was good despite the maintenance shutdown and reached 100,4 (93,6) thousand tons. The Group sets a new annual production record, 406,0 thousand tons. The previous record was 401,2 thousand tons in 2017.
- **RAW MATERIAL SOURCING** is strengthened through the acquisition of Nykvist Skogs AB.
- **VERY STRONG CASH FLOW** from operating activities, 462 (223) MSEK for the full year.
- **DIVIDEND** An extra dividend of 0,70 SEK/share was paid out during the fourth quarter. For 2019 the Board proposes an ordinary dividend of 0,40 SEK/share and an extra dividend of 0,20 SEK/share. This corresponds to 47 % of net profit.

THE QUARTER AND YEAR IN FIGURES

	Oct-Dec 2019	Oct-Dec 2018	change, %	Jan-Dec 2019	Jan-Dec 2018	change, %
Net turnover, MSEK	547	580	-6	2 376	2 260	5
EBITDA, MSEK	-5	39		374	394	-5
EBIT, MSEK	-30	12		268	295	-9
Profit after financial items, MSEK	-36	7		247	276	-11
Net income, MSEK	-29	9		194	221	-12
Earnings per share, SEK	-0,19	0,06		1,27	1,45	-12
Cash flow from operating activities, MSEK	134	43	205	462	223	107
Return on capital employed (rolling 12 months), %				17,7	20,4	
Production, thousand tons	100,4	93,6	7	406,0	393,6	3
Deliveries, thousand tons	103,2	94,3	9	408,3	382,5	7



Lennart Eberleh
President and CEO

Comments from the CEO

The pulp market continues to be characterized by uncertainty and low but relatively stable prices. The weak market situation together with the normal maintenance shutdown in Vallvik resulted in a negative EBIT for Q4. At the same time, the factors that we can control internally developed according to plan, mainly production, deliveries and fixed costs. Overall, 2019 was a positive year for Rottneros despite the gradually deteriorating market conditions during the year.

In 2019, the global pulp market deteriorated dramatically resulting in continuous price reductions. The background was primarily a lower consumption growth due to the slowdown in the world economy. This includes China, which was affected by increased trade barriers. Also, the pulp supply increased due to high capacity utilization worldwide and additional production volumes from several Nordic players. Towards the end of the year the market balance improved and stock levels dropped. This has stabilized the price trend since October, albeit at a low level. The gross price for NBSK fell during the quarter from approximately USD 850 at the beginning to USD 820 at the end. The long-term trend of an annual consumption increase of 1–2 per cent is expected to continue. The fact that there are no major capacity increases projected in the next few years is also a positive factor further down the road.

WE DELIVER ON OUR LONG-TERM PLAN

We follow the long-term plan and gradually increase production through increased availability in the mills. This is primarily driven by continuous improvements in our processes and routines. During the quarter, production increased by 7 per cent compared to Q4 last year and amounted to 100 thousand tons. Sales volume increased 10 per cent to just over 103 thousand tons. However, EBIT for the quarter declined to -30 MSEK, mainly due to the lower pulp prices and the maintenance stop in Vallvik Mill. At the same time, the weaker SEK and high level of deliveries contributed positively. The annual maintenance shutdown in Vallvik went according to plan with a negative impact on volume and earnings in line with our expectations. The supply of wood remained good during the quarter. The balance between local supply and imports was at a favourable and long-term normal level.

As a whole, 2019 was a good year for Rottneros. Production increased by 3 per cent to a new annual record, 406 thousand tons. We reported a strong EBIT, MSEK 268, despite the tough market. Cash flow from operating activities remained high at 462 MSEK.

STRONG CASH FLOW AND EXTRA DIVIDEND

In November, the Extraordinary General Meeting resolved on an extra dividend of SEK 0,70 per share in line with the Board's proposal. The strong cash flow for the full year 2019 meant that our cash and cash equivalents grew by just over 138 MSEK to 376 MSEK at the end of the fourth quarter, despite the fact that we distributed a total of almost 215 MSEK during the year and invested 109 MSEK in our operations.

THE ACQUISITION OF NYKVIST SKOGS STRENGTHENS OUR RAW MATERIAL SOURCING

During the quarter, we agreed to acquire the raw material company Nykvist Skogs AB. The deal further strengthens our raw material procurement opportunities through increased access to raw material from private forest owners. This group accounts for about half of the forest ownership in Sweden. The ambition is to continue to expand the business as a standalone player and to gradually grow the volume of wood that is managed.

Our focus area Rottneros Packaging follows the overall plan. However, the delivery of the new machine was slightly delayed. It will be ready for start-up during the first half of the year. Demand for climate-smart packaging and fiber based trays continues to be high and is growing rapidly.

Finally, I would like to thank all our employees, customers and suppliers for a valuable collaboration in 2019. The work to constantly optimize the factors we can influence ourselves, regardless of external factors, will continue at the same pace in 2020. Our focused employees and solid finances mean that we are well prepared for both potential challenges and opportunities in the coming year.

The pulp market

The demand for market pulp has stabilized during the second half of 2019. The world market has recovered after a weak 2018 and is expected to have risen 2,3 per cent or 1,5 million tons during 2019. Demand for NBSK (bleached longfiber pulp) rose with as much as 5,2 per cent, while it remained unchanged for BEK (bleached short fiber pulp). The market for mechanical pulp decreased by 2,2 per cent. China has been the driving force behind the rising demand (+11 per cent), and now accounts for just over one third of the consumption of market pulp. Demand has also increased in the rest of Asia in general. The trend with decreasing demand in Europe continues (-8 per cent) where decreasing production of writing and printing paper is the biggest explanation.

Improved demand has been offset by high pulp stocks. Pulp stocks rose sharply at the end of 2018 and remained high during the first half of 2019. Measured in days of consumption, short fiber pulp stocks increased from a normal level of about 40 days to just over 60 days. At the end of 2019 the stocks are back at about 45 days, production restrictions have been a strong contributor to this. The stocks for long fiber pulp rose from about 30 to 40 days and has fallen during the autumn to about 34 days.

The list price for NBSK in Europe fell in October and remained at about 820 USD per ton throughout the quarter. Also spot prices in China have been stable, although at a low level. BEK has shown the same price trend as NBSK. In January some price increase announcements have been made for both BEK and NBSK. During the autumn, prices for mechanical pulp have risen in Asia.

Sales and results, fourth quarter

Turnover in the fourth quarter of 2019 amounted to 547 (580) MSEK, a decline of 9 per cent. Turnover was largely affected by lower sales prices. The lower sales prices are directly linked to lower market prices, where the NBSK list price in SEK decreased by 28 per cent compared to the same quarter of 2018. Turnover was positively affected by higher delivery volumes (+9 per cent) and positive outcome of pulp price hedges. During the fourth quarter of 2018 the realized losses on pulp price hedges were -44 MSEK while it was +9 MSEK in 2019.

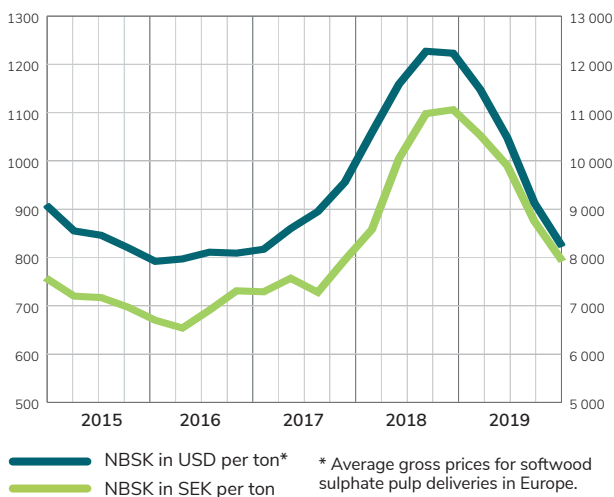
Variable costs (not volume dependent) during the quarter were 20 MSEK lower mainly due to the cost of pulp wood. Sourcing has been on a good level during the quarter and the price trend is falling. Also fixed costs and depreciation for the quarter were lower than in 2018.

The average electricity price on the Nord Pool electricity exchange (area SE3) during the fourth quarter of 2019 was 0,41 (0,50) SEK per kWh, which was 18 per cent lower than in the fourth quarter of 2018. Electricity price hedges had a positive impact of 12 MSEK for the quarter.

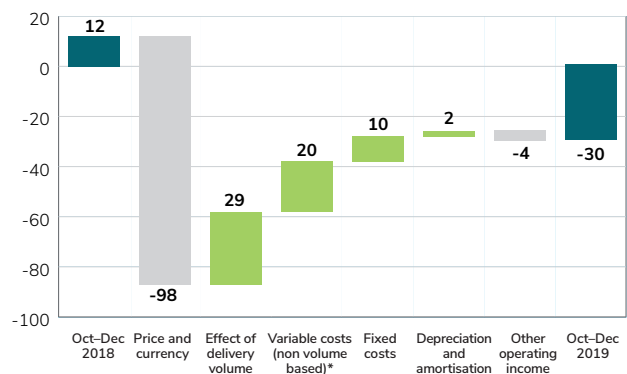
EBIT for the fourth quarter of 2019 was -30 (12) MSEK. The quarter's result was mainly affected by lower pulp prices. The maintenance shutdown at Vallvik Mill had a negative effect compared to a normal quarter. The weak SEK contributed positively, as did good production and delivery volumes.

Fourth quarter 2019 compared with fourth quarter 2018	Oct-Dec 2019	Oct-Dec 2018	change, %
NBSK, USD	825	1 223	-33
SEK/USD	9,63	9,04	7
NBSK, SEK	7 950	11 056	-28
Net turnover, MSEK	547	580	-6
EBIT, MSEK	-30	12	

NBSK QUARTERLY GROSS PRICES OVER THE PAST FIVE YEARS



DIFFERENCES IN EBIT Q4 2019 COMPARED WITH Q4 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-December

Turnover for 2019 amounted to 2 376 (2 260) MSEK, an increase of 5 per cent. Turnover increased due to a higher sales volumes and better outcome on the pulp price hedges but decreased due to lower sales prices. The list price for NBSK in SEK was 8 per cent lower in 2019 compared to 2018. Sales volumes increased by 7 per cent and production volume by 3 per cent. The realized profit from pulp price hedges was 10 (-131) MSEK.

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

Variable costs per ton were higher in 2019 than in 2018. Higher pulp wood cost at the beginning of the year is a contributing factor.

Fixed costs increased as a result of higher maintenance costs, a revaluation of spare parts inventories, and that Rottneros Packaging is in full operation. Also, personel costs and higher depreciation according to plan increased.

The average electricity price on the Nord Pool electricity exchange (area SE3) during the year amounted to 0,41 (0,46) SEK per kWh, which was 11 per cent lower than 2018. The outcome for the electricity price hedges was 49 (59) MSEK.

EBIT for 2019 was 268 (295) MSEK, a decrease of 9 per cent, and corresponding to 11,3 (13,1) per cent of sales. The result for the period was positively affected by higher delivery and production volumes, as well as better outcome on the pulp price hedges. The result was negatively impacted by higher variable and fixed costs.

OTHER INCOME STATEMENT ITEMS

The profit is charged with planned depreciations of 106 (99) MSEK. No significant write-downs have been made during the period.

Net financial expenses were 21 (20) MSEK for 2019 and are related to the bond of 400 MSEK that Rottneros issued in August 2017.

Profit after financial items for the Group decreased by 11 per cent to 247 (276) MSEK for January–December 2019.

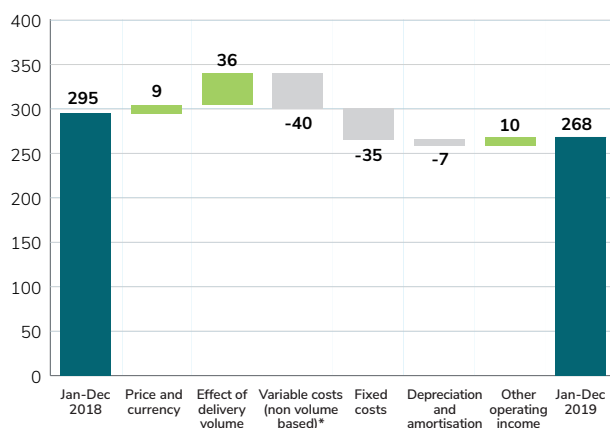
The income tax expense for 2019 was 53 (55) MSEK.

Net income totalled 194 (221) MSEK and earnings per share 1,27 (1,45) SEK for 2019.

Return on capital employed was 17,7 (20,4) per cent. Return on equity was 13,7 (16,6) per cent.

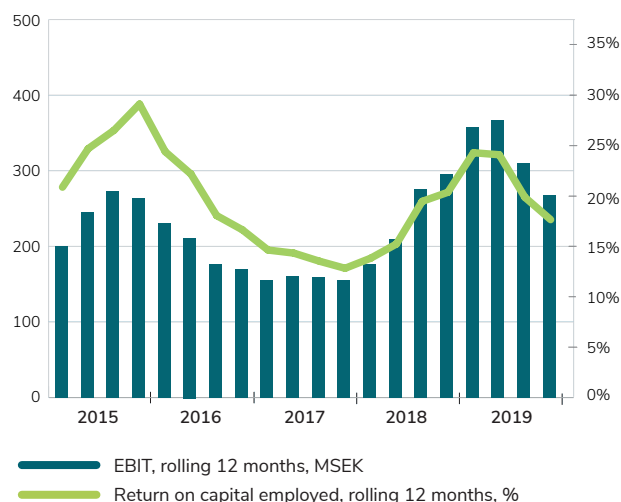
Jan-Dec 2019 compared with Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018	change, %
NBSK, USD	984	1 167	-16
SEK/USD	9,46	8,69	9
NBSK, SEK	9 304	10 144	-8
Net turnover, MSEK	2 376	2 260	5
EBIT, MSEK	268	295	-9

DIFFERENCES IN EBIT JANUARY-DECEMBER 2019 COMPARED WITH JANUARY-DECEMBER 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.

EBIT, ROLLING 12 MONTH



Production and deliveries

Production volumes in the fourth quarter of 2019 were 100 400 tons or 7 per cent higher compared to the same quarter previous year. The production volume was at the same level as in the third quarter 2019. Both quarters are affected by annual maintenance stops. Rottneros Mill had its shutdown in the third quarter while Vallvik Mill's shutdown is largely in the fourth quarter.

The Group in its current form set new annual records for both production (406,0 thousand tons) and deliveries (408,3 thousand tons).

The Group's deliveries during the fourth quarter of 2019 were 9 per cent higher than in the same period the previous year.

PRODUCTION, TONS	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Sulphate pulp	53 000	47 000	227 600	219 600
Ground-wood pulp	18 900	19 700	72 100	72 000
CTMP	28 500	26 900	106 300	102 000
TOTAL	100 400	93 600	406 000	393 600

DELIVERIES, TONS	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Sulphate pulp	58 500	55 200	229 600	211 900
Ground-wood pulp	16 100	15 300	74 300	68 900
CTMP	28 600	23 800	104 400	101 700
TOTAL	103 200	94 300	408 300	382 500

ANNUAL VOLUMES AND ANNUAL GROWTH



MAINTENANCE SHUTDOWNS AND SEASONAL VARIATIONS

Like in previous years the annual maintenance shut-down at Rottneros Mill was held in the third quarter and at Vallvik Mill in the fourth quarter.

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 bruk	Q3	Q3	10
Vallviks bruk	Q4	Q4	70

The estimated cost of the shut-downs 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.

Generally, the Rottneros Group is not substantially affected by seasonal variations.

Investments

The Group's investments in fixed assets during January-December 2019 amounted to 109 (255) 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 100 MSEK per year going forward. In addition to replacement investments, the focus will be on eliminating bottlenecks and increasing efficiency.

ROTTNEROS INVESTMENTS AND CAPACITY EXPANSION



Rottneros Packaging

Rottneros Packaging focuses on high-quality food packaging with very high demands on its properties. This applies mainly to purity, barrier properties to achieve a long shelf-life, surface quality as well as traceability.

The investment in Rottneros Packaging continued as planned. A new machine was purchased at the end of March 2019 and is scheduled to be commissioned in the first half of 2020. The machine more than doubles the capacity of moulded trays.

There is a continuous development to optimize both the products and the production process. The moulded packaging trays that Rottneros produces today have a renewable raw material share of 80–95 per cent.

Rottneros participates in EU's innovation project "Pulpacktion" as the only Swedish industrial partner. The goal is to develop a completely renewable biobased packaging solution for a competitive price and thus contribute to a more sustainable development in the packaging industry. Rottneros is coordinating the project which ends in 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 per cent 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 2019
Net debt to EBITDA ratio	Under 3,5	0,1
Equity/assets	Over 50 %	58 %
Dividend / net income	Max 50 %	97 %

The Group's cash and cash equivalents amounted to 376 MSEK at year-end 2019, compared with 238 MSEK at year-end 2018. Interest bearing liabilities amounted to 411 MSEK at the end of 2019. Net debt at the end of the year totalled 35 MSEK, compared with 157 MSEK at the end of 2018. Total granted and unused credit facilities amounted to 182 MSEK at the end of 2019.

The equity/assets ratio amounted to 58 (61) per cent as of 31 December 2019. Equity per share totalled 9,05 (9,57) SEK at the end of the year.

The Extraordinary General Meeting held on November 4, 2019 decided to approve the Board's proposal and make an extra dividend of 0,70 SEK per share. The dividend exceeded the bond covenant for distribution of last year's net result. An approval was required and received by the bond holders.

Cash flow

Cash flow from operating activities for the year amounted to 462 (223) MSEK where lower working capital contributed strongly. Cash flow after investments in non-current assets for the period was 353 (-32) MSEK.

Shareholders were paid a dividend of 214 (56) MSEK during the year.

Parent Company

Profit after financial items for the parent company for 2019 amounted to 96 (6) MSEK.

Average number of employees

The average number of employees was 303 (303).

Dividen policy and long-term targets

FINANCIAL TARGETS	Target	Outcome 2019
Dividend to net income	30–50 %	97 %
Average growth of produced pulp tons	3 %	3 %
Share of alternative revenue sources in net turnover	At least 10% in 2023	3 %
Equity/assets ratio	Over 50 %	58 %

SUSTAINABILITY TARGETS	Target	Outcome 2019
Accidents leading to sick leave	Nollvision	9
Share of female employees	At least 30% in 2025	17 %
Share of employees that have completed training in Rottneros' Code of Conduct	100 %	Ongoing

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 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 during January–December 2019 was 9 per cent 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 7 500 tons as of 31 December 2019, with due dates between January and September 2020 at an average price of 8 878 SEK per ton. The fair value of these unrealised price hedges totalled 6 MSEK as of 31 December 2019.

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 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.

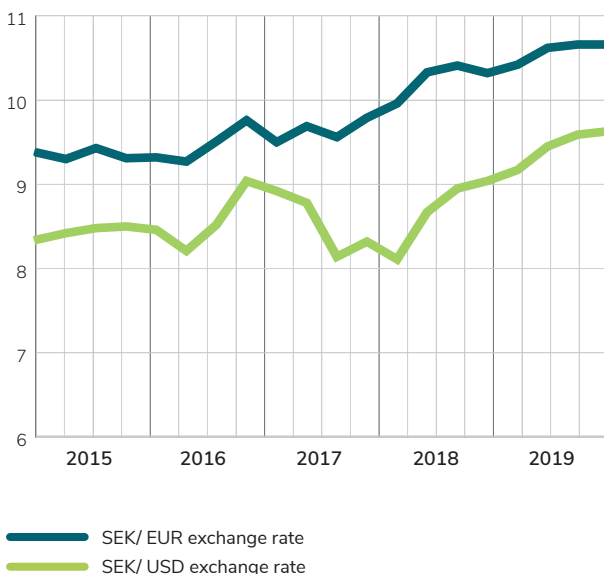
Electricity price hedges as of 31 December 2019:

Year	Proportion hedged	SEK/kWh
2020	85 %	21,8
2021	74 %	26,1
2022	42 %	34,1
2023	14 %	34,4
2024	14 %	34,4
2025	14 %	34,4

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 0,41 (0,46) SEK per kWh for January–December 2019.

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

EXCHANGE RATE TREND OVER THE PAST FIVE YEARS



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



Price trends up to 3 Februari 2020.

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 2019.

SHARE PRICE TREND DURING JAN–SEP

On year-end 2019 the price of Rottneros shares was 11,40 SEK (8,24 at the end of 2018). The average price during January–December was SEK 11,34 (10,34).

TRANSACTIONS WITH RELATED PARTIES

During 2019 Rottneros sold pulp to the related party Arctic Paper S.A. Group in the amount of 104 (107) MSEK. Outstanding operating receivables from Arctic Paper totalled 47 (23) MSEK at year-end. The transactions took place at market conditions.

LARGEST SHAREHOLDERS ON 31 DEC 2019

Shareholders	Number of shares (=votes)	Per cent of capital
Arctic Paper S.A.	78 230 883	51,0
PROAD AB	10 464 411	6,8
Försäkringsaktiefbolaget Avanza Pension	4 141 437	2,7
UBS Switzerland AG, W8IMY	3 604 142	2,3
CBNY-DFA-INT SML CAP V	1 632 776	1,1
BNY Mellon NA (Former Mellon), W9	1 358 736	0,9
Caceis Bank, Switzerland Branch, W8IMY	1 300 000	0,8
State Street Bank and Trust Co, W9	1 274 950	0,8
BNY Mellon SA/NV (Former BNY), W8IMY	1 087 817	0,7
Borell, Joakim	1 015 586	0,7
TOTAL for 10 largest owners – by size of holding	104 110 738	67,9
Övriga aktieägare	48 461 187	31,6
Rottneros AB (egna aktier från återköp)	821 965	0,5
TOTAL	153 393 890	100,0

Vallvik, 6 February 2020

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 6 February 2020 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.

For additional information, please contact:

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AGM 2020

Rottneros' Annual General Meeting (AGM) will be held on Tuesday, 28 April 2020, in Söderhamn.

Shareholders who wish to have a subject considered at the AGM must submit such a proposal to the Chairman of the Board by email to: rottneros@vinge.se or by mail to: Rottneros AB (publ), c/o Advokatfirman Vinge KB, Box 11025, A-404 21 Gothenburg, by 9 March 2020 in order for the proposal to be included in the notice covering the meeting.

Subsequent events

Rottneros develops the Group's supply of raw materials through the acquisition of Nykvist Skogs AB. The company will be consolidated in Rottneros's accounts from 1 January 2020. The acquisition means that Rottneros will increase the long-term availability of forest raw materials offered by private forest owners, while Nykvist Skogs will continue to develop as an autonomous and independent raw material operator.

Forthcoming dates

20 March 2020	Annual Report 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.

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CONSOLIDATED INCOME STATEMENT

AMOUNTS IN MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net turnover	547	580	2 376	2 260
Change in inventories, finished goods	-15	-1	-8	78
Other operating income	-5	22	28	34
OPERATING INCOME, TOTAL	527	601	2 396	2 372
Raw materials and consumables	-296	-308	-1 223	-1 211
Other external expenses	-167	-179	-528	-505
Employee benefit expenses	-69	-75	-271	-262
EBITDA (operating profit before depreciation, amortisation and impairment)	-5	39	374	394
Depreciation/amortisation and impairment	-25	-27	-106	-99
EBIT (operating profit)	-30	12	268	295
Financial income	0	0	0	1
Financial expenses	-6	-5	-21	-20
TOTAL FINANCIAL ITEMS	-6	-5	-21	-19
PROFIT AFTER FINANCIAL ITEMS	-36	7	247	276
Tax on profit/loss for the period	7	2	-53	-55
NET INCOME	-29	9	194	221
Average number of shares (thousand) ¹	152 572	152 572	152 572	152 572
EARNINGS PER SHARE (SEK) ¹	-0,19	0,06	1,27	1,45

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
NET INCOME	-29	9	194	221
OTHER COMPREHENSIVE INCOME				
Items that have been or may be transferred to profit or loss for the period				
Changes in fair value of cash flow hedges	-30	57	-77	111
Income tax effect on changes in fair value	6	-12	17	-23
Translation differences	0	-1		0
TOTAL OTHER COMPREHENSIVE INCOME	-24	44	-60	88
COMPREHENSIVE INCOME FOR THE PERIOD ²	-53	53	134	309

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

CONSOLIDATED BALANCE SHEET, SUMMARY

AMOUNTS IN MSEK	31 Dec 2019	31 Dec 2018
Intangible non-current assets	13	17
Property, plant and equipment	1 198	1 179
Financial assets	69	94
TOTAL NON-CURRENT ASSETS	1 280	1 290
Inventories	375	389
Current receivables	342	484
Cash and cash equivalents	376	238
TOTAL CURRENT ASSETS	1 093	1 111
TOTAL ASSETS	2 373	2 401
SHAREHOLDERS' EQUITY	1 380	1 460
Interest-bearing lease liability	411	395
Deferred tax liabilities	135	119
Other non-interest-bearing liabilities	41	18
TOTAL LONG-TERM LIABILITIES	587	532
Non-interest-bearing liabilities	406	409
TOTAL CURRENT LIABILITIES	406	409
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2 373	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 2018	153	730	-69	18	-8	383	1 207
Net income Jan-Dec						221	221
Other comprehensive income, Jan-Dec				88	0		88
Total comprehensive income for Jan-Dec				88	0	221	309
Dividends to shareholders, Jan-Dec						-56	-56
Closing balance, 31 december 2018	153	730	-69	106	-8	548	1 460
Net income Jan-Dec						194	194
Other comprehensive income, Jan-Dec				-60	0		-60
Total comprehensive income for Jan-Dec				-60	0	194	134
Dividends to shareholders, Jan-Dec						-214	-214
Closing balance, 31 December 2019	153	730	-69	46	-8	528	1 380

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

AMOUNTS IN MSEK	Jan-Dec 2019	Jan-Dec 2018
EBIT	268	295
Adjustment for items not included in the cash flow	3	
Depreciation/amortisation and impairment	106	99
EBIT adjusted for non-cash flow affecting items	377	394
Received/paid financial items	-21	-18
Cash flow from operating activities before changes in working capital	356	376
Change in working capital	106	-153
Cash flow from operating activities	462	223
Investments in fixed assets	-109	-255
Cash used in investing activities	-109	-255
Borrowings of long-term loans	-	-
Amortisation of long-term loans	-	-
Change in used bank overdraft facilities	-	-
Dividends paid	-214	-56
Cash provided by/used in financing activities	-214	-56
NET CASH FLOW FOR THE PERIOD	138	-88
Cash and cash equivalents at start of period	238	326
Net cash flow for the period	138	-88
Cash and cash equivalents at end of period	376	238

CHANGES IN INTEREST-BEARING LIABILITIES

AMOUNTS IN MSEK	Jan-Dec 2019	Jan-Dec 2018
Interest-bearing liabilities in the balance sheet at the start of the period	395	394
Changes included in the cash flow from financing activities:		
Long-term loans taken out from banks	-	-
Bond issue	-	-
Amortisation of long-term loans from banks	-	-
Change in used bank overdraft facilities	-	-
Total	-	-
Other changes		
Recognition of an interest-bearing lease liability in accordance with IFRS 16	15	
Direct costs in connection with the bond issue that are charged to expense over the loan period	-	-
Direct costs charged to expenses	1	1
Interest-bearing liabilities in the balance sheet at the end of the period	411	395

PARENT COMPANY INCOME STATEMENT

AMOUNTS IN MSEK	Jan-Dec 2019	Jan-Dec 2018
Net turnover	7	6
Other operating income	16	9
OPERATING INCOME, TOTAL	23	15
Results from hedging activities	49	-
Other expenses	-18	-17
Employee benefit expenses	-30	-22
EBITDA (operating loss before depreciation, amortisation and impairment)	24	-24
Depreciation/amortisation and impairment	-4	-3
EBIT (operating loss)	20	-27
Profit from participations in Group companies	96	49
Financial income	1	4
Financial expenses	-21	-20
TOTAL FINANCIAL ITEMS	76	33
LOSS/ PROFIT AFTER FINANCIAL ITEMS	96	6
Tax on loss/ profit for the period	-21	-2
NET INCOME	75	4

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN MSEK	Jan-Dec 2019	Jan-Dec 2018
NET INCOME	75	4
Other comprehensive income	-	-
TOTAL OTHER COMPREHENSIVE INCOME	-	-
COMPREHENSIVE INCOME FOR THE PERIOD	75	4

PARENT COMPANY BALANCE SHEET, SUMMARY

AMOUNTS IN MSEK	31 Dec 2019	31 Dec 2018
Intangible non-current assets	10	14
Financial assets ¹	510	293
TOTAL NON-CURRENT ASSETS	520	307
Current receivables ²	0	955
Cash and cash equivalents	881	218
TOTAL CURRENT ASSETS	881	1 173
TOTAL ASSETS	1 401	1 480
SHAREHOLDERS' EQUITY	780	918
Long-term liabilities – Interest-bearing	397	395
Long-term liabilities – Non-interest-bearing ³	60	18
TOTAL LONG-TERM LIABILITIES	457	413
Non-interest-bearing ⁴	164	149
TOTAL CURRENT LIABILITIES	164	149
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1 401	1 480

¹ Including receivables from subsidiaries of 193 (000) MSEK.

² Including receivables from subsidiaries of 000 (966) MSEK.

³ Including liabilities to subsidiaries of 18 (0) MSEK.

⁴ Including liabilities to subsidiaries of 139 (138) MSEK.

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 policy

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

The Group's leases consist of premises and the leasing agreements are normally written for fixed periods of three to five years. There are options to extend certain agreements, as described below. The terms are negotiated separately for each agreement and contain a number of different contract terms.

The leasing agreements are reported as rights of use (tangible fixed assets) and a corresponding liability (long-term and short-term interest-bearing liabilities), on the date which the leased asset is available for use by the Group. Each lease payment is allocated between amortization of the debt and financial cost.

The financial cost shall be distributed over the lease period so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability reported during each period.

The right of use is amortized on a straight-line basis over the shorter of the asset's economic life and the lease period. The lessee determines the contract period by assessing factors such as the importance of the property for the business, its own planned or completed investments in the leased property and the market situation for the property. Assets and liabilities arising from leasing agreements are initially recognized at present value. Leasing liabilities include the present value of the following lease payments:

- fixed fees (including fees that are fixed in their substance), less incentive claims
- variable leasing fees that depend on an index or price

Leasing payments are discounted with the incremental borrowing rate. Assets with rights of use are valued at cost and include the following:

- the initial valuation of the lease debt;
- payments made at or before the time when the leased asset is made available to the lessee.

Leases of lesser value are recognized as an expense in the income statement.

ROTTNEROS' NET TURNOVER CONSISTS OF THE FOLLOWING:

AMOUNTS IN MSEK	Jan–Dec 2019	Jan–Dec 2018	Oct–Dec 2019	Oct–Dec 2018
Sales of pulp	2 299	2 266	526	596
Results from pulp price hedging	10	-131	9	-44
Sales of by-products and other	51	41	12	12
Sales of pulp wood	16	84	0	16
NET TURNOVER, TOTAL	2 376	2 260	547	580

Options to extend or terminate leases, leases or premises are included in the asset and liability when it is reasonably certain that they will be used. The terms are used to maximize the flexibility of the agreements.

Transition effects new accounting principles IFRS 16

The Group has applied IFRS 16 Leasing agreements as of January 1, 2019, which has resulted in changed accounting principles and adjustments in the amounts reported in the financial report. In accordance with the transition rules in IFRS 16, the Group has applied the simplified transition method and has therefore not recalculated the comparative figures. All rights to use are valued at the transition to an amount corresponding to the lease debt. During the transition, the following relief rules were applied:

The same discount rate has been applied to leasing portfolios with similar properties. Operating leases with a remaining lease term of less than 12 months as of January 1, 2019 have been reported as short-term leases. Direct acquisition costs for utility rights have been excluded at the time of the transition, and historical information has been used when assessing the length of a lease agreement in the event that there are options to extend or terminate an agreement.

The changes have a marginal impact on operating income and profit after tax for the year.

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 per cent 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 per cent of the previous year's net income.

These covenants were fulfilled on the balance sheet day with the exemption of the covenant for dividends. As decided by the extraordinary general meeting on 4 November 2019 an extra dividend was paid out. The dividend was approved by the bond holders via a written procedure. More information can be found on Rottneros' website, Rottneros.com

The market value of the bond was assessed to be 411 MSEK on balance sheet day based on the latest transaction of the bond on Nasdaq Stockholm.

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, 31 DECEMBER 2019

Hedging	Hedged volume	Maturity	Hedging level	Fair value (MSEK)
Pulp, forward sell	12 000 ton	Jan-Sep 2020	8 878 SEK/ton	6
Electricity, forward buy	756 480 MWh	2020-2025	27,4 öre/kWh	50
Total fair value				56

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 ton	Jan-Dec 2019	9 800 SEK/ton	-8
Electricity, forward buy	701 520 MWh	2019-2021	22,6 öre/kWh	141
Total fair value				133

GROUP PERFORMANCE IN SUMMARY

	2019	2018	2017	2016	2015	2014
Resultaträkning, MSEK						
Net turnover	2 376	2 260	1 912	1 730	1 795	1 547
EBITDA	374	394	247	221	321	177
Depreciation/amortisation and impairment	-106	-99	-91	-51	-58	-59
EBIT	268	295	156	170	263	118
Financial items (net financial items)	-21	-19	-9	-7	-4	-4
Profit/loss after financial items	247	276	147	163	259	114
Net income	-53	-55	-35	-35	-36	19
Nettoresultat	194	221	114	128	223	133
Cash flow statement, MSEK						
Cash flow from operating activities	462	223	222	187	335	104
Investments in non-current assets	-109	-256	-237	-278	-103	-59
Cash flow after investments	353	-33	-15	-91	232	45
Sales of fixed assets	0	0	0	0	0	39
Cash used in/provided by financing activities	-214	-56	325	-62	-152	-30
Net cash flow	138	-88	310	-153	80	54
Balance sheet items, MSEK						
Non-current assets	1 280	1 290	1 078	905	706	691
Inventories	375	389	279	278	267	255
Current receivables	342	484	324	290	244	226
Cash and cash equivalents	376	238	326	16	169	89
Net debt (+) / net cash (-)	35	157	68	-2	-169	-59
Equity	1 380	1 460	1 207	1 151	1 058	975
Long-term interest-bearing liabilities	411	395	394	-	-	30
Long-term non-interest-bearing liabilities	176	137	52	14	18	9
Current interest-bearing liabilities	-	-	-	14	-	0
Current non-interest-bearing liabilities	406	409	354	310	310	247
Capital employed	1 415	1 617	1 275	1 149	889	916
Total equity and liabilities	2 373	2 401	2 007	1 489	1 386	1 261
Key ratios						
EBITDA margin, %	15,7	17,4	12,9	12,8	17,9	11,4
EBIT margin, %	11,3	13,1	8,2	9,8	14,7	7,6
Profit margin, %	10,4	12,2	7,7	9,4	14,4	7,3
Return on shareholders' equity (rolling 12 months), %	13,7	16,6	9,7	11,6	21,9	13,6
Return on capital employed (rolling 12 months), %	17,7	20,4	12,9	16,7	29,1	13,4
Equity/assets ratio, %	58	61	60	77	76	77
Debt/equity ratio, %	3	11	6	0	-16	-6
Övrigt						
Average no. of employees	303	303	301	282	264	251
Pulp production, 1,000 tons	406,0	393,6	401,2	374,1	373,3	345,0
Pulp deliveries, 1,000 tons	408,3	382,5	395,9	374,1	372,2	344,2
List price of NBSK pulp, USD per ton ¹	984	1 167	882	802	857	925
SEK/USD ²	9,46	8,69	8,54	8,56	8,44	6,86
List price of NBSK pulp, SEK per ton	9 304	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			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income statement, MSEK												
Net turnover ¹	546	617	582	630	580	567	576	537	496	472	472	472
EBITDA	-5	81	131	167	39	136	118	101	21	66	83	77
Depreciation/amortisation and impairment	-25	-27	-28	-26	-27	-25	-24	-23	-28	-22	-21	-20
EBIT	-30	54	103	141	12	111	94	78	-7	44	62	57
Financial items (net financial items)	-7	-5	-5	-5	-5	-5	-4	-5	-5	-3	0	-1
Profit/loss after financial items	-37	49	98	136	7	106	90	73	-12	41	62	56
Tax on profit/loss for the period	8	-10	-21	-28	2	-24	-17	-16	2	-9	-13	-13
Net income	-29	39	77	108	9	82	73	57	-10	32	49	43
Per share												
Earnings per share SEK	-0,19	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	100,4	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	103,2	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	7 950	8 753	9 900	10 527	11 056	10 983	10 047	8 584	7 949	7 279	7 572	7 290

¹ Since 2018 revenue from bi-products and pulp hedges were classified as Net revenue. Previously they were classified as Other income. See page 14.

SHARE DATA ¹

		Jan-Dec 2019	2018	2017	2016	2015	2014
Shares outstanding, opening ²	Number	152 572	152 572	152 572	152 572	152 572	152 572
Shares outstanding, closing ²	Number	152 572	152 572	152 572	152 572	152 572	152 572
Average number of shares outstanding ²	Number	152 572	152 572	152 572	152 572	152 572	152 572
Treasury shares ²	Number	822	822	822	822	822	822
Operating profit per share	SEK	1,76	1,93	1,02	1,11	1,72	0,77
Earnings per share	SEK	1,27	1,45	0,75	0,84	1,46	0,87
Cash flow after investments/share ³	SEK	2,30	-0,21	-0,10	-0,60	1,52	0,29
Equity per share	SEK	9,05	9,57	7,91	7,54	6,93	6,39
Dividend ⁴							
Ordinary dividend	SEK	0,40	0,40	0,30	0,30	0,30	0,20
Extra dividend	SEK	0,20	1,00	0,07	0,10	0,20	0,60
Total	SEK	0,60	1,40	0,37	0,40	0,50	0,80
Dividend/equity per share	%	6,6	14,6	4,7	5,3	7,2	12,5
Share price at end of period	SEK	11,40	8,24	7,15	8,05	8,15	3,74
Market price/equity/share	times	1,3	0,9	0,9	1,1	1,2	0,6
P/E ratio per share	times	9,0	5,7	9,5	9,6	5,6	4,3

¹ None of the key ratios are affected by any dilution effect.

² The number of shares is in thousands and excluding Rottneros' treasury shares.

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

⁴ Proposed dividend for 2019.

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 Operating profit per share and Earnings per share, 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.

Defenitions 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).

OPERATING PROFIT PER SHARE

Profit before financial items and income taxes divided with the average number of shares outstanding.

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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