

# ROTTNEROS

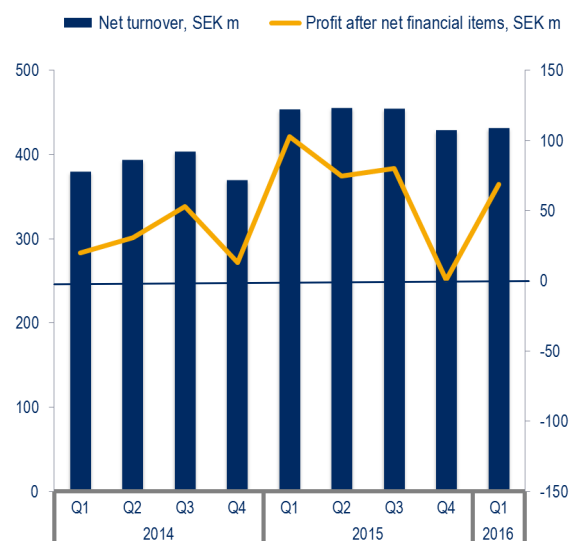
## INTERIM REPORT JANUARY – MARCH 2016

### STRONG QUARTER DESPITE LOWER PRICES

#### The quarter in figures

	Jan-Mar 2016	Oct-Dec 2015	change	Jan-Mar 2015	change	Rolling 12 months	Jan-Dec 2015
Net turnover, SEK m	432	429	3	454	-22	1,773	1,795
Operating profit, SEK m	71	3	68	104	-33	230	263
Profit after net financial items, SEK m	69	1	68	103	-34	225	259
Net income, SEK m	54	1	53	80	-26	197	223
Earnings per share, SEK	0.35	0.01	0.34	0.52	-0.17	1.29	1.46
Cash flow before investments, SEK m	29	71	-42	62	-33	302	335
Return on capital employed, %	6.5	0.3		9.8		21.4	25.5
Deliveries, thousand tonnes	92.9	91.3	1.6	90.9	2.0	374.2	372.2

- Profit after net financial items amounted to SEK 69 million (103) for the first quarter of 2016.
- Cash flow before investments totalled SEK 29 million (62). Rottneros is debt-free and at the end of the quarter, cash and cash equivalents totalled SEK 159 million (116).
- Net turnover for the first quarter was SEK 432 million (454).
- NBSK pulp price quotation continued to decline and was USD 792 on the average during the first quarter. Denominated in SEK, the quotation was 11 per cent lower than in the first quarter of 2015 and 4 per cent lower than in the fourth quarter of 2015.
- Production volumes in the first quarter increased by 1 per cent and delivery volumes by 2 per cent, compared with the same period last year. Growth was limited to some degree by production disturbances at Vallvik Mill.
- During the quarter, it was decided that a new energy- and emission-efficient biomass boiler would be installed at Rottneros Mill. Following the investment, energy consumption at both mills will for all practical purposes be fossil-free.
- The Board of Directors has appointed Lennart Eberleh as new President and CEO of Rottneros AB. He will take up his post on 1 September 2016.
- The Board of Directors has resolved to increase its proposed dividend for 2015 and recommends that the Annual General Meeting approve an ordinary dividend of SEK 0.30 per share and an extra dividend of SEK 0.20 per share, i.e. a total dividend of SEK 0.50 per share.



## COMMENTS BY THE PRESIDENT

### **A strong quarter despite lower prices**

The Rottneros Group reports a strong first quarter. Corrective measures within the scope of our development programme Agenda 500 continue to bear fruit, in the form of increased efficiency and a steadily rising pace of production. Both mills report good profitability. The impact of the action programme is emphasised by the strong results for the quarter, despite lower prices in both USD and SEK. The average of published prices for NBSK pulp fell by 13 per cent in USD and 11 per cent in SEK, compared with the first quarter last year.

Production volumes in the first quarter increased by 1 per cent compared with the same period in 2015. Growth was limited to some degree by production disturbances at Vallvik. However, production there improved gradually during the quarter and a new monthly record was set after the quarter in April.

Our market remains stable and prices for long-fibre sulphate pulp are showing signs of an upturn since the end of the quarter. Several major players have announced price rises. With our plans both to expand in selected niches and to further improve efficiency we have a strong position from which to move forward.

### **High investment activity**

The current year is dominated by an intensive focus on investments within the Agenda 500 programme. In all, the Group is investing more than SEK 250 million over the year, in capacity expansion, energy efficiency, product quality and environmental improvements. The investments are highly value-creating and the investment amount is relatively evenly spread between the two mills. Installations under these investments will for the most part take place during the autumn maintenance shutdowns.

The Board has also allocated SEK 98 million to Rottneros Mill for a new biomass boiler, which is due to be commissioned at around mid-year 2017. Energy consumption at the mill will become entirely fossil-free and at the same time energy efficiency will increase substantially. As part of the investment we will also remodel the mill's energy system to bring about major energy and environmental gains. Overall, it is estimated that this highly value-creating investment will result in annual savings of around SEK 25 million.

### **Solid balance sheet creating sound platform for extra dividend**

The Group's solid finances and the Board's objective of improving the Company's capital structure are the basis on which the Board recently revised its dividend proposal. Under the proposal, the Company will pay an extra dividend of SEK 0.20 per share for 2015, in addition to an ordinary dividend of SEK 0.30. At year-end, the Company was debt-free, had a substantial liquidity reserve and reported an equity/assets ratio of 76 per cent. As a result of the proposed extra dividend, Rottneros' capital structure will be improved.

### **New President and CEO**

Another important event during the quarter was the appointment of Lennart Eberleh as new President and CEO. He has more than 20 years' experience of a variety of management positions in the paper industry, and will continue the work of implementing the Agenda 500 programme and further advancing Rottneros' world-leading position in specialised pulp. He will take up his post on 1 September 2016.

Per Lundeen

# JANUARY – MARCH 2016

## MARKETS AND PRODUCTS

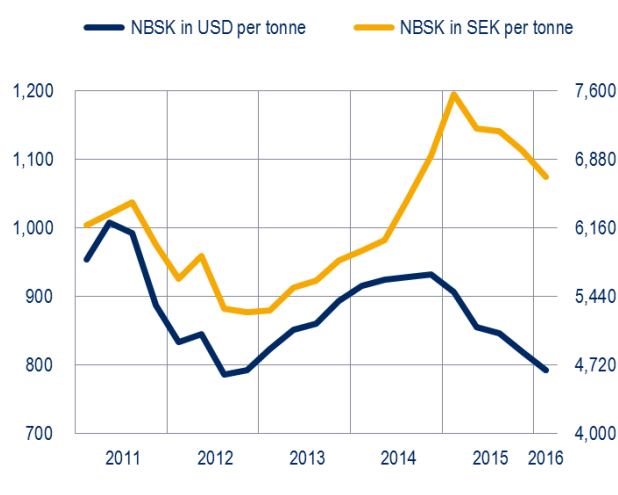
Underlying demand for pulp is robust in the emerging markets, but stagnating or only weakly growing within the OECD area. The structural decline in graphic paper continues, but is offset by increased fibre consumption globally in packaging and tissue paper.

The open pulp market during the first quarter of 2016 was characterised by high deliveries, partly driven by a stock build-up among buyers.

Deliveries of chemical market pulp worldwide (World-20) in the first quarter totalled 11.8 million tonnes, up 4 per cent from 2015. Capacity utilisation was 94 per cent for long-fibre and 88 per cent for short-fibre pulp. Producer stock levels were on a level corresponding to 38 days of consumption at the end of March. Stocks are well-balanced for long-fibre, but on the high side for short-fibre.

The price for NBSK declined by around USD 10 in the early part of the year but has remained relatively stable at around USD 790 since then. On the other hand, prices for short-fibre pulp were under continuous pressure and ended April at around USD 710. The gap in prices between long- and short-fibre therefore widened again and now stands at near the average for the past ten years. The price trend for BCTMP has essentially remained in line with that of short-fibre pulp.

### Trend for NBSK over the past five years



## PRODUCTION AND DELIVERIES

The Group maintained a positive trend in both production and delivery volumes, even if growth was limited to some degree by production disturbances at Vallvik Mill early in the year. Vallvik's production improved gradually during the quarter and a new monthly record was set after the quarter in April both for Vallvik Mill and for the Group in its current structure.

The rise in production volume compared with the previous year was around 1 per cent for the first quarter of 2016.

Deliveries during the first quarter of 2016 were 2 per cent higher than in the previous year. Especially deliveries of groundwood pulp

increased by 14 per cent due to new pulp grades launched in 2014-2015.

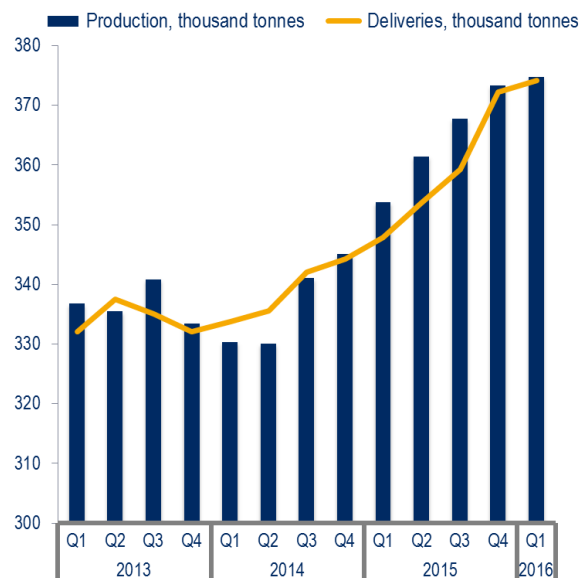
### PRODUCTION (TONNES)

	Jan-Mar 2016	Jan-Mar 2015	Rolling 12 months	Jan-Dec 2015
Sulphate pulp	55,700	54,800	219,600	218,700
Groundwood pulp	17,800	17,300	69,400	68,900
CTMP	21,600	21,600	85,700	85,700
<b>TOTAL</b>	<b>95,100</b>	<b>93,700</b>	<b>374,700</b>	<b>373,300</b>

### DELIVERIES (TONNES)

	Jan-Mar 2016	Jan-Mar 2015	Rolling 12 months	Jan-Dec 2015
Sulphate pulp	54,800	56,000	216,900	218,100
Groundwood pulp	18,300	16,100	69,500	67,300
CTMP	19,800	18,800	87,800	86,800
<b>TOTAL</b>	<b>92,900</b>	<b>90,900</b>	<b>374,200</b>	<b>372,200</b>

### Volume growth, rolling 12 months



### Maintenance shutdowns and seasonal variations

In 2016, 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.

Costs relating to maintenance shutdowns are recognised in the period during which the shutdown takes place, in accordance with generally accepted accounting principles. The maintenance shutdown also involves a certain loss of production, which affects turnover and income for the quarter in which the shutdown takes place. Otherwise, the Rottneros Group is not affected by seasonal variations to any appreciable extent.

## New environmental permit for Vallvik Mill

In January 2016, Vallvik Mill was granted a new environmental permit allowing it to produce 255,000 tonnes of sulphate pulp. The new permit ensures that Rottneros can continue to expand capacity in accordance with the provisions of the Group's long-term industrial plan Agenda 500.

## SALES AND RESULTS

### First quarter 2016 compared with first quarter 2015

#### Deviation analysis, SEK m

	Jan-Mar 2016	Jan-Mar 2015
NBSK PIX, USD	792	907
SEK/USD	8.46	8.34
NBSK, SEK	6,699	7,560
<b>OPERATING PROFIT, SEK M</b>	<b>71</b>	<b>104</b>
Price/mix	-28	
Currency	-7	
Volume effect (net) on earnings	11	
Variable production cost per tonne	6	
Hedging result realised (pulp, electricity and currency)	-1	
Other	-14	
<b>TOTAL DIFFERENCE, SEK M</b>	<b>-33</b>	

The average price of long-fibre sulphate pulp (NBSK) in USD fell by 13 per cent compared with the same quarter the previous year. Denominated in SEK, the average price was 11 per cent lower than in the first quarter 2015. Turnover in the first quarter of 2016 amounted to SEK 432 million (454), a decrease of 5 per cent.

Delivery volumes increased for mechanical pulp but declined for chemical pulp. The volume changes, net, had a positive impact of SEK 11 million on earnings in the first quarter.

The average price of electricity on the Nord Pool electricity exchange over the first quarter of 2016 amounted to SEK 0.22 (0.27) per kWh and had a positive impact on income. However, the lower electricity price did not have a full impact since portions of electricity consumption were hedged at higher levels than spot prices during the quarter.

#### Other items in the income statement

The Group's profit after net financial items amounted to SEK 69 million (103).

Income taxes totalled SEK 15 million (23), corresponding to 22 per cent (22) of profit after net financial items. Taxes for the quarter relate to utilisation of previously capitalised tax loss carry-forwards. Paid income taxes amounted to SEK 0 million (0). At the end of the quarter, the remaining deferred tax asset relating to tax loss carry-forwards amounted to SEK 16 million (44), corresponding to a taxable profit of SEK 73 million (199) before any taxes become payable.

Net income totalled SEK 54 million (80) and earnings per share SEK 0.35 (0.52).

Return on capital employed, measured over a rolling 12-month period, was 21.4 per cent (20.9). Return on equity, measured over a rolling 12-month period, was 18.2 per cent (19.0).

### Operating profit and return on capital employed, rolling 12 months



## INVESTMENTS AND FINANCIAL POSITION

Group investments in non-current assets amounted to SEK 39 million (5) in the first quarter of 2016. The increase is attributable to the Group's long-term industrial plan, Agenda 500.

During the quarter, it was decided that a new energy- and emission-efficient biomass boiler would be installed at Rottneros Mill, within the scope of Agenda 500. The investment, totalling SEK 98 million, is expected to be completed and the installation commissioned around mid-2017. Following the investment, energy consumption at both mills will for all practical purposes be fossil-free.

The Group's cash and cash equivalents amounted to SEK 159 at the end of the quarter, compared with SEK 116 million at the end of the first quarter in 2015 and SEK 169 million at year-end 2015.

The Group had no interest-bearing liabilities on 31 March 2016 and 2015. Total granted and unused credit facilities amounted to SEK 175 million.

The equity/assets ratio amounted to 78 per cent (79) as of 31 March. Equity per share totalled SEK 7.25 (SEK 6.91) at the end of the quarter.

## CASH FLOW

Cash flow from operating activities before investments for the first quarter of 2016 amounted to SEK 29 million (62). Cash flow was lower than in the first quarter of 2015, mainly due to lower operating profit. The increase in working capital had a negative impact of SEK 55 million (49) on cash flow during the quarter, mainly due to higher current receivables and lower accounts payable than at the end of 2015.

Cash flow after investing activities for the first quarter was SEK -10 million (57). Net cash flow for the quarter was SEK -10 million (27).



## AVERAGE NUMBER OF EMPLOYEES

The average number of employees in the first quarter 2016 was 266 (262). The increase was mainly attributable to production personnel.

## SHARE INFORMATION

### Largest shareholders on 31 March 2016

Shareholders	Number of shares (=votes)	Per cent of capital
Arctic Paper S.A.	78,230,883	51
PROAD AB	7,705,235	5
Försäkringsbolaget Avanza Pension	5,021,328	3
Nordnet Pensionsförsäkring AB	2,056,729	1
SEB	1,802,211	1
Försäkrings AB Skandia	1,615,245	1
Morgan Stanley & Co Intl Plc, W-8BEN	1,193,360	1
Borell, Joakim	1,037,711	1
SEB Investment Management	930,170	1
Andersson, Sten Oskar	820,000	1
<b>Total for ten largest owners – in terms of holding</b>	<b>100,412,872</b>	<b>65</b>
Rottneros AB (treasury shares from buy-back)	821,965	1
Other shareholders	52,159,053	34
<b>TOTAL</b>	<b>153,393,890</b>	<b>100</b>

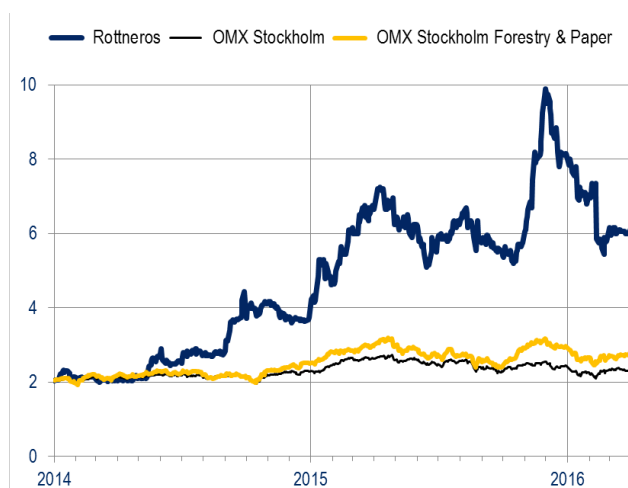
### Number of shares and treasury shares

The number of shares in Rottneros totals 153,393,890. Rottneros' holding of treasury shares amounts to 821,965 shares. No change in treasury shares occurred during the quarter.

### Change in share price over the quarter

At the end of the first quarter of 2016, the Rottneros share price was SEK 6.05 (8.15 at the end of 2015).

### Share price and OMX Stockholm in 2014-2016



### Transactions with related parties

Rottneros sold pulp to the related party Arctic Paper S.A. Group, to the value of SEK 29 million (32). Outstanding operating receivables from Arctic Paper totalled SEK 19 million (20) at the end of the quarter. Transactions were conducted on normal market conditions

but with a lower level of credit insurance, primarily owing to the group relationship between Arctic Paper and Rottneros.

## RISK MANAGEMENT

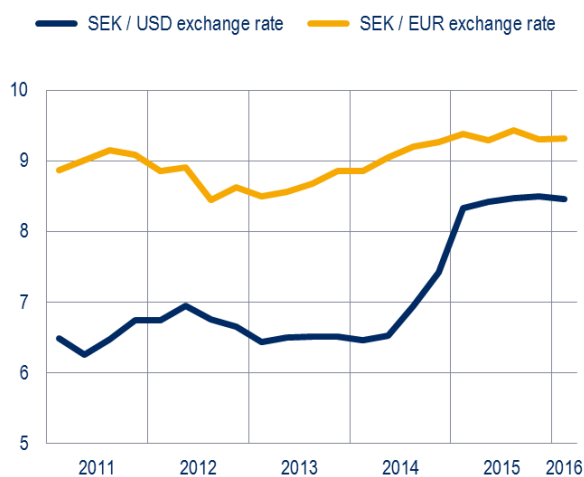
Operationally, the Company uses a number of measures and strategies – for example, focusing on niches and various specific customer segments – aimed at reducing the Group's dependence on market pulp list prices and moderating fluctuations in profitability over a business cycle. The factors that have 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 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) during the quarter represented approximately 40 per cent of the inflow, and in EUR approximately 45 per cent. However, the impact of exchange rate fluctuations on indirect exposure is delayed, as the normal duration of a customer contract is between one and three months.

The average USD exchange rate was about 1 per cent higher in the first quarter of 2016 than in the corresponding quarter 2015, at SEK/USD 8.46 (8.34).

### Trend of exchange rates over the past five years



### Pulp price

The price of pulp (NBSK) is set in USD, while production costs are largely incurred in SEK. The Group had no pulp price hedging contracts on 31 March 2016 or 2015.

### Electricity

All electricity for the mills is purchased directly via the Nord Pool electricity exchange. Electricity prices are quoted in EUR. The amount of electricity hedged at the end of the first quarter 2016 was equal to the proportion of forecast consumption shown in the table. The table shows the hedged proportion of estimated total consumption and the average price in SEK/kWh.

Around 20 per cent of electricity hedges for 2016 are denominated in EUR. For these hedges, currency hedges are in place at an average rate of SEK 9.01/EUR. All other electricity hedges are denominated in SEK.

## Electricity hedging, 31 March 2016

Year	Proportion hedged	EUR/MWh	SEK/kWh
2016 Apr-Dec	75%	37.0	0.271
2017	59%		0.240
2018	44%		0.228
2019	44%		0.237

The average price level for electricity on Nord Pool amounted to SEK 0.22 (0.27) per kWh for first quarter 2016.

See pages 39-43 of the Annual Report for 2015 for further information on risks.

## PARENT COMPANY

For the first quarter of 2016, the Parent Company reported a loss of SEK -3 million (1) after net financial items.

In March, the Board of Directors of Rottneros AB appointed Lennart Eberleh as new President and CEO of Rottneros AB. He joins the Company from BillerudKorsnäs, where he has served as Business Area Manager at Corrugated Solutions, one of BillerudKorsnäs' three business areas. He has more than 20 years' experience of a variety of management positions in the paper industry, at Stora, Billerud and BillerudKorsnäs, among other companies. Lennart Eberleh will take up his position on 1 September 2016, and until then Per Lundeen will continue as President and CEO.

## KEY EVENTS AFTER THE BALANCE SHEET DATE

On 19 April 2016, the Company announced that the Board of Directors had resolved to increase its proposed dividend for 2015, recommending that the Annual General Meeting approve an ordinary dividend of SEK 0.30 per share and an extra dividend of SEK 0.20 per share, i.e. a total dividend of SEK 0.50 per share.

The Board previously recommended an ordinary dividend of SEK 0.30 per share, as published in the Company's 2015 year-end report on 12 February 2016 and in the proposed appropriation of profits in the 2015 annual report, published on 21 March 2016.

The background of the increased proposal is the positive development of the Group during the past two years, resulting in a very strong balance sheet with a high equity ratio.

The Board believes that the Group's very strong financial position enables continued investments and expansion of the operations and that the increased dividend therefore is defensible.

Decision regarding dividend will be made at the Annual General Meeting on 30 May 2016.

No other significant events occurred after the balance sheet date that would impact the Group's financial position and results of operations.

## FORTHCOMING FINANCIAL INFORMATION

29 August 2016                      Interim Report April-June  
10 November 2016                Interim Report July-September

## GENERAL MEETING

The Annual General Meeting (AGM) will be held at 2.00 p.m. on 30 May 2016 in the Manhattan Room at the Stockholm World Trade Center, Kungsbron 1, in Stockholm.

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

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

Vallvik, 16 May 2016

Per Lundeen

*President and CEO*

Rottneros AB (publ)  
Corp. ID no. 556013-5872  
Box 144 SE-826 23 Söderhamn, Sweden  
Tel: +46 (0)270-622 00, Fax: +46 (0)270-622 20  
[www.rottneros.com](http://www.rottneros.com)

Rottneros discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. This information was submitted for publication at 8.00 a.m. on 16 May 2016. A Swedish and an English version of this report have been drawn up. The Swedish version shall prevail in the event of differences between the two reports.

# CONSOLIDATED INCOME STATEMENTS

## CONSOLIDATED INCOME STATEMENT (SEK M)

	Jan-Mar 2016	Jan-Mar 2015	Rolling 12 months	Full year 2015
<b>NET TURNOVER</b>	<b>432</b>	<b>454</b>	<b>1,773</b>	<b>1,795</b>
Change in inventories of finished goods	8	5	13	10
Other operating income	16	27	43	54
	<b>456</b>	<b>486</b>	<b>1,829</b>	<b>1,859</b>
Raw materials and consumables	-220	-232	-887	-899
Other expenses	-96	-84	-432	-420
Employee benefit expenses	-54	-52	-221	-219
Depreciation/amortisation & impairment	-15	-14	-59	-58
	<b>-385</b>	<b>-382</b>	<b>-1,599</b>	<b>-1,596</b>
<b>OPERATING PROFIT</b>	<b>71</b>	<b>104</b>	<b>230</b>	<b>263</b>
Financial income	0	0	1	1
Financial expenses	-2	-1	-6	-5
<b>Total financial items</b>	<b>-2</b>	<b>-1</b>	<b>-5</b>	<b>-4</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>69</b>	<b>103</b>	<b>225</b>	<b>259</b>
Tax on profit for the period	-15	-23	-28	-36
<b>NET INCOME</b>	<b>54</b>	<b>80</b>	<b>197</b>	<b>223</b>
Average number of shares (thousand) <sup>1</sup>	152,572	152,572	152,572	152,572
Earnings per share (SEK) <sup>1</sup>	0.35	0.52	1.29	1.46

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK M)

	Jan-Mar 2016	Jan-Mar 2015	Rolling 12 months	Full year 2015
<b>NET INCOME</b>	<b>54</b>	<b>80</b>	<b>197</b>	<b>223</b>
<b>Other comprehensive income</b>				
<b>Items that have been or may be transferred to profit/loss for the period</b>				
Cash-flow hedging, before tax effect	-7	-1	-29	-23
Cash-flow hedging, tax effect	2	0	7	5
Translation differences	0	0	0	0
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-5</b>	<b>-1</b>	<b>-22</b>	<b>-18</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>49</b>	<b>79</b>	<b>175</b>	<b>205</b>

# CONSOLIDATED BALANCE SHEET, SUMMARY

## CONSOLIDATED BALANCE SHEET (SEK M)

	31 March 2016	31 March 2015	31 Dec 2015
Intangible fixed assets	12	5	7
Property, plant and equipment	678	605	659
Deferred tax assets	24	46	38
Financial assets	3	3	2
<b>Total fixed assets</b>	<b>717</b>	<b>659</b>	<b>706</b>
Inventories	276	259	267
Current receivables	263	287	244
Cash and cash equivalents	159	116	169
<b>Total current assets</b>	<b>698</b>	<b>662</b>	<b>680</b>
<b>TOTAL ASSETS</b>	<b>1,415</b>	<b>1,321</b>	<b>1,386</b>
<b>Shareholders' equity</b>	<b>1,107</b>	<b>1,054</b>	<b>1,058</b>
Non-current liabilities			
Interest-bearing	-	-	-
Non-interest-bearing	29	4	18
<b>Total non-current liabilities</b>	<b>29</b>	<b>4</b>	<b>18</b>
Current liabilities			
Interest-bearing	-	-	-
Non-interest-bearing	279	263	310
<b>Total current liabilities</b>	<b>279</b>	<b>263</b>	<b>310</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,415</b>	<b>1,321</b>	<b>1,386</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, SUMMARY

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, SUMMARY (SEK M)

Amounts in SEK m	Share capital	Other injected capital	Treasury shares	Other reserves		Retained earnings, incl. net income for the period	Total shareholders' equity
				Hedging reserve	Translation difference		
<b>Opening balance, 1 January 2015</b>	153	730	-69	-8	-8	177	975
Net income, Jan-Mar						80	80
Other comprehensive income, Jan-Mar				-1	0		-1
Total comprehensive income, Jan-Mar				-1	0	80	79
<b>Closing balance, 31 March 2015</b>	<b>153</b>	<b>730</b>	<b>-69</b>	<b>-9</b>	<b>-8</b>	<b>257</b>	<b>1,054</b>
Net income, Apr-Dec						143	143
Other comprehensive income, Apr-Dec				-17	0		-17
Total comprehensive income, Apr-Dec				-17	0	143	126
Dividends to shareholders, Apr-Dec						-122	-122
<b>Closing balance, 31 December 2015</b>	<b>153</b>	<b>730</b>	<b>-69</b>	<b>-26</b>	<b>-8</b>	<b>278</b>	<b>1,058</b>
Net income, Jan-Mar						54	54
Other comprehensive income, Jan-Mar				-5	0		-5
Total comprehensive income, Jan-Mar				-5	0	54	49
<b>Closing balance, 31 March 2016</b>	<b>153</b>	<b>730</b>	<b>-69</b>	<b>-31</b>	<b>-8</b>	<b>332</b>	<b>1,107</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

## CONSOLIDATED STATEMENT OF CASH FLOWS (SEK M)

	Jan-Mar 2016	Jan-Mar 2015	Rolling 12 months	Full year 2015
Operating profit	71	104	230	263
Adjustment for non-cash flow items				
Depreciation/amortisation/impairment losses	15	14	59	58
Other items not affecting cash flow	0	-6	6	0
	<b>86</b>	<b>112</b>	<b>295</b>	<b>321</b>
Paid net financial items	-2	-1	-4	-3
Paid income taxes	0	0	-1	-1
<b>Cash flow from operating activities before changes in working capital</b>	<b>84</b>	<b>111</b>	<b>290</b>	<b>317</b>
Increase/decrease in working capital	-55	-49	12	18
<b>Cash flow from operating activities</b>	<b>29</b>	<b>62</b>	<b>302</b>	<b>335</b>
Investments in fixed assets	-39	-5	-137	-103
Sale of fixed assets	0	0	0	0
<b>Cash used in investing activities</b>	<b>-39</b>	<b>-5</b>	<b>-137</b>	<b>-103</b>
Repayment of loans	-	-30	-	-30
Dividends paid	-	-	-122	-122
<b>Cash used in financing activities</b>	<b>0</b>	<b>-30</b>	<b>-122</b>	<b>-152</b>
<b>Net cash flow for the period</b>	<b>-10</b>	<b>27</b>	<b>43</b>	<b>80</b>
Cash and cash equivalents at start of period	169	89	116	89
Net cash flow for the period	-10	27	43	80
Cash and cash equivalents at end of period	159	116	159	169

# PARENT COMPANY INCOME STATEMENTS

## PARENT COMPANY INCOME STATEMENT (SEK M)

	Jan-Mar 2016	Jan-Mar 2015	Full year 2015
<b>NET TURNOVER</b>	<b>1</b>	<b>2</b>	<b>6</b>
Other operating income	2	4	11
	<b>3</b>	<b>6</b>	<b>17</b>
Other expenses	-3	-1	-10
Employee benefit expenses	-3	-5	-13
	<b>-6</b>	<b>-6</b>	<b>-23</b>
<b>OPERATING LOSS</b>	<b>-3</b>	<b>0</b>	<b>-6</b>
Profit from participations in Group companies	-	-	234
Financial income	0	1	0
Financial expenses	0	0	-2
<b>Total financial items</b>	<b>0</b>	<b>1</b>	<b>232</b>
<b>LOSS/PROFIT AFTER FINANCIAL ITEMS</b>	<b>-3</b>	<b>1</b>	<b>226</b>
Tax on income for the period	1	0	-10
<b>NET LOSS/INCOME</b>	<b>-2</b>	<b>1</b>	<b>216</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK M)

	Jan-Mar 2016	Jan-Mar 2015	Full year 2015
<b>NET LOSS/INCOME</b>	<b>-2</b>	<b>1</b>	<b>216</b>
Other comprehensive income	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-2</b>	<b>1</b>	<b>216</b>

# PARENT COMPANY BALANCE SHEET, SUMMARY

## PARENT COMPANY BALANCE SHEET (SEK M)

	31 March 2016	31 March 2015	31 Dec 2015
Intangible fixed assets	8	5	6
Property, plant and equipment	1	1	1
Financial assets	309	272	309
<b>Total fixed assets</b>	<b>318</b>	<b>278</b>	<b>316</b>
Current receivables <sup>1</sup>	677	624	655
Cash and cash equivalents	147	96	166
<b>Total current assets</b>	<b>824</b>	<b>720</b>	<b>821</b>
<b>TOTAL ASSETS</b>	<b>1,142</b>	<b>998</b>	<b>1,137</b>
<b>Shareholders' equity</b>	<b>1,007</b>	<b>917</b>	<b>1,010</b>
Non-current liabilities			
Non-interest-bearing	3	2	3
<b>Total non-current liabilities</b>	<b>3</b>	<b>2</b>	<b>3</b>
Current liabilities			
Non-interest-bearing <sup>2</sup>	132	79	124
<b>Total current liabilities</b>	<b>132</b>	<b>79</b>	<b>124</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,142</b>	<b>998</b>	<b>1,137</b>

<sup>1</sup> Including receivables of SEK 677 million (622) from subsidiaries.

<sup>2</sup> Including liabilities of SEK 120 (59) million to subsidiaries.

# SUPPLEMENTARY DISCLOSURES AND NOTES, SUMMARY

## ACCOUNTING POLICIES

This report has been prepared in accordance with IAS 34 'Interim Financial Reporting', which complies with Swedish law through the application of the Swedish Financial Reporting Board's Recommendation RFR 1 'Supplementary Accounting Rules for Groups' together with RFR 2 'Accounting for Legal Entities', in respect of the parent company.

The accounting policies, definitions of key ratios and calculation methods are the same as those used in the latest annual report.

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

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

## FINANCIAL INSTRUMENTS

### FAIR VALUE OF DERIVATIVE INSTRUMENTS (SEK M), 31 MARCH 2016

Hedging	Hedged volume	Maturity	Hedging level	Fair value	Reference value, spot rate, 31 Mar 2016
Currency EUR, forward sell	EUR 0.5 m	2016	9.34 SEK/EUR	0	9.23 SEK/EUR
Currency EUR, forward buy	EUR 1.2 m	2016	9.01 SEK/EUR	0	9.23 SEK/EUR
Currency USD, forward sell	USD 1.5 m	2016	8.60 SEK/USD	1	8.15 SEK/USD
Electricity, forward buy	591,990 MWh	2016-2019	0.244 SEK/kWh	-41	0.207 SEK/kWh
<b>Total fair value</b>				<b>-40</b>	

### FAIR VALUE OF DERIVATIVE INSTRUMENTS (SEK M), 31 DECEMBER 2015

Hedging	Hedged volume	Maturity	Hedging level	Fair value	Reference value, spot rate, 31 Dec 2015
Currency EUR, forward buy	EUR 1.6 m	2016	9.00 SEK/EUR	1	9.14 SEK/EUR
Currency USD, forward sell	USD 4.5 m	2016	8.68 SEK/USD	1	8.35 SEK/USD
Electricity, forward buy	657,480 MWh	2016-2019	0.245 SEK/kWh	-34	0.142 SEK/kWh
<b>Total fair value</b>				<b>-32</b>	

The valuation is based on directly observable price quotations on 31 March that are classified at level 2 in the fair value hierarchy as described in IFRS 13. The reference value refers to the spot rate on 31 March and is provided only as supplementary information.

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 12 months, and as a current asset or current liability if the remaining maturity of the hedged item is less than twelve months. The ineffective portion, which is recognised in the income statement, was SEK 0 (0) million in respect of cash flow hedging. The maximum exposure for credit risk on the balance sheet date is the fair value of the derivative instruments recognised as assets in the balance sheet.

The nature of other financial assets and liabilities are in all essential respects the same as on 31 December 2015. The carrying amounts are deemed to be equal to fair values, which was also the case at the end of 2015, since the effect of discounting is not of material significance. Accounts receivable are covered by credit insurance, which recovers most of any bad debt losses. The Company has long-term relationships with its customers and credit losses have historically been low.



# GROUP PERFORMANCE IN SUMMARY

	Jan-Mar 2016	Jan-Mar 2015	Rolling 12 months	Full year 2015	2014	2013	2012	2011
<b>Income statement, SEK m</b>								
Net turnover	432	454	1,773	1,795	1,547	1,389	1,437	1,513
Profit/loss before depreciation/amortisation and impairment losses	86	118	289	321	177	-11	61	4
Depreciation/amortisation and impairment losses	-15	-14	-59	-58	-59	-142	-55	-120
Operating profit/loss	71	104	230	263	118	-154	6	-117
Net financial items	-2	-1	-5	-4	-4	-4	0	-3
Profit/loss after financial items	69	103	225	259	114	-158	6	-120
Taxes	-15	-23	-28	-36	19	0	-19	-24
Net income/loss	54	80	197	223	133	-158	-13	-144
<b>Statement of cash flows, SEK m</b>								
Cash flow from operating activities	29	62	302	335	104	62	41	35
Investments	-39	-5	-137	-103	-59	-37	-51	-157
Cash flow after investments	-10	57	165	232	45	25	-10	-122
Sale of fixed assets	0	0	0	0	39	2	1	9
Cash flow used in/provided by financing activities	0	-30	-122	-152	-30	-18	14	-21
Net cash flow	-10	27	43	80	54	9	5	-134
<b>Balance sheet items (SEK m)</b>								
Fixed assets	717	659	717	706	691	706	809	841
Inventories	276	259	276	267	255	246	240	276
Current receivables	263	287	263	244	226	175	219	209
Cash and cash equivalents	159	116	159	169	89	35	26	21
Net cash/debt	159	116	159	169	59	-25	-52	-26
Shareholders' equity	1,107	1,054	1,107	1,058	975	825	993	1,014
Non-current interest-bearing liabilities	-	-	-	-	30	0	0	5
Non-current non-interest-bearing liabilities	29	4	29	18	9	13	15	11
Current interest-bearing liabilities	-	-	-	-	0	60	78	42
Current non-interest-bearing liabilities	279	263	279	310	247	264	208	275
Capital employed	1,107	1,054	1,107	1,058	1,005	884	1,071	1,061
Balance sheet total	1,415	1,321	1,415	1,386	1,261	1,161	1,294	1,347
<b>Key ratios</b>								
Operating margin, %	16.4	22.8	13.0	14.7	7.6	-11.1	0.4	-7.8
Profit margin, %	16.0	22.7	12.7	14.4	7.3	-11.4	0.4	-8.0
Return on equity, %	5.0	7.6	18.2	21.9	13.6	Neg.	Neg.	Neg.
Return on capital employed, %	6.5	9.8	21.4	25.5	12.4	Neg.	0.1	Neg.
Equity/assets ratio, %	78	79	78	76	77	71	77	75
Debt/equity ratio, %	-14	-11	-14	-16	-6	3	5	3
Interest coverage ratio, times	43	104	46	53	29	Neg.	2	Neg.
<b>Other</b>								
Average no. of employees	266	262	265	264	251	256	275	298
Pulp production, thousand tonnes	95.1	93.7	374.7	373.3	345.0	333.4	330.4	324.1
Pulp deliveries, thousand tonnes	92.9	90.9	374.2	372.2	344.2	332.1	331.4	311.4
List price of NBSK pulp, USD per tonne <sup>1</sup>	792	907	828	857	925	857	814	960
SEK/USD <sup>2</sup>	8.46	8.34	8.47	8.44	6.86	6.51	6.78	6.50
List price of NBSK pulp, SEK per tonne	6,699	7,560	7,011	7,285	6,345	5,582	5,519	6,229

<sup>1</sup> Source: PIX quotation once a week. Average for each period.

<sup>2</sup> Source: Daily quotations by Riksbanken. Average for each period.

## QUARTERLY DATA, GROUP

	2016	2015				2014			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>INCOME STATEMENT, SEK M</b>									
Net turnover	432	429	455	456	454	370	404	394	380
Profit before depreciation/amortisation and impairment losses	86	18	95	90	118	28	67	45	35
Depreciation/amortisation and impairment losses	-15	-15	-14	-14	-14	-15	-14	-14	-14
Operating profit	71	3	81	76	104	12	53	31	21
Net financial items	-2	-2	-1	-1	-1	1	-1	0	-1
Profit after financial items	69	1	80	75	103	13	52	31	20
Taxes	-15	0	-18	6	-23	41	-11	-7	-4
Net income	54	1	62	81	80	55	41	24	16
<b>Per share</b>									
Earnings per share, SEK	0.35	0.01	0.41	0.53	0.52	0.36	0.26	0.16	0.10
<b>Other</b>									
Pulp production, thousand tonnes	95.1	88.5	95.3	95.8	93.7	82.9	89.0	88.1	85.0
Pulp deliveries, thousand tonnes	92.9	91.3	94.7	95.3	90.9	78.3	89.2	89.5	87.2
List price of NBSK pulp, SEK per tonne	6,699	6,970	7,173	7,199	7,560	6,916	6,452	6,035	5,919

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

		Jan-Mar 2016	Jan-Mar 2015	Rolling 12 months	Full year 2015	2014	2013	2012	2011
Shares, opening <sup>2</sup>	Number	152,572	152,572	152,572	152,572	152,572	152,572	152,572	152,572
Shares, closing <sup>2</sup>	Number	152,572	152,572	152,572	152,572	152,572	152,572	152,572	152,572
Average number of shares <sup>2</sup>	Number	152,572	152,572	152,572	152,572	152,572	152,572	152,572	152,572
Holdings of treasury shares <sup>2</sup>	Number	822	822	822	822	822	822	822	822
Earnings/loss per share	SEK	0.35	0.52	1.29	1.46	0.87	-1.04	-0.09	-0.95
Cash flow after investments/share <sup>3</sup>	SEK	-0.07	0.39	1.06	1.52	0.29	0.16	-0.07	-0.80
Equity per share	SEK	7.25	6.91	7.25	6.93	6.39	5.41	6.51	6.65
Dividend per share <sup>4</sup>	SEK	-	-	0.50	0.50	0.80	-	-	0.10
Dividend/equity per share	%	-	-	6.9	7.2	12.5	-	-	1.5
Share price at end of period	SEK	6.05	6.75	6.05	8.15	3.74	1.99	2.00	2.11
Share price/equity per share	times	0.8	1.0	0.8	1.2	0.6	0.4	0.3	0.3
P/E ratio	times	4.3	3.2	4.7	5.6	4.3	Neg.	Neg.	Neg.
Dividend yield <sup>5</sup>	%	-	-	8.3	6.1	21.4	-	-	4.7

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

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

<sup>3</sup> Cash flow after normal investments, but excluding strategic investments and sales of fixed assets, divided by the number of shares.

<sup>4</sup> Proposed dividend for 2015.

<sup>5</sup> The calculation of dividend yield is based on the share price at year-end.

## DEFINITIONS OF KEY RATIOS

### Equity/assets ratio

Shareholders' equity as a percentage of the balance sheet total.

### Net cash/debt

Cash and cash equivalents less interest-bearing liabilities.

### Debt/equity ratio

Net debt/cash as a percentage of shareholders' equity.

### Operating margin

Operating profit/loss as a percentage of net turnover for the period.

### Profit margin

Profit/loss after net financial items as a percentage of net turnover for the period.

### Net income

Net income is the profit/loss after tax.

### Earnings per share

Net income divided by the average number of shares.

### Return on capital employed

Profit/loss after net financial items plus interest expense for the relevant period divided by the average capital employed for the period in question.

### Capital employed

Balance sheet total less non-interest-bearing operating liabilities including deferred tax liabilities.

### Return on equity

Net income for the relevant period as a percentage of average shareholders' equity for the period in question.

### Interest coverage ratio

Profit/loss after net financial items plus interest expense, divided by interest expense.

### P/E ratio

Share price at the end of the period in relation to earnings per share.

### Direct yield

Dividend as a percentage of the share price at the end of the period.

### Cash flow before investments

Cash flow from operating activities.

### Cash flow after investments

Cash flow from operating activities less investments, but excluding strategic investments and sales of fixed assets.

## 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.	Long-fibre pulp	Pulp where the raw material is softwood, which has longer cellulose fibre than hardwood.
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).	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.
BEK	Bleached Eucalyptus Kraft pulp.	NBSK	Northern Bleached Softwood Kraft: bleached long-fibre sulphate pulp. Price leader on the global market.
CTMP	Chemi-Thermo-Mechanical Pulp. Development of TMP, where the raw material is impregnated with chemicals. Stronger than TMP. The term is used in Europe for both bleached and unbleached pulp.	PIX	Price index published by FOEX.
ECF	Elemental Chlorine Free. Sulphate pulp bleached using chlorine dioxide, instead of chlorine gas.	Groundwood pulp (SGP)	Mechanical pulp based on roundwood as a raw material.
High-yield pulp	Groundwood pulp, TMP and CTMP/BCTMP.	TMP	Thermo-Mechanical Pulp: mechanical pulp produced using a technique in which the chips are preheated with steam, but without chemicals.
Chemical pulp	Paper pulp produced by boiling raw timber with chemicals. The pulp can be bleached to a higher brightness and a higher strength than mechanical pulp. Chemical pulp is usually sulphate pulp, but can also be sulphite pulp.	UKP	Unbleached Kraft Pulp, unbleached sulphate pulp.
Short-fibre pulp	Pulp where the raw material is hardwood, which has shorter cellulose fibre than softwood.		

# ROTTNEROS IN SUMMARY

Rottneros produces customised pulp for the open market.

## ROTTNEROS

Rottneros had just over 260 employees and a turnover of approximately SEK 1.8 billion in 2015. The Group produced 373,300 tonnes of pulp in total.

### ROTTNEROS IN FIGURES

SEK m	2015	2014	2013	2012	2011
Net turnover	1,795	1,547	1,389	1,437	1,513
Profit/loss after net financial items	259	114	-158	6	-120
Investments in fixed assets	103	59	37	51	157
Average number of employees	264	251	256	275	298
Production per employee (Ktonnes)	1.4	1.4	1.3	1.2	1.1

### Ratios, %

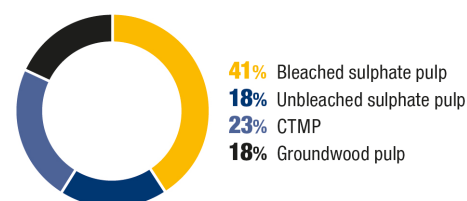
Equity/assets ratio	76	77	71	77	75
Return on capital employed	25.5	12.4	Neg	0.1	Neg
Return on equity	21.9	13.6	Neg	Neg	Neg
Operating margin	14.7	7.6	-11.1	0.4	-7.8

### SEK/share

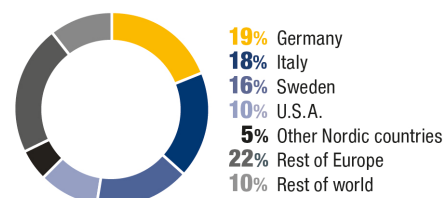
Share price 31 Dec	8.15	3.74	1.99	2.00	2.11
Equity per share	6.93	6.39	5.41	6.51	6.65
Profit/loss after tax per share	1.46	0.87	-1.04	-0.09	-0.95
Cash flow after investments/share	1.52	0.29	0.16	-0.07	-0.80
Dividend <sup>1)</sup>	0.50	0.80	-	-	0.10

<sup>1)</sup> Proposed dividend for 2015.

### THE GROUP'S PRODUCTS, DELIVERY VOLUME DISTRIBUTION



### GEOGRAPHICAL DISTRIBUTION OF TURNOVER



## THE WAY FORWARD

In order to achieve sustainable profitability Rottneros will offer products and services of the highest quality. Production at the mills is another key parameter in generating profitability. In February 2015, the Board decided on a strategic action plan to strengthen and develop Rottneros long term, Agenda 500. The focus on selected niches will continue under the plan. A planned capacity expansion will eliminate bottlenecks at the mills over the next few years.

## OBJECTIVE

### THE GROUP WILL ACHIEVE SUSTAINABLE PROFITABILITY OVER A BUSINESS CYCLE.

This will be accomplished through a **FOCUS ON SELECTED NICHES** where Rottneros has the capacity to achieve competitive advantages and become the market leader. Sales will be concentrated to those market segments where the Group is able to offer customers clear added value through high-quality and customised products.

#### → INCREASED PRODUCTIVITY

Productivity is vital for sustainable profitability. The objective is to increase long-term productivity by continually developing our processes and carrying out well-planned and effective preventive maintenance work.

#### → INCREASED PRODUCTION VOLUME

The company will increase pulp production volume by improving accessibility and expanding capacity.

#### → IMPROVED SAFETY

Good order will prevail at Rottneros. Our objective is to have no sick days on account of work-related incidents.

#### → SKILLS DEVELOPMENT

We will develop our skills and competence with the objective of having a workforce that is committed and safety-conscious.

#### → THE LEADER IN SERVICE

Customers should perceive Rottneros as the leader in service. We will provide know-how on how the Group's products can be used to improve customers' end products within our chosen segments.

# ROTTNEROS' MILL



**GROUND-WOOD PULP**

Spruce

Bleached/unbleached

Board    Printing and writing paper    Tissue paper

Production (tonnes)

2015	<b>68,900</b>	} +30%
2014	<b>52,800</b>	

**CTMP**

Spruce/pine

Bleached/unbleached

Board    Tissue paper    Printing and writing paper    Filters

Production (tonnes)

2015	<b>85,700</b>	} +6%
2014	<b>80,800</b>	

**CTMP**

Aspen/birch

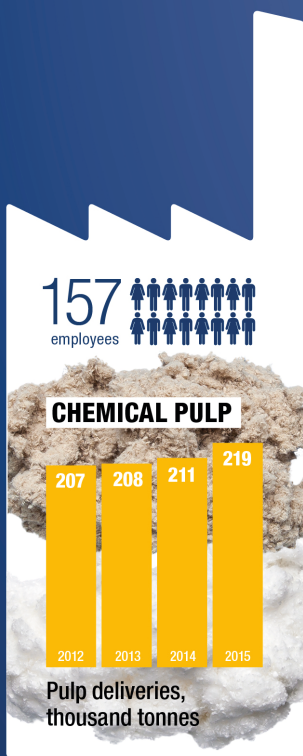
Bleached

Printing and writing paper    Fine paper

Production (tonnes)

2015	<b>85,700</b>	} +6%
2014	<b>80,800</b>	

# VALLVIK'S MILL



**LONG-FIBRE SULPHATE**

Spruce/pine

Bleached

Printing and writing paper    Tissue paper

Production (tonnes)

2015	<b>153,300</b>	} +24%
2014	<b>123,300</b>	

Board    Filters

Unbleached

Kraft paper    Filters    Electrical insulating material

Production (tonnes)

2015	<b>65,300</b>	} -26%
2014	<b>88,000</b>	



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