



PRESS RELEASE

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# Rottneros interim report January-March

## New production record, significantly increased uncertainty due to corona

- **THE NBSK PULP MARKET PRICE** was 28 % lower in USD and 24 % lower in SEK compared to the first quarter 2019. Compared to the fourth quarter 2019 there was a modest upward trend.
- **NET TURNOVER** decreased by 7 % to 585 (630) MSEK. The negative price trend was offset by higher delivery volumes 110,0 (99,1) thousand tons.
- **EBIT** for the first quarter was 48 (141) MSEK. The decline is mainly due to lower market pulp prices. The result was positively impacted by higher volumes and lower costs.
- **PROFIT AFTER FINANCIAL ITEMS** for the first quarter was 43 (136) MSEK. Earnings per share for the quarter was 0,21 (0,71) SEK.
- **THE PRODUCTION VOLUME** is a new quarterly record at 109,4 (97,6) thousand tons. The increase compared to the first quarter 2019 is 12 %. The sales volume increased by 11 % to 110,0 (99,1) thousand tons.
- **NYKVIST SKOGS AB** consolidated in the Group from January 1, 2020
- **A STRONG BALANCE SHEET** is a good base in uncertain times. The equity/assets ratio is 54 (61) %. Available liquidity amounted to 569 (546) MSEK.
- **THE ANNUAL GENERAL MEETING** that was planned to be held on 28 April 2020 has been postponed and will be held at the latest 30 June 2020.

## COMMENTS FROM THE CEO

**The effects and challenges from the Corona pandemic are currently characterizing the situation on the pulp market and Rottneros' operations. At the same time, our focus on steady improvement continues to produce results. The strong volume growth during the first quarter implies that we have reached a new level of production and deliveries. Our dedicated staff, solid finances and efficient operations make us well prepared for the challenges that lie ahead.**

The consequences of the coronavirus pandemic have characterized our operations in recent months. As always, the health of our employees is a priority. We started early with risk assessments for travel and meetings. We no longer travel to see clients, nor for internal purposes unless meetings are critical to our business. We have set clear rules for external visitors and set up a plan to keep the mills running in the event of increased sick leave. For those who are able to do so, working from home is mandatory to reduce the risk of infection.





## **PULP MARKET RELATIVELY STABLE SO FAR, BUT RISK OF SIGNIFICANT CHALLENGES GOING FORWARD**

After a stable start to the year, the pulp market has been profoundly affected by the corona pandemic. The pulp and paper sector has been classified as important for the society in Sweden and several other countries, including Italy. In the short term, we are experiencing increased demand from the growing need for pulp-based products within the healthcare sector. Higher sales of certain household products also affect demand. This leads to increased demand in key segments for Rottneros, mainly tissue, filters and packaging products. As the recycled fibre flows are currently negatively affected the need for market pulp has increased. Prices were relatively stable during the first quarter.

Our shipments run relatively well presently. However, closed countries and borders could mean greater challenges with deliveries going forward.

In the medium term, a market slowdown is likely as the demand driven by the acute needs in the health care sector and the hoarding by consumers is saturated. Hence, we will be more exposed to the macroeconomic decline. In the longer term, however, the powerful stimulus measures now being launched, both monetary and fiscal, will pave the way for a gradual recovery in the market.

The supply of pulp wood remained good during the first quarter. The supply balance between local wood and imports was at a normal and favourable level. However, going forward the raw material situation risks being adversely affected by the reduced production of sawn timber products. This could mean a reduced supply of sawmill chips, which represents an important part of the pulp industry's raw material supply. A shrinking demand for timber for saw mills can also reduce the supply of pulpwood. At the same time, this is counteracted by the fact that the problem with spruce bark beetle continues to drive the supply of damaged timber.

## **WE CONTINUE TO DELIVER ON OUR LONG-TERM PLAN**

In parallel with the challenges we face from the corona pandemic, we are following our long-term plan to increase production through continuous improvements in our processes and routines successfully. During the quarter, production increased significantly, 12 percent compared to Q1 last year, to just over 109 thousand tons. This means that we have established a new production level in terms of rolling 12-month periods, 420 thousand tons. In the past, this has been around 405 thousand tons. Deliveries increased by 11 percent to 110 thousand tons. However, net sales and EBIT decreased, mainly due to lower pulp prices compared to last year's first quarter. At the same time, good growth in deliveries had a significant positive effect. Cash flow from operating activities amounted to 48 MSEK.

## **STRONG FINANCIAL PREPAREDNESS FOR TOUGHER TIMES**

We continue to have a robust balance sheet with considerable liquidity. The equity/assets-ratio at the end of the first quarter was 54 percent. At the same time, the Group's cash and cash equivalents amounted to 387 MSEK and total granted, unused credit facilities amounted to 182 MSEK. At the same time, the interest-bearing net debt was 24 MSEK.

Due to uncertainty about the global economic development through the spread of the corona virus, Rottneros' Board of Directors decided at the end of March to postpone the AGM which was scheduled for April 28. It will be held later during the second quarter.





I want to take this opportunity to thank all employees for their strong commitment and for their wholehearted support for Rottneros in these challenging times. Through our actions, we try to keep the corona effects as far away as possible from our operations. In addition, our focus will be towards completing the work of recent years and further developing Rottneros for increased production, efficiency, sustainability and proximity to our customers.

The global macroeconomic effects from the pandemic will be significant in the coming year. However, through our dedicated employees, operational efficiency, strong finances and close relationships with customers, suppliers and partners, we have a strong starting point to face the coming global economic down-turn.

**(For full report, see attached pdf)**

*This information is such information that Rottneros AB is required to disclose in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on April 24, 2020 at 08.00 by the contact person below. This report has been prepared in both a Swedish and an English version. In the event of deviations between the two, the Swedish version shall prevail.*

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*Rottneros is an independent producer of market pulp. The Group comprises the parent company Rottneros AB, listed on Nasdaq Stockholm, and its subsidiaries Rottneros Bruk AB and Vallviks Bruk AB with operations involving the production and sale of market pulp. The Group also includes Rottneros Packaging AB, which manufactures fibre trays, and the wood procurement company SIA Rottneros Baltic in Latvia and the forest operator Nykvist Skogs AB. The Group has about 315 employees and had a turnover of approximately SEK 2.4 billion in the 2019 financial year.*

