



PRESS RELEASE

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Rottneros interim report January-September 2022

Record turnover and strong earnings

NET TURNOVER increased by 41 percent to 806 (570) MSEK, which is a new quarterly record.

THE LIST PRICE of NBSK pulp in Europe was 11 percent higher in USD and 35 percent higher in SEK compared with the third quarter of 2021. At the end of the quarter, the list price was 1 497 USD.

PRODUCED VOLUME amounted to 96,2 (92,2) thousand tons. Production at Rottneros Mill was affected by the annual maintenance shutdown, as well as by the high electricity prices.

SOLD VOLUME amounted to 95,9 (92,5) thousand tons. Demand for Rottneros' products remained strong during the quarter.

THE GROUNDWOOD LINE at Rottneros Mill will be discontinued at the end of 2022. A closure cost of 62 MSEK has had a negative impact on operating profit for the third quarter of 2022.

ELECTRICITY PRICE HEDGES - The closure of the groundwood pulp line at Rottneros Mill means that the hedged volume exceeds the calculated consumption. The value of the position that exceeds calculated consumption amounts to 156 MSEK and is recognised under financial items in accordance with IFRS 9.

EBIT (operating profit/loss) for the third quarter of 2022 was 185 (101) MSEK. A strong pulp market and a favourable exchange rate were the main reasons for the improvement in earnings. The closure costs of the groundwood line had a negative impact on earnings. EBIT excluding closure costs was 247 MSEK.

NET PROFIT for the third quarter of 2022 was 270 (71) MSEK. Earnings per share for the quarter totalled 1,77 (0,47) SEK.

THE BALANCE SHEET has further strengthened. The equity/assets ratio was 68 (65) percent and available liquidity totalled 713 (415) MSEK. Net cash amounted to 311 (28) MSEK.





COMMENTS FROM THE CEO

As a result of the favourable pulp market and a strong USD, we can now report another record quarter for both sales and underlying profit. We are dedicating considerable effort to efficiency improvements in response to general inflation-related pressures. The closure of the groundwood pulp line, which was decided in August, is proceeding according to plan. At the same time, feasibility studies are underway for the major investments we are planning in CTMP. Our very strong balance sheet gives us financial resilience in a continued uncertain environment.

Net sales grew by more than 40 percent during the quarter to 806 MSEK and EBIT increased by 84 MSEK to 185 MSEK. Adjusted for the closure costs of 62 MSEK, EBIT increased by 146 MSEK. Rising pulp prices and the strengthening USD drove the strong performance, while production and deliveries were held back by lower production volumes, mainly at Rottneros Mill, because of the effects of the turbulent electricity market. At the same time, our electricity hedges offset the impact of high electricity prices. Because of the occasionally very high spot price at which we buy electricity for production, we had to take some minor production shutdowns at Rottneros Mill, in addition to a four-week summer shutdown at the groundwood line.

The production of sulphite pulp has been stable and sales to board and packaging, filter and specialty papers have been strong during the year. Especially the unbleached chemical pulp that is used for example in electrotechnical applications continues to develop well.

CLOSURE OF THE GROUNDWOOD PULP LINE, BUT MAJOR INVESTMENT PLANS IN CTMP

After an in-depth and long-term strategic analysis, the Board decided in August to discontinue the production of groundwood pulp at Rottneros Mill, since conditions for long-term sustainable profitability have been radically altered by the sharp deterioration in the electricity market and the negative outlook for printing paper. As a result of the decision, around 40 people have been given notice of redundancy. Closure costs of 62 MSEK had a negative impact on our profit for the quarter. Naturally this process is associated with great sadness for us, given the employees affected and our long history in groundwood pulp.

At the same time, it is important to highlight our investment plans in CTMP, the largest business segment of Rottneros Mill. Given CTMP's long-term profitability prospects, we are planning investments to significantly increase production over the next three years. They are estimated to amount to a total of 160-200 MSEK.

Since our electricity consumption will decrease at the end of the year with the closure of the groundwood line, our electricity hedges do not correspond to future consumption. The excess hedged volume thus contributes with 156 MSEK to the result of the quarter. At the end of the quarter the total value of the hedges was 926 MSEK.

FOCUS ON SAFETY IS GIVING RESULTS

We always put the health of our employees at the top of our agenda. It is therefore gratifying that these efforts are giving results in the form of fewer incidents causing sick leave. In the period January-September, incidents fell from five to three compared with the same period last year.

It is also gratifying to note that Rottneros Packaging's major investment project in sustainable packaging solutions in Poland together with Arctic Paper is proceeding according to plan. Start-up is planned for the end of next year.

STRONG MARKET, BUT SIGNS OF LEVELLING OUT

The pulp market remained favourable and the average list price for NBSK climbed almost 100 USD, to 1480 USD, compared with the previous quarter. Demand for locally produced pulp in Europe is benefiting from limited shipping opportunities, mainly from Asia, although the situation is now gradually easing. There are also signs that the balance has started to shift in favour of pulp buyers because of the slowdown in the global economy. The list price of NBSK thus dropped with just under 20 USD at the beginning of the fourth quarter. High energy prices are also having an impact through lower production volumes among some pulp users.





REASSURING FINANCIAL BUFFER IN AN UNCERTAIN WORLD

Our solid balance sheet with significant liquidity provides a reassuring buffer if market conditions should deteriorate. Our equity/assets ratio at the end of the quarter was 68 percent, our cash and cash equivalents were 431 MSEK and available liquidity totalled 713 MSEK. At the same time, we had a net cash position of 311 MSEK, i.e. cash after deduction of interest-bearing liabilities. In early July, we also exercised an option to extend the maturity of our bank financing until mid 2024.

All in all, given the turbulent environment and uncertain macro outlook, we are very humble in face of the potential challenges that lie ahead. At the same time, it is important to underline that we are well prepared for hard times through our strong niche positions, professional organisation and financial resilience.

In conclusion, I would like to warmly thank all my colleagues for their solid efforts, which enable us to meet any challenges that may arise from a position of strength.

(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 27 October, 2022 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.

Reminder; Invitation to Rottneros' presentation of interim report Q3 2022

All participants can follow the presentation via the web link at 10.00 CET 27 October 2022:

[Rottneros - Q3 presentation 2022](#)

The presentation will be held in English. Questions can be asked in English or Swedish, via the link in advance or during the presentation.

You can also watch the presentation afterwards via [Rottneros' Youtube channel](#) and website: <https://www.rottneros.com/investors/presentations/>

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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 316 employees and had a turnover of approximately SEK 2.3 billion in the 2021 financial year.

