

# ROTTNEROS INTERIM REPORT

Q1 January–March 2018

**STRONG PROFIT  
GROWTH**

**INVESTMENTS  
PROCEEDING  
ACCORDING  
TO PLAN**

**COST FOCUS  
STARTS TO  
GENERATE  
RESULTS**



Customised pulp for  
the pulp market, with  
a focus on growth in  
selected niches

**YOUR PULP  
COMPANY**

# STRONG PROFIT GROWTH

- **Net turnover** in the first quarter of 2018 rose by 15% to SEK 541m (472).
- **The profit after financial items** for the first quarter increased by 30% to 73m (56). Earnings per share for the quarter were SEK 0.37 (0.28).
- **NBSK list price** during the first quarter of 2018 was 18% higher in SEK compared with the first quarter of 2017. Compared with the fourth quarter of 2017, the list price in SEK was 8% higher.
- **Rising pulp wood prices** have a negative impact on results.
- **Production volume** for the quarter was 99.9 (102.9) thousand tonnes. A new quarterly production record was set for Rottneros Mill. An unplanned shutdown in Vallvik Mill held back the growth.
- **Investments** in the Agenda 500 development programme are progressing according to plan, in terms of both increased capacity and costs.
- **Efficiency measures continue** and have a clear focus on increased profitability.

## The quarter in figures

	Jan-Mar 2018	Jan-Mar 2017	change, %	Rolling 12 months	Jan-Dec 2017
Net turnover, SEK m	541	472	15	1,981	1,912
EBITDA, SEK m	101	77	31	271	247
EBIT, SEK m	78	57	37	177	156
Profit after financial items, SEK m	73	56	30	164	147
Net income, SEK m	57	43	33	128	114
Earnings per share, SEK	0.37	0.28	32	0.84	0.75
Cash flow from operating activities, SEK m	14	38	-63	198	222
Return on capital employed (rolling 12 months), %	13.9	14.7		13.9	12.9
Production, thousand tonnes	99.9	102.9	-3	398.2	401.2
Deliveries, thousand tonnes	98.2	101.2	-3	392.9	395.9



## COMMENTS BY THE CEO: STRONG PROFIT GROWTH DESPITE CHALLENGES

The first quarter was characterised by a continued strong market, resulting in a clear improvement in profits, in spite of certain items with a negative impact. The production in Vallvik was burdened by an unplanned shutdown, whilst Rottneros Mill set a new quarterly production record. In addition to lower production in Vallvik, the profit was held back by higher pulp wood prices and other disturbances due to the cold weather, as well as by pulp price hedges. Our systematic approach to increased efficiency is beginning to yield results and will be even more visible in our costs in the future.

Both net turnover and EBIT showed good growth compared to the corresponding quarter last year, rising by 15 per cent and 37 per cent, respectively, despite the pulp price hedges having a negative effect of SEK 13m on the results. The Group's production decreased by 3 per cent due to production disturbances in Vallvik. Rottneros Mill increased its production by 4 per cent to a quarterly record of 45.6 thousand tonnes, which is a clear acknowledgement of our investments being successful.

The unplanned production shutdown in Vallvik, together with unfavourable weather conditions, resulted in a loss of a few days' production around the turn of the month February/March. Therefore, the quarterly production in Vallvik decreased by 8 per cent compared with the previous year. During the latter part of March and in the beginning of the second quarter, however, the production has been running smoothly.

### Full focus on efficiency

Our efficiency measures continue and are increasing in scale. We are beginning to see the effects in our income statement as the other external expenses decreased by 11 per cent. The new organisation with clear areas of responsibility is an important element when we optimise and increase our efficiency further.

The cost of raw materials and consumables increased by 17 per cent in Q1. The wet and mild weather during the autumn and in the beginning of the winter, together with high production in the forest industry as a whole, has led to shortage of pulp wood and rising wood prices, affecting our sourcing costs negatively by approximately SEK 26m when compared to Q1 last year. The pulp wood balance will continue to influence our costs going forward. In addition, the cold weather had a certain negative impact on the cost of other input goods, and also had an impact on the production efficiency in Vallvik, resulting in higher costs.

### The hump in investments soon over

Work with our decided investments is proceeding as planned. By reaching a production capacity of approximately 440 thousand tonnes at the end of 2018, we will have passed the hump of large investments in the last few years. A more normal level in the long-term, between SEK 50-100m of annual investments, means that we can

gradually and in smaller steps invest in removing bottlenecks in production. This allows us to focus on efficiency in an even wider scale.

In Rottneros Mill the work on investment stage 2 on the CTMP line is ongoing, increasing the capacity by some 18,000 tonnes per year after the planned commissioning in the autumn of 2018. In Vallvik Mill we are investing in a weak gas system, in order to fulfil the requirements of the environmental permit of 2016 that was granted for the higher production. The investment is planned to be operational in the end of 2018.

In Packaging, the development towards production and sales in a larger industrial scale continues as planned. We expect to start production in the new production facility in Sunne during the autumn. There is a large and constantly increasing interest in the market for sustainable packaging, giving us confidence for the future.



### Markets and outlook

The market continues to be strong in the beginning of the second quarter, with price increases driven by the favourable balance between supply and demand. Our healthy order books give us a good starting point for the coming quarters. We see certain signs of increased consolidation in the market, which may be positive for the market balance in the longer term.

To sum up, we have made clear progress during the quarter within the framework of our strategy for profitable growth in our niche areas. The favourable market and our measures for increasing production and efficiency give us a positive outlook for the future.

Lennart Eberleh

## MARKETS AND PRODUCTS

The underlying demand for pulp is robust in emerging markets and stable in mature economies. The structural decline in graphic paper continues, but has been offset by increased global fibre consumption in packaging and tissue paper.

Deliveries of chemical market pulp worldwide (World-20) during the first two months of 2018 amounted to 7.8 million tonnes, down by 1.8 per cent from the extremely strong volumes last year. The North American market demonstrates continued good growth. Deliveries to Europe decreased by 1.5 per cent and deliveries to Asia by 4 per cent, compared to the 2017 volumes. Industrial capacity utilisation during the period was 85 per cent.

Producer stock levels at the end of February were around 5 million tonnes, corresponding to 36 days of consumption.

The NBSK gross price increased during the first quarter by around 90 dollars to stand at USD 1,090 at the end of March. The price trend for mechanical pulp has essentially been in line with the market, although at a lower level than NBSK. The price increase for market pulp has continued in April.



### NBSK gross prices over the past five years



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

## PRODUCTION AND DELIVERIES

Production volumes in the first quarter of 2018 were 3 per cent lower compared with the first quarter of 2017 due to an unplanned shutdown in Vallvik. A new quarterly production record was set for Rottneros Mill.

The Group's customer deliveries during the first quarter of 2018 were 3 per cent lower than in the same period of 2017. Rottneros' market is strong with a good balance between supply and demand.

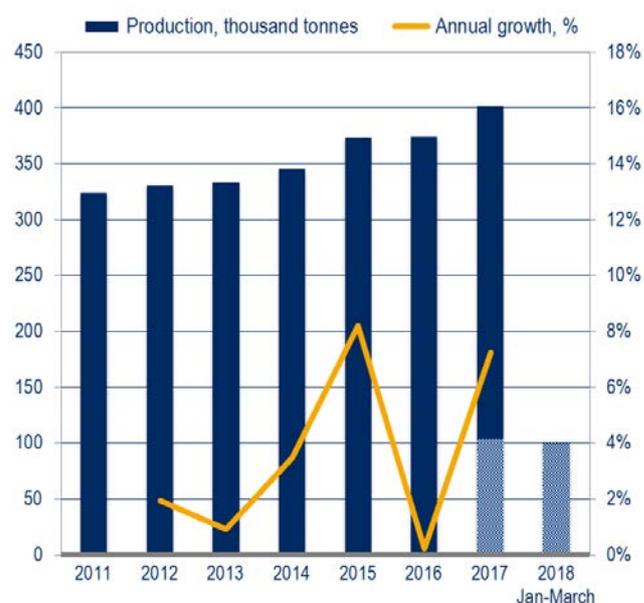
### PRODUCTION (TONNES)

	Jan-Mar 2018	Jan-Mar 2017	Rolling 12 months	Jan-Dec 2017
Sulphate pulp	54,300	59,100	223,800	228,600
Groundwood pulp	18,500	18,200	71,600	71,300
CTMP	27,100	25,600	102,800	101,300
<b>TOTAL</b>	<b>99,900</b>	<b>102,900</b>	<b>398,200</b>	<b>401,200</b>

### DELIVERIES (TONNES)

	Jan-Mar 2018	Jan-Mar 2017	Rolling 12 months	Jan-Dec 2017
Sulphate pulp	55,400	58,300	222,200	225,100
Groundwood pulp	17,000	19,600	69,600	72,200
CTMP	25,800	23,300	101,100	98,600
<b>TOTAL</b>	<b>98,200</b>	<b>101,200</b>	<b>392,900</b>	<b>395,900</b>

### Annual volumes and annual growth





### Maintenance shutdowns and seasonal variations

In 2018, the annual maintenance shutdown at Rottneros Mill is planned for the third quarter and at Vallvik Mill for the fourth quarter, both as last year.

In accordance with generally accepted accounting practices, the direct costs relating to maintenance shutdowns 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 2018 (SEKm)
	2018	2017	
Rottneros Mill	Q3	Q3	15
Vallvik Mill	Q4	Q4	67

Estimated cost of shutdown includes both direct costs and the effect of 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. In 2018, more extensive maintenance on the recovery boiler in Vallvik Mill will lead to a longer shutdown than in a normal year. Therefore, the indirect effect will also be larger.

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

## SALES AND RESULTS

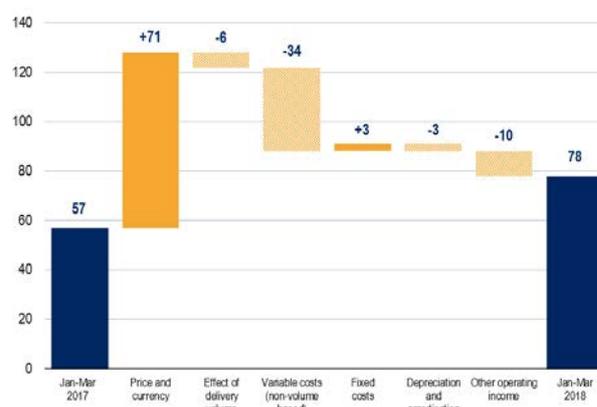
Turnover in the first quarter of 2018 amounted to SEK 541m (472), an increase of 15 per cent. Turnover increased thanks to higher price level for Rottneros' deliveries. The NBSK list price denominated in SEK rose 18 per cent compared with the first quarter of 2017. Delivery volume decreased by 3 per cent compared with the first quarter of 2017.

EBIT for the first quarter of 2018 was SEK 78m (57), corresponding to 14.4 (12.1) per cent of turnover. Profit for the quarter was affected positively by the higher price level for Rottneros' products and negatively by the higher pulp wood prices and other disturbances due to the cold weather, and by losses from pulp price hedges. Fixed costs for the quarter were on the same level as for the first quarter of 2017.

### First quarter 2018 compared with first quarter 2017

	Jan-Mar 2018	Jan-Mar 2017	change, %
NBSK, USD	1,059	817	30
SEK/USD	8.11	8.92	-9
NBSK, SEK	8,584	7,290	18
Net turnover, SEK m	541	472	15
EBIT, SEK m	78	57	37

### Differences in EBIT Q1 2018 compared with Q1 2017 (SEK m)



Variable costs (non-volume based) for the quarter increased mainly due to higher pulp wood prices, which had an effect of some SEK 26m compared with the first quarter of 2017.

The average price of electricity on the Nord Pool electricity exchange (area SE3) amounted to SEK 0.39 (0.30) per kWh for the first quarter of 2018, which is 36 per cent higher than during the first quarter of 2017. The higher electricity price had a negative effect of SEK 2m after electricity price hedging compared with the first quarter of 2017.

Other operating income during the quarter was lower than in the first quarter of 2017, primarily due to losses of SEK 14m (loss of 1) from pulp price hedging.



### Other income statement items

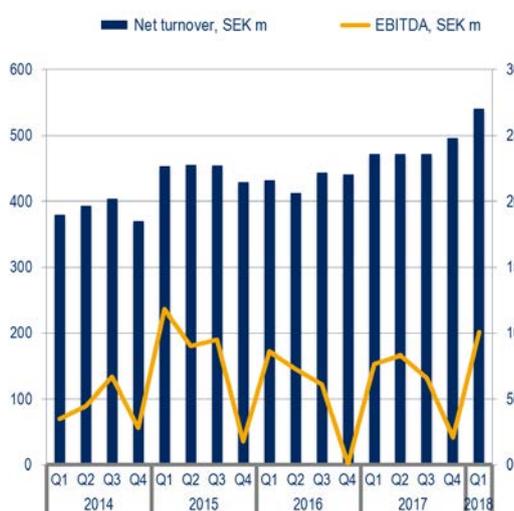
Financial expenses increased to SEK 5m (1) for the first quarter of 2018, due to the bond of SEK 400m that Rottneros issued in August 2017.

Profit after financial items for the Group increased by 30 per cent to SEK 73m (56) for the first quarter of 2018.

The income tax expense for the first quarter of 2018 was SEK 16m (13). Rottneros plans to take advantage of higher tax depreciation in 2018, which means that the Group is reporting a deferred tax expense instead of tax paid.

Net income totalled SEK 57m (43) and earnings per share SEK 0.37 (0.28) for the first quarter of 2018.

Return on capital employed, measured over a rolling 12-month period, was 13.9 per cent (14.7). Return on equity, measured over a rolling 12-month period, was 10.5 per cent (10.4).



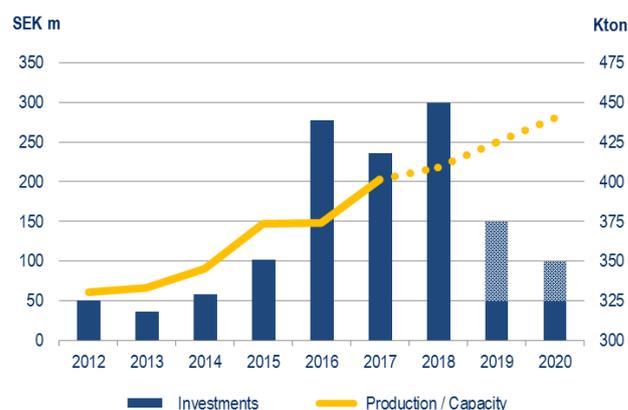
## INVESTMENTS

Investments in fixed assets during the first quarter of 2018 amounted to SEK 37m (42). The investments primarily relate to equipment to increase capacity and efficiency under Agenda 500, the long-term strategic action plan to strengthen and develop Rottneros.

During 2018, the Agenda 500 programme will be completed. The remaining decided investments within Agenda 500 for Rottneros Mill relate to the extension of biological treatment of process water and to the investments on the CTMP line, increasing the mill's capacity by 18,000 tonnes per year. For Vallvik Mill, the remaining investments include a recovery boiler project, with the aim of increasing safety, and several smaller measures to increase capacity. The Board of Directors has decided on total investments of about SEK 710m within the scope of Agenda 500. The annual capacity after completion of investments is estimated to be about 440 thousand tonnes.

In addition to Agenda 500, the Board has decided on investments of approximately SEK 140m. These investments mainly relate to the weak gas system at Vallvik Mill and to the new factory in industrial scale for Rottneros Packaging. Both are expected to be taken into use during the autumn of 2018. When these investments are completed, the Group will return to normal investment levels of some SEK 50-100m per year. In addition to replacement investments, the focus will be on eliminating bottlenecks and increasing efficiency.

### Rottneros investments and capacity expansion



## FINANCIAL POSITION

In order to complete financing of the Agenda 500 strategic plan and to optimise the Group's capital structure in the long term, Rottneros AB issued an unsecured bond of SEK 400 million in August 2017 with a maturity of 5 years to primarily Nordic institutional investors. The bond bears variable interest of STIBOR 3m + 4.15 per cent and must be repaid in September 2022. The bond has a framework amount of SEK 600 million, which allows for an additional bond issue of SEK 200 million.

The bond is listed on Nasdaq Stockholm. The bond terms contain standard covenants in the form of net debt to EBITDA of a maximum of 3.5, minimum equity/assets ratio of 50%, and a maximum dividend of 50% of the previous year's net income. These covenants were fulfilled on the balance sheet day.

The Group's cash and cash equivalents amounted to SEK 280m at the end of the quarter, compared with SEK 326 million at year-end 2017. Interest-bearing liabilities amounted to SEK 394m at the end of the quarter, equal to the amount at year-end 2017. Net debt at the end of the quarter totalled SEK 114m, compared with SEK 68m at the end of 2017. Total granted and unused credit facilities amounted to SEK 182 million at the end of the first quarter of 2018.

The equity/assets ratio amounted to 60 (77) per cent as of 31 March 2018. Equity per share totalled SEK 8.33 (7.68) at the end of the quarter.

## CASH FLOWS

Cash flow from operating activities for the first quarter of 2018 amounted to SEK 14m (38). In spite of higher EBIT, the cash flow was lower than in the first quarter of 2017, mainly due to increase in working capital. Cash flow after investments in non-current assets for the quarter was SEK -23m (-4).

Net cash flow for the first quarter of 2018 was SEK -46m (+1).

## ROTTNEROS PACKAGING

Rottneros Packaging, the Group's development area for eco-friendly fibre trays, started industrial production and customer deliveries in 2017. The manufacturing process and product quality will thereby be developed. An entirely new production line is currently being built in Sunne with a scheduled start of production in the autumn of 2018.

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



## COLLABORATION ON RENEWABLE FUEL

In September 2017, Rottneros and RenFuel entered into an agreement on the delivery of the residual product lignin for the production of Lignol®, RenFuel's patented lignin oil that can be refined into renewable petrol and diesel. During 2018, Rottneros will start smaller deliveries of lignin from Vallvik Mill for RenFuel's testing and pilot plant in Bäckhammar, Värmland county.

## PARENT COMPANY

The loss for the parent company after financial items for the first quarter of 2018 amounted to SEK -12m (-6).

## AVERAGE NUMBER OF EMPLOYEES

The average number of employees during the first quarter of 2018 was 305 (289). The increase was mainly attributable to capacity expansion and skills enhancement.

## SHARE INFORMATION

### Largest shareholders on 31 March 2018

Shareholders	Number of shares (=votes)	Per cent of capital
Arctic Paper S.A.	78,230,883	51.0
PROAD AB	8,190,000	5.3
Försäkringsaktiebolaget Avanza Pension	3,651,206	2.4
Nordnet Pensionsförsäkring AB	1,630,293	1.1
SSB Client Omnibus AC OM07 (15 PCT)	1,550,382	1.0
Clearstream Banking S.A., W8IMY	1,537,770	1.0
Försäkrings AB Skandia	1,521,449	1.0
Lind Value ApS	1,497,000	1.0
Borell, Joakim	1,482,657	1.0
SEB Investment Management	1,416,641	0.9
<b>Total for 10 largest owners – by size of holding</b>	<b>100,708,281</b>	<b>65.7</b>
Other shareholders	51,863,644	33.8
Rottneros AB (treasury shares from buy-back)	821,965	0.5
<b>TOTAL</b>	<b>153,393,890</b>	<b>100.0</b>

### 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 the first quarter of 2018.

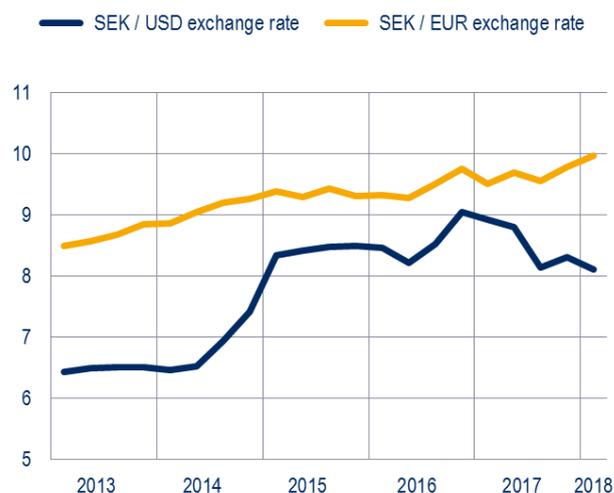
### Share price trend during the quarter

At the end of the first quarter of 2018, the price of Rottneros shares was SEK 7.52 (7.15 at the end of 2017). The average price during the quarter was SEK 7.32 (7.89).

## Price trend for Rottneros shares and Stockholm Stock Exchange, 2014-2018



## Exchange rate trend over the past five years



### Transactions with related parties

During the first quarter of 2018, Rottneros sold pulp to the related party Arctic Paper S.A. Group in the amount of SEK 25m (35). Outstanding operating receivables from Arctic Paper totalled SEK 18m (23) at quarter-end. The transactions took place at market conditions.

## 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 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, timber 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 the first quarter of 2018 was 9 per cent lower than during the first quarter of 2017.

### 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 34,500 tonnes as of 31 March 2018, with due dates between April 2018 up to and including December 2018 at an average price of SEK 7,311 per tonne.

### Electricity

All external electricity for the mills, approximately 300 GWh annually, is purchased directly via the Nord Pool electricity exchange. Electricity prices are quoted in EUR. At the end of the first quarter of 2018, 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 March 2018

Year	Proportion hedged	SEK/kWh
2018 Apr-Dec	89%	0.226
2019	85%	0.225
2020	85%	0.218
2021	56%	0.240

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 SEK 0.39 (0.30) per kWh for the first quarter of 2018.

See pages 38-42 of the Annual Report for 2017 for further information on risks.

## SUBSEQUENT EVENTS

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

## ANNUAL GENERAL MEETING

The Annual General Meeting of 2018 will be held on Wednesday 16 May at 2 p.m. in "Spegelsalen" at Rottneros Park, in Sunne.

## FORTHCOMING FINANCIAL INFORMATION

16 May 2018      Annual General Meeting in Sunne  
9 August 2018    Interim Report April-June  
24 October 2018   Interim Report July-September

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

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

Vallvik on 24 April 2018

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 24 April 2018 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.

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## CONSOLIDATED STATEMENTS OF INCOME

### CONSOLIDATED INCOME STATEMENT

Amounts in SEK m	Jan-Mar 2018	Jan-Mar 2017	Rolling 12 months	Full year 2017
<b>NET TURNOVER</b>	541	472	1 981	1,912
Change in inventories, finished goods	10	12	20	22
Other operating income	4	13	38	47
<b>Operating income, total</b>	555	497	2 039	1,981
Raw materials and consumables	-288	-247	-1 006	-965
Other external expenses	-101	-113	-491	-503
Employee benefit expenses	-65	-60	-271	-266
<b>EBITDA</b>	101	77	271	247
Depreciation/amortisation and impairment	-23	-20	-94	-91
<b>EBIT</b>	78	57	177	156
Financial income	0	0	2	2
Financial expenses	-5	-1	-15	-11
<b>Total financial items</b>	-5	-1	-13	-9
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>	73	56	164	147
Tax on profit/loss for the period	-16	-13	-36	-33
<b>NET INCOME</b>	57	43	128	114
Average number of shares (thousand) <sup>1</sup>	152,572	152,572	152,572	152,572
<b>Earnings per share (SEK) <sup>1</sup></b>	0.37	0.28	0.84	0.75

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

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Jan-Mar 2018	Jan-Mar 2017	Rolling 12 months	Full year 2017
<b>NET INCOME</b>	57	43	128	114
<b>Other comprehensive income</b>				
Items that have been or may be transferred to profit or loss for the period				
Cash flow hedging, before tax effect	7	-30	42	5
Cash flow hedging, tax effect	-1	7	-10	-2
Translation differences	1	0	1	0
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	7	-23	33	3
<b>COMPREHENSIVE INCOME FOR THE PERIOD <sup>2</sup></b>	64	20	161	117

<sup>2</sup> The entire comprehensive income is attributable to the parent company's shareholders.

## CONSOLIDATED BALANCE SHEET, SUMMARY

Amounts in SEK m	31 Mar 2018	31 Dec 2017
Intangible non-current assets	18	19
Property, plant and equipment	1,035	1,020
Financial assets	46	39
<b>Total non-current assets</b>	<b>1,099</b>	<b>1,078</b>
Inventories	296	279
Current receivables	426	324
Cash and cash equivalents	280	326
<b>Total current assets</b>	<b>1,002</b>	<b>929</b>
<b>TOTAL ASSETS</b>	<b>2,101</b>	<b>2,007</b>
<b>Shareholders' equity</b>	<b>1,271</b>	<b>1,207</b>
Long-term liabilities		
Interest-bearing liabilities	394	394
Deferred tax liabilities	60	42
Other non-interest-bearing liabilities	12	10
<b>Total long-term liabilities</b>	<b>466</b>	<b>446</b>
Current liabilities		
Interest-bearing liabilities	-	-
Non-interest-bearing liabilities	364	354
<b>Total current liabilities</b>	<b>364</b>	<b>354</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>2,101</b>	<b>2,007</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, SUMMARY

Amounts in SEK m	Share capital	Other contributed capital	Treasury shares	Other reserves		Retained earnings, incl. profit for the year	Total shareholders' equity
				Hedging reserve	Translation difference		
<b>Opening balance, 1 January 2017</b>	153	730	-69	15	-8	330	1,151
Net income Jan-Mar						43	43
Other comprehensive income, Jan-Mar				-23	0		-23
Total comprehensive income for Jan-Mar				-23	0	43	20
<b>Closing balance, 31 March 2017</b>	153	730	-69	-8	-8	373	1,171
Net income Apr-Dec						71	71
Other comprehensive income, Apr-Dec				26	0		26
Total comprehensive income for Apr-Dec				26	0	71	97
Dividends to shareholders, Apr-Dec						-61	-61
<b>Closing balance, 31 December 2017</b>	153	730	-69	18	-8	383	1,207
Net income Jan-Mar						57	57
Other comprehensive income, Jan-Mar				6	1		7
Total comprehensive income for Jan-Mar				6	1	57	64
<b>Closing balance, 31 March 2018</b>	153	730	-69	24	-7	440	1,271

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK m	Jan-Mar 2018	Jan-Mar 2017	Rolling 12 months	Full year 2017
EBIT	78	57	177	156
Adjustment for non-cash flow items				
Depreciation/amortisation and impairment	23	20	94	91
Other items not affecting cash flow	0	0	0	0
<b>EBIT adjusted for non-cash flow affecting items</b>	<b>101</b>	<b>77</b>	<b>271</b>	<b>247</b>
Received/paid financial items	-5	-1	-20	-16
Received/paid taxes	0	0	0	0
<b>Cash flow from operating activities before changes in working capital</b>	<b>96</b>	<b>76</b>	<b>251</b>	<b>231</b>
Change in working capital	-82	-38	-53	-9
<b>Cash flow from operating activities</b>	<b>14</b>	<b>38</b>	<b>198</b>	<b>222</b>
Investments in non-current assets	-37	-42	-232	-237
Change in current loans receivable	-23	-	-23	-
<b>Cash used in investing activities</b>	<b>-60</b>	<b>-42</b>	<b>-255</b>	<b>-237</b>
Borrowings of long-term loans	-	20	460	480
Amortisation of long-term loans	-	-1	-79	-80
Change in used bank overdraft facilities	-	-14	0	-14
Dividends paid	-	-	-61	-61
<b>Cash provided by/used in financing activities</b>	<b>0</b>	<b>5</b>	<b>320</b>	<b>325</b>
<b>Net cash flow for the period</b>	<b>-46</b>	<b>1</b>	<b>263</b>	<b>310</b>
Cash and cash equivalents at start of period	326	16	17	16
<b>Net cash flow for the period</b>	<b>-46</b>	<b>1</b>	<b>263</b>	<b>310</b>
Cash and cash equivalents at end of period	280	17	280	326

### CHANGES IN INTEREST-BEARING LIABILITIES

Amounts in SEK m	Jan-Mar 2018	Jan-Mar 2017	Rolling 12 months	Full year 2017
Interest-bearing liabilities in the balance sheet at the start of the period	394	14	19	14
Changes included in the cash flow from financing activities:				
Long-term loans taken out from banks	-	20	60	80
Bond issue	-	-	400	400
Amortisation of long-term loans from banks	-	-1	-79	-80
Change in used bank overdraft facilities	-	-14	-	-14
<b>Total</b>	<b>-</b>	<b>5</b>	<b>381</b>	<b>386</b>
Other changes:				
Direct costs in connection with the bond issue that are charged to expense over the loan period and included in the cash flow from operating activities	-	-	-7	-7
Direct costs charged to expense	0	-	1	1
<b>Interest-bearing liabilities in the balance sheet at the end of the period</b>	<b>394</b>	<b>19</b>	<b>394</b>	<b>394</b>

## PARENT COMPANY INCOME STATEMENTS

### PARENT COMPANY INCOME STATEMENT

Amounts in SEK m	Jan-Mar 2018	Jan-Mar 2017	Full year 2017
<b>NET TURNOVER</b>	1	1	6
Other operating income	3	2	10
<b>Operating income, total</b>	4	3	16
Other expenses	-4	-4	-18
Employee benefit expenses	-7	-5	-31
<b>EBITDA</b>	-7	-6	-33
Depreciation/amortisation and impairment	-1	0	0
<b>EBIT</b>	-8	-6	-33
Profit from participations in Group companies	0	0	28
Financial income	0	0	1
Financial expenses	-4	0	-7
<b>Total financial items</b>	-4	0	22
<b>LOSS AFTER FINANCIAL ITEMS</b>	-12	-6	-11
Tax on loss for the period	3	1	2
<b>NET INCOME</b>	-9	-5	-9

### PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Jan-Mar 2018	Jan-Mar 2017	Full year 2017
<b>NET INCOME</b>	-9	-5	-9
Other comprehensive income	-	-	-
<b>Total other comprehensive income</b>	-	-	-
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	-9	-5	-9

## PARENT COMPANY BALANCE SHEET, SUMMARY

Amounts in SEK m	31 Mar 2018	31 Mar 2017	31 Dec 2017
Intangible non-current assets	16	10	17
Equipment	1	0	0
Financial assets	285	282	286
<b>Total non-current assets</b>	302	292	303
Current receivables <sup>1</sup>	934	871	889
Cash and cash equivalents	265	5	311
<b>Total current assets</b>	1,199	876	1,200
<b>TOTAL ASSETS</b>	1,501	1,168	1,503
<b>Shareholders' equity</b>	961	1,036	970
Long-term liabilities			
Interest-bearing	394	-	394
Non-interest-bearing	12	6	10
<b>Total long-term liabilities</b>	406	6	404
Current liabilities			
Interest-bearing	-	-	-
Non-interest-bearing <sup>2</sup>	134	126	129
<b>Total current liabilities</b>	134	126	129
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	1,501	1,168	1,503

<sup>1</sup> Including receivables of SEK 907m (870) from subsidiaries.

<sup>2</sup> Including liabilities of SEK 116m (120) 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 last annual report.

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

#### **IFRS 9, Financial Instruments**

IFRS 9 Financial Instruments entered into force on 1 January 2018 and replaces IAS 39 Financial Instruments: Recognition and Measurement. Various parts of the new standard have been revised, with one part relating to the recognition and measurement of financial assets and financial liabilities. The new standard does not have any significant impact on the Group.

#### **IFRS 15, Revenue from Contracts with Customers**

IFRS 15 entered into force on 1 January 2018. The standard replaces all previously issued standards and interpretations addressing income. IFRS 15 contains a comprehensive revenue recognition model for all contracts with customers. The new standard does not have any significant impact on the Group.

Rottneros derives its revenue from sales of a standard product (paper pulp) to its customers. For each sales transaction there is only one performance obligation: delivery of the product in accordance with the terms of the sale. Revenue is recognised at a specific point in time when control of the product is transferred to the customer. Sales price or a price list is included in the customer contract. Credit terms used in the customer contracts are customary in the pulp market.

## FINANCIAL INSTRUMENTS

### FAIR VALUE FOR DERIVATIVES, 31 MARCH 2018

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Currency EUR, forward sell	EUR 3.0m	Apr-May 2018	10.03 SEK/EUR	-1
Currency USD, forward sell	USD 16.0m	Apr-Jun 2018	8.16 SEK/USD	-3
Pulp, forward sell	34,500 tonnes	Apr-Dec 2018	7,311 SEK/tonne	-28
Electricity, forward buy	899,520 MWh	2018-2021	0.225 SEK/kWh	57
<b>Total fair value</b>				<b>25</b>

### FAIR VALUE FOR DERIVATIVES, 31 DECEMBER 2017

Hedging	Hedged volume	Maturity	Hedging level	Fair value (SEK m)
Currency EUR, forward sell	EUR 2.0 million	Jan 2018	9.88 SEK/EUR	0
Currency USD, forward sell	USD 9.8 million	Jan-Feb 2018	8.36 SEK/USD	1
Pulp, forward sell	42,000 tonnes	Jan-Dec 2018	7,293 SEK/tonne	-8
Electricity, forward buy	950,520 MWh	2018-2021	0.225 SEK/kWh	31
<b>Total fair value</b>				<b>24</b>

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 ineffective portion that is reported in the income statement, amounted to SEK 0 (0) million with respect to cash flow hedges during the reporting period. 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 SEK 400 million 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 SEK 7 million and will be reported as interest costs over the bond period. The bond, which has a framework amount of SEK 600 million, is listed on Nasdaq Stockholm. The bond terms contain standard covenants in the form of net debt to EBITDA of a maximum of 3.5, minimum equity/assets ratio of 50%, and a maximum dividend of 50% of the previous year's net income. These covenants were fulfilled on the balance sheet day. The fair value of the bond was assessed to be SEK 410 million on balance sheet day.

The nature of other financial assets and liabilities is in all essential respects the same as on 31 December 2017. The carrying amounts are deemed to be equal to fair values, which was also the case at the end of 2017, 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.

## GROUP PERFORMANCE IN SUMMARY

	Jan-Mar 2018	Jan-Mar 2017	Rolling 12 months	Full year 2017	2016	2015	2014	2013
<b>Income statement (SEK m)</b>								
Net turnover	541	472	1,981	1,912	1,730	1,795	1,547	1,389
EBITDA	101	77	271	247	221	321	177	-11
Depreciation/amortisation and impairment	-23	-20	-94	-91	-51	-58	-59	-142
EBIT	78	57	177	156	170	263	118	-154
Financial items (net financial items)	-5	-1	-13	-9	-7	-4	-4	-4
Profit/loss after financial items	73	56	164	147	163	259	114	-158
Net income	57	43	128	114	128	223	133	-158
<b>Cash flow statement (SEK m)</b>								
Cash flow from operating activities	14	38	198	222	187	335	104	62
Investments in non-current assets	-37	-42	-232	-237	-278	-103	-59	-37
Cash flow after investments	-23	-4	-34	-15	-91	232	45	25
Cash provided by/used in financing activities	0	5	320	325	-62	-152	-30	-18
Net cash flow	-46	1	263	310	-153	80	54	9
<b>Balance sheet items (SEK m)</b>								
Non-current assets	1,099	927	1,099	1,078	905	706	691	706
Inventories	296	283	296	279	278	267	255	246
Current receivables	426	285	426	324	290	244	226	175
Cash and cash equivalents	280	17	280	326	16	169	89	35
Net debt (+) / net cash (-)	114	2	114	68	-2	-169	-59	25
Shareholders' equity	1,271	1,171	1,271	1,207	1,151	1,058	975	825
Long-term interest-bearing liabilities	394	19	394	394	-	-	30	0
Long-term non-interest-bearing liabilities	72	31	72	52	14	18	9	13
Current interest-bearing liabilities	-	-	-	-	14	-	0	60
Current non-interest-bearing liabilities	364	291	364	354	310	310	247	264
Capital employed	1,385	1,173	1,385	1,275	1,149	889	916	849
Total shareholders' equity and liabilities	2,101	1,512	2,101	2,007	1,489	1,386	1,261	1,161
<b>Key ratios</b>								
EBITDA margin, %	18.7	16.3	13.7	12.9	12.8	17.9	11.4	-0.8
EBIT margin, %	14.4	12.1	8.9	8.2	9.8	14.7	7.6	-11.1
Return on shareholders' equity (rolling 12 months), %	10.5	10.4	10.5	9.7	11.6	21.9	13.6	Neg.
Return on capital employed (rolling 12 months), %	13.9	14.7	13.9	12.9	16.7	29.1	13.4	Neg.
Equity/assets ratio, %	60	77	60	60	77	76	77	71
Debt/equity ratio, %	9	0	9	6	0	-16	-6	3
<b>Other</b>								
Average no. of employees	305	289	302	301	282	264	251	256
Pulp production, 1,000 tonnes	99.9	102.9	398.2	401.2	374.1	373.3	345.0	333.4
Pulp deliveries, 1,000 tonnes	98.2	101.2	392.9	395.9	374.1	372.2	344.2	332.1
List price of NBSK pulp, USD per tonne <sup>1</sup>	1,059	817	942	882	802	857	925	857
SEK/USD <sup>2</sup>	8.11	8.92	8.34	8.54	8.56	8.44	6.86	6.51
List price of NBSK pulp, SEK per tonne	8,584	7,290	7,860	7,530	6,867	7,228	6,345	5,582

<sup>1</sup> Source: Market listing of gross prices once a week. Average for each period.

<sup>2</sup> Source: Riksbanken's daily quotations. Average for each period.

## QUARTERLY DATA, GROUP

	2018	2017				2016			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Income statement (SEK m)</b>									
Net turnover	541	496	472	472	472	441	444	413	432
EBITDA	101	21	66	83	77	1	61	73	86
Depreciation/amortisation and impairment	-23	-28	-22	-21	-20	-5	-15	-16	-15
EBIT	78	-7	44	62	57	-4	46	57	71
Financial items (net financial items)	-5	-5	-3	0	-1	-3	-1	-1	-2
Profit/loss after financial items	73	-12	41	62	56	-7	45	56	69
Tax on profit/loss for the period	-16	2	-9	-13	-13	1	-11	-10	-15
Net income	57	-10	32	49	43	-6	34	46	54
<b>Per share</b>									
Earnings per share, SEK	0.37	-0.06	0.21	0.32	0.28	-0.04	0.23	0.30	0.35
<b>Other</b>									
Pulp production, 1,000 tonnes	99.9	94.4	102.5	101.4	102.9	87.1	91.9	100.0	95.1
Pulp deliveries, 1,000 tonnes	98.2	100.1	95.7	98.9	101.2	92.8	95.6	92.8	92.9
List price of NBSK pulp, SEK per tonne	8,584	7,949	7,279	7,572	7,290	7,313	6,912	6,541	6,699

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

		Jan-Mar 2018	Jan-Mar 2017	Rolling 12 months	Full year 2017	2016	2015	2014	2013
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
Treasury shares <sup>2</sup>	Number	822	822	822	822	822	822	822	822
Earnings per share	SEK	0.37	0.28	0.84	0.75	0.84	1.46	0.87	-1.04
Cash flow after investments/share <sup>3</sup>	SEK	-0.15	-0.03	-0.22	-0.10	-0.60	1.52	0.29	0.16
Equity per share	SEK	8.33	7.68	8.33	7.91	7.54	6.93	6.39	5.41
<b>Dividend</b>									
Ordinary dividend	SEK	-	-	0.30	0.30	0.30	0.30	0.20	-
Extra dividend	SEK	-	-	0.10	0.07	0.10	0.20	0.60	-
Total	SEK	-	-	0.40	0.37	0.40	0.50	0.80	-
Dividend/equity per share	%	-	-	4.8	4.7	5.3	7.2	12.5	-
Share price at end of period	SEK	7.52	8.35	7.52	7.15	8.05	8.15	3.74	1.99
Market price/equity/share	times	0.9	1.1	0.9	0.9	1.1	1.2	0.6	0.4
P/E ratio per share	times	9.0	10.8	9.0	9.5	9.6	5.6	4.3	Neg.
Direct yield <sup>4</sup>	%	-	-	5.3	5.2	5.0	6.1	21.4	-

<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 from operating activities less investments in non-current assets, divided by the number of shares.

<sup>4</sup> Direct yield is calculated in proportion to the share price at end of period.

## ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures (APM) are financial measures that are not defined in IFRS and are presented outside the financial statements. Rottneros uses the following APMs: Cash flow after investments, Net debt/net cash, Capital employed, Return on capital employed, Return on equity, Equity/assets ratio and Debt/equity ratio. The Company believes that these key ratios are useful for readers of the financial statements as a complement to other key performance indicators to assess the Rottneros Group's financial position and profitability. Rottneros also uses the key indicators P/E ratio and Direct yield, which the Company believes are relevant for investors and other readers. APMs can be defined in different ways by other companies and therefore may not be comparable with similar measures used by other companies.

## DEFINITIONS OF KEY RATIOS

### EBITDA

Earnings before depreciation/amortisation and impairment, financial items and income taxes.

### EBIT

Earnings before financial items and income taxes.

### 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.

### 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.

### Net debt/net cash

Interest-bearing liabilities minus cash and cash equivalents.

### Capital employed

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

### Return on capital employed (rolling 12 months)

EBIT for the past 12 months, as a percentage of average capital employed (average of capital employed at the beginning of the period and at the end of the period).

### Return on shareholders' equity (rolling 12 months)

Net income for the past 12 months, as a percentage of average shareholders' equity (average of shareholders' equity at the beginning of the period and at the end of the period).

### Equity/assets ratio

Equity as a percentage of the sum of shareholders' equity and liabilities.

### Debt/equity ratio

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

### P/E ratio

Share price at the end of the period in relation to earnings per share (rolling 12 months).

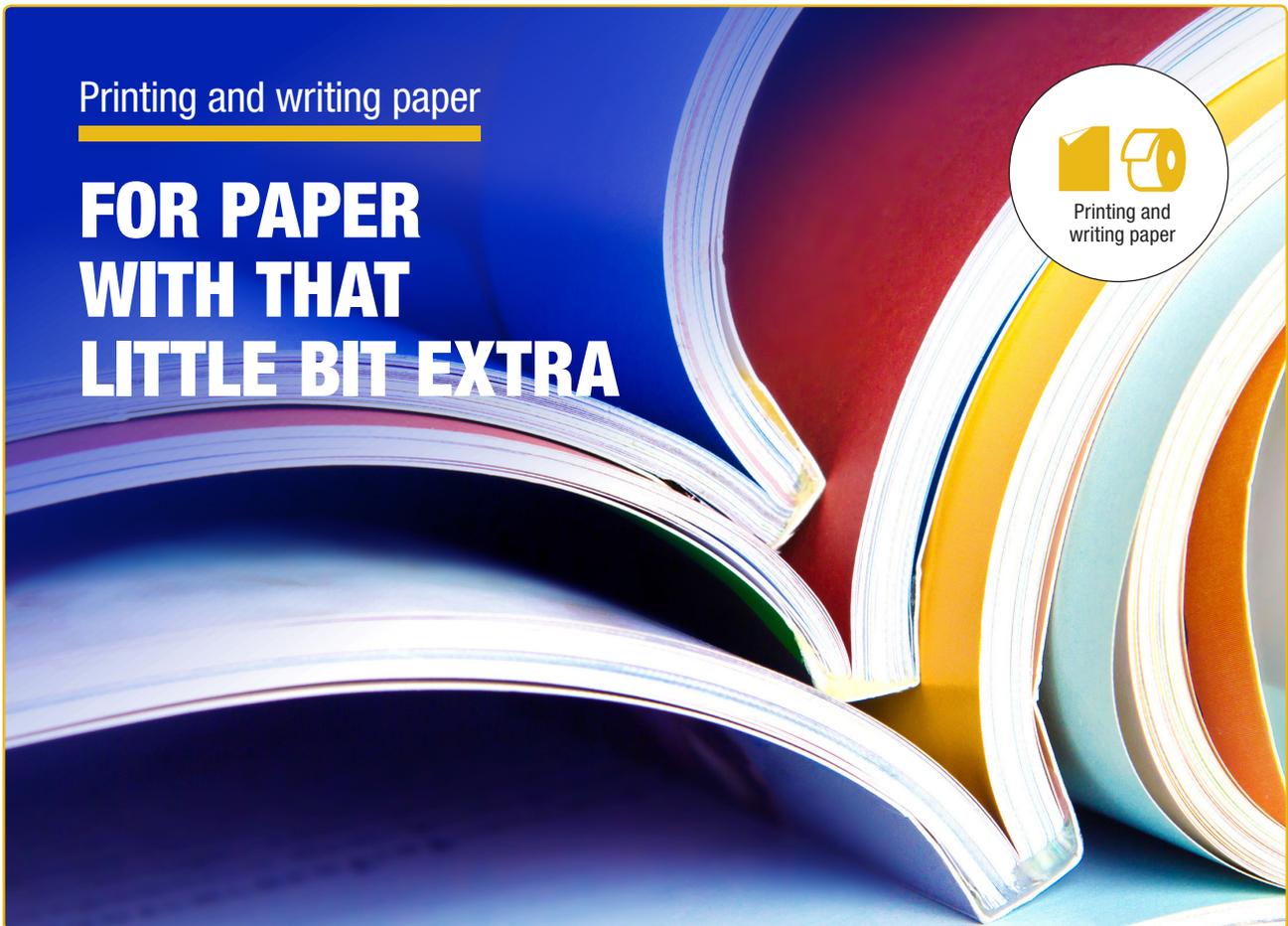
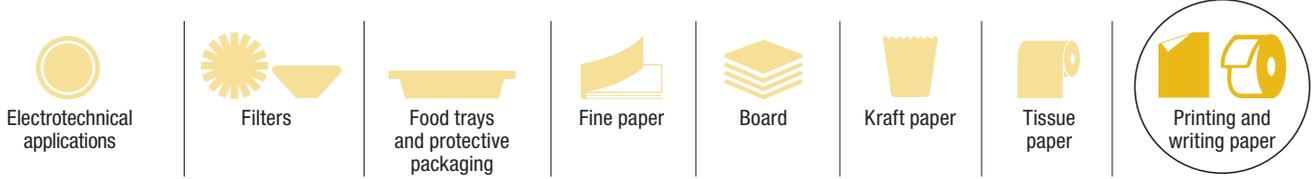
### Direct yield

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

## GLOSSARY

Market pulp	Pulp sold on the market and transported to the customer. Market pulp accounts for about one third of pulp production worldwide. The remaining two thirds are produced at integrated paper and board mills, or used internally within a group.	Short-fibre pulp	Pulp where the raw material is hardwood, which has shorter cellulose fibre than softwood.
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).	Long-fibre pulp	Pulp where the raw material is softwood, which has longer cellulose fibre than hardwood.
BEK	Bleached Eucalyptus Kraft pulp.	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.
CTMP	Chemi-Thermo-Mechanical Pulp. Development of TMP, where the mechanical pulp is impregnated with chemicals. Stronger than TMP. Stronger than TMP. The term is used in Europe for both bleached and unbleached pulp.	NBSK	Northern Bleached Softwood Kraft: bleached long-fibre sulphate pulp. The leading indicator of world market prices.
ECF	Elemental Chlorine Free. Sulphate pulp bleached using chlorine dioxide, not chlorine.	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.

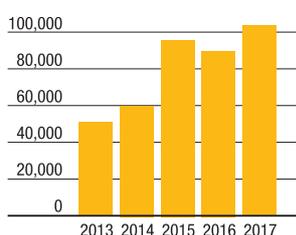
**APPLICATION AREAS OF ROTTNEROS' PRODUCTS**



**PROPORTION OF ROTTNEROS' TOTAL DELIVERIES**



**ROTTNEROS' DELIVERIES OF PULP FOR PRINTING AND WRITING PAPER, TONNES**



**From standard to exclusive niche products**

In mature industrial countries, the rise of digital media has resulted in the decline of graphic paper, a trend that has impacted many industries. Demand is switching from normal writing paper to more exclusive products, which suits Rottneros fine. The Group's broad product profile creates opportunities to adapt the pulp mix and to offer precisely the properties that the customer wants, allowing us to achieve the position of niche player in a historically large market.

**Purity and opacity for an elegant finish**

Different properties are required depending on whether the product is a magazine, book, gift wrap or gift card. For thin packaging and printing paper, as well as a number of special applications, opacity is important when low light transmission is needed, such as when the print should not be visible through the sheet of paper. Similarly, the purity of the pulp (low shives content) is important when manufacturing thin paper. Rottneros has a clear competitive advantage with its pure and high-quality pulp categories. One type of pulp that is perfect in this area is Opacity Extreme.



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